

# Results for the Full Year 2016

## Highlights Fourth Quarter 2016

- > Reported net result increased by 26.3% to EUR 106.5mn (Q4 2015: EUR 84.3 mn)
- > Group total revenues declined by 0.9% on a proforma<sup>1</sup> and by 0.7% on a reported basis mainly driven by roaming
- > Group EBITDA declined by 17.7% on a proforma<sup>1</sup> and by 17.6% on a reported basis
- > Proforma revenues and EBITDA rose by 1.6% and 2.4% y-o-y on an adjusted basis excluding:
  - > EUR 10.5 mn positive one-off effects in total revenues in Austria in Q4 2015: Reversal of accruals in fixed-line and other revenues
  - > EUR 10.0 mn positive one-off effect in total revenues in Slovenia in other operating income in Q4 2015: Agreement on settling mutual relations and business collaboration with Telekom Slovenije
  - > Restructuring charges amounting to negative EUR 26.8 mn in Q4 2016 vs. positive EUR 16.6 mn in Q4 2015 due to a EUR 21.6 mn positive one-off effect in Q4 2015 stemming from a legal settlement and a negative impact in Q4 2016 resulting from a revaluation in Q3 2016
  - > Negative FX effects in Q4 2016: EUR 7.1 mn and EUR 2.4 mn in revenues and EBITDA
- > On an operating level better service revenue trends and ongoing strong cost efficiencies managed to offset effects from the stepwise retail roaming abolition and higher equipment costs
- > Austria: Excluding one-off effects and restructuring charges EBITDA margin rose in spite of lower revenues due to decreases in roaming and equipment revenues
- > CEE: Continuing strong operational trends in Croatia and Belarus, first improvements in Bulgaria;
- > Group outlook<sup>2</sup> 2017: approx. +1% total revenues, CAPEX<sup>3</sup> of approx. EUR 725 mn

### Key performance indicators

#### Proforma view

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Total revenues	1,098.2	1,107.9	-0.9	4,211.5	4,231.8	-0.5
EBITDA	275.1	334.1	-17.7	1,354.3	1,390.5	-2.6
% total revenues	25.1%	30.2%		32.2%	32.9%	
EBIT	52.2	124.0	-57.9	486.7	568.2	-14.4
% total revenues	4.8%	11.2%		11.6%	13.4%	
Net result (reported)	106.5	84.3	26.3	413.2	392.8	5.2

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Wireless subscribers (thousands)	20,707.8	20,711.0	0.0	20,707.8	20,711.0	0.0
thereof postpaid (thousands)	15,041.0	14,787.1	1.7	15,041.0	14,787.1	1.7
thereof prepaid (thousands)	5,666.8	5,923.9	-4.3	5,666.8	5,923.9	-4.3
MoU (per Ø subscriber)	308.7	304.5	1.4	304.8	302.0	0.9
ARPU (EUR)	8.6	8.7	-0.5	8.7	8.9	-2.3
Churn (%)	2.2%	2.1%		2.0%	1.9%	

Wireline indicators	Q4 2016 reported	Q4 2015 proforma	% change	1–12 M 2016 reported	1–12 M 2015 proforma	% change
RGUs (thousands)	5,900.2	5,823.6	1.3	5,900.2	5,823.6	1.3

\* 1–12M 2015 Minutes of Use value has been adjusted retrospectively.

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

<sup>1</sup> Proforma figures include M&A transactions made between the start of the comparison period and the end of the reporting period.

<sup>2</sup> Outlook based on reported numbers and on a constant currency basis, except for Belarus

<sup>3</sup> Does not include investment in spectrum and acquisitions.

# Disclaimer

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

# Information on reporting changes

As of Q1 2016, the 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 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: total mobile revenues include mobile service revenues, mobile equipment revenues and 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.

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

To reflect the performance on an operational basis, the proforma figures present comparison figures for previous periods as if M&A transactions executed between the start of the comparison period and the end of the reporting period had already been fully consolidated in the relevant months of the comparison period. Alternative performance measures are used to describe the operational performance. Please therefore also refer to the financial information presented in the Consolidated Financial Statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 29.

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<sup>1</sup> This financial report of Telekom Austria Group contains quarterly results which have not been audited or reviewed by a certified public accountant. The full year 2016 results figures are audited. The annual financial report, which includes the audited single and consolidated financial statement as well as the management reports will be released as required by 30 April 2017.

# Full year and fourth quarter results

Vienna, 30 January 2017 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for fourth quarter and full year 2016, ending 31 December 2016.

## Quarterly Comparison

The following tables, including total revenues, EBITDA and operating income, are presented on a proforma basis, which include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period. This affects the segment of Belarus. The proforma view is equivalent to the reported view for the other segments. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. The reconciliation tables, including reported and proforma values, as well as the difference thereof, can be found on page 29.

## Summary Quarterly Comparison

Key performance indicators

Proforma view

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	1,098.2	1,107.9	-0.9
EBITDA	275.1	334.1	-17.7
% total revenues	25.1%	30.2%	
EBIT	52.2	124.0	-57.9
% total revenues	4.8%	11.2%	

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change
Wireless subscribers (thousands)	20,707.8	20,711.0	0.0
thereof postpaid (thousands)	15,041.0	14,787.1	1.7
thereof prepaid (thousands)	5,666.8	5,923.9	-4.3
MoU (per Ø subscriber)*	308.7	304.5	1.4
ARPU (EUR)	8.6	8.7	-0.5
Churn (%)	2.2%	2.1%	

Wireline indicators	Q4 2016 reported	Q4 2015 proforma	% change
RGUs (thousands)	5,900.2	5,823.6	1.3

\* Q4 2015 Minutes of Use value has been adjusted retrospectively.

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

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

- > The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- > One-off effects included in the fourth quarter of 2015:

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q4 2016') are available on the website at [www.telekomaustria.com](http://www.telekomaustria.com).

Results for the first quarter 2017 are expected to be announced in the week of 24 April 2017

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

- > EUR 10.5 mn positive one-off effects in total revenues in Austria in Q4 2015: Reversal of accruals in fixed-line and other revenues
- > EUR 10.0 mn positive one-off effect in total revenues in Slovenia in other operating income in Q4 2015: Agreement on settling mutual relations and business collaboration with Telekom Slovenije
- > Restructuring charges amounting to negative EUR 26.8 mn in Q4 2016 vs. positive EUR 16.6 mn in Q4 2015 due to a EUR 21.6 mn positive one-off effect in Q4 2015 stemming from a legal settlement and a negative impact in Q4 2016 resulting from a revaluation in Q3 2016
- > Total negative FX effects amounting to EUR 7.1 mn for total revenues and EUR 2.4 mn for EBITDA in Q4 2016, stemming almost entirely from Belarus.

In December 2016, an agreement for the acquisition of the fixed-line operator Metronet in Croatia was signed; the company is expected to be consolidated following the closing from the first quarter of 2017.

In the fourth quarter of 2016, Telekom Austria Group saw a stable mobile subscriber base of in a year-on-year comparison, coming mostly from Austria. Almost all CEE markets saw a shift from prepaid to postpaid offers. The number of revenue generating units (RGUs) rose by 1.3% year-on-year (reported: +6.3%).

**Group revenues decreased by 0.9% year-on-year**

Group total revenues decreased by 0.9% year-on-year on a proforma basis<sup>3</sup> (reported: -0.7%). Excluding one-off and FX effects in Q4 2016 and the comparison period, pro-forma revenues grew by 1.6%. Negative effects stemming from the stepwise abolition of retail roaming in the EU as of 30 April 2016 came in as expected and derive mostly from Austria, while the amount of the negative impact has been largely negligible so far in Bulgaria, Croatia and Slovenia.

Reported total revenues in the Austrian segment declined by 2.7% year-on-year in the fourth quarter of 2016. Excluding one-off effects in the amount of EUR 10.5 mn in Q4 2015 in fixed-line and other revenues, revenues declined by 1.2%. This was mainly driven by the decline in both wireless service and equipment revenues.

In the Bulgarian segment, reported total revenues increased by 2.6% in a year-on-year comparison, due to higher equipment revenues as well as a slight increase in service revenues. Reported total revenues in the Croatian segment rose by 7.8% year-on-year and continued to profit from better trends in the mobile and ongoing growth in the fixed-line business. Total revenues in the Belarusian segment increased again by 7.2% year-on-year, driven by continuing solid operational growth and an improving FX environment.

In the Slovenian segment, the positive one-off effect in Q4 2015 resulted in a decline in reported total revenues of 14.9% year-on-year in the fourth quarter 2016. Reported total revenues in the Serbian segment increased by 2.6% year-on-year, driven by higher equipment sales. In the Republic of Macedonia, reported total revenues came in 3.3% higher year-on-year.

Group total costs and expenses increased by 6.4% year-on-year to EUR 823.1 mn in the fourth quarter of 2016 (reported: +6.5%), driven entirely by the increase in restructuring charges in Austria. Excluding restructuring charges, Group total costs and expenses increased slightly by 0.7%.

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

Group EBITDA declined by 17.7% year-on-year to EUR 275,1 mn in the fourth quarter of 2016 (reported: -17.6%). Excluding one-off and FX effects as well as restructuring charges Group EBITDA increased by 2.4%.

Depreciation and amortisation rose by 5.0% to EUR 220.6 mn in a year-on-year comparison, mainly driven by Austria due to spectrum licenses starting in Q1 2016 and M&A-driven higher D&A in the Republic of Macedonia. Altogether, this led to a decline in operating income of 57.9% year-on-year (reported: -57.8%) to EUR 52.2 mn.

The reported financial result amounted to a negative EUR 35.7 mn in Q4 2016 compared to a negative EUR 39.4 mn in the same period last year. A tax benefit of EUR 90.0 mn was recorded in the quarter under review. This was mainly due to a positive effect of the recognition of higher deferred tax assets on tax losses carried forward due to higher expected future tax results within the Austrian tax group. In summary, this resulted in a reported net result of EUR 106.5 mn in the fourth quarter of 2016 compared to EUR 84.3 mn in Q4 2015.

Group EBITDA decline of 17.7% year-on-year; 2.4% EBITDA growth excl. one-offs, FX effects and restructuring charges

EUR 106.5 mn reported net result

## Segment Austria

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	662.3	680.8	-2.7
thereof wireless revenues	316.8	330.9	-4.3
thereof service revenues	256.2	263.4	-2.7
thereof equipment revenues	42.8	52.4	-18.4
thereof fixed-line and other revenues	345.5	350.0	-1.3
EBITDA	176.4	222.8	-20.8
% of total revenues	26.6%	32.7%	
EBIT	49.1	105.5	-53.5
% of total revenues	7.4%	15.5%	

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change
wireless subscribers (in '000)	5,971.5	5,803.7	2.9
thereof postpaid (in '000)	4,242.7	4,076.8	4.1
thereof prepaid (in '000)	1,728.8	1,726.9	0.1
MoU (per Ø subscriber)	234.5	243.9	-3.9
ARPU (in EUR)	14.4	15.3	-6.0
Churn (%)	1.6%	1.4%	

Wireline indicators	Q4 2016 reported	Q4 2015 proforma	% change
RGUs (in '000)	3,495.5	3,534.4	-1.1

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

In Q4 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 AG counters these challenges, on the one hand, with its successful multi-brand strategy that allows it to address price pressure via its no-frills brands bob and YESS!. On the other hand, At introduced a hybrid modem in July 2016 which combines the fixed-line and the mobile network and

thereby enables A1 to offer fixed-line products with higher bandwidth. Convenient unlimited mobile broadband offers complete A1's data-centric high-value proposition.

In the fourth quarter of 2016, the total number of mobile communication subscribers rose by 2.9% year-on-year, mostly due to a greater number of Machine-to-Machine (M2M) SIM cards. Excluding M2M, the subscriber base remained almost stable, as a decline in no-frills subscribers was to a large extent offset by gains in the high-value customer base. Mobile broadband customer numbers rose due to a change in the counting methodology.

Net additions came in positive at 52,300 as higher churn was more than outweighed by higher gross additions in the contract (M2M driven) business. Excluding M2M, net additions were negative with a loss of 5,200, mainly driven by a decline in no-frills subscribers.

Fixed broadband and TV RGU growth of 1.5% and 5.5% year-on-year respectively

In the fixed-line business, total fixed-line revenue generating units (RGUs) decreased by 1.1% year-on-year in Q4 2016. Compared to previous quarters, year-on-year growth of fixed-line broadband slowed further to 1.5%, while demand for fibre upgrades remained strong. TV RGUs continued to exhibit solid growth and rose by 5.5% year-on-year in Q4 2016.

In the fourth quarter of 2016, total revenues decreased by 2.7% year-on-year. Excluding one-off effects in the amount of EUR 10.5 mn in Q4 2015 in fixed-line and other revenues, revenues declined by 1.2%. This was mainly driven by the decline in both wireless service and equipment revenues.

Wireless service revenues decreased almost entirely due to negative effects on customer roaming after the stepwise abolition of retail roaming within the EU per 30 April 2016. Excluding the roaming impact, wireless service revenues came in higher and profited from higher fixed 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. Wireless equipment revenues declined, mostly due to less replacements and gross additions with devices as well as higher subsidies.

Average monthly revenue per user (ARPU) declined by 6.0% from EUR 15.3 in Q4 2015 to EUR 14.4 in the fourth 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. Excluding roaming and M2M, ARPU would have been stable in Q4 2016.

Fixed-line and other revenues decreased driven by prior year's one-off effects and rose by 1.8%, adjusted for these effects. This increase was mostly driven by higher interconnection revenues due to a changed settlement logic and increased quantities. Retail fixed service revenues declined as the lower voice revenues were only partly mitigated by higher revenues from broadband and TV.

The average monthly revenue per fixed-line (ARPL) fell from EUR 28.7 in Q4 2015 to EUR 28.2 in Q4 2016, notably the comparison is affected by the positive one-off effect in Q4 2015. Excluding this effect, ARPL was stable due to the above-mentioned strong demand for fibre upgrades. Higher broadband and TV revenues compensated for the ongoing voice revenue decline.

Total costs and expenses rose by 6.1% in the fourth quarter of 2016 compared to the same period last year. This increase was above all driven by EUR 43.3 mn higher restructuring charges year-on-year. Excluding restructuring charges, total costs and expenses declined as lower cost of equipment more than outweighed increases in advertising, network engineering and interconnection expenses. The decline in equipment costs was driven by a decline in handset replacements and gross additions. The increase in interconnection expenses resulted from a changed settlement logic as well as higher quantities. The continued focus on intensified cost-cutting benefitted areas like maintenance and personnel costs. The substantial increase in restructuring charges was the result of the combined impact of the positive one-off in the amount of EUR 21.6 mn included in Q4 2015 and earlier revaluation of the restructuring provision in 2016, which was

accounted for already in Q3 2016. Operationally, restructuring charges were impacted by more social plans for civil servants.

Subsidies for customer acquisition decreased from EUR 9.1 mn in Q4 2015 to EUR 7.7 mn in Q4 2016, resulting from lower quantities. Subsidies for customer retention increased from EUR 22.5 mn in Q4 2015 to EUR 24.6 mn in Q4 2016 mainly due to higher subsidies per device. In the fourth quarter of 2016, total subsidies increased slightly by 2.0% compared to Q4 2015.

As a result of declining total revenues and higher total costs and expenses, EBITDA declined by 20.8% year-on-year in the fourth quarter of 2016. Excluding the above-mentioned one-off effects and restructuring charges, EBITDA came in 3.8% higher.

EBITDA decline of 20.8% year-on-year; 3.8% EBITDA growth excl. one-offs

Depreciation and amortisation increased by 6.6% 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 a decrease in operating income of 53.5% year-on-year to EUR 49.1 mn in Q4 2016.

## Segment Bulgaria

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	108.7	106.0	2.6
thereof wireless revenues	86.5	84.3	2.6
thereof service revenues	67.4	67.2	0.3
thereof equipment revenues	17.2	13.9	24.0
thereof fixed-line and other revenues	22.2	21.7	2.3
EBITDA	25.2	31.7	-20.5
% of total revenues	23.1%	29.9%	
EBIT	-2.6	1.8	n.m.
% of total revenues	-2.4%	1.7%	

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change
wireless subscribers (in '000)	4,108.1	4,235.7	-3.0
thereof postpaid (in '000)	3,509.4	3,494.9	0.4
thereof prepaid (in '000)	598.7	740.8	-19.2
MoU (per Ø subscriber)*	277.3	268.4	3.3
ARPU (in EUR)	5.5	5.3	3.8
Churn (%)	2.2%	2.3%	

Wireline indicators	Q4 2016 reported	Q4 2015 proforma	% change
RGUs (in '000)	1,018.9	1,011.9	0.7

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

In the fourth quarter of 2016, the 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 management efforts to reduce repricing in the business segment as well as successful up- & cross-selling activities in the residential segment, Mobiltel has achieved a further improvement in its service revenue trends in Q4 2016, registering a moderate year-on-year growth

for the first time after several years of consistent decline. In the fixed-line business, the acquisition of Bli-zoo, which has been fully consolidated as of the beginning of Q4 2015, strengthens Mobiltel's position in the market.

Total mobile subscribers declined by 3.0% year-on-year in the fourth quarter of 2016, driven by losses in the prepaid segment due to the above-mentioned shift towards postpaid offers. Smartphone and mobile broadband services continued to grow in Q4 2016 compared to Q4 2015 following the rise in demand for mobile data. Total fixed-line revenue generating units (RGUs) increased by 0.7% year-on-year due to the growing popularity of bundled services with TV and increased demand for broadband products, while the number of fixed voice services declined.

Total revenues rose by 2.6% in Q4 2016 compared to the same period last year, triggered by the increase in equipment revenues and a moderate growth in service revenues. The growth in wireless service revenues compared to prior year was mainly fuelled by higher interconnection revenues. The latter rose due to higher quantities, while mobile termination rates were reduced as of December 2016. The improving trends in the residential segment which profited from the above-mentioned value-based management fully compensated the downside effect from EU roaming regulation. In addition, the price pressure in the business segment remains, although the negative trend has slowed down due to successful countermeasures taken. Fixed-line revenues increased due to the growth in satellite TV subscribers.

Average monthly revenue per user (ARPU) improved to a level of EUR 5.5 in the fourth quarter of 2016, compared to EUR 5.3 in Q4 2015, supported by the above-mentioned improvement in service revenue trends. On a reported basis, the average monthly revenue per fixed line (ARPL) remained stable at EUR 10.8 in Q4 2016.

**Total costs and expenses  
increased by 12.4% year-on-  
year**

Total costs and expenses increased by 12.4% in a year-on-year comparison. The increase was primarily driven by revenue-related costs, namely increase in equipment cost due to more handsets sold and increased workforce costs due to a sales push. In the costs of service area, content costs increased due to the growth in TV subscribers. Further, interconnection expenses rose following the growing popularity of tariffs including free minutes to all national networks and roaming expenses increased due to higher traffic. Other expenses also rose due to a positive effect included in Q4 2015 resulting from a legal settlement.

Higher total costs and expenses outbalanced the growth in total revenues and led to a decline in EBITDA of 20.5% year-on-year in the fourth quarter of 2016, mostly due to the above-mentioned volume-driven increase in cost of equipment.

## Segment Croatia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	103.2	95.7	7.8
thereof wireless revenues	79.6	74.9	6.4
thereof service revenues	60.0	58.7	2.2
thereof equipment revenues	17.2	15.1	13.6
thereof fixed-line and other revenues	23.5	20.9	12.6
EBITDA	19.0	15.1	25.7
% of total revenues	18.4%	15.8%	
EBIT	-1.2	-3.9	n.m.
% of total revenues	-1.2%	-4.1%	

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change
wireless subscribers (in '000)	1,720.0	1,733.6	-0.8
thereof postpaid (in '000)	846.8	836.0	1.3
thereof prepaid (in '000)	873.2	897.6	-2.7
MoU (per Ø subscriber)*	299.6	295.5	1.4
ARPU (in EUR)	11.3	11.1	2.0
Churn (%)	4.4%	3.6%	

Wireline indicators	Q4 2016 reported	Q4 2015 proforma	% change
RGUs (in '000)	620.1	553.0	12.1

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

The Croatian segment continued to exhibit positive operational trends, which were based on the ongoing growth of its fixed-line business and stronger mobile trends amidst slightly higher competition in both the mobile and fixed-line business, with a push of bundles and convergent products. 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 segment will be further strengthened following closing of the acquisition of Metronet which is expected for the first quarter of 2017. The company is expected to be consolidated in the first quarter of 2017.

Mobile subscribers decreased by 0.8% year-on-year, with losses in the prepaid segment while the contract subscriber base continued to grow due to the general shift from prepaid to contract in the market. This led to a value enhancement of the customer basis. In the fixed-line business, revenue generating units (RGUs) rose by 12.1% year-on-year, mostly driven by growth in the fixed-line broadband segment.

The fourth quarter of 2016 saw an increase in total revenues in the Croatian segment of 7.8% year-on-year. 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.

Total revenue increase of  
7.8% year-on-year

Average monthly revenue per user (ARPU) increased to EUR 11.3 in the fourth quarter of 2016 compared to EUR 11.1 in Q4 2015, as higher revenues from fixed fees outweighed the decline in airtime revenues. Average monthly revenue per fixed line (ARPL) came in stable at EUR 23.8 in Q4 2016. ARPL-relevant revenues rose by 13.6% year-on-year fuelled by the ongoing growth in revenue generating units.

In the fourth quarter of 2016, total costs and expenses rose by 4.4% year-on-year. This increase was mostly due to higher costs of equipment, driven by more handsets sold as well as higher administration expenses. Furthermore, fixed access line growth also resulted in an increase in wholesale costs mainly stemming from bitstream access as well as higher content costs. This was only partly mitigated by lower advertising costs.

EBITDA increase of 25.7%  
year-on-year

The increase in total revenues more than offset the rise in total costs and expenses which resulted in an EBITDA increase of 25.7% year-on-year.

## Segment Belarus

Key performance indicators

Proforma view

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	90.6	84.5	7.2
thereof wireless revenues	86.3	80.4	7.3
thereof service revenues	67.8	61.9	9.5
thereof equipment revenues	16.4	17.0	-3.5
thereof fixed-line and other revenues	4.4	4.2	5.2
EBITDA	40.6	37.0	9.6
% of total revenues	44.8%	43.8%	
EBIT	26.9	19.6	37.8
% of total revenues	29.7%	23.1%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireless indicators			
wireless subscribers (in '000)	4,944.9	4,956.8	-0.2
thereof postpaid (in '000)	3,972.5	4,011.7	-1.0
thereof prepaid (in '000)	972.3	945.1	2.9
MoU (per Ø subscriber)*	408.3	392.1	4.2
ARPU (in EUR)	4.6	4.2	10.1
Churn (%)	1.7%	1.4%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireline indicators			
RGUs (in '000)	279.4	272.2	2.6

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

Belarusian Rouble improved  
in Q4 2016; 6.8% 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 still pushing for a stabilisation in inflation, which has slowed down further to 10.6% year-to-date in December 2016. Additionally, in its reach for cash, the government increased the value added tax on mobile services from 20% to 25% in April 2016. Also, strong operational results continue to be overshadowed by the devaluation, although the Belarusian Rouble has improved since the end of the first quarter. In a year-on-year comparison however, the BYN has devalued by 6.8% in Q4 2016 (period average used respectively in line with IFRS). With the acquisition of Atlant and its subsidiary TeleSet, which has been consolidated as of 1 December 2016, velcom developed from a pure mobile provider into a convergent operator.

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

Despite these challenges, velcom continued to show solid operational results in the fourth 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 mobile customer base slightly decreased by 0.2% compared to the previous year. This was driven by a lower number of multiple SIM cards as a result of worsening economic environment and lower purchasing power. However, this development improved again in Q4 2016, resulting in net adds of 31,200. The 26.8% rise in the number of mobile broadband customers to around 391,600 reflects the aforementioned strong demand for data services. Revenue generating units amounted to 279,400 after the acquisition of Altant.

The devaluation compared to the same period last year, despite less strong than in previous quarters, continued to overshadow the positive operational development also in the fourth quarter of 2016. Including a negative FX effect of EUR 7.3 mn, total revenues grew again by 7.2% (reported: 9.3%) year-on-year on a consolidated basis while they rose by 16.0% on a local currency basis. This rise was entirely driven by higher service revenues which profited from ongoing data growth and inflation-linked price increases, with the latest increase of roughly 8% as of end of September 2016. Other operating income increased following the commissioning of the solar power plant, which reduced the company's vulnerability to FX and energy prices volatility.

Total costs and expenses rose on a local currency basis, driven mostly by costs of services while selling and marketing expenses also increased. Higher employee costs were mainly driven by inflation-linked salary increases in 2015 and 2016. The rise of other expenses was stemming from the retirement of software. Frequency fees were higher, impacted by both FX and higher usage.

On a local currency basis, EBITDA rose by 16.5% (reported: 17.5%) in the fourth 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 increased by 9.6% (reported: 10.7%), including a negative FX translation effect of EUR 2.5 mn.

EBITDA growth of 16.5% year-on-year in local currency

## Segment Slovenia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	55.1	64.8	-14.9
thereof wireless revenues	46.4	55.9	-17.1
thereof service revenues	33.0	33.5	-1.4
thereof equipment revenues	11.7	10.9	7.3
thereof fixed-line and other revenues	8.8	8.9	-1.1
EBITDA	10.1	22.8	-55.9
% of total revenues	18.3%	35.2%	
EBIT	1.4	16.0	-91.3
% of total revenues	2.5%	24.6%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireless indicators			
wireless subscribers (in '000)	714.3	708.5	0.8
thereof postpaid (in '000)	591.8	570.3	3.8
thereof prepaid (in '000)	122.5	138.2	-11.3
MoU (per Ø subscriber)*	350.7	349.8	0.2
ARPU (in EUR)	15.4	15.8	-2.9
Churn (%)	1.6%	1.5%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireline indicators			
RGUs (in '000)	172.0	147.6	16.5

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

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

0.8% year-on-year mobile customer growth in the segment Slovenia

In the fourth quarter of 2016, the number of mobile customers rose by 0.8% 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 16.5% year-on-year to 172,000 in the fourth quarter of 2016, driven by higher demand for IPTV, voice and broadband.

Total revenues in Slovenia decreased by 14.9% year-on-year, entirely driven by the EUR 10.0 mn one-off effect in other operating income in Q4 2015 stemming from the agreement on settling mutual relations and business collaboration with Telekom Slovenije. Mobile service revenues declined, driven by lower customer roaming revenues due to the stepwise abolition of EU-roaming despite higher interconnection revenues and a volume-driven increase in monthly mobile fees. Fixed-line revenues declined marginally due to higher competition. Equipment revenues increased as a result of a higher number of handsets sold.

Total costs and expenses increased by 7.3% year-on-year, mainly driven by higher other expenses and equipment costs. The former increased due to a positive effect included in Q4 2015 resulting from a legal settlement while the latter rose due to more handsets sold as well as higher average handset prices driven by higher investments into the market. Cost savings in the administration area due to better bad debt development mitigated some of these increases.

EBITDA decreased by 55.9% year-on-year, excluding the one-off effect in Q4 2015 EBITDA declined by 21.5% driven by the non-operative effect in Q4 2015 and higher costs of equipment.

## Segment Republic of Serbia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	60.0	58.5	2.6
thereof wireless revenues	58.1	57.7	0.7
thereof service revenues	34.0	37.9	-10.4
thereof equipment revenues	22.7	18.9	20.2
EBITDA	8.3	10.4	-19.5
% of total revenues	13.9%	17.7%	
EBIT	-3.8	-2.1	n.m.
% of total revenues	-6.3%	-3.5%	

Wireless indicators	Q4 2016 reported	Q4 2015 proforma	% change
wireless subscribers (in '000)	2,145.3	2,109.3	1.7
thereof postpaid (in '000)	1,236.8	1,160.9	6.5
thereof prepaid (in '000)	908.5	948.4	-4.2
MoU (per Ø subscriber)*	279.1	283.5	-1.6
ARPU (in EUR)	5.3	6.0	-11.1
Churn (%)	3.4%	4.1%	

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

In Q4 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 55.0% in Q4 2015 to 57.7% in Q4 2016, which was also attributable to a general market-wide shift from multiple prepaid to single postpaid offers. The ongoing decline in prepaid customers was more than offset by the growth of postpaid contracts, leading to a year-on-year growth of 1.7% in total subscribers.

In Q4 2016, the development of both total revenues and EBITDA was negatively impacted by a changed distribution model which led to a different accounting treatment. Nevertheless, total revenues grew by 2.6% year-on-year in the Serbian segment, which was driven by higher equipment revenues due to more handsets sold.

Total costs and expenses rose by 7.4% year-on-year in the fourth quarter of 2016 mostly due to investments into the market driven by a repositioning. This was reflected in volume-driven higher costs of equipment as well as higher advertising expenses. This was partly compensated by lower interconnection expenses due to a termination rate cut in May 2016.

The increase in total revenues was more than offset by rising total costs and expenses which resulted in an EBITDA decrease of 19.5% year-on-year, mostly due to higher costs resulting from the repositioning and also negatively impacted by the above-mentioned non-operative effect. Excluding the latter effect, EBITDA declined by 4.7% in the fourth quarter 2016.

EBITDA decreased by 19.5%  
year-on-year

## Segment Republic of Macedonia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q4 2016 reported	Q4 2015 proforma	% change
Total revenues	31.0	30.0	3.3
thereof wireless revenues	24.5	22.5	8.7
thereof service revenues	20.1	20.7	-3.0
thereof equipment revenues	2.7	1.4	98.2
thereof fixed-line and other revenues	6.5	7.5	-13.0
EBITDA	5.9	5.2	14.0
% of total revenues	19.1%	17.3%	
EBIT	-10.0	-2.1	n.m.
% of total revenues	-32.2%	-7.0%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireless indicators			
wireless subscribers (in '000)	1,103.6	1,163.5	-5.1
thereof postpaid (in '000)	641.0	636.5	0.7
thereof prepaid (in '000)	462.6	526.9	-12.2
MoU (per Ø subscriber)*	414.2	386.3	7.2
ARPU (in EUR)	6.0	5.8	3.1
Churn (%)	3.0%	3.3%	

	Q4 2016 reported	Q4 2015 proforma	% change
Wireline indicators			
RGUs (in '000)	314.3	304.5	3.2

\* Q4 2015 Minutes of Use value has been adjusted retrospectively.

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

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 mobile virtual network operator (MVNO) as of July 2016.

In the Republic of Macedonia, one.Vip's customer base declined by 5.1% year-on-year as customers continued to move from multiple prepaid to single contract subscriptions. In the fixed-line business, the number of revenue generating units (RGU) increased by 3.2% compared with the previous year.

3.3% year-on-year increase in total revenues

Total revenues increased by 3.3% year-on-year driven by higher equipment sales and other operating income.

Average monthly revenue per user (ARPU) increased by 3.1% year-on-year due to lower mobile service revenues. Average monthly revenue per fixed line (ARPL) decreased by 3.1% year-on-year to EUR 12.2.

Total costs and expenses increased by 1.1% in a year-on-year comparison, mainly driven by higher equipment costs.

Overall, the growth in total costs and expenses was more than outweighed by the increase in total revenues, which led to a year-on-year EBITDA growth of 14.0% in Q4 2016.

## Year-To-Date-Comparison

The following tables, including revenues, EBITDA and operating income, are presented on a proforma basis, which include M&A transactions made between the start of the comparison period and the end of the reporting period. This affects the segments of Bulgaria, Croatia, Belarus, Slovenia and the Republic of Macedonia. The proforma view is equivalent to the reported view for Austria 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 29.

## Summary

Key performance indicators

Proforma view	1–12 M 2016 reported	1–12 M 2015 proforma	% change
in EUR million			
Total revenues	4,211.5	4,231.8	–0.5
EBITDA	1,354.3	1,390.5	–2.6
% total revenues	32.2%	32.9%	
EBIT	486.7	568.2	–14.4
% total revenues	11.6%	13.4%	
<b>Wireless indicators</b>			
	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Wireless subscribers (thousands)	20,707.8	20,711.0	0.0
Postpaid	15,041.0	14,787.1	1.7
Prepaid	5,666.8	5,923.9	–4.3
MoU (per Ø subscriber)*	304.8	302.0	0.9
ARPU (EUR)	8.7	8.9	–2.3
Churn (%)	2.0%	1.9%	
<b>Wireline indicators</b>			
	1–12 M 2016 reported	1–12 M 2015 proforma	% change
RGUs	5,900.2	5,823.6	1.3

\* 1–12M 2015 Minutes of Use value has been adjusted retrospectively.

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

In the 2016 financial year, the Telekom Austria Group focused once again on counteracting competitive price pressure and regulatory intervention through a clear value focus and strict cost management. In addition to the operational development the Telekom Austria Group strengthened its position with M&A activities. The following transactions between the start of the comparison period and the end of the reporting period are highlighted:

- > 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 with the third-largest operator in the country, ONE, consolidated as of 1 October 2015.

<sup>5</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

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

In December 2016, an agreement for the acquisition of the fixed-line operator Metronet in Croatia was signed; the company is expected to be consolidated following the closing from the first quarter of 2017.

The performance in 2016 compared with the previous year was also impacted by the following material one-off and FX effects:

- > EUR 10.5 mn positive one-off effects in total revenues in Austria in Q4 2015: Reversal of accruals in fixed-line and other revenues
- > EUR 30.0 mn positive one-off effect in total revenues in Slovenia in other operating income in 2015, with payments in Q1 2015 (EUR 20.0 mn) and in Q4 2015 (EUR 10.0 mn): Agreement on settling mutual relations and business collaboration with Telekom Slovenije
- > EUR 21.6 mn positive one-off effect in EBITDA in Austria in Q4 2015 in restructuring charge resulting from a settlement
- > EUR 7.0 mn positive one-off effect in EBITDA in Austria in Q1 2016 resulting from the change of value adjustments for handsets in cost of equipment
- > EUR 14.4 mn positive one-off effect in EBITDA in Austria in Q3 2016 resulting from the reversal of an accrual for copyrights in cost of service
- > Negative FX effects of EUR 78.8 mn in revenues and EUR 37.0 mn in EBITDA in 2016, of which EUR 78.7 mn and EUR 37.2 mn respectively attributable to Belarus

In 2016, there were no one-off effects in total revenues (2015: EUR +40.5 mn). One-off effects (without FX effects) for EBITDA amounted to EUR +21.4 mn in 2016 (2015: EUR +62.1 mn).

In 2016, competition in Austria continued to be 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. Developments on the Austrian market were also impacted by the stepwise abolition of retail roaming in the EU as of 30 April 2016. In Bulgaria, performance in 2016 was again characterised by a difficult competitive environment which particularly affected the business segment. However, some market segments showed first signs of a stabilisation. In Croatia, the beginning easing of the market environment continued, whereas regulatory pressure remained in the form of high frequency usage fees.

The macroeconomic and regulatory headwinds in Belarus remained in place in the year under review. In this environment, the government sought to stabilise inflation, but also increased the value added tax on mobile services from 20% to 25% in April 2016. In 2016, the Slovenian telecommunications market was again characterised by fierce competition in the mobile business. In the Republic of Serbia, the highly competitive market environment saw the launch of new convergent offers in the first half of 2016. Following the merger of Vip operator with ONE in October 2015 in the Republic of Macedonia one.Vip, the combined entity, is now the leading operator in the mobile segment of the telecommunications market. In spite of this consolidation, competition in the mobile market accelerated with the entry of a mobile virtual network operator (MVNO) as of July 2016.

#### Mobile customer number stable

In mobile communication, the Telekom Austria Group subscriber number remained stable (0.0%) at 20.71 million subscriber in the year under review. The strongest growth was recorded in Austria, with 167,800 additional customers. This development was driven by Machine-to-Machine (M2M) SIM cards. The

number of customers in the Republic of Serbia (36,000) and Slovenia (5,800) also increased, whereas customer numbers declined in Bulgaria (-127,500), the Republic of Macedonia (-59,800), Croatia (-13,600) and Belarus (-11,900).

In the fixed-line business, the company gained around 76,500 revenue generating units (RGUs) at Group level, corresponding to growth of 1.3% to around 5.90 million RGUs. This growth was attributable primarily to Croatia and Slovenia, which contributed 67,100 and 24,400 additional RGUs respectively, while the number of RGUs in Austria fell by 38,900.

As a result of the developments described above, the Telekom Austria Group experienced a downturn in revenues of 0.5% in the 2016 financial year (reported: +2.1%). Higher total revenues in Croatia and the Republic of Serbia as well as stable total revenues in Bulgaria were offset by declines in the other segments. Adjusted for the one-off and FX effects described above, total revenues rose by 2.4% compared with the previous year.

Revenue decline of 0.5%  
(reported: +2.1%)

On the cost side, Telekom Austria Group increasingly invested in handset subsidies in almost all markets in 2016, resulting in a larger number of handsets sold and hence higher costs of equipment. The ongoing optimisation of operating efficiency was a focal point of management activities once again. Among other things, this included the implementation of management clusters in the previous year, resulting in lower operating expenses for administration and maintenance in 2016. Restructuring expenses originating entirely from the Austrian segment and amounted to EUR 7.2 mn in the year under review after EUR 0.4 mn in the previous year. These include social plans for employees exempt from work ('freigestellte Mitarbeiter') whose employment is being terminated in a socially responsible way, and expenses for the transfer of civil servants to the government. Costs and expenses were also influenced by the one-off effects in 2015 and 2016 mentioned above. All in all, the developments described led to a slight increase in costs and expenses of 0.6% year-on-year (reported: increase of 3.7%).

In the 2016 financial year, EBITDA fell by 2.6% (reported: -1.1%) as a result of the lower level of total revenues amongst others driven by roaming, as well as higher costs and expenses. EBITDA growth in Austria, Croatia and the Republic of Macedonia could not offset the decline in the other segments. All in all, the EBITDA margin declined from 32.9% in the previous year to 32.2% in the year under review. Adjusted for the one-off and FX effects described above, EBITDA rose by 3.1% year-on-year.

EBITDA fell by 2.6%  
Adjusted EBITDA rose by 3.1%

Depreciation and amortisation increased by 5.2% year-on-year mostly due to the higher level of depreciation and amortisation in Austria and the Republic of Macedonia. As a result, operating income declined by 14.4% compared with the previous year (reported: -14.9%).

Telekom Austria Group recorded a financial result of negative EUR 127.0 mn in the year under review, 18.1% lower than in the previous year. FX differences amounted to a positive EUR 10.0 mn in the reporting period after a negative EUR 2.3 mn in 2015. Together with a tax benefit of EUR 53.5 in the financial year 2016 this resulted in a 5.2% higher reported net result of EUR 413.2 mn in the year under review (2015: EUR 392.8 mn).

## Revenues

### Revenues

#### Proforma view

in EUR million	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Austria	2,575.5	2,582.1	-0.3
Bulgaria	412.0	411.7	0.1
Croatia	398.3	372.3	7.0
Belarus	321.0	333.8	-3.9
Slovenia	214.1	245.5	-12.8
Republic of Serbia	221.1	210.7	5.0
Republic of Macedonia	119.4	122.7	-2.7
Corporate & other, eliminations	-50.1	-47.1	n.m.
<b>Total revenues</b>	<b>4,211.5</b>	<b>4,231.8</b>	<b>-0.5</b>

The following analysis is based on proforma<sup>6</sup> figures if not stated otherwise.

Negative effects from stepwise abolition of intra-EU-Roaming in line with expectations

In the full year 2016, Telekom Austria Group saw a slight reduction in total revenues of 0.5% year-on-year (reported: +2.1%) which was to a large extent driven by the EUR 30.0 mn positive one-off effect in Slovenia in 2015. Negative effects stemming from the stepwise 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 78.8 mn for the period under review.

In 2016, total revenues in the Austrian segment declined slightly by 0.3% year-on-year. Excluding the aforementioned positive one-off effects from 2015 in the amount of EUR 10.5 mn, total revenues remained stable (+0.1%). The stable revenues were driven by higher interconnection revenues and revenues from handset sales, which compensated the reduction in service revenues. In the mobile business, the decrease in wireless service revenues compared with the previous year was almost exclusively due to the stepwise abolition of retail roaming in the EU as of 30 April 2016. Excluding these negative effects, wireless service revenues rose as losses in the low-value customer segment were more than offset by higher fixed fees, which mainly resulted from subscriber growth in higher-value customer segments as well as tariff indexations. Equipment revenues rose due to the volume growth resulting from increased handset subsidies. In the fixed-line business, higher revenues from broadband and TV as well as the support from speed upgrades and hybrid routers 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 a slight increase in fixed-line service revenues.

In the Bulgarian segment, total revenues were stable (+0.1%) compared with the previous year (reported: +9.6%), as the higher level of equipment revenues offset the decline in other operating income and wireless service revenues. Despite rising interconnection revenues and improved trends in the residential business following the aforementioned focus on value-oriented management, wireless service revenues declined as a result of strong price pressure in the business segment in particular. Equipment revenues increased due to volume growth and higher demand for more expensive handsets. Fixed-line service revenues increased on the back of growth in satellite TV (DTH) revenues and fixed corporate solutions.

The Croatian segment recorded total revenue growth of 7.0% in the year under review (reported: +8.6%). Service revenues rose on the back of the strong growth in fixed-line RGUs as well as higher fixed fees in the

<sup>6</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

mobile business following the aforementioned push towards higher-value tariffs. Equipment revenues also rose as a result of more handsets sold and the higher subsidy level.

In the Belarusian segment, total revenues declined by 3.9% year-on-year in full year 2016 (reported: -3.4%), due to a negative FX effect of EUR 78.7 mn. In local currency total revenues rose by 19.7%. Inflation-related price adjustments in December 2015 and April, May and September 2016 as well as the migration of existing customers from old tariffs to higher-ARPU bundled offers were the main reasons for the increase in service revenues. Equipment revenues rose due to FX-driven higher handset prices as well as volume growth. Other operating income increased following the commissioning of the solar power plant, which reduced the company's vulnerability to FX and energy prices volatility.

Belarusian segment reports  
19.7% revenue growth in  
local currency

Total revenues in Slovenia declined by 12.8% year-on-year (reported: -4.3%) as a result of the positive one-off effect of EUR 30.0 mn in 2015 relating to an agreement on settling mutual relations and business collaboration with Telekom Slovenije. Excluding this one-off effect, total revenues declined by 0.6%. Despite lower volumes, wireless equipment revenues rose as a result of higher average prices. Mobile service revenues declined due to the stepwise abolition of retail roaming in the EU as of 30 April 2016 in spite of higher interconnection revenues and a volume-driven increase in revenue from monthly fees. Fixed-line revenues declined mostly due to intensified competition.

Total revenues in the Republic of Serbia rose by 5.0% year-on-year in 2016; this was driven by higher equipment revenues. Mobile service revenues declined by 7.1% year-on-year due to a negative effect from the changed distribution model which led to a different accounting treatment as well as lower roaming revenues; this was offset partially by higher revenues from monthly fees and interconnection revenues.

In the Republic of Macedonia, total revenues declined by 2.7% year-on-year (reported: +47.3%) due to the decrease in interconnection revenues caused by lower transit.

## EBITDA

### EBITDA

#### Proforma view

in EUR million	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Austria	897.5	881.2	1.8
Bulgaria	125.6	143.9	-12.7
Croatia	88.3	79.6	10.9
Belarus	151.5	164.0	-7.6
Slovenia	52.8	83.0	-36.4
Republic of Serbia	38.8	43.5	-10.7
Republic of Macedonia	26.1	24.4	7.2
Corporate & other, eliminations	-26.4	-29.1	n.m.
<b>Total EBITDA</b>	<b>1,354.3</b>	<b>1,390.5</b>	<b>-2.6</b>

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

In the full year 2016, Group EBITDA declined by 2.6% year-on-year (reported: -1.1%) as gains in Austria, Croatia and the Republic of Macedonia only partly offset losses in the other segments. Negative FX effects amounted to EUR 37.0 mn for EBITDA in the full year 2016.

<sup>7</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

### EBITDA increase of 1.8% in Austria

In the Austrian segment, lower total revenues were more than compensated by the decline in costs and expenses which led to an EBITDA increase of 1.8% in the year under review. The EBITDA margin improved from 34.1% in the previous year to 34.8% in 2016. Adjusted for one-off effects in costs and revenues, EBITDA rose by 3.2%. Costs and expenses in the Austrian segment fell by 1.4% year-on-year in 2016 (EUR -23.0 mn). The positive one-off effects in costs and expenses in the year under review and the comparison period almost offset each other. In the year under review EUR 7.0 mn resulted from the change of value adjustments for handsets in the first quarter and EUR 14.4 mn from the reversal of an accrual for copyrights in the third quarter. In the previous year, restructuring charges contained a positive one-off effect in the amount of EUR 21.6 mn stemming from a settlement. The costs and expenses declined in 2016 primarily as a result of cost savings in personnel as well as maintenance and repair expenses. The reduction in costs and expenses was also driven by the higher level of own work capitalised. The interconnection expenses increased as a result of a changed settlement logic, while cost of equipment due to higher volumes and provisions also rose. In the Austrian segment, a restructuring charge of EUR 7.2 mn (2015: EUR -0.4 mn) was recognised for the 2016 reporting period. This includes social plans for employees exempt from work ('freigestellte Mitarbeiter') whose employment is being terminated in a socially responsible way, and expenses for the transfer of civil servants to the government.

In the Bulgarian segment, stable total revenues together with higher costs and expenses resulted in an EBITDA decline of 12.7% in the year under review (reported: -5.7%). The increase in total costs and expenses was mainly driven by higher costs of equipment due to the increase in the number of handsets sold and higher average subsidies per handset. In the costs of service area, interconnection costs rose in line with the growing popularity of tariffs including free minutes to all national networks. Content costs rose in line with the growth of TV RGUs. Intensified cost-cutting measures, leading to lower costs in the administration area and the optimisation of network maintenance costs partly offset the cost increases mentioned above.

### EBITDA increase of 5.9% in Croatian segment

In the Croatian segment, the increase in total revenues more than outweighed 5.9% higher total costs and expenses which led to 10.9% year-on-year growth in EBITDA (reported: +12.3%). Total costs and expenses were driven by higher equipment costs which increased due to volume growth as well as higher equipment prices. Furthermore, growth in the number of RGUs led to an increase in wholesale costs resulting from bit-stream access and higher content costs.

In the Belarusian segment, despite the positive operating development, EBITDA in EUR declined by 7.6% in the year under review (reported: -7.4%), driven by negative FX effects in the amount of EUR 37.2 mn. In local currency, EBITDA came in 15.0% higher year-on-year. Consolidated costs and expenses fell slightly by 0.2% in the year under review (reported: increase of 0.5%) but rose in local currency. This was attributable primarily to the higher costs of equipment, which increased similar to the revenues due to FX-driven higher handset prices and volume growth. FX denominated costs such as frequencies, maintenance and repair expenses were also higher. Inflation-related salary increases led to a rise in employee costs. Interconnection costs rose on the back of increased traffic and higher international tariffs. Other expenses increased due to the retirement of software.

EBITDA in Slovenia declined by 36.4% year-on-year (reported: -34.7%), entirely driven by the above-mentioned positive one-off effect in 2015. Without this impact EBITDA slightly decreased by 0.5%. Costs and expenses declined by 0.7% year-on-year as higher costs of equipment due to higher handset prices were more than offset by savings in administrative expenses thanks to cluster synergies.

In the Republic of Serbia, higher total revenues were more than outweighed by an increase in total costs and expenses, leading to a decline in reported EBITDA of 10.7%. Total costs and expenses increased by 9.1% year-on-year in 2016. This development was driven by increased costs of equipment, interconnection costs as well as selling and marketing expenses, which were partially compensated by lower roaming expenses.

In the Republic of Macedonia, EBITDA showed a 7.2% year-on-year growth (reported: +55.4%) as 5.1% 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	1–12 M 2016 reported	1–12 M 2015 proforma	% change
Austria	402.1	414.9	-3.1
Bulgaria	15.4	41.4	-62.8
Croatia	9.4	8.8	6.7
Belarus	87.8	86.8	1.2
Slovenia	20.1	56.2	-64.2
Republic of Serbia	-7.8	-7.6	n.m.
Republic of Macedonia	-29.5	-3.3	n.m.
Corporate & other, eliminations	-10.8	-29.0	n.m.
<b>Total EBIT</b>	<b>486.7</b>	<b>568.2</b>	<b>-14.4</b>

Depreciation and amortisation increased by 5.2% year-on-year mostly due to the higher level of depreciation and amortisation in Austria and the Republic of Macedonia. As a result, operating income declined by 14.4% compared with the previous year (reported: -14.9%).

D&A increases by 5.2%  
Operating income decreases  
by 14.4% (reported: -14.9%)

The following analysis is based on reported figures only.

### Consolidated Net Result

The Telekom Austria Group recorded a financial result of negative EUR 127.0 mn in the year under review, 18.1% lower than in the previous year. This was mainly due to the EUR 20.1 mn reduction in the interest expense primarily due to the repayment of a EUR 750 mn bond on 29 January 2016. FX differences amounted to a positive EUR 10.0 mn in the reporting period after a negative EUR 2.3 mn in 2015.

A tax benefit of EUR 53.5 mn was recorded in the year under review. This was mainly due to a positive effect of the recognition of higher deferred tax assets on tax losses carried forward due to higher expected future tax results within the Austrian tax group. Tax expenses of EUR 23.8 mn were reported in the previous year.

Overall, the Telekom Austria Group reported a positive net result of EUR 413.2 mn in the year under review (2015: EUR 392.8 mn).

Net result of EUR 413.2 mn

### Balance Sheet and Net Debt

As of 31 December 2016, the balance sheet total declined by 4.4% year-on-year to EUR 7,943.2 mn.

Current assets fell by 22.4% to EUR 1,438.9 mn in the year under review as a result of the reduction in cash and cash equivalents.

Non-current assets increased slightly by 0.8% to EUR 6,504.3 mn, as the growth in property, plant and equipment and deferred tax assets was partially offset by the reduction in other intangible assets. The increase in property, plant and equipment was attributable to the fibre rollout in Austria, the development of a solar power plant in Belarus and changes in parameters for calculating the asset retirement obligation. The positive tax income effect is mainly due to the recognition of higher deferred tax assets on tax losses carried forward due to higher expected future tax result within the Austrian tax group. The reduction in other intangible assets resulted from the depreciation of licences.

Current liabilities decreased by 18.0% to EUR 1,847.8 mn in the year under review as a result of the aforementioned repayment of the Eurobond and short-term bank debt. 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 and the payment of spectrum in the 800-MHz frequency band in the Republic of Serbia in January 2016, which was acquired in November 2015, as well as payments in Austria which were due in Q1 2016.

Non-current liabilities decreased by 8.3% to EUR 3,324.7 mn in the year under review. The aforementioned bond reclassification and the early repayment of financial debt were lowered by the EUR 500 mn bond issue on 7 December 2016.

Dividend payments for the 2015 reporting year, which also include the coupon payments in the amount of EUR 33.8 mn for the outstanding EUR 600 mn hybrid bond, remained stable at EUR 67.2 mn in the year under review.

The rise in equity from EUR 2,426.0 mn to EUR 2,770.7 mn results from the net income for 2016 combined with retained earnings. This also entailed an increase in the equity ratio as of 31 December 2016 to 34.9% after 29.2% as of 31 December 2015.

## Net Debt

Net debt\*

Reported	31 Dec 2016 reported	31 Dec 2015 reported	% change
in EUR million			
Net debt	2,339.4	2,483.0	-5.8
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.

The Telekom Austria Group's net debt fell by 5.8% to EUR 2,339.4 mn in the year under review, as the lower level of financial debt could more than offset lower cash and cash equivalents. Despite the decrease in EBITDA, this resulted in a reduction in the net debt to EBITDA ratio from 1.8x as of 31 December 2015 to 1.7x as of 31 December 2016.

## Cash Flow

Cash flow

Reported	1–12 M 2016 reported	1–12 M 2015 reported	% change
in EUR million			
Earnings before income tax (EBT)	359.7	416.6	-13.7
Net cash flow from operating activities	1,195.5	1,228.4	-2.7
Net cash flow from investing activities	-823.5	-866.2	n.m.
Net cash flow from financing activities	-824.3	-465.2	n.m.
Net change in cash and cash equivalents	-451.7	-108.9	n.m.
Adjustment to cash flows due to exchange rate fluctuations	0.6	-5.9	n.m.

Earnings before income tax (EBT) declined by 13.7% year-on-year. 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. Additional needs for working capital in the amount of EUR 165.7 mn were primarily driven by the payment for restructuring. Payments for income taxes and higher receivables due to instalment sales also contributed to the change in working capital, despite interests received. All in all, the lower level of earnings before income tax (EBT) and slightly higher working capital needs in a year-on-year comparison resulted in a reduction in net cash flow from operating activities of 2.7% year-on-year to EUR 1,195.5 mn.

Net cash flow from investing activities decreased by 4.9% to EUR 823.5 mn in the year under review as the acquisitions in Q3 2015 outweighed the rise in capital expenditures paid. The latter included payments for expenditures from the previous year, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities decreased from EUR -465.2 mn in 2015 to EUR -824.3 mn in the year under review. The repayment of a EUR 750 mn bond in January 2016 and bank debt outweighed the EUR 500 mn bond issue on 7 December 2016.

Overall, this resulted in a reduction in cash and cash equivalents of EUR 451.7 mn in the year under review compared with EUR 108.9 mn in the previous year.

Free cash flow, which is calculated as net cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of equipment, declined from EUR 352.2 mn in the previous year to EUR 232.0 mn in the year under review. This was attributable essentially to the higher level of capital expenditures paid, while net cash flow from operating activities also decreased.

## Capital Expenditures

In the year under review, capital expenditures fell by 2.6% year-on-year, largely as a result of the acquisition of mobile frequencies in Croatia and the Republic of Serbia in the previous year.

Capex decreased by 2.6% year-on-year. 2.6% year-on-year decline in capital expenditures

Tangible capital expenditures rose by 11.9% in 2016, as lower investment in the Republic of Serbia was more than outweighed by higher levels in the other segments. The increase in Austria in tangible capital expenditures was attributable to increased investment in the fibre network. In Bulgaria, tangible capital expenditures decreased as a result of the lower level of IT investment, among other things. Higher levels of investment in the LTE rollout and the fibre network led to higher tangible capital expenditures in Croatia compared with the previous year. The increase in tangible capital expenditures in Belarus was mainly driven by the development of a solar power plant, which will significantly reduce the company's vulnerability to FX and energy prices volatility.

The significant reduction in intangible capital expenditures to EUR 123.7 mn (2015: EUR 212.0 mn) is largely due to the acquisition of mobile frequencies in Croatia, Belarus and the Republic of Serbia in the previous year. In Austria, lower spending on the mobile network due to lower prices led to a reduction in intangible capital expenditures. In Croatia, Belarus and the Republic of Serbia, intangible capital expenditures declined as a result of the acquisition of frequency in the previous year totalling EUR 64.9 mn.

## Personnel

Personnel (full-time equivalent)

Reported

End of period	31 Dec 2016 reported	31 Dec 2015 reported	% change
Austria	8,352	8,512	-1.9
International operations	9,613	8,951	7.4
Corporate & other	238	209	13.6
<b>Total</b>	<b>18,203</b>	<b>17,673</b>	<b>3.0</b>

Personnel (full-time equivalent)

Reported

Average of period	1-12 M 2016 reported	1-12 M 2015 reported	% change
Austria	8,448	8,655	-2.4
International operations	9,048	7,726	17.1
Corporate & other	220	187	17.7
<b>Total</b>	<b>17,717</b>	<b>16,568</b>	<b>6.9</b>

Telekom Austria Group had 18,203 employees at year-end 2016, 3.0% more than in the previous year. This development was primarily attributable to the acquisition of Atlant Telecom in Belarus and an increase in sales force in Bulgaria. Headcount in the Austrian segment was reduced by 1.9% to 8,352 employees as part of the ongoing restructuring measures. Around 48% of existing employees have civil servant status. The segments outside of Austria saw an increase of 7.4% to 9,613 employees.

M&A drove increase in International Operations' headcount

### Telekom Austria AG Share Performance

The Telekom Austria shares had a weak start to the reporting year, along with the ATX and the sector, and reached its low for the year of EUR 4.66 on 9 February 2016. Following the publication of its results for 2015, Telekom Austria's share price increased again, reaching its high for the year of EUR 5.73 on 15 March 2016. In April and May, the Telekom Austria share traded mostly sideways with a slight upward trend. In the run-up to the British referendum on leaving the European Union, the stock came under selling pressure in June and lost further ground when voters unexpectedly decided in favour of "Brexit" in the middle of the year. After an extended period of sideways movement, Telekom Austria's share price marked a significant increase towards the end of the year and finally closed at EUR 5.61, up 11.2% on the start of the year.

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 concerns about macroeconomic market conditions and the weakness of the oil price. In early Q2, both indices started to rise again as the oil price recovered, but declined again at the end of June due to the British referendum. After the abolition of retail customer roaming fees, the sector also continued its downward trend subsequently. Meanwhile, the ATX rose on the back of strong company results, posting a year-on-year increase of 9.2%. The Stoxx Telecom, by contrast, fell by 15.7% in 2016.

#### Development of Telekom Austria share price

indexed from 1 Jan 2016

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



## Outlook

During the year 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. Most of the Group's mobile markets continued to be characterized by intense competition, partly resulting from ongoing macroeconomic headwinds, which however, flattened out a bit in some segments. The high devaluation of the Belarusian Rouble already at the beginning of the year dampened total revenue growth in EUR terms in Belarus. Moreover, a further burden arose from the stepwise abolition of retail roaming in the EU as of 30 April 2016, which overshadowed operational improvements.

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

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

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

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

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

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

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

The outlook is based on constant exchange rates, with the exception of the Belarusian Rouble. Whilst the Management of Telekom Austria Group acknowledges the limited predictability of the Belarusian Rouble, it expects the currency to devalue close to inflation by approximately 10-15% versus the EUR in 2017.

With regards to frequencies, the government of Belarus is expected to sell spectrum in the 2,100 MHz band. Moreover, there might be some tenders in Bulgaria for frequencies in the 800 MHz band and potentially in 2.6 GHz, in Slovenia for 3,500 MHz and 10-12 GHz bands in Q1 2017, and in Macedonia for the 900 MHz and 1,800 MHz band after the termination date of current licenses in March 2017.

Outlook <sup>1</sup> 2017	as of 30 January 2017
Total Revenues	approx. +1%
Capital Expenditures <sup>2</sup>	approx. EUR 725 mn

<sup>1</sup> Outlook based on reported numbers and on a constant currency basis, except for Belarus

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

## Additional Information

### Risks and Uncertainties

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

### Waiver of Review

This financial report of Telekom Austria Group contains quarterly results which have not been audited or reviewed by a certified public accountant. The full year 2016 results figures are audited. The annual financial report, which includes the audited single and consolidated financial statement as well as the management reports will be released as required by 30 April 2017.

### Other

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

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

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

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

## Reconciliation tables – Results on a reported and proforma basis

The following tables present all the proforma tables from the previous section on a reported as well as on a proforma basis. Additionally, the difference between reported and proforma values is also provided and is stemming from the M&A-activities between the start of the comparison period and the end of the reporting period mentioned on page 5/6. Alternative performance measures are used to describe the operational performance. Further explanations are provided to give additional, useful and relevant detail on the company's performance.

### ARPL (reported)

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

ARPL-relevant revenues (in EUR million)	Q4 2016 reported	Q4 2015 reported	% change
Austria	186.3	192.5	-3.3
Bulgaria	17.6	17.5	0.8
Croatia	20.3	17.9	13.6
Belarus	1.3	n.a.	n.m.
Slovenia	7.3	7.4	-1.4
Republic of Serbia	n.a.	n.a.	n.m.
Republic of Macedonia	5.2	5.6	-7.1

Access lines (in '000)	Q4 2016 reported	Q4 2015 reported	% change
Austria	2,202.8	2,236.9	-1.5
Bulgaria	542.6	539.1	0.6
Croatia	284.9	256.9	10.9
Belarus	179.3	n.a.	n.m.
Slovenia	70.2	65.5	7.1
Republic of Serbia	n.a.	n.a.	n.m.
Republic of Macedonia	141.8	144.5	-1.9

### ARPU (proforma)

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

in EUR million	1-12 M 2016 reported	1-12 M 2015 proforma	% change proforma	Q4 2016 reported	Q4 2015 proforma	% change proforma
Wireless service revenues	2,146.3	2,199.8	-2.4	536.4	539.7	-0.6

### Free Cashflow (reported)

(in EUR million)	1-12 M 2016 reported	1-12 M 2015 reported	% change
Net cash flow from operating activities	1,195.5	1,228.4	-2.7
Capital expenditures paid	-816.5	-731.1	n.m.
Proceeds from sale of plant, property and equipment	18.9	10.7	76.6
Interest paid	-166.0	-155.8	n.m.
<b>Free cash flow</b>	<b>232.0</b>	<b>352.2</b>	<b>-34.1</b>

### Belarus Key Financials in EUR und BYN

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

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	Q4 2016 reported	Q4 2015 reported	% change
Total revenues	321.0	332.2	-3.4	90.6	83.0	9.3
Total costs and expenditures	-169.4	-168.6	n.m.	-50.0	-46.3	n.m.
EBITDA	151.5	163.7	-7.4	40.6	36.7	10.7

in BYN million	1–12 M 2016 reported	1–12 M 2015 reported	% change	Q4 2016 reported	Q4 2015 reported	% change
Total revenues	707.1	587.8	20.3	191.4	162.1	18.1
Total costs and expenditures	-373.3	-298.2	n.m.	-105.9	-89.4	n.m.
EBITDA	333.8	289.5	15.3	85.5	72.7	17.5

### Year-to-date Comparison

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

- > The acquisition of the fixed-line 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 with the third-largest operator in the country, ONE, consolidated as of 1 October 2015.
- > The acquisition of the fixed-line operator Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

## Group Summary

Key performance indicators

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	4,211.5	4,125.3	2.1	4,231.8	-0.5	106.4
EBITDA	1,354.3	1,368.7	-1.1	1,390.5	-2.6	21.8
% total revenues	32.2%	33.2%		32.9%		
EBIT	486.7	571.7	-14.9	568.2	-14.4	-3.5
% total revenues	11.6%	13.9%		13.4%		

Wireless indicators	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,707.8	20,711.0	0.0	20,711.0	0.0	0.0
thereof postpaid (thousands)	15,041.0	14,787.1	1.7	14,787.1	1.7	0.0
thereof prepaid (thousands)	5,666.8	5,923.9	-4.3	5,923.9	-4.3	0.0
MoU (per Ø subscriber)	304.8	301.2	1.2	302.0	0.9	0.8
ARPU (EUR)	8.7	9.0	-3.2	8.9	-2.3	-0.1
Churn (%)	2.0%	1.9%		1.9%		

Wireline indicators	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	5,900.2	5,551.4	6.3	5,823.6	1.3	272.2

\* 1-12M 2015 Minutes of Use value has been adjusted retrospectively.

**Revenues**

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	2,575.5	2,582.1	-0.3	2,582.1	-0.3	0.0
Bulgaria	412.0	375.8	9.6	411.7	0.1	35.9
Croatia	398.3	366.9	8.6	372.3	7.0	5.4
Belarus	321.0	332.2	-3.4	333.8	-3.9	1.6
Slovenia	214.1	223.6	-4.3	245.5	-12.8	21.9
Republic of Serbia	221.1	210.7	5.0	210.7	5.0	0.0
Republic of Macedonia	119.4	81.1	47.3	122.7	-2.7	41.7
Corporate & other, eliminations	-50.1	-47.1	n.m.	-47.1	n.m.	0.0
<b>Total revenues</b>	<b>4,211.5</b>	<b>4,125.3</b>	<b>2.1</b>	<b>4,231.8</b>	<b>-0.5</b>	<b>106.4</b>

**EBITDA**

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	897.5	881.2	1.8	881.2	1.8	0.0
Bulgaria	125.6	133.2	-5.7	143.9	-12.7	10.8
Croatia	88.3	78.6	12.3	79.6	10.9	1.0
Belarus	151.5	163.7	-7.4	164.0	-7.6	0.4
Slovenia	52.8	80.9	-34.7	83.0	-36.4	2.2
Republic of Serbia	38.8	43.5	-10.7	43.5	-10.7	0.0
Republic of Macedonia	26.1	16.8	55.4	24.4	7.2	7.6
Corporate & other, eliminations	-26.4	-29.1	n.m.	-29.1	n.m.	0.0
<b>Total EBITDA</b>	<b>1,354.3</b>	<b>1,368.7</b>	<b>-1.1</b>	<b>1,390.5</b>	<b>-2.6</b>	<b>21.8</b>

**Depreciation and Amortisation**

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	493.1	466.3	5.7	466.3	5.7	0.0
Bulgaria	110.2	91.1	20.9	102.5	7.4	11.4
Croatia	78.8	70.0	12.7	70.7	11.5	0.8
Belarus	63.7	77.0	-17.3	77.2	-17.5	0.2
Slovenia	32.7	24.2	35.1	26.9	21.6	2.7
Republic of Serbia	46.6	51.1	-8.8	51.1	-8.8	0.0
Republic of Macedonia	55.7	17.4	219.4	27.6	101.4	10.2
Corporate & other, eliminations	-15.5	-0.1	n.m.	-0.1	n.m.	0.0
<b>Total D&amp;A</b>	<b>865.3</b>	<b>797.1</b>	<b>8.6</b>	<b>822.3</b>	<b>5.2</b>	<b>25.3</b>

**EBIT**

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	402.1	414.9	-3.1	414.9	-3.1	0.0
Bulgaria	15.4	42.1	-63.3	41.4	-62.8	-0.6
Croatia	9.4	8.6	9.0	8.8	6.7	0.2
Belarus	87.8	86.6	1.4	86.8	1.2	0.2
Slovenia	20.1	56.7	-64.6	56.2	-64.2	-0.5
Republic of Serbia	-7.8	-7.6	n.m.	-7.6	n.m.	0.0
Republic of Macedonia	-29.5	-0.6	n.m.	-3.3	n.m.	-2.7
Corporate & other, eliminations	-10.8	-29.0	n.m.	-29.0	n.m.	0.0
<b>Total EBIT</b>	<b>486.7</b>	<b>571.7</b>	<b>-14.9</b>	<b>568.2</b>	<b>-14.4</b>	<b>-3.5</b>

**Capital Expenditures\***

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change	1–12 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	460.3	456.8	0.8	456.8	0.8	0.0
Bulgaria	73.0	74.3	-1.8	82.4	-11.4	8.1
Croatia	76.3	72.4	5.4	73.3	4.2	0.9
Belarus	73.7	66.1	11.5	66.5	10.8	0.4
Slovenia	26.8	17.9	49.6	20.2	32.3	2.3
Republic of Serbia	25.9	77.7	-66.7	77.7	-66.7	0.0
Republic of Macedonia	35.4	21.6	64.0	25.1	41.1	3.5
Corporate & other, eliminations	-7.2	-2.3	n.m.	-2.3	n.m.	0.0
<b>Total capital expenditures</b>	<b>764.1</b>	<b>784.5</b>	<b>-2.6</b>	<b>799.6</b>	<b>-4.4</b>	<b>15.2</b>

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

**Capital Expenditures – Tangible**

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change
Austria	391.3	360.1	8.7
Bulgaria	52.6	50.3	4.5
Croatia	67.2	45.3	48.2
Belarus	65.8	55.6	18.3
Slovenia	20.2	13.7	47.0
Republic of Serbia	19.2	29.4	-34.7
Republic of Macedonia	30.9	20.2	53.0
Corporate & other, eliminations	-6.9	-2.3	n.m.
<b>Total capital expenditures - tangible</b>	<b>640.4</b>	<b>572.5</b>	<b>11.9</b>

### Capital Expenditures – Intangible

in EUR million	1–12 M 2016 reported	1–12 M 2015 reported	% change
Austria	68.9	96.7	-28.7
Bulgaria	20.4	24.0	-15.0
Croatia	9.1	27.1	-66.3
Belarus	7.8	10.5	-25.0
Slovenia	6.6	4.2	58.3
Republic of Serbia	6.6	48.2	-86.2
Republic of Macedonia	4.5	1.4	227.7
Corporate & other, eliminations	-0.4	0.0	n.a.
<b>Total capital expenditures - intangible</b>	<b>123.7</b>	<b>212.0</b>	<b>-41.7</b>

### Quarterly Analysis

#### Group Summary

Key performance indicators

in EUR million	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	1,098.2	1,106.4	-0.7	1,107.9	-0.9	1.6
EBITDA	275.1	333.8	-17.6	334.1	-17.7	0.4
% total revenues	25.1%	30.2%		30.2%		
EBIT	52.2	123.8	-57.8	124.0	-57.9	0.2
% total revenues	4.8%	11.2%		11.2%		

Wireless indicators	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,707.8	20,711.0	0.0	20,711.0	0.0	0.0
thereof postpaid (thousands)	15,041.0	14,787.1	1.7	14,787.1	1.7	0.0
thereof prepaid (thousands)	5,666.8	5,923.9	-4.3	5,923.9	-4.3	0.0
MoU (per Ø subscriber)	308.7	304.5	1.4	304.5	1.4	0.0
ARPU (EUR)	8.6	8.7	-0.5	8.7	0.5	0.0
Churn (%)	2.2%	2.1%		2.1%		

Wireline indicators	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	5,900.2	5,551.4	6.3	5,823.6	1.3	272.2

\* Q4 2015 Minutes of Use value has been adjusted retrospectively.

## Segment Belarus

Key performance indicators

in EUR million	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	90.6	83.0	9.3	84.5	7.2	1.6
thereof wireless revenues	86.3	80.4	7.3	80.4	7.3	0.0
thereof service revenues	67.8	61.9	9.5	61.9	9.5	0.0
thereof equipment revenues	16.4	17.0	-3.5	17.0	-3.5	0.0
thereof fixed-line and other revenues	4.4	2.6	69.7	4.2	5.2	1.6
EBITDA	40.6	36.7	10.7	37.0	9.6	0.4
% of total revenues	44.8%	44.2%		43.8%		
EBIT	26.9	19.4	39.1	19.6	37.8	0.2
% of total revenues	29.7%	23.4%		23.1%		

Wireless indicators	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
wireless subscribers (in '000)	4,944.9	4,956.8	-0.2	4,956.8	-0.2	0.0
thereof postpaid (in '000)	3,972.5	4,011.7	-1.0	4,011.7	-1.0	0.0
thereof prepaid (in '000)	972.3	945.1	2.9	945.1	2.9	0.0
MoU (per Ø subscriber)	408.3	392.1	4.2	392.1	4.2	0.0
ARPU (in EUR)	4.6	4.2	10.1	4.2	10.1	0.0
Churn (%)	1.7%	1.4%		1.4%		

Wireline indicators	Q4 2016 reported	Q4 2015 reported	% change	Q4 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	279.4	n.a.	n.a.	272.2	2.6	n.a.
ARPL (in EUR)	7.3	n.a.	n.a.	n.a.	n.a.	n.a.