TELEKOM AUSTRIA GROUP

Results for the First Quarter 2016

Highlights

> Telekom Austria Group results driven by moderate growth in Austria and M&A transactions in CEE
> On a proforma[1] basis Group total revenues declined by 2.2%
> As of Q1 2016 the reporting structure has been fully aligned with América Móvil. Thus, total revenues now include other operating income (EUR 19.0 mn for Q1 2016 and EUR 43.0 mn for Q1 2015)
> Group EBITDA declined by 2.5% on a proforma[1] basis which was mainly driven by a EUR 20 mn extraordinary effect in Segment Slovenia in Q1 2015
> Revenue and EBITDA growth in Austria as a result of better equipment revenues, ringfencing of the premium customer base and successful cost savings
> Strong demand for data and convergence drive CEE operations which were overshadowed by 10.9% BYR devaluation in Q1 2016 and continued price pressure
> EUR 81.0 mn net income
> Group outlook 2016 unchanged: approx. +1% revenues, CAPEX[2] of approx. EUR 750 mn and intended dividend[3] of EUR 0.05/share

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	1,009.4	1,032.6	–2.2%
EBITDA	334.4	343.0	–2.5%
% Total Revenues	33.1%	33.2%	
EBIT	117.2	138.8	-15.6%
% Total Revenues	11.6%	13.4%	

Wireless Indicators	Q1 2016 reported	Q1 2015 proforma	% change
Wireless subscribers (thousands)	20,529.2	20,551.5	–0.1%
Postpaid	14,803.5	14,456.5	2.4%
Prepaid	5,725.8	6,094.9	–6.1%
MoU	298	296	0.8%
ARPU (EUR)	8.4	8.6	–2.5%
Churn (%)	2.0%	1.9%	

Wireline Indicators	Q1 2016 reported	Q1 2015 proforma	% change
RGUs	5,593.5	5,415.2	3.3%

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 prior year figures of M&A transactions made after Q1 2015.
2 Does not include investment in spectrum and acquisitions.
3 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

> 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 included in EBITDA.

In addition to reported results the main key financial indicators will also be presented in a proforma view: In accordance with América Móvil's reporting structure comparison figures of previous quarters will be presented as if M&A transactions executed during the last twelve months were already 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 26 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 after Q1 2015. Therefore please also refer to the financial information presented in the condensed financial statements, which do not contain proforma figures.

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Results for the First Quarter 2016

Vienna, 27 April 2016 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first quarter 2016, ending 31 March 2016.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q1 2016') are available on the website at www.telekomaustria.com.

Summary

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	1,009.4	1,032.6	−2.2%
EBITDA	334.4	343.0	−2.5%
% Total Revenues	33.1%	33.2%	
EBIT	117.2	138.8	-15.6%
% Total Revenues	11.6%	13.4%	

Results for the second quarter 2016 are expected to be announced in the week of 18 July 2016.

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

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

> The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.

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

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Extraordinary effects in the amount of EUR -2.1 mn for revenues (Q1 2015: EUR 25.4 mn) and EUR 7.0 mn for EBITDA (Q1 2015: EUR 22.6 mn) were included in the results. Thereof, a EUR 20 mn extraordinary effect in Slovenia in January 2015 had the biggest influence (included in other operating income).

Additionally, total FX effects amounted to EUR 25.9 mn for revenues and EUR 13.0 mn for EBITDA in Q1 2016.

In the first quarter of 2016, Telekom Austria Group saw an increase in the number of subscribers both in the mobile and in the fixed-line business. In both cases the rise was mainly driven by the abovementioned M&A transactions.

Group total revenues declined by 2.2% on a proforma basis[1]. On a reported basis total revenues rose by 1.2% year-on-year to EUR 1,009.4 mn in the first quarter of 2016, with increases in all markets except for Belarus and Slovenia. Bulgaria, Croatia, Slovenia and the Republic of Macedonia profited from M&A contributions.

Group revenue growth of 1.2% year-on-year

Total revenues in the Austrian segment increased by 1.2% year-on-year in the first quarter of 2016, which was mostly driven by higher equipment revenues. The Bulgarian segment posted an M&A-driven increase in total revenues of 5.1% year-on-year (-6.9% on a proforma basis). Total revenues in the Croatian segment rose by 5.2% (2.7% on a proforma basis) driven by better trends in the mobile business and ongoing growth in the fixed-line business, which received an additional push from M&A.

[1] Proforma figures include prior year figures of M&A transactions made after Q1 2015.

Total revenues in the Belarusian segment came in 12.1% lower due to the substantial FX devaluation. In the Slovenian segment, total revenues declined by 28.7% year-on-year on a proforma basis due to the positive extraordinary effect in Q1 2015. Higher interconnection revenues led to an 12.7% year-on-year rise in total revenues in the Republic of Serbia. The merger in the Republic of Macedonia resulted in a total revenue increase of 81.1% year-on-year while on a proforma basis total revenues remained largely stable.

Group total costs and expenses rose by 2.0% year-on-year to EUR 675.0 mn in the first quarter of 2016. Restructuring charges came in EUR 0.5 mn in Q1 2016 compared to EUR 3.9 mn in Q1 2015. This decline was due to a greater number of employees exempt from work ('freigestellte Mitarbeiter') who had re-entered the workforce. This outweighed the negative effect of an interest rate adjustment.

2.5% Group EBITDA decline on a proforma basis

Proforma Group EBITDA declined by 2.5% year-on-year in the first quarter of 2016, mainly due to the EUR 20.0 mn positive extraordinary effect in Slovenia in Q1 2015.

Depreciation and amortization rose by 11.0% to EUR 217.2 mn due to increases in the M&A-affected countries. Altogether, this led to a decline in operating income of 16.1% to EUR 117.2 mn.

EUR 81.0 mn net income

In summary, this resulted in net income of EUR 81.0 mn in the first quarter of 2016 compared to EUR 92.7 mn in Q1 2015.

Segment Austria

Key Performance Indicators

(reported identical to proforma)

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	632.0	624.4	1.2%
thereof wireless revenues	305.8	296.5	3.1%
thereof service revenues	259.1	259.8	−0.3%
thereof equipment revenues	33.4	22.5	48.5%
thereof fixed-line and other revenues	326.2	327.9	−0.5%
EBITDA	224.5	202.9	10.6%
% of total revenues	35.5%	32.5%	
EBIT	108.6	86.5	25.6%
% of total revenues	17.2%	13.9%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	5,832.8	5,610.3	4.0%
thereof Postpaid	4,099.0	3,995.4	2.6%
thereof Prepaid	1,733.8	1,614.9	7.4%
MoU (in mn)	235.7	251.2	−6.2%
ARPU (in EUR)	14.9	15.4	−3.6%
Churn (%)	1.6%	1.4%	

Wireline Indicators	Q1 2016 reported	Q1 2015 reported	% change
RGUs (in '000)	3,530.8	3,512.5	0.5%
ARPL (in EUR)	28.1	28.4	−1.1%

In Q1 2016, competition in Austria remained intense and continued to be driven by mobile no-frills offers. It's multi-brand strategy allowed A1 Telekom Austria to maintain competitiveness via its no-frills brands bob and YESSS!. At the same time, A1's focus remained on the premium customer segment where it capitalised on its ongoing fibre and LTE rollout with new data-centric initiatives. In March 2016, new high-value bundle offers were launched combining fixed broadband, TV and a SIM card. In addition, new unlimited offers for mobile WiFi routers addressed the segment of mobile broadband households. Handset subsidies also remained a key differentiation between no-frills and premium mobile offers.

In the first quarter of 2016, the total number of mobile communication subscribers rose by 4.0%, mostly due to a greater number of Machine-to-Machine (M2M) SIM cards. Besides this, the increase in the prepaid business more than offset the losses in the contract business (excluding M2M). The latter were mostly driven by a decline in mobile broadband customers. Net additions came in strongly at 29,100 as higher gross additions outweighed higher churn in both the contract and the prepaid business.

In the fixed-line business, total fixed revenue generating units (RGUs) increased by 0.5% compared to Q1 2015. Fixed broadband and TV RGUs continued to show strong growth and rose by 3.7% and 7.0% year-on-year respectively in Q1 2016.

Fixed broadband and TV RGU growth of 3.7% and 7.0% respectively

In the first quarter of 2016, total revenues increased by 1.2% year-on-year as higher equipment revenues outweighed the slight decline in service revenues. Equipment revenues rose due to a greater number of high-value contract gross adds, which were driven by the higher subsidy level. In wireless revenues, service revenues were stable as the rise in visitor roaming as well as the increase in total subscribers outweighed the negative effect of a higher no-frills share (with comparably low average revenues) in the subscriber base. In the fixed-line business, higher revenues from broadband and TV partly offset the decline in voice revenues.

Average monthly revenue per user (ARPU) declined from EUR 15.4 in Q1 2015 to EUR 14.9 in the first quarter of 2016. This was the result of the higher share of no-frills customers in the subscriber base. This factor offset the effect of customer growth and led to stable wireless service revenues year-on-year.

The average monthly revenue per fixed-line (ARPL) continued to fall from EUR 28.4 in Q1 2015 to EUR 28.1 in Q1 2016, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline. ARPL-relevant revenues declined by 1.4% as higher broadband and TV customer numbers could not offset the ARPL decline but showed a gradual stabilisation.

Total costs and expenses declined by 3.3% in the first quarter of 2016 compared to the same period last year. On the one hand, the reduction was driven by lower workforce costs in all areas resulting from the rise in own work capitalised due to the fibre rollout in the quarter under review. On the other hand, there were lower accruals due to the EU court decision on civil servants in Q4 2014. Cost of equipment rose as the increase in the number of handsets sold was only partly offset by a positive EUR 7 mn extraordinary effect stemming from the harmonisation of value adjustments for handsets. Selling and marketing expenses were stable as the continued focus on intensified cost-cutting outweighed the rise in commissions triggered by a greater number of gross adds. Restructuring charges were EUR 0.5 mn in Q1 2016 compared to EUR 3.9 mn in Q1 2015. This decline was due to a greater number of employees exempt from work ('freigestellte Mitarbeiter') who had re-entered the workforce. This outweighed the negative effect of an interest rate adjustment.

Subsidies for customer acquisition increased from a very low EUR 3.1 mn in Q1 2015 to EUR 7.9 mn in Q1 2016. This resulted from significantly higher gross additions as well as a general increase in the subsidy level in the market. Subsidies for customer retention also increased significantly due to the higher subsidy level and slightly more replacements.

As a result of higher total revenues and a reduction in total costs and expenses, EBITDA rose by 10.6% year-on-year in the first quarter of 2016 (8.2% excluding the above mentioned extraordinary effect).

EBITDA growth of 10.6% year-on-year

Depreciation and amortisation remained stable in the quarter under review. As a result, the Austrian segment reported an increase in operating income of 25.6% to EUR 108.6 mn in Q1 2016.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	97.0	104.2	−6.9%
thereof Wireless Revenues	75.6	83.2	−9.1%
thereof Service Revenues	65.9	68.2	−3.3%
thereof Equipment Revenues	8.2	10.1	−18.7%
thereof Fixed-line and Other Revenues	21.4	21.0	1.8%
EBITDA	33.6	38.9	−13.7%
% of Total Revenues	34.6%	37.4%	
EBIT	7.8	14.5	-46.6%
% of Total Revenues	8.0%	14.0%	

Wireless Indicators	Q1 2016 reported	Q1 2015 proforma	% change
Wireless Subscribers (in '000)	4,125.3	4,310.8	−4.3%
thereof Postpaid	3,483.2	3,385.0	2.9%
thereof Prepaid	642.1	925.8	−30.6%
MoU (in mn)	270	249	8.4%
ARPU (in EUR)	5.3	5.3	−1.3%
Churn (%)	2.1%	2.1%	

Wireline Indicators	Q1 2016 reported	Q1 2015 proforma	% change
RGUs (in '000)	1,019.1	964.1	5.7%

In the first quarter of 2016, the Bulgarian segment remained negatively affected by fierce price pressure in the mobile market and the weak macroeconomic backdrop. Mobiltel continued its focus on value-based management in the business segment and greater efforts to retain high-value customers. 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, especially in the fixed broadband and the TV markets.

Total mobile subscribers declined by 4.3% in the first quarter of 2016, driven by the prepaid business. Smartphone and mobile broadband services continued to grow in Q1 2016 following the rise in demand for mobile data. In the fixed-line business, total fixed revenue generating units (RGUs) increased strongly following the acquisition of Blizoo Bulgaria as well as due to the growing popularity of bundled services with TV and increased demand for broadband products.

Total revenues declined by 6.9% on a proforma basis[2] while they increased by 5.1% in a year-on-year comparison as a result of the above-mentioned acquisition. Wireless service revenues declined driven by severe price pressure in the business segment, although the negative trend has slowed down due to successful countermeasures taken in the past. Fixed-line revenues increased due to the acquisition of Blizoo.

Average monthly revenue per user (ARPU) remained stable at EUR 5.3 in the first quarter of 2016. The average monthly revenue per fixed-line (ARPL) fell from EUR 13.4 in Q1 2015 to EUR 10.8 in the first quarter of 2016, stemming from an increasing share of satellite TV customers as well as the consolidation of Blizoo customers (both customer groups report a comparably low ARPL).

[2] Proforma figures include prior year figures of M&A transactions made after Q1 2015.

Total costs and expenses increased by 10.4% year-on-year in the first quarter of 2016 resulting from the acquisition of Blizoo which affected mainly employee costs, expenses for content services and rents. Operationally, total costs and expenses decreased by 0.8% resulting from lower cost of equipment due to a lower number of handsets sold. Selling and marketing expenses also declined following lower sales commissions as a result of fewer activations and prolongations. In the cost of service area, content costs increased following the growth of the TV customer base and the increased share of high-end packages. Additionally, interconnection costs rose following the growing popularity of tariffs including free minutes to all national networks.

Total costs and expenses increased by 10.4% year-on-year

The increase in total revenues was outweighed by higher total costs and expenses, which led to a decline in proforma EBITDA of 13.7% year-on-year in the first quarter of 2016.

Segment Croatia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	88.4	86.1	2.7%
thereof Wireless Revenues	67.3	67.0	0.4%
thereof Service Revenues	57.1	54.4	5.0%
thereof Equipment Revenues	8.8	10.7	–17.3%
thereof Fixed-line and Other Revenues	21.2	19.1	10.8%
EBITDA	17.4	18.9	–7.8%
% of Total Revenues	19.7%	22.0%	
EBIT	–4.5	2.0	n.m.
% of Total Revenues	–5.1%	2.3%	

Wireless Indicators	Q1 2016 reported	Q1 2015 proforma	% change
Wireless Subscribers (in '000)	1,714.2	1,725.8	–0.7%
thereof Postpaid	841.1	817.1	2.9%
thereof Prepaid	873.0	908.7	–3.9%
MoU (in mn)	296.7	292.9	1.3%
ARPU (in EUR)	11.1	10.5	5.8%
Churn (%)	2.4%	2.4%	

Wireline Indicators	Q1 2016 reported	Q1 2015 proforma	% change
RGUs (in '000)	576.8	497.2	16.0%

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 profited from the introduction of new mobile tariffs focusing on LTE and data monetisation, which were launched at the end of March 2015. Trends in the fixed-line business remained encouraging on the back of the strong sales focus on broadband and TV services. The fixed-line business was further strengthened through the acquisition of Amis Croatia on 1 September 2015.

Mobile subscribers declined driven by a lower prepaid base due to the general decrease in the prepaid segment of the market. While prepaid customers shrank by 3.9%, contract subscriber numbers rose by 2.9% in the quarter under review. In total, this resulted in a decrease in the mobile subscriber base of 0.7% but also led to a value enhancement of the customer basis. Total fixed revenue generating units (RGUs) rose by 30.4%, mostly driven by the 45.5% RGU growth in the fixed broadband segment supported by the acquisition of Amis.

Total revenue increase of 2.7% year-on-year on a proforma basis

The first quarter of 2016 saw an increase in total revenues in the Croatian segment of 2.7% year-on-year on a proforma basis[3]. Service revenues rose driven by the ongoing strong growth in fixed RGUs as well as higher fixed fees in the mobile business following the above-mentioned introduction of new tariffs last year. Additionally, revenues from the fixed-line business profited from the acquisition of Amis. Equipment revenues declined as a result of lower quantities sold.

Average monthly revenue per user (ARPU) rose to EUR 11.1 in the first quarter of 2016 compared to EUR 10.5 in Q1 2015. This slight increase was driven by a higher share of contract subscribers. Average monthly revenue per fixed-line (ARPL) increased from EUR 22.9 to EUR 23.3 due to the upselling of fixed-line customers. Together with a higher number of access lines, this led to an increase in ARPL-relevant revenues of 32.7% year-on-year, a factor which also benefitted from the acquisition of Amis.

In the first quarter of 2016, total costs and expenses rose by 7.9% year-on-year. This increase was mostly due to the trend to higher value handsets as well as bad debt. These factors outweighed the effect of lower quantities sold. Furthermore, fixed access line growth also resulted in an increase in wholesale costs mainly stemming from bitstream access. Additionally, Vipnet incurred a EUR 1.2 mn extraordinary legal expense.

Proforma-EBITDA decline of 7.8% year-on-year

Higher total costs and expenses were partly mitigated by the rise in total revenues resulting in a proforma EBITDA decline of 7.8% year-on-year.

Segment Belarus

Key Performance Indicators

(reported identical to proforma)

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	68.9	78.3	−12.1%
thereof wireless revenues	66.6	74.7	−10.8%
thereof service revenues	52.0	66.7	−22.0%
thereof equipment revenues	13.6	6.9	98.5%
EBITDA	34.6	41.7	−17.1%
% of total revenues	50.2%	53.2%	
EBIT	18.5	21.7	−14.7%
% of total revenues	26.9%	27.7%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	4,919.8	4,920.6	0.0%
thereof Postpaid	3,986.3	3,976.4	0.2%
thereof Prepaid	933.5	944.2	−1.1%
MoU (in mn)	382.1	375.2	1.8%
ARPU (in EUR)	3.5	4.5	−22.0%
Churn (%)	1.6%	1.4%	

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

Belarusian Rouble devalued by 10.9% in Q1 2016

In Belarus, continuing strong operational developments are facing macroeconomic headwinds. Due to its high dependence on exports to Russia and a high correlation between the Belarusian and the Russian Rouble, the Belarusian economy shrank by 3.6% in Q1 2016, with a knock-on effect on consumer demand. Tracking the oil price, the BYR devalued by 10.9% against the Euro in Q1 2016 and inflation reached 5.7% in Q1 2016. In a year-on-year comparison the BYR has devalued by 27.4% (period average used respectively in line

[3] Proforma figures include prior year figures of M&A transactions made after Q1 2015.

with IFRS). Moreover, in its reach for cash, the government increased the value added tax on mobile services from 20% to 25% in April 2016.

Against this backdrop, velcom continued to show solid operational results in the first quarter of 2016. These remained driven by the healthy demand for data-centric services, which supported upselling activities as well as velcom's ability to position itself as a premium operator based on its superior network quality. The company's customer base remained stable 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 first quarter of 2016. Including a negative FX effect of EUR 26.0 mn, total revenues decreased by 12.1% on a consolidated basis while they rose by 26.4% excluding FX, other operating income as well as extraordinary effects. This rise was driven by higher equipment revenues due to higher prices (FX-related) as well as more handsets sold. Moreover, data growth as well as inflation-linked price increases in December 2015 led to higher service revenues. Another inflation-linked price increase became effective in April 2016.

Total costs and expenses rose by 44.3% year-on-year on an underlying basis, primarily driven by the cost of equipment area. This increase mostly stems from higher costs of mobile devices resulting from enhanced quantities sold as well as higher prices for handsets. Besides this, interconnection costs rose as a consequence of the increases in mobile tariffs and international SMS.

Operationally, EBITDA rose by 10.6% in the first quarter of 2016, compared to the same period last year, as the increase in total revenues more than offset higher total costs and expenses. After a negative FX translation effect of EUR 13.1 mn, consolidated EBITDA declined by 17.1%.

Operational EBITDA growth of 10.6% year-on-year

Segment Slovenia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	51.7	72.5	–28.7%
thereof Wireless Revenues	43.2	63.4	–31.8%
thereof Service Revenues	32.6	32.1	1.8%
thereof Equipment Revenues	9.7	10.2	–5.0%
thereof Fixed-line and Other Revenues	8.5	9.1	–6.8%
EBITDA	14.0	32.8	–57.2%
% of Total Revenues	27.1%	45.2%	
EBIT	6.5	26.2	–75.2%
% of Total Revenues	12.6%	36.2%	

Wireless Indicators	Q1 2016 reported	Q1 2015 proforma	% change
Wireless Subscribers (in '000)	717.7	684.4	4.9%
thereof Postpaid	581.6	546.7	6.4%
thereof Prepaid	136.2	137.8	–1.2%
MoU (in mn)	350.6	358.9	–2.3%
ARPU (in EUR)	15.3	15.7	–2.4%
Churn (%)	1.5%	1.4%	

Wireline Indicators	Q1 2016 reported	Q1 2015 proforma	% change
RGUs (in '000)	159.7	146.0	9.4%

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

4.9% year-on-year mobile customer growth in the segment Slovenia

In the first quarter of 2016, the number of mobile customers rose by 4.9% year-on-year due to an increase in contract subscribers following successful Christmas offers for the residential segment. The contract share thus rose to 81.0%, compared to 79.9% in the same period last year. Total fixed revenue generating units (RGUs) amounted to 159,700 in the first quarter of 2016.

Total revenues in Slovenia declined by 28.7% year-on-year on a proforma basis[4] due to a positive extraordinary effect in the amount of EUR 20.0 mn in January 2015 related to an agreement on settling mutual relations and business collaboration with Telekom Slovenije. Excluding M&A effects and and the above mentioned extraordinary effect, service revenues remained stable as higher monthly mobile fees offset lower airtime revenues.

Total costs and expenses rose by 16.1% year-on year in Q1 2016 mainly due to higher corporate network and content provider costs resulting from the Amis acquisition. Underlying total costs and expenses were lower due to synergies stemming from the established cluster organisation.

The decline in revenues, together with higher total costs and expenses, resulted in an proforma EBITDA decline of 57.2% year-on-year.

Segment Republic of Serbia

Key Performance Indicators

(reported identical to proforma)

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	52.3	46.4	12.7%
thereof wireless revenues	50.5	45.9	9.9%
thereof service revenues	34.7	32.9	5.6%
thereof equipment revenues	14.9	12.3	21.2%
EBITDA	9.4	10.7	–11.7%
% of total revenues	18.0%	23.0%	
EBIT	–2.9	–2.6	n.m.
% of total revenues	–5.6%	–5.6%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	2,073.0	2,125.2	–2.5%
thereof Postpaid	1,175.9	1,106.0	6.3%
thereof Prepaid	897.1	1,019.3	–12.0%
MoU (in mn)	269.2	266.5	1.0%
ARPU (in EUR)	5.5	5.1	7.6%
Churn (%)	3.6%	3.9%	

In the Republic of Serbia, the focus on the contract segment led to a higher contract share of 56.7% in Q1 2016 compared to 52.0% in Q1 2015. Total subscribers declined by 2.5% stemming from lower subscribers in the prepaid segment.

[4] Proforma figures include prior year figures of M&A transactions made after Q1 2015.

In Q1 2016, total revenues in the Republic of Serbia rose by 12.7% year-on-year due to higher service and equipment revenues. The increase in service revenues was driven by enhanced interconnection revenues following the introduction of national termination rates for SMS in June 2015 and higher equipment revenues resulting from more handsets sold due to hardware promotions. Apart from this, negative impacts from a changed distribution model, which led to a different accounting treatment, still impacted revenues in the Republic of Serbia.

12.7% year-on-year total revenue growth in the segment Republic of Serbia

Total costs and expenses rose by 20.0% year-on year in the first quarter of 2016 due to higher interconnection expenses stemming from the above-mentioned introduction of SMS termination rates.

The increase in total revenues was more than offset by higher total costs and expenses resulting in an EBITDA decline of 11.7% year-on-year.

Segment Republic of Macedonia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 proforma	% change
Total Revenues	29.1	29.1	0.1%
thereof Wireless Revenues	22.0	21.8	0.7%
thereof Service Revenues	20.2	19.8	2.1%
thereof Equipment Revenues	1.5	1.8	–18.0%
thereof Fixed-line and Other Revenues	7.1	7.2	–1.8%
EBITDA	6.1	5.3	16.3%
% of Total Revenues	21.1%	18.2%	
EBIT	–11.5	–1.3	n.m.
% of Total Revenues	–39.5%	–4.4%	

Wireless Indicators	Q1 2016 reported	Q1 2015 proforma	% change
Wireless Subscribers (in '000)	1,146.4	1,174.2	–2.4%
thereof Postpaid	636.5	630.0	1.0%
thereof Prepaid	509.9	544.2	–6.3%
MoU (in mn)	382.2	366.8	4.2%
ARPU (in EUR)	5.8	5.6	4.6%
Churn (%)	2.4%	2.5%	

Wireline Indicators	Q1 2016 reported	Q1 2015 proforma	% change
RGUs (in '000)	307.2	295.2	4.0%

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

In the Republic of Macedonia, the mobile penetration rate declined as customers continued to move from multiple prepaid to single contract subscriptions. Following the merger, one.Vip mobile's mobile customer base nearly doubled and led to a market share of 53.3% in Q1 2016. In the fixed-line business, revenue generating units (RGU) rose by 83.8% to 307,200 in the first quarter of 2016 supported by the above-mentioned merger.

81.1% year-on-year increase in total revenues in the Republic of Macedonia

Total revenues rose by 81.1% year-on-year due to the merger with ONE, however, they remained largely flat at +0.1% on a proforma basis[5]. Average monthly revenue per user (ARPU) also decreased by 4.5% year-on-year. Average monthly revenue per fixed line (ARPL) declined by 12.2% to EUR 12.3 due to a higher share of single-play customers in ONE's fixed-line base.

Total costs and expenses rose by 80.7% year-on year in the Republic of Macedonia in Q1 2016 due to the merger with ONE. On a proforma basis, total costs and expenses declined, reflecting cost savings and synergies. The increase in revenues and higher total costs and expenses led to EBITDA growth to EUR 6.1 mn in Q1 2016.

[5] Proforma figures include prior year figures of M&A transactions made after Q1 2015.

The following analysis is based on reported numbers only.

Consolidated Net Income

Telekom Austria Group recorded a financial result of EUR 26.6 mn in the quarter under review, 33.2% lower than in the previous year. This was mainly driven by a EUR 7.3 mn decline in the interest expense on financial liabilities due to the repayment of a EUR 750 mn bond in January 2016. FX differences amounted to EUR 5.8 mn after EUR 0.2 mn in Q1 2015.

Tax expenses rose from EUR 7.2 mn in Q1 2015 to EUR 9.6 mn in the quarter under review due to a higher effective tax rate applied.

Overall, Telekom Austria Group reported a 12.7% decline in net income to EUR 81.0 mn in Q1 2016.

Net income of EUR 81.0 mn

Balance Sheet and Net Debt

As of 31 March 2016, the balance sheet total shrank by 10.2% year-on-year to EUR 7,460.1 mn compared with EUR 8,304.5 mn in Q1 2015.

Current assets fell by 40.8% to EUR 1,097.5 mn in the quarter 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. Inventories increased mostly due to a rising number of high-value handsets as well as a harmonisation of value adjustments for handsets in Austria.

Non-current assets declined by 1.4% to EUR 6,362.6 mn as a result of lower other intangible assets as well as lower property, plant and equipment. The former resulted from depreciation and amortisation outweighing additions in the quarter under review. The latter mainly came from foreign exchange differences, particularly in Belarus.

Current liabilities decreased by 15.7% to EUR 1,899.8 mn in Q1 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 interests as well as the payment of spectrum in the 800-MHz frequency band in the Republic of Serbia, which was acquired in November 2015, as well as payments in Austria which were shifted into Q1 2016. As a result of the above-mentioned bond reclassification, non-current liabilities declined by 13.7% to EUR 3,127.1 mn.

The slight rise in stockholders' equity from EUR 2,426.0 mn to EUR 2,433.1 mn was driven by higher retained earnings as net income outweighed hybrid coupon payments. This increase was reduced by the decrease in other comprehensive income (loss) items stemming from FX translation effects. This also accounted for the increase in the equity ratio as of 31 March 2016 to 32.6% after 29.2% as of 31 December 2015.

Net Debt*

in EUR million	31 Mar 2016	31 Dec 2015	% change
Net debt	2,527.1	2,483.0	1.8%
Net debt / EBITDA (12 months)	1.8x	1.8x	

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

Telekom Austria Group's net debt increased by 1.8% to EUR 2,527.1 mn in the quarter under review as the decrease in cash and cash equivalents more than offset the decline in financial debt. Together with stable EBITDA, this resulted in an unchanged net debt to EBITDA ratio of 1.8x as of 31 March 2016.

Cash Flow

Cash Flow in EUR million	1–3 M 2016	1–3 M 2015	% change
Earnings before income tax (EBT)	90.6	99.9	–9.3%
Net cash flow from operating activities	307.1	395.8	–22.4%
Net cash flow from investing activities	–239.6	–196.4	n.m.
Net cash flow from financing activities	–865.5	–109.3	n.m.
Net change in cash and cash equivalents	–800.3	90.7	n.m.
Adjustment to cash flows due to exchange rate fluctuations	–2.4	0.5	n.m.

Earnings before income tax (EBT) declined by 9.3% year-on-year, resulting mainly from the positive extraordinary effect in Slovenia in Q1 2015. Depreciation increased 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 31.0 mn were primarily driven by the payment for restructuring. The build-up of inventories stemming from the Easter business was offset by higher accounts payable. Overall, this led to a year-on-year decline in net cash flow from operating activities of 2.5% to EUR 307.1 mn.

Net cash flow from investing activities climbed from EUR 196.4 mn in the comparison period to EUR 239.6 mn in the quarter under review, primarily driven by the rise in capital expenditure paid which included payments of previous quarters, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities rose from EUR 109.3 mn in Q1 2015 to EUR 865.5 mn in the quarter under review, driven by the repayment of a EUR 750 mn bond in January 2016.

Decline in net change in cash and cash equivalents of EUR 800.3 mn in the quarter under review

Overall, this resulted in a decline in net change in cash and cash equivalents of EUR 800.3 mn in the quarter under review compared with a rise of EUR 90.7 mn in the same quarter of 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 a positive EUR 118.5 mn in the same quarter of the previous year to a negative EUR 6.9 mn in the quarter under review. This was primarily due to increased needs for working capital and higher capital expenditures paid.

Capital Expenditures

In the quarter under review, capital expenditure rose by 6.6% to EUR 134.5 mn, mainly attributable to the fibre rollout in Austria in the year under review.

Total CAPEX rose by 6.6% driven by the fibre rollout in Austria

In Q1 2016, tangible CAPEX rose by 15.6% to EUR 112.1 mn since the decline in the Republic of Serbia was more than offset by higher investments in the other segments. The rise in tangible CAPEX in Austria was above all attributable to the fibre rollout. The increase in tangible CAPEX in Belarus was mainly driven by the development of a government-subsidised solar power plant, which will significantly reduce the company's vulnerability to FX volatility. The integration of ONE and Vip operator into a single company, one.Vip, accounted for a jump in tangible CAPEX in the Republic of Macedonia compared to the previous year.

The reduction in intangible capital expenditure to EUR 22.4 mn (Q1 2015: EUR 29.2 mn) is largely due to the purchase of frequencies in the 1,800-MHz spectrum in the amount of EUR 6.9 mn in the Republic of Serbia in February 2015.

Personnel

Personnel (full-time equivalent) End of period	31 Mar 2016	31 Mar 2015	% change
Austria	8,482	8,746	–3.0%
International operations	8,917	7,365	21.1%
Corporate & Other	214	187	14.8%
Total	**17,614**	16,298	**8.1%**

Personnel (full-time equivalent) Average of period	1–3 M 2016	1–3 M 2015	% change
Austria	8,499	8,724	–2.6%
International operations	8,908	7,363	21.0%
Corporate & Other	212	185	14.6%
Total	**17,619**	16,271	**8.3%**

M&A drove increase in International Operations' headcount

Telekom Austria Group had 17,614 employees at the end of Q1 2016, 8.1% 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 3.0% to 8,482 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 21.1% to 8,917 employees, caused solely by the above-mentioned acquisitions.

Telekom Austria AG Share Performance

During the first quarter of 2016, Telekom Austria's share price rose by 7.2%, outperforming the sector as well as the Austrian ATX index. The development of Telekom Austria shares in Q1 2016 was primarily driven by a favourable reception of the company's full year results 2015, which were announced on 9 February 2016 after market closure.

The Telekom Austria share started the year comparably weak, trading down by 7.6%, reaching its quarterly low at EUR 4.66 on 9 February 2016. Following the release of the full year results, the Telekom Austria Group stock started to rise, reaching its quarterly high at EUR 5.73 on 15 March 2016. In the last few days of the quarter, the Telekom Austria share price lost some of its traction amidst general market weakness.

Both the Stoxx Telecom industry index and the ATX, the benchmark index of the Vienna Stock Exchange, declined during the quarter due to macroeconomic concerns and the weakness of the oil price. The telecom sector closed the first quarter down 6.1% while the ATX lost 5.3%.

Development of Telekom Austria share price

indexed from 1 Jan 2016

Outlook Unchanged

Telekom Austria Group outlook for the full year 2016

During the first quarter of 2016, Telekom Austria Group managed to grow its total revenues. This was achieved despite strong competition in the Austrian mobile market as well as ongoing challenges in the CEE region. A devaluation of the BYR by 10.9% dampened total revenue growth in EUR terms in Belarus while fragile economies continued to impact demand and resulted in intense competition across most of the Group's mobile markets. In addition, regulatory headwinds, in particular the high frequency usage fee in Croatia, have hampered operations.

For the remaining months of 2016, most of the above-mentioned business conditions are expected to remain intact. A further burden on Telekom Austria Group will arise from the abolition of retail roaming in the EU as of May 2016, which will overshadow operational improvements. 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 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 to achieve modest growth in Group total revenues.

In order to monetise the strong growth of data-centric solutions, Telekom Austria Group will further invest in the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. This means that CAPEX before spectrum investments and acquisitions will increase moderately to approximately EUR 750 mn in 2016. The intended dividend is expected to remain stable at EUR 0.05 per share. In order to ensure its financial flexibility, Telekom Austria Group remains committed to maintaining its Baa2/BBB ratings from Moody's and Standard & Poor's.

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

With regards to frequencies, the governments of the Republic of Serbia and Bulgaria are expected to sell spectrum in 2016: in the 900, 1,800 and 2,100-MHz spectrum in the Republic of Serbia and in the 1,800-MHz spectrum in Bulgaria.

Outlook 2016	as of 27 April 2016
Total revenues[1]	approx. +1%
Capital expenditures[2]	approx. EUR 750 mn
Dividend[3]	DPS of EUR 0.05

1 Except for Belarus, on a constant currency basis
2 Does not include investments in spectrum or acquisitions
3 Intended proposal to the Annual General Meeting 2017

DPS of EUR 0.05 intended for distribution for the financial year 2015

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.

Additional information on reported results

Group

Revenues

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Austria	632.0	624.4	1.2%
Bulgaria	97.0	92.3	5.1%
Croatia	88.4	84.1	5.2%
Belarus	68.9	78.3	–12.1%
Slovenia	51.7	64.2	–19.4%
Republic of Serbia	52.3	46.4	12.7%
Republic of Macedonia	29.1	16.1	81.1%
Corporate & Holding, Eliminations	–10.0	–8.4	n.m.
Total revenues	**1,009.4**	997.4	**1.2%**

Wireless Subscribers (in '000)	31 Mar 2016 reported	31 Mar 2015 reported	% change
Austria	5,832.8	5,610.3	4.0%
Bulgaria	4,125.3	4,310.8	–4.3%
Croatia	1,714.2	1,725.8	–0.7%
Belarus	4,919.8	4,920.6	0.0%
Slovenia	717.7	684.5	4.9%
Republic of Serbia	2,073.0	2,125.2	–2.5%
Republic of Macedonia	1,146.4	616.1	86.1%
Total Wireless Lines	**20,529.2**	19,993.4	**2.7%**

Total Fixed RGUs (in '000)	31 Mar 2016 reported	31 Mar 2015 reported	% change
Austria	3,530.8	3,512.5	0.5%
Bulgaria	1,019.1	248.1	n.m.
Croatia	576.8	442.2	30.4%
Slovenia	159.7	n.a.	n.a.
Republic of Macedonia	307.2	167.1	83.8%
Total RGUs	**5,593.5**	4,370.0	**28.0%**

Segment Bulgaria

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	97.0	92.3	5.1%
thereof wireless revenues	75.6	83.1	–9.0%
thereof service revenues	65.9	68.2	–3.3%
thereof equipment revenues	8.2	10.1	–18.7%
thereof fixed-line and other revenues	21.4	9.2	131.8%
EBITDA	33.6	34.9	–3.6%
% of total revenues	34.6%	37.8%	
EBIT	7.8	14.4	–46.0%
% of total revenues	8.0%	15.6%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	4,125.3	4,310.8	–4.3%
thereof Postpaid	3,483.2	3,385.0	2.9%
thereof Prepaid	642.1	925.8	–30.6%
MoU (in mn)	270.3	249.5	8.4%
ARPU (in EUR)	5.3	5.3	–1.3%
Churn (%)	2.1%	2.1%	

Wireline Indicators	Q1 2016 reported	Q1 2015 reported	% change
RGUs (in '000)	1,019.1	248.1	n.m.
ARPL (in EUR)	10.8	13.4	–19.7%

Segment Croatia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	88.4	84.1	5.2%
thereof wireless revenues	67.3	67.0	0.4%
thereof service revenues	57.1	54.4	5.0%
thereof equipment revenues	8.8	10.7	–17.3%
thereof fixed-line and other revenues	21.2	17.1	23.7%
EBITDA	17.4	18.3	–4.8%
% of total revenues	19.7%	21.8%	
EBIT	–4.5	1.6	n.m.
% of total revenues	–5.1%	2.0%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	1,714.2	1,725.8	–0.7%
thereof Postpaid	841.1	817.1	2.9%
thereof Prepaid	873.0	908.7	–3.9%
MoU (in mn)	296.7	292.9	1.3%
ARPU (in EUR)	11.1	10.5	5.8%
Churn (%)	2.4%	2.4%	

Wireline Indicators	Q1 2016 reported	Q1 2015 reported	% change
RGUs (in '000)	576.8	442.2	30.4%
ARPL (in EUR)	23.3	22.9	1.7%

Segment Slovenia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	51.7	64.2	–19.4%
thereof wireless revenues	43.2	63.2	–31.6%
thereof service revenues	32.6	32.1	1.8%
thereof equipment revenues	9.7	10.2	–5.0%
thereof fixed-line and other revenues	8.5	1.0	n.m.
EBITDA	14.0	31.7	–55.7%
% of total revenues	27.1%	49.4%	
EBIT	6.5	26.1	–75.1%
% of total revenues	12.6%	40.7%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	717.7	684.5	4.9%
thereof Postpaid	581.6	546.7	6.4%
thereof Prepaid	136.2	137.8	–1.2%
MoU (in mn)	350.6	358.9	–2.3%
ARPU (in EUR)	15.3	15.7	–2.4%
Churn (%)	1.5%	1.4%	

Wireline Indicators	Q1 2016 reported	Q1 2015 reported	% change
RGUs (in '000)	159.7	n.a.	n.a.
ARPL (in EUR)	36.5	n.a.	n.a.

Segment Republic of Macedonia

Key Performance Indicators

in EUR million	Q1 2016 reported	Q1 2015 reported	% change
Total revenues	29.1	16.1	81.1%
thereof wireless revenues	22.0	12.5	76.4%
thereof service revenues	20.2	11.4	77.5%
thereof equipment revenues	1.5	1.1	38.8%
thereof fixed-line and other revenues	7.1	3.6	97.1%
EBITDA	6.1	3.4	82.6%
% of total revenues	21.1%	20.9%	
EBIT	−11.5	0.2	n.m.
% of total revenues	−39.5%	1.1%	

Wireless Indicators	Q1 2016 reported	Q1 2015 reported	% change
Wireless subscribers (in '000)	1,146.4	616.1	86.1%
thereof Postpaid	636.5	337.0	88.9%
thereof Prepaid	509.9	279.1	82.7%
MoU (in mn)	382.2	385.1	−0.7%
ARPU (in EUR)	5.8	6.1	−4.5%
Churn (%)	2.4%	2.5%	

Wireline Indicators	Q1 2016 reported	Q1 2015 reported	% change
RGUs (in '000)	307.2	167.1	83.8%
ARPL (in EUR)	12.3	14.0	−12.2%

Capital Expenditures

Capital Expenditures*

in EUR million	1–3 M 2016	1–3 M 2015	% change
Austria	79.7	73.4	8.6%
Bulgaria	13.3	13.6	−1.7%
Croatia	14.5	9.4	54.2%
Belarus	13.5	7.6	76.6%
Slovenia	3.6	4.3	−15.7%
Republic of Serbia	3.7	15.5	−76.3%
Republic of Macedonia	6.4	2.4	167.3%
Corporate & Holding, Eliminations	−0.2	0.0	n.a.
Total capital expenditures	**134.5**	126.2	**6.6%**
thereof tangible	112.1	97.0	15.6%
thereof intangible	22.4	29.2	−23.4%

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

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q1 2016 unaudited	Q1 2015 unaudited
Service Revenues (incl. other operating income)	913.5	918.6
Equipment revenues	95.9	78.8
Total revenues (incl. other operating income - OOI)	**1,009.4**	**997.4**
Cost of service	−326.0	−315.4
Cost of equipment	−104.0	−92.4
Selling, general & administrative expenses	−241.7	−252.8
Others	−3.2	−1.4
Total cost and expenses	**−675.0**	**−662.1**
Earnings before interest, tax, depreciation and amortisation - EBITDA	**334.4**	**335.3**
Depreciation and amortisation	−217.2	−195.6
Operating income - EBIT	**117.2**	**139.7**
Interest income	3.4	4.8
Interest expense on financial liabilities	−32.9	−40.2
Interest on employee benefits and restructuring and other financial items, net	−3.7	−4.7
Foreign currency exchange (gain) loss, net	5.8	0.2
Equity interest in net income of associated companies	0.8	0.1
Financial result	**−26.6**	**−39.8**
Earnings before income tax - EBT	**90.6**	**99.9**
Income tax	−9.6	−7.2
Net result	**81.0**	**92.7**
Attributable to:		
Equity holders of the parent	74.7	86.5
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.3	6.2
Basic and diluted earnings per share attributable to equity holders of the parent	**0.1**	**0.1**
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841
Other comprehensive income items:		
Items that may be reclassified to profit or loss:		
Effect of translation of foreign entities	−38.3	−38.3
Realised result on hedging activities, net of tax	1.1	1.1
Unrealised result on securities available-for-sale, net of tax	0.0	0.0
Realised result on securities available-for-sale, net of tax	0.0	0.0
Items that will not be reclassified to profit or loss:	**−37.2**	**−37.2**
Remeasurements of defined benefit obligations, net of tax	−4.9	−1.1
Total other comprehensive income (loss)	**−42.0**	**−38.3**
Total comprehensive income (loss)	**39.0**	**54.4**
Attributable to:		
Equity holders of the parent	32.6	48.2
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.3	6.2

Condensed Consolidated Statements of Financial Position

in EUR million	31. March 2016 unaudited	31 Dec. 2015 audited	1 Jan. 2015 audited
ASSETS			
Current assets			
Cash and cash equivalents	108.8	909.2	1,018.1
Short-term investments	1.7	2.4	14.4
Accounts receivable: Subscribers, distributors and other, net	628.0	624.6	600.1
Receivables due from related parties	1.0	0.9	1.3
Inventories, net	108.8	78.9	91.7
Income tax receivable	4.4	4.4	27.4
Other current assets, net	244.7	232.7	245.6
Total current assets	**1,097.5**	**1,853.1**	**1,998.9**
Non-current assets			
Property, plant and equipment, net	2,382.4	2,409.4	2,294.5
Intangibles, net	2,436.3	2,507.9	2,570.1
Goodwill	1,231.6	1,229.7	1,189.5
Investments in associated companies	41.0	40.4	38.3
Long-term investments	7.1	8.2	7.4
Deferred income tax assets	215.5	206.7	170.9
Other non-current assets, net	48.7	49.0	46.9
Total non-current assets	**6,362.6**	**6,451.4**	**6,317.5**
TOTAL ASSETS	**7,460.1**	**8,304.5**	**8,316.4**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	−554.9	−810.4	−247.4
Accounts payable	−791.8	−905.2	−748.5
Accrued liabilities and current provisions	−337.9	−335.5	−337.3
Income tax payable	−50.4	−38.9	−33.4
Payables due to related parties	−2.2	−1.8	−7.1
Deferred revenues	−162.5	−161.5	−163.9
Total current liabilities	**−1,899.8**	**−2,253.3**	**−1,537.5**
Non-current liabilities			
Long-term debt	−2,082.7	−2,584.1	−3,385.0
Deferred income tax liabilities	−64.9	−71.4	−90.8
Deferred revenues and other non-current liabilities	−22.7	−22.8	−16.6
Asset retirement obligation and restructuring	−750.1	−750.3	−867.5
Employee benefits	−206.8	−196.5	−200.9
Total non-current liabilities	**−3,127.1**	**−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	−1.4	48.0	382.1
Other comprehensive income (loss) items	702.8	660.7	533.9
Equity attributable to equity holders of the parent	**−2,431.4**	**−2,424.1**	**−2,216.8**
Non-controlling interests	−1.7	−1.9	−1.2
Total stockholders' equity	**−2,433.1**	**−2,426.0**	**−2,218.0**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,460.1**	**−8,304.5**	**−8,316.4**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2016 unaudited	Q1 2015 unaudited
Earnings before income tax - EBT	90.6	99.9
Items not requiring the use of cash:		
Depreciation	137.7	122.4
Amortisation of intangible assets	79.5	73.1
Equity interest in net income of associated companies	−0.8	−0.1
Loss on sale of property, plant and equipment	1.1	0.6
Net period cost of labor obligations and restructuring	5.9	9.0
Foreign currency exchange (gain) loss, net	−5.8	−0.2
Interest income	−3.4	−4.8
Interest expense	33.5	40.9
Other adjustments	−0.2	−1.1
Working capital changes:		
Accounts receivable from subscribers, distributors and other	−4.9	37.8
Prepaid expenses	−10.7	−0.6
Due from related parties	−0.2	0.6
Inventories	−30.7	12.1
Other assets	−1.4	1.4
Employee benefits and restructuring	−26.2	−26.4
Accounts payable and accrued liabilities	46.2	34.7
Due to related parties	0.3	−1.6
Deferred revenues	0.6	−1.3
Interest received	3.4	4.0
Income taxes paid	−7.5	−4.8
Net cash flow from operating activities	**307.1**	**395.8**
Capital expenditures paid	−245.2	−206.9
Proceeds from sale of plant, property and equipment	4.7	2.4
Purchase of investments	−0.5	−1.6
Proceeds from sale of investment	1.4	12.6
Acquisition of businesses, net of cash acquired	0.0	−2.8
Net cash flow from investing activities	**−239.6**	**−196.4**
Repayments of long-term debt	−752.7	−2.7
Interest paid	−73.5	−73.8
Change in short-term debt	−5.4	1.0
Dividends paid	−33.9	−33.9
Net cash flow from financing activities	**−865.5**	**−109.3**
Adjustment to cash flows due to exchange rate fluctuations, net	**−2.4**	**0.5**
Net change in cash and cash equivalents	**−800.3**	**90.7**
Cash and cash equivalents beginning of period	909.2	1,018.1
Cash and cash equivalents end of period	108.8	1,108.7

Capital expenditures

in EUR million	Q1 2016 unaudited	Q1 2015 unaudited	% change
Capital expenditures paid	**245.2**	**206.9**	**18.5%**
Reconciliation of additions in accounts payable	–110.7	–80.8	37.1%
Total capital expenditures	**134.5**	**126.2**	**6.6%**
Thereof tangible	112.1	97.0	15.6%
Thereof intangible	22.4	29.2	–23.4%

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	81.0	0.0	81.0	0.0	81.0
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–42.0	–42.0	0.0	–42.0
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**81.0**	**–42.0**	**38.9**	**0.0**	**39.0**
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.2	–31.8
Balance at 31 March 2016	1,449.3	–7.8	1,100.1	591.2	1.4	–702.8	2,431.4	1.7	2,433.1

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	92.7	0.0	92.7	0.0	92.7
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–38.3	–38.3	0.0	–38.3
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**92.7**	**–38.3**	**54.4**	**0.0**	**54.4**
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.1	–31.8
Balance at 31 March 2015	1,449.3	–7.8	1,100.1	591.2	–321.0	–572.2	2,239.6	1.1	2,240.7

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	31. March 2016 unaudited	31 Dec. 2015 audited
Long-term debt	2,082.7	2,584.1
Short-term debt and current portion of long-term debt	554.9	810.4
Cash and cash equivalents and short-term investments	–110.5	–911.5
Net debt	**2,527.1**	**2,483.0**
Net debt/EBITDA (last 12 months)	**1.8x**	**1.8x**

Condensed Operating Segments

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
1–3 M 2016									
External revenues	627.1	96.3	86.9	68.9	51.1	50.4	28.8	–0.2	1,009.4
Intersegmental revenues	4.9	0.7	1.5	0.0	0.6	1.9	0.3	–9.9	0.0
Total revenues (incl. OOI)	**632.0**	**97.0**	**88.4**	**68.9**	**51.7**	**52.3**	**29.1**	**–10.0**	**1,009.4**
Segment expenses	–407.5	–63.4	–71.0	–34.3	–37.7	–42.9	–23.0	4.7	–675.0
EBITDA	**224.5**	**33.6**	**17.4**	**34.6**	**14.0**	**9.4**	**6.1**	**–5.3**	**334.4**
Depreciation and amortisation	–115.9	–25.8	–21.9	–16.0	–7.5	–12.4	–17.6	0.0	–217.2
Operating income - EBIT	**108.6**	**7.8**	**–4.5**	**18.5**	**6.5**	**–2.9**	**–11.5**	**–5.3**	**117.2**
Interest income	0.5	0.7	0.9	0.7	0.6	0.1	0.1	–0.1	3.4
Interest expense	–5.4	–0.3	–3.8	–0.6	–0.4	–0.4	–0.2	–21.7	–32.9
Other financial result	–3.4	0.0	4.1	–0.3	0.0	–0.9	0.0	2.7	2.2
Equity interest in net income of associated companies	0.9	0.0	0.0	0.0	0.0	0.0	0.0	–0.1	0.8
Earnings before income tax - EBT	**101.1**	**8.2**	**–3.2**	**18.4**	**6.6**	**–4.2**	**–11.6**	**–24.6**	**90.6**
Income taxes									–9.6
Net result									**81.0**
EBITDA margin	35.5%	34.6%	19.7%	50.2%	27.1%	18.0%	21.1%	n.a.	33.1%
Capital expenditures - intangible	16.0	3.5	0.0	1.9	0.2	0.4	0.4	0.0	22.4
Capital expenditures - tangible	63.7	9.9	14.5	11.6	3.4	3.3	6.0	–0.2	112.1
Total capital expenditures	**79.7**	**13.3**	**14.5**	**13.5**	**3.6**	**3.7**	**6.4**	**–0.2**	**134.5**

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
1–3 M 2015									
External revenues	619.5	91.8	83.9	78.3	63.5	45.3	15.1	–0.1	997.4
Intersegmental revenues	4.9	0.5	0.2	0.0	0.6	1.1	1.0	–8.3	0.0
Total revenues (incl. OOI)	**624.4**	**92.3**	**84.1**	**78.3**	**64.2**	**46.4**	**16.1**	**–8.4**	**997.4**
Segment expenses	–421.4	–57.4	–65.8	–36.6	–32.5	–35.8	–12.7	0.1	–662.1
EBITDA	**202.9**	**34.9**	**18.3**	**41.7**	**31.7**	**10.7**	**3.4**	**–8.3**	**335.3**
Depreciation and amortisation	–116.5	–20.5	–16.7	–20.0	–5.5	–13.3	–3.2	0.0	–195.6
Operating income - EBIT	**86.5**	**14.4**	**1.6**	**21.7**	**26.1**	**–2.6**	**0.2**	**–8.3**	**139.7**
Interest income	0.6	0.5	0.9	1.9	0.3	0.0	0.0	0.5	4.8
Interest expense	–4.1	–0.1	–2.1	–0.5	–0.5	–0.1	–0.1	–32.7	–40.2
Other financial result	–3.3	0.0	0.3	0.7	0.0	0.2	–0.4	–2.0	–4.5
Equity interest in net income of associated companies	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Earnings before income tax - EBT	**79.8**	**14.8**	**0.7**	**23.7**	**26.0**	**–2.5**	**–0.3**	**–42.4**	**99.9**
Income taxes									–7.2
Net result									**92.7**
EBITDA margin	32.5%	37.8%	21.8%	53.2%	49.4%	23.0%	20.9%	n.a.	33.6%
Capital expenditures - intangible	16.0	3.9	0.4	0.5	0.6	7.6	0.3	0.0	29.2
Capital expenditures - tangible	57.5	9.7	9.0	7.1	3.7	7.9	2.1	0.0	97.0
Total capital expenditures	**73.4**	**13.6**	**9.4**	**7.6**	**4.3**	**15.5**	**2.4**	**0.0**	**126.2**

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, except the following standards/interpretations which became effective:

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

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

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

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

Format of the Condensed Consolidated Financial Statements

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:

	Q1 2015 As previously reported	Reclassifications	Q1 2015 New reporting structure
Total revenues (incl. other operating income - OOI)	999.8	−2.4	997.4
Total cost and expenses	−665.2	3.1	−662.1
Earnings before interest, tax, depreciation and amortisation - EBITDA	**334.6**	**0.7**	**335.3**
Depreciation and amortisation	−194.9	−0.7	−195.6
Operating income - EBIT	**139.7**	**0.0**	**139.7**
Interest income	4.0	0.7	4.8
Interest expense on financial liabilities	−44.2	4.0	−40.2
Interest on employee benefits and restructuring and other financial items, net	0.0	−4.7	−4.7
Foreign currency exchange (gain) loss, net	0.2	0.0	0.2
Equity interest in net income of associated companies	0.1	0.0	0.1
Earnings before income tax - EBT	**99.9**	**0.0**	**99.9**
Income tax	−7.2	0.0	−7.2
Net result	**92.7**	**0.0**	**92.7**

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.

In the first quarter 2015 the effects of the reclassifications of penalty interest in Croatia and fees related to debt offset each other and therefore the Operating income – EBIT remained unchanged.

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:

	Q1 2015 As previously reported	Reclassifications	Q1 2015 New reporting structure
Depreciation	194.9	0.7	195.6
Inventories	8.0	4.2	12.1
Accounts payable and accrued liabilities	–115.5	80.8	34.7
Interest expense	2.9	38.0	40.9
Net cash flow from operating activities	**272.2**	**123.7**	**395.8**
Capital expenditures paid	–121.1	–85.9	–206.9
Proceeds from sale of plant, property and equipment	2.1	0.3	2.4
Net cash flow from investing activities	**–110.8**	**–85.6**	**–196.4**
Change in short-term debt	–34.7	35.7	1.0
Interest paid	0.0	–73.8	–73.8
Net cash flow from financing activities	**–71.2**	**–38.0**	**–109.3**
Adjustment to cash flows due to exchange rate fluctuations, net	0.5	0.0	0.5
Net change in cash and cash equivalents	**90.7**	**0.0**	**90.7**

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 cash flow previously reported. Interest expense was reported in net cash flow from operating activities while the change of accrued interest was reported in changes in short-term borrowings within net cash flow from financing activities. Only interest expense from the unwinding of asset retirement obligation and from the release of the hedging reserve was adjusted as non-cash. In the new structure total interest paid is reported in net cash flow from financing activities leading to a shift between operating and financing activities.

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

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

Business combinations

On 22 December 2015, Vipnet acquired 100% of CATV-047 d.o.o Kabelska 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 available. 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

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

	1–3 M 2016	1–3 M 2015
Other operating income	19.0	43.0
Write-down/ reversals of write-down of inventories	7.8	– 1.8
Employee benefit expenses	– 204.8	– 218.2

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

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

Non-Current assets

In the first quarter 2016 the estimated useful lives of certain communications network and other equipment in the segments Republic of Macedonia, Austria and Belarus were reduced. The changes resulted in an increase in depreciation of EUR 13.5 million in the first quarter 2016.

The decrease in property, plant and equipment and intangibles is a result of the translation adjustment mainly resulting from the segment Belarus as well as amortisation and depreciation being higher than additions.

Non-Current and Current Liabilities

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

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

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

Provisions and Accrued Liabilities

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

in EUR million	31. March 2016 unaudited	31 Dec. 2015 audited
Restructuring and social plans	647.0	668.5
Civil servants changed to the government	31.1	33.7
Total restructuring	**678.1**	**702.2**

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

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

	31. March 2016	31 Dec. 2015
Restructuring		
Employees permanently leaving the service process	1.50%	2.00%
Social plans	1.00%	1.00%
Civil servants transferred to the government	1.00%	1.00%
Employee benefit obligations		
Service awards	1.00%	1.25%
Severance	2.00%	2.25%
Pensions	1.00%	1.25%

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

In the first quarter of 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
31. March 2016			
Discount rate	1.5%	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 21.7 million.

Income Taxes

	1–3 M 2016	1–3 M 2015
Effective tax rate	10.6%	7.2%

in EUR million	31. March 2016	31 Dec. 2015
Net deferred taxes	150.6	135.3

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

Stockholders' Equity

In February 2016 and 2015, the Telekom Austria Group paid the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 2.1 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the condensed consolidated statements of comprehensive income and equals the recognised interest for the first quarter according to local GAAP amounting to EUR 8.3 million, net of the related tax benefit of EUR 2.1million, which is recognised in stockholders' equity according to IAS 12.

Other comprehensive income (loss) items include the remeasurement of defined benefit, available-for-sale reserve, hedging reserve and translation adjustments. The effect of translation of foreign entities in the first quarter 2016 and 2015 is mainly a result of the 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	31. March 2016 Carrying amount unaudited	Fair value unaudited	31 Dec. 2015 Carrying amount audited	Fair value audited
Cash and cash equivalents	**108.8**	**108.8**	**909.2**	**909.2**
Accounts receivable: Subscribers, distributors and other, net	628.0	628.0	624.6	624.6
Receivables due from related parties	1.0	1.0	0.9	0.9
Other current financial assets	79.3	79.3	80.5	80.5
Other non-current financial assets	36.4	36.4	36.3	36.3
Loans and receivables	**744.8**	**744.8**	**742.3**	**742.3**
Long-term investments	6.3	6.3	6.5	6.5
Short-term investments	1.7	1.7	2.4	2.4
Available-for-sale investments	**7.9**	**7.9**	**8.9**	**8.9**
Investments at cost	**0.9**	**0.9**	**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 decreased by allowance for financial assets.

Investments at cost mainly relate to the stake in CEESEG AG. As this stake can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost. 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	31. March 2016 Carrying amount unaudited	Fair value unaudited	31 Dec. 2015 Carrying amount audited	Fair value audited
Liabilities to financial institutions	0.0	0.0	5.1	5.1
Bonds	2,284.8	2,600.4	3,033.9	3,297.4
Other current financial liabilities	150.8	150.8	150.0	150.0
Non-current liabilities to financial institutions	352.6	382.5	355.3	391.6
Other non-current liabilities	0.8	0.8	0.8	0.8
Accounts payable - trade	488.8	488.8	573.7	573.7
Payables due to related parties	2.2	2.2	1.8	1.8
Accrued interest	49.8	49.8	93.2	93.2
Financial liabilities at amortised cost	**3,329.9**	**3,675.4**	**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:

31. March 2016 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.8	1.1	0.0	7.9
Financial assets measured at fair value	**6.8**	**1.1**	**0.0**	**7.9**

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.