# Results for the Full Year 2017

## Key financial and operating highlights in the full year 2017

- Group total revenues rose by 3.0% on a proforma[1] basis (reported: +4.1%), EBITDA increased by 2.0% (rep.: +3.2%).
- Revenue increase driven by growth in fixed-line service revenues and equipment revenues, while mobile service revenues were lower due to roaming; the revenue increase was driven by all markets except for the Republic of Macedonia.
- Full year OPEX increased due to intensified sales activities and investments in A1 Digital, but also regulation-driven roaming expenses and higher than usual non-recurring items in Q4.
- EBITDA development in the full year 2017 was also impacted by:
  - Restructuring in Austria: positive EUR 18.2 mn in 2017 compared to a negative EUR 7.2 mn effect in 2016.
  - Positive FX effects in 2017: EUR 11.0 mn in revenues; EUR 3.3 mn in EBITDA.
  - Positive one-off effects in total revenues and EBITDA of EUR 23.8 mn in 2017 compared to positive one-off effects in EBITDA of EUR 21.4 mn in 2016 (details see p. 25).
  - Solid operational trend in the first nine months of 2017 weakened by seasonally lower EBITDA margin in Q4 but also higher Q4 OPEX versus last year driven by additional investments realising market opportunities in the Christmas season, A1 Digital and higher than usual non-recurring items.
  - Negative roaming effect on EBITDA of approx. EUR 20 mn in 2017; high usage elasticity and higher than expected visitor roaming revenues at a Group level.
- Reported net result of EUR 345.5 mn in 2017 compared to EUR 413.2 mn in 2016, negatively impacted by brand value amortisation in the amount EUR 123.2 mn in 2017; excluding D&A from brand value amortisation reported net result grew by 13.4% in 2017.
- Free cash flow growth of 65.8% year-on-year to EUR 384.7 mn.
- Group outlook 2018: total revenue growth of 1-2% (on a reported basis), CAPEX[2] of approximately EUR 750 mn.

Key performance indicators
Proforma view

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 1,130.0 | 1,110.8 | 1.7 | 4,382.5 | 4,254.9 | 3.0 |
| Service revenues | 940.2 | 941.1 | -0.1 | 3,775.3 | 3,715.8 | 1.6 |
| Equipment revenues | 161.5 | 141.3 | 14.2 | 504.4 | 450.4 | 12.0 |
| Other operating income | 28.2 | 28.4 | -0.7 | 102.8 | 88.7 | 15.8 |
| EBITDA | 288.3 | 278.7 | 3.5 | 1,397.3 | 1,370.4 | 2.0 |
| % total revenues | 25.5% | 25.1% | | 31.9% | 32.2% | |
| EBIT | -20.1 | 53.9 | n.m. | 443.9 | 496.2 | -10.5 |
| % total revenues | -1.8% | 4.9% | | 10.1% | 11.7% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 20,657.7 | 20,707.8 | -0.2 | 20,657.7 | 20,707.8 | -0.2 |
| thereof postpaid | 15,580.7 | 15,041.0 | 3.6 | 15,580.7 | 15,041.0 | 3.6 |
| thereof prepaid | 5,077.1 | 5,666.8 | -10.4 | 5,077.1 | 5,666.8 | -10.4 |
| MoU (per Ø subscriber)*) | 341.6 | 328.0 | 4.1 | 330.9 | 322.9 | 2.5 |
| ARPU (EUR) | 8.5 | 8.6 | -2.2 | 8.6 | 8.7 | -0.8 |
| Churn (%) | 2.2% | 2.2% | | 2.0% | 2.0% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 6,036.5 | 6,075.8 | -0.6 | 6,036.5 | 6,075.8 | -0.6 |

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. *) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly. 1 Proforma figures include M&A transactions made between the start of the comparison period and the end of the reporting period. 2 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 A1 Telekom Austria Group nor any other person accepts any liability for any such forward-looking statements. A1 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 A1 Telekom Austria Group.

# Information on alternative performance measures and reporting changes

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

To reflect the performance on an operational basis, the proforma figures present comparison figures for previous periods as if M&A transactions executed between the start of the comparison period and the end of the reporting period had already been fully consolidated in the relevant months of the comparison period. Alternative performance measures are used to describe the operational performance. Please therefore also refer to the financial information presented in the Consolidated Financial Statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 32.

As of Q1 2017, the new company ‘A1 Digital International GmbH’ is consolidated as part of the segment ‘Corporate & other, eliminations’. The Machine-to-Machine (M2M) business, which has so far been reported in the Austrian Segment, is part of this new company. Therefore, previously reported numbers in the segments Austria as well as in ‘Corporate & other, eliminations’ will be affected, while Group numbers will not change. Comparative figures have been adjusted accordingly. The new company will focus on the B2B market and offer digital services to actively support companies in the digitalisation process with the goal of enhancing their success in their field of business.

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[1] 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 2017 results figures are audited. Figures are not yet approved by the Supervisory Board. 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 2018.

# Full year and fourth quarter results

The presentation for the conference call and key figures of the A1 Telekom Austria Group in Excel format ('Fact Sheet Q4 2017') are available on the website at www.a1.group.

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Vienna, 13 February 2018 – Today, the A1 Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the fourth quarter and full year 2017, ending 31 December 2017.

Income Statement
Reported view

| in EUR million | Q4 2017 reported | Q4 2016 reported | % change | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|---|---|---|
| Service revenues | 940.2 | 929.8 | 1.1 | 3,775.3 | 3,674.5 | 2.7 |
| Equipment revenues | 161.5 | 141.4 | 14.2 | 504.4 | 450.3 | 12.0 |
| Other operating income | 28.2 | 27.1 | 4.4 | 102.8 | 86.6 | 18.6 |
| **Total revenues** | **1,130.0** | 1,098.2 | **2.9** | **4,382.5** | 4,211.5 | **4.1** |
| Cost of service | -365.6 | -358.3 | -2.0 | -1,394.2 | -1,346.5 | -3.5 |
| Cost of equipment | -183.9 | -166.2 | -10.6 | -584.2 | -521.9 | -12.0 |
| Selling, general & administrative expenses | -286.7 | -296.4 | 3.3 | -994.9 | -986.1 | -0.9 |
| Other expenses | -5.5 | -2.1 | -158.0 | -11.8 | -2.7 | n.m. |
| **Total costs and expenses** | **-841.6** | -823.1 | **-2.3** | **-2,985.1** | -2,857.2 | **-4.5** |
| **EBITDA** | **288.3** | 275.1 | **4.8** | **1,397.3** | 1,354.3 | **3.2** |
| % of total revenues | 25.5% | 25.1% | | 31.9% | 32.2% | |
| Depreciation and amortisation | -308.4 | -220.6 | -39.8 | -953.4 | -865.3 | -10.2 |
| **EBIT** | **-20.1** | 52.2 | **n.m.** | **443.9** | 486.7 | **-8.8** |
| % of total revenues | -1.8% | 4.8% | | 10.1% | 11.6% | |
| Interest income | 3.2 | 4.5 | -29.0 | 14.3 | 13.8 | 3.5 |
| Interest expense | -22.5 | -39.0 | 42.3 | -95.3 | -142.5 | 33.1 |
| Other financial expense | -2.3 | -3.6 | 35.9 | -11.2 | -9.7 | -15.2 |
| Foreign currency exchange differences | -0.4 | 1.8 | n.m. | -2.6 | 10.0 | n.m. |
| Equity interest in net income of affiliates | -0.1 | 0.7 | n.m. | -0.7 | 1.4 | n.m. |
| **Earnings before income tax** | **-42.3** | 16.5 | **n.m.** | **348.5** | 359.7 | **-3.1** |
| Income tax | 30.7 | 90.0 | -65.9 | -3.0 | 53.5 | n.m. |
| **Net result*)** | **-11.6** | 106.5 | **n.m.** | **345.5** | 413.2 | **-16.4** |

*) Attributable to equity holders of the parent, non controlling interests and hybrid capital owners

## Q4 2017: Summary of Profit and Loss (proforma)

The following analysis is presented on a proforma[2] basis if not stated otherwise.

The following factors impact the year-on-year comparison of the operating results of A1 Telekom Austria Group in the fourth quarter of 2017 and should be considered in the analysis:

- The acquisition of the fixed-line provider Garant (Gomel) in Belarus, consolidated as of 1 August 2017.
- The acquisition of the fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.
- The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- Total negative FX effects amounting to EUR 8.6 mn for total revenues and EUR 4.7 mn for EBITDA in the fourth quarter of 2017. FX losses in Belarus were partly offset by currency appreciations in Serbia.
- Restructuring charges amounted to positive EUR 5.0 mn in Q4 2017 compared to negative EUR 26.8 mn in the same period last year.
- A positive one-off effect in the Republic of Serbia in the amount of EUR 3.8 mn in Q4 2017 in other operating income, resulting from changed parameters in the calculation of asset retirement obligations.
- There were no one-off effects included in the fourth quarter of 2016.
- Additionally, the EBITDA decline at an operational basis was negatively impacted by higher than usual non-recurring items driving OPEX in Q4 2017 extraordinarily high.

As of Q1 2017, A1 Digital International GmbH (A1 Digital) is consolidated as part of the segment 'Corporate & other, eliminations'. The M2M (Machine-to-Machine) business, which has so far been reported in the Austria segment, is now part of this company. A1 Digital focusses on the B2B market and offers digital services to actively support companies in the digitalisation process, with the goal of enhancing their success in their field of business. In August 2017, A1 Digital acquired a majority holding of Swiss cloud provider Akenes SA, which operates under the brand Exoscale. Exoscale provides infrastructure and services for cloud applications in Europe. Following the acquisition, A1 Digital is now able to offer cloud-based services via this platform.

In September 2017, the A1 Telekom Austria Group took a further step in strengthening its brand profile and announced its decision to introduce the A1 brand stepwise in all markets according to local circumstances and thereby harmonise its brands throughout the Group. This triggered the continuous amortisation of local brand values, which had reached a total of around EUR 350 mn by the end of 2016. The respective companies will amortise the brand values until the phase-out of the old brands, which is expected to have a negative impact on the net result until the financial year 2019, with more than half of the impact in 2017 and Q1 2018. In Q4 2017, the brand value amortisation resulting thereof amounted to EUR 103.5 mn and stemmed primarily from the segment Bulgaria as well as, to a lesser extent, from the segments Belarus, Croatia and Republic of Macedonia.

In the fourth quarter of 2017, A1 Telekom Austria Group saw a slight decrease in the mobile subscriber base of 0.2% in a year-on-year comparison to 20.7 million subscribers. Declining subscriber numbers in Bulgaria, Austria, Belarus, the Republic of Macedonia and Slovenia were partly mitigated by the growth of M2M subscribers of A1 Digital as well as growth in Croatia and the Republic of Serbia. Subscriber numbers

[2] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

in Austria declined by 1.9% in 2017 due to the prepaid business. Almost all markets saw a shift from prepaid to postpaid offers. The number of revenue generating units (RGUs) in the fixed-line business of the Group declined by 0.6% year-on-year (reported: +2.3%). The decline in RGUs in Austria and Bulgaria, which was mainly driven by voice RGUs, was partly offset by increases in Belarus, the Republic of Macedonia, Slovenia and Croatia.

Group revenues increased by 1.7% year-on-year

Group total revenues increased by 1.7% year-on-year (reported: +2.9%) as growth in Austria, the Republic of Serbia and Bulgaria offset declines in Croatia, the Republic of Macedonia, Slovenia and Belarus. Negative effects stemming from the abolition of retail roaming in the EU as of 15 June 2017 derive mostly from Austria and Slovenia. Group service revenues were stable (-0.1% year-on-year; reported: +1.1%).

Total revenues in the Austrian segment increased by 2.3% year-on-year in the fourth quarter of 2017 as more handsets sold and the increase in retail fixed-line service revenues outweighed the negative effects on customer roaming and losses in the prepaid segment.

In the Bulgarian segment, total revenues increased by 3.1% in a year-on-year comparison, driven by higher equipment revenues and increased fixed-line service revenues. The latter rose following the positive impact of the exclusive sports content offer and a higher ARPL in the business segment.

Total revenues in the Croatian segment declined by 3.2% year-on-year (reported: +3.6%), stemming from fewer handsets sold and due to exceptionally high other operating income in the comparison period. Total revenues in the Belarusian segment were stable at -0.1% year-on-year (reported: +5.8%) in Euro terms, while they rose by 10.7% (reported: +17.2%) on a local currency basis. This rise was mainly driven by higher equipment revenues due to a shift towards more expensive handsets.

In the Slovenian segment, total revenues declined by 1.8% year-on-year in the fourth quarter of 2017 driven by lower monthly fees due to the enduring highly competitive environment in the mobile business as well as the negative roaming impact. Total revenues in the Serbian segment increased by 10.3% year-on-year due to a shift towards postpaid tariffs introduced in June 2017 and the strong demand for net cubes as well as due to the above-mentioned positive one-off effect in other operating income. Excluding this one-off effect, total revenues rose by 4.0% year-on-year. In the Republic of Macedonia, total revenues declined by 7.9% year-on-year, driven by a lower other operating income and less handsets sold.

Group total costs and expenses increased by 1.1% year-on-year to EUR 841.6 mn in the fourth quarter of 2017 (reported: +2.3%) and benefitted from a positive restrucutring effect in a year-on-year comparison. Excluding restructuring in Austria, Group total costs and expenses were driven by higher cost of equipment, sales area costs, roaming expenses and higher than usual non-recurring items such as bad debts and provisions for legal cases as well as commissions.

Group EBITDA rose by 3.5% year-on-year

Group EBITDA rose by 3.5% year-on-year to EUR 288.3 mn in the fourth quarter of 2017 (reported: +4.8%). The comparison of Group EBITDA is positively affected by restructuring charges in Austria. Excluding the above-mentioned one-off effect, restructuring charges as well as the FX impact, Group EBITDA decreased despite solid revenue growth due to high Q4 OPEX versus last year driven by additional investments realising market opportunities in the Christmas season, A1 Digital and higher than usual non-recurring items.

In Austria, the EBITDA rose by 14.3% year-on-year. Excluding restructuring, EBITDA decreased by 3.2% as the negative roaming impact, higher product-related costs such as leased lines and content, as well as higher commissions could not be compensated by higher fixed-line service revenues.

In Bulgaria, the EBITDA increase of 2.5% was driven by higher fixed-line service revenues and a better equipment margin due to lower subsidies.

In Croatia, lower other operating income as well as higher bad debt and roaming expenses could not be offset by savings in advertising and content costs. This led to a decrease in EBITDA of 5.6% year-on-year (reported: +3.3%).

In Belarus, EBITDA came in 14.0% lower compared to Q4 2016 (reported: -10.2%). Excluding the negative FX impact of EUR 4.9 mn, EBITDA in Belarus declined by 2.5% year-on-year (reported: +1.8%) due to the slowdown in revenue growth as growth dynamics were fading out together with higher cost of services such as taxes and use of rights as well as inflation-based salary increases.

In Slovenia, EBITDA declined by 24.9%, driven by lower monthly fees, roaming losses and increased content costs.

EBITDA in the Republic of Serbia rose by 15.7% year-on-year, positively impacted by the above-mentioned one-off effect. Operationally, higher mobile service revenues could not outweigh higher bad debts and interconnection costs. The latter rose due to unlimited tariffs, which led to more outgoing minutes.

In the Republic of Macedonia, merger-related cost efficiencies and improving trends in service revenues led to EBITDA growth of 11.0% year-on-year.

Depreciation and amortisation increased by 38.7% to EUR 308.4 mn in the fourth quarter of 2017 (reported:+39.8%) due to the brand amortisation of EUR 103.5 mn, primarily in Bulgaria and to a lesser degree in Belarus, Croatia and the Republic of Macedonia, related to the rebranding announced in September 2017. This led to a decline in operating income from positive EUR 53.9 mn in Q4 2016 (reported: EUR +52.2 mn) to negative EUR 20.1 mn in Q4 2017. Excluding the effects of the rebranding, operating income increased by 54.6% (reported: +59.7%).

# Full Year 2017 analysis (reported)

## Balance Sheet

Balance sheet
Reported view

| in EUR million | 31 Dec 2017 reported | 31 Dec 2016 reported | % change | | 31 Dec 2017 reported | 31 Dec 2016 reported | % change |
|---|---|---|---|---|---|---|---|
| Cash, cash equivalents & other short-term investments | 202.4 | 464.2 | -56.4 | Short-term debt* | 0.6 | 500.1 | -99.9 |
| Accounts receivable | 679.3 | 636.5 | 6.7 | Accounts payable | 784.2 | 852.6 | -8.0 |
| Other current assets | 257.1 | 255.7 | 0.5 | Other current liabilities | 458.9 | 495.1 | -7.3 |
| Inventories | 87.4 | 82.5 | 6.0 | Current liabilities | 1,243.7 | 1,847.8 | -32.7 |
| Current assets | 1,226.3 | 1,438.9 | -14.8 | | | | |
| | | | | | | | |
| Property, plant & equipment | 2,627.9 | 2,550.8 | 3.0 | Long-term debt | 2,533.6 | 2,303.5 | 10.0 |
| Intangibles | 2,075.9 | 2,321.4 | -10.6 | Other liabilities | 923.6 | 1,021.2 | -9.6 |
| Goodwill | 1,276.3 | 1,241.8 | 2.8 | Non-current liabilities | 3,457.2 | 3,324.7 | 4.0 |
| Investments in affiliates & long-term investments | 46.9 | 49.2 | -4.8 | | | | |
| Other non-current assets | 385.0 | 341.2 | 12.9 | Shareholder's equity | 2,937.4 | 2,770.7 | 6.0 |
| Non-current assets | 6,412.0 | 6,504.3 | -1.4 | | | | |
| | | | | | | | |
| Total assets | 7,638.3 | 7,943.2 | -3.8 | Total liabilities and equity | 7,638.3 | 7,943.2 | -3.8 |

*) Includes current portion of long-term debt.

As of 31 December 2017, the balance sheet total declined by 3.8% year-on-year to EUR 7,638.3 mn.

Current assets fell by 14.8% to EUR 1,226.3 mn in the period under review resulting from the reduction in cash and cash equivalents, which was partly offset by an increase in receivables. The main reason for the decrease in cash and cash equivalents was the repayment of a EUR 500 mn bond on 27 January 2017, which was partly offset by the tap-issuance of an existing bond of EUR 250 mn on 11 July 2017.

Non-current assets decreased by 1.4% year-on-year to EUR 6,412.0 mn, as the growth in property, plant and equipment, deferred tax assets and goodwill was more than offset by the reduction in intangible assets. The increase in goodwill as well as in property, plant and equipment was attributable primarily to the acquisition of Metronet in Croatia, while the increase in property, plant and equipment was also impacted by the fibre and LTE rollout in Austria. The reduction in intangible assets resulted from brand value amortisations in connection with Group-wide rebranding and from the amortisation of licences and software. This reduction was partly offset by the increase in intangible assets due to the acquisition of Metronet and a new IRU (Indefeasible Rights of Use) contract in Slovenia.

Current liabilities declined by 32.7% to EUR 1,243.7 mn in the period under review, primarily as a result of the repayment of the EUR 500 mn Eurobond. Liabilities were also driven down by EUR 120 mn due to the exercising of the call option associated with the acquisition of the Telekom Slovenije Group's 45% stake in the Macedonian company one.Vip DOOEL.

Non-current liabilities increased by 4.0% to EUR 3,457.2 mn in the year under review. Non-current financial liabilities went up as a result of the tap-issuance of EUR 250 mn on 11 July 2017. Non-current provisions declined mainly as a result of payments for restructuring and social plans, and this was only partly offset by an increase in asset retirement obligations.

Dividend payments, which also include coupon payments of EUR 33.8 mn for the EUR 600 mn hybrid bond, increased from EUR 67.2 mn in the previous year to EUR 166.9 mn in 2017 due to the increase in the dividend from EUR 0.05 to EUR 0.20 per share.
The rise in stockholder's equity from EUR 2,770.7 mn at year-end 2016 to EUR 2,937.4 mn at year-end 2017 resulted from the net income for 2017 less the carried out profit distribution. This also led to an increase in the equity ratio as of 31 December 2017 to 38.5% after 34.9% as of 31 December 2016.

## Net Debt

Net debt
Reported

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Net debt | 2,331.8 | 2,339.4 | -0.3 |
| Net Debt / EBITDA (12 months) | 1.7x | 1.7x | |

In the 2017 reporting year, the A1 Telekom Austria Group's net debt decreased slightly by 0.3% to EUR 2,331.8 mn. Dividend payments and the outflow of funds for the acquisition of Metronet were offset by the free cash flow. The net debt to EBITDA ratio remained stable in comparison with the previous year at 1.7x as of 31 December 2017.

## Cash Flow

Cash flow
Reported

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Earnings before income tax (EBT) | 348.5 | 359.7 | -3.1 |
| Net cash flow from operating activities | 1,174.8 | 1,195.5 | -1.7 |
| Net cash flow from investing activities | -770.4 | -823.5 | 6.5 |
| Net cash flow from financing activities | -659.3 | -824.3 | 20.0 |
| Net change in cash and cash equivalents | -255.1 | -451.7 | 43.5 |
| Adjustment to cash flows due to exchange rate fluctuations | -0.2 | 0.6 | n.m. |

Earnings before tax (EBT) declined year-on-year by 3.1% to EUR 348.5 mn, as the higher EBITDA and the improved financial result were more than offset by the brand value amortisation of EUR 121.8 mn in conjunction with the Group-wide rebranding. (The total brand amortisation for the full year 2017 amounted to EUR 123.2 mn.)

Despite the improvement in results of operations, cash flow from operating activities decreased slightly year-on-year by 1.7% to EUR 1,174.8 mn. This was mainly due to increased needs for working capital compared with the previous year. Additional needs for working capital ('change in financial positions' in notes) in the 2017 reporting year in the amount of EUR 204.4 mn were to a large extent driven by payments for restructuring as well as higher accounts receivable. Payments for income taxes and higher instalment sales also contributed to the increase in working capital.

Cash flow from investing activities went down by 6.5% to EUR -770.4 mn in the reporting period as the cash outflow from the acquisition of Metronet was more than compensated by a decrease in capital expenditures paid. The latter was also impacted by the fact that the figure for 2016 included greater payments for capital expenditures from 2015, such as the spectrum investments in the Republic of Serbia.

Cash flow from financing activities decreased from EUR -824.3 mn in 2016 to EUR -659.3 mn in the 2017 reporting year. The repayment of a EUR 500 mn bond in January 2017 was partly compensated by the tap-issuance of EUR 250 mn. Interest payments fell significantly year-on-year by 39.9% to EUR 99.8 mn due to the reduction in financial liabilities and the use of favourable refinancing. Dividend and hybrid bond coupon payments increased overall from EUR 67.2 mn in 2016 to EUR 166.9 mn in 2017 due to the increase in the dividend from EUR 0.05 to EUR 0.20 per share. There was also an outflow of funds totalling EUR 120 mn in the year under review due to the exercising of the call option associated with the acquisition of the Telekom Slovenije Group's 45% stake in the Macedonian company one.Vip DOOEL.

Overall, cash and cash equivalents went down by EUR 255.1 mn in the year under review compared with a reduction of EUR 451.7 mn in the previous year.

Free cash flow, which is calculated as cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of plant, property and equipment increased from EUR 232.0 mn in the previous year to EUR 384.7 mn in the 2017 reporting year. This was mainly attributable to the lower levels of capital expenditures and interest paid as well as operational improvement.

## Capital Expenditures

In the 2017 year under review, capital expenditures decreased by 3.6% year-on-year to EUR 736.9 mn. This was due to lower investments in Belarus, Austria and the Republic of Macedonia, which were partially offset by higher capital expenditures in Slovenia, the Republic of Serbia, Croatia and Bulgaria.

In 2017, tangible capital expenditures decreased by 9.5% to EUR 579.3 mn in comparison with the previous year, as higher investment levels in the Republic of Serbia, Croatia and Bulgaria were more than compensated for by lower tangible capital expenditures in Austria, Belarus, the Republic of Macedonia and Slovenia. The decline in tangible capital expenditures in Austria was attributable to lower investments in the fibre rollout. In Belarus, tangible capital expenditures declined compared to 2016 as the previous year was affected by the solar power plant project.

The increase in intangible capital expenditures of 27.4% to EUR 157.6 mn was driven mainly by the capitalisation of a long-term IRU (Indefeasible Rights of Use) contract for fibre-optic lines in Slovenia. Higher investments in Bulgaria, Croatia and Austria also played a role here.

## Personnel

Personnel (full-time equivalent)
Reported

| Average of period | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Austria | 8,287 | 8,448 | -1.9 |
| International operations | 10,093 | 9,048 | 11.5 |
| Corporate & other | 279 | 220 | 26.6 |
| Total | 18,659 | 17,717 | 5.3 |

Personnel (full-time equivalent)
Reported

| End of period | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Austria | 8,246 | 8,352 | -1.3 |
| International operations | 10,366 | 9,613 | 7.8 |
| Corporate & other | 345 | 238 | 45.2 |
| Total | 18,957 | 18,203 | 4.1 |

M&A drove the increase in International Operations' headcount

The A1 Telekom Austria Group had 18,957 employees at the end of 2017 (2016:18,203). The headcount in the Austrian segment was reduced by 1.3% to 8,246 employees as part of the ongoing restructuring measures. Around 47% of existing employees have civil servant status. The segments outside of Austria saw an increase of 7.8% to 10,366 employees. This increase was mainly driven by M&A activities in Croatia and Belarus, as well as higher salesforce numbers.

# Detailed analysis on quarterly and full year results

## Group Overview (proforma)

The following tables are presented on a proforma basis and include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period. This affects the segments of Croatia and Belarus. The proforma view is equivalent to the reported view for the other segments. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. The reconciliation tables, including reported and proforma values, as well as the difference thereof, can be found on page 32.

Key performance indicators
Reported view

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 1,130.0 | 1,110.8 | 1.7 | 4,382.5 | 4,254.9 | 3.0 |
| Service revenues | 940.2 | 941.1 | -0.1 | 3,775.3 | 3,715.8 | 1.6 |
| thereof mobile service revenues | 525.1 | 536.4 | -2.1 | 2,139.0 | 2,146.2 | -0.3 |
| thereof fixed-line service revenues | 415.1 | 404.7 | 2.6 | 1,636.3 | 1,569.6 | 4.2 |
| Equipment revenues | 161.5 | 141.3 | 14.2 | 504.4 | 450.4 | 12.0 |
| Other operating income | 28.2 | 28.4 | -0.7 | 102.8 | 88.7 | 15.8 |
| EBITDA | 288.3 | 278.7 | 3.5 | 1,397.3 | 1,370.4 | 2.0 |
| % total revenues | 25.5% | 25.1% | | 31.9% | 32.2% | |
| EBIT | -20.1 | 53.9 | n.m. | 443.9 | 496.2 | -10.5 |
| % total revenues | -1.8% | 4.9% | | 10.1% | 11.7% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 20,657.7 | 20,707.8 | -0.2 | 20,657.7 | 20,707.8 | -0.2 |
| Postpaid | 15,580.7 | 15,041.0 | 3.6 | 15,580.7 | 15,041.0 | 3.6 |
| Prepaid | 5,077.1 | 5,666.8 | -10.4 | 5,077.1 | 5,666.8 | -10.4 |
| MoU (per Ø subscriber)*) | 341.6 | 328.0 | 4.1 | 330.9 | 322.9 | 2.5 |
| ARPU (EUR) | 8.5 | 8.6 | -2.2 | 8.6 | 8.7 | -0.8 |
| Churn (%) | 2.2% | 2.2% | | 2.0% | 2.0% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs | 6,036.5 | 6,075.8 | -0.6 | 6,036.5 | 6,075.8 | -0.6 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

# Quarterly analysis of segments (proforma)

## Segment Austria[3]

Key performance indicators
Proforma view ( = Reported view)
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 676.2 | 660.9 | 2.3 | 2,622.3 | 2,571.6 | 2.0 |
| Service revenues | 590.7 | 590.5 | 0.0 | 2,365.5 | 2,339.0 | 1.1 |
| thereof mobile service revenues | 248.1 | 255.3 | -2.8 | 1,006.2 | 1,032.0 | -2.5 |
| thereof fixed-line service revenues | 342.6 | 335.1 | 2.2 | 1,359.4 | 1,306.9 | 4.0 |
| Equipment revenues | 69.3 | 52.6 | 31.9 | 198.5 | 175.3 | 13.2 |
| Other operating income | 16.2 | 17.9 | -9.4 | 58.3 | 57.3 | 1.7 |
| EBITDA | 202.1 | 176.8 | 14.3 | 914.2 | 899.7 | 1.6 |
| % of total revenues | 29.9% | 26.7% | | 34.9% | 35.0% | |
| EBIT | 85.3 | 49.4 | 72.6 | 442.1 | 404.4 | 9.3 |
| % of total revenues | 12.6% | 7.5% | | 16.9% | 15.7% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 5,335.2 | 5,438.7 | -1.9 | 5,335.2 | 5,438.7 | -1.9 |
| thereof postpaid | 3,779.4 | 3,709.9 | 1.9 | 3,779.4 | 3,709.9 | 1.9 |
| thereof prepaid | 1,555.8 | 1,728.8 | -10.0 | 1,555.8 | 1,728.8 | -10.0 |
| MoU (per Ø subscriber)*) | 266.1 | 256.5 | 3.7 | 256.3 | 251.8 | 1.8 |
| ARPU (in EUR) | 15.5 | 15.7 | -1.1 | 15.6 | 15.8 | -1.2 |
| Churn (%) | 1.8% | 1.8% | | 1.7% | 1.7% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 3,390.4 | 3,495.5 | -3.0 | 3,390.4 | 3,495.5 | -3.0 |

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 2017, competition in the Austrian mobile market continued to be driven by aggressive promotions including high data allowances in the mobile no-frills business but also data monetisation in the contract business. In this environment, A1 Telekom Austria AG monetises the growth in demand for data via high data allowances and by including data roaming in the premium tariffs. As of November 2017, these also included 'zero-rated' services enabling certain music and video streaming services to be used independently of data limits. At the same time, the price pressure in the no-frills segment is being addressed by its no-frills brands bob and YESSS!, i.e. through competitive national tariffs. Moreover, the company launched attractive regional promotions and target group-oriented products, e.g. for the youth segment.

The fixed-line business profited from the increased demand for broadband products with higher speeds as well as the monthly fee increase for existing customers as of 1 August 2017. In this context, next to the

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[3] Since the first quarter 2017, Machine-to-Machine (M2M) is no longer reported in the Austrian segment and is shown in 'Corporate & other, eliminations'. Comparative figures have been adjusted accordingly.

classical fibre infrastructure, the hybrid modem as a combination of the fixed-line and mobile network remains central to providing A1 fixed-line products with higher bandwidths.

Beyond that, mobile WiFi routers with unlimited data offerings remain a relevant element in the Austrian broadband market. On 26 June 2017, A1 increased the available download speed in its mobile and fixed-line broadband offers to up to 300 Mbps.

In the fourth quarter of 2017, the total number of mobile communication subscribers declined by 1.9% year-on-year, entirely driven by a decrease in the number of prepaid customers. At the same time, high demand for mobile WiFi routers and high-value tariffs persisted, resulting in a higher number of postpaid subscribers. Net additions came in negative at -22,100 as the growth in postpaid was not able to fully offset the decline in the prepaid segment.

TV RGU growth of 4.5% year-on-year

In the fixed-line business, total fixed-line revenue generating units (RGUs) decreased by 3.0% year-on-year in Q4 2017, mainly due to losses of voice RGUs. While the demand for fibre upgrades remained continuously strong and TV RGUs continued to exhibit solid growth (+4.5% year-on-year), the number of fixed-line broadband RGUs declined by 2.3% year-on-year as the above-mentioned price increase as of 1 August 2017 and some substitution by WiFi routers led to higher churn. Compared to Q3, the number of broadband RGUs remained stable.

In the fourth quarter of 2017, total revenues increased by 2.3% year-on-year as higher equipment revenues and fixed-line service revenues outweighed losses in wireless service revenues.

Total service revenues were stable year-on-year (0.0%).

Wireless service revenues were impacted by negative effects on customer roaming after the abolition of retail roaming within the EU as of 15 June 2017 as well as losses in the prepaid segment. This was partly compensated by increased revenues from high-value and mobile WiFi router customers. Wireless equipment revenues rose due to higher quantities and more expensive handsets sold.

Average monthly revenue per user (ARPU) decreased by 1.1% from EUR 15.7 in Q4 2016 to EUR 15.5 in the fourth quarter of 2017, driven by losses in roaming revenues and a lower prepaid ARPU. Excluding roaming, ARPU would have risen slightly in Q4 2017 compared to last year.

Fixed-line service revenues increased by 2.2% as higher retail fixed-line revenues due to the solid demand for higher bandwidth products and TV options, as well as the above-mentioned price increase, were only partly offset by lower voice revenues.

ARPL increased by 8.6% to EUR 30.6 in Q4 2017

The average monthly revenue per fixed-line (ARPL) rose by 8.6% from EUR 28.2 in Q4 2016 to EUR 30.6 in Q4 2017, mainly due to upselling measures in the broadband business, TV options as well as the above-mentioned price increase.

Total costs and expenses decreased by 2.1% in the fourth quarter of 2017 compared to the same period last year. Restructuring charges amounted to positive EUR 5.0 mn in the fourth quarter of 2017 compared to negative EUR 26.8 mn in Q4 2016. Excluding restructuring charges, total costs and expenses rose by 4.8%. This increase was mainly driven by higher costs of equipment due to increased quantities on the back of higher subsidies as part of Christmas promotions due to retention and acquisition measures. Higher product-related costs such as for leased lines and content as well as commissions and ramp-up costs for projects also contributed to this increase. Cost savings such as in purchasing and for maintenance mitigated some of the additional higher than usual non-recurring costs.

Subsidies for acquisition rose by 95.3% to EUR 15.0 mn and subsidies for retention rose by 13.4% to EUR 27.9 mn in Q4 2017, both due to an increased subsidy per handset and higher quantities. Additionally, subsidies for the no-frills brand bob were introduced in Q4 2017 to address the growing optimiser segment.

EBITDA increase of 14.3% year-on-year, positively impacted by restructuring effects

In total, EBITDA increased by 14.3% year-on-year. Excluding restructuring charges, EBITDA decreased by 3.2% as the negative roaming impact and higher product-related costs such as for leased lines and content as well as higher commissions and ramp-up costs for projects could not be compensated by higher fixed-line service revenues.

Depreciation and amortisation decreased by 6.6% to EUR 116.8 mn in the quarter under review due to the end of depreciation of frequencies and a large IT project. As a result, the Austrian segment reported an increase in operating income of 72.6% year-on-year to EUR 85.3 mn in Q4 2017.

## Segment Bulgaria

Key performance indicators
Proforma view ( = Reported view)
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 112.1 | 108.7 | 3.1 | 431.2 | 412.0 | 4.7 |
| Service revenues | 89.8 | 89.1 | 0.8 | 359.0 | 357.7 | 0.4 |
| thereof mobile service revenues | 65.8 | 67.4 | -2.4 | 267.0 | 271.9 | -1.8 |
| thereof fixed-line service revenues | 24.0 | 21.7 | 10.5 | 92.0 | 85.7 | 7.3 |
| Equipment revenues | 19.3 | 17.7 | 8.6 | 59.4 | 48.4 | 22.6 |
| Other operating income | 3.1 | 1.9 | 63.0 | 12.8 | 6.0 | 114.7 |
| EBITDA | 25.8 | 25.2 | 2.5 | 130.1 | 125.6 | 3.6 |
| % of total revenues | 23.0% | 23.1% | | 30.2% | 30.5% | |
| EBIT | -87.8 | -2.6 | n.m. | -85.6 | 15.4 | n.m. |
| % of total revenues | -78.3% | -2.4% | | -19.8% | 3.7% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 3,977.1 | 4,108.1 | -3.2 | 3,977.1 | 4,108.1 | -3.2 |
| thereof postpaid | 3,500.4 | 3,509.4 | -0.3 | 3,500.4 | 3,509.4 | -0.3 |
| thereof prepaid | 476.8 | 598.7 | -20.4 | 476.8 | 598.7 | -20.4 |
| MoU (per Ø subscriber)*) | 316.7 | 305.1 | 3.8 | 306.3 | 302.3 | 1.3 |
| ARPU (in EUR) | 5.5 | 5.5 | 0.2 | 5.5 | 5.5 | -0.7 |
| Churn (%) | 2.3% | 2.2% | | 2.2% | 2.0% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 1,005.0 | 1,018.9 | -1.4 | 1,005.0 | 1,018.9 | -1.4 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

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.

Also in the fourth quarter of 2017, the competitive environment in the Bulgarian mobile market remained challenging. This was still particularly visible in the business segment, which continues to improve but is still negative in a year-on-year comparison. To counter price pressure, Mobiltel once again maintained its focus on value-based management and enhanced efforts to retain high-value customers. As a result, the improving trends of total service revenues continued in Q4 2017, driven by the fixed-line business. In particular, this was driven by the content strategy, as in Q1 2017, Mtel included exclusive sports content in its fixed-line product for new and existing customers. As of Q2 2017, this new content has been charged, which supported the growth in fixed-line service revenues. Furthermore, successful cross and upselling activities, as well as increased demand for customised corporate solutions, supported fixed-line service revenues.

Total mobile subscribers declined by 3.2% year-on-year in the fourth quarter of 2017, mainly due to losses in the prepaid segment, highly impacted by the national regulation for a limited number of prepaid card activations per person, effective since 1 July 2017. Smartphone and mobile broadband services continued to grow in Q4 2017 compared to Q4 2016 following the rise in demand for mobile data access. Total fixed-line revenue generating units (RGUs) decreased by 1.4% year-on-year as the growth in TV and broadband could only partly compensate for the loss in fixed-line voice services.

Total revenues rose by 3.1% in Q4 2017 compared to the same period last year due to increased fixed-line service revenues as well as higher equipment revenues and higher other operating income. Equipment revenues rose due to lower subsidies. Fixed-line service revenues increased, supported by the launch of the exclusive sports TV package and high demand for fixed-line corporate solutions as well as the growth in satellite TV RGUs. In the mobile business, higher visitor roaming revenues were not able to fully offset the decline in business revenues as well as customer roaming revenues.

Average monthly revenue per user (ARPU) is stable year-on-year at EUR 5.5. The re-pricing in the business segment and the negative regulatory effect of roaming was compensated by upselling activities in the residential segment. The average monthly revenue per fixed line (ARPL) increased from EUR 10.8 in Q4 2016 to EUR 11.9 in Q4 2017, supported by the upselling of existing subscribers as well as the charging of exclusive sports content.

ARPL increased by 9.5% to EUR 11.9 in Q4 2017

Total costs and expenses increased by 3.3% in a year-on-year comparison. This increase was primarily driven by higher employee costs in customer facing units. Higher bad debts were triggered by a lower collection rate. Roaming expenses increased while content costs rose following TV RGU growth. These cost increases were partly offset by the decline in the costs of equipment due to a lower number of handsets sold as well as lower commissions.

EBITDA rose by 2.5%, driven by higher fixed-line service revenues and a better equipment margin due to lower subsidies.

EBITDA increased by 2.5% y-o-y in Bulgaria

## Segment Croatia

Key performance indicators
Proforma view
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 106.9 | 110.5 | -3.2 | 434.9 | 423.9 | 2.6 |
| Service revenues | 90.9 | 90.5 | 0.5 | 379.7 | 365.1 | 4.0 |
| thereof mobile service revenues | 60.5 | 60.0 | 0.9 | 258.8 | 249.8 | 3.6 |
| thereof fixed-line service revenues | 30.4 | 30.6 | -0.3 | 120.9 | 115.3 | 4.9 |
| Equipment revenues | 14.4 | 17.4 | -17.2 | 49.0 | 51.9 | -5.6 |
| Other operating income | 1.6 | 2.5 | -38.2 | 6.2 | 7.0 | -11.0 |
| EBITDA | 19.6 | 20.8 | -5.6 | 108.0 | 98.6 | 9.6 |
| % of total revenues | 18.3% | 18.8% | | 24.8% | 23.2% | |
| EBIT | -9.4 | -0.8 | n.m. | 12.4 | 15.0 | -17.2 |
| % of total revenues | -8.8% | -0.7% | | 2.9% | 3.5% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 1,772.7 | 1,720.0 | 3.1 | 1,772.7 | 1,720.0 | 3.1 |
| thereof postpaid | 965.2 | 846.8 | 14.0 | 965.2 | 846.8 | 14.0 |
| thereof prepaid | 807.5 | 873.2 | -7.5 | 807.5 | 873.2 | -7.5 |
| MoU (per Ø subscriber)*) | 305.2 | 305.9 | -0.2 | 310.1 | 310.1 | 0.0 |
| ARPU (in EUR) | 11.2 | 11.3 | -1.1 | 12.2 | 11.9 | 2.7 |
| Churn (%) | 3.6% | 4.4% | | 2.6% | 2.8% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 654.1 | 645.8 | 1.3 | 654.1 | 645.8 | 1.3 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

The following analysis is based on proforma[4] figures if not stated otherwise.

The Croatian segment continued to exhibit positive operational trends in Q4 2017, which were based on the ongoing growth of its retail fixed-line business and enduring solid mobile trends. Competition continues to be mostly visible in the push for larger data packages, bundles and convergent products. Vipnet's mobile business profited from the push towards the high value-tariff portfolio and mobile WiFi routers. The latter was also a measure to reduce wholesale costs while the sales focus on broadband and TV services continued. Compared to last year, the fixed-line business has been further strengthened by the acquisition of Metronet, which has been consolidated as of 1 February 2017. In Q3 2017, Vipnet introduced a new convergent portfolio, with more data included and higher speeds, and introduced new data options for its WiFi routers. With regards to regulation, mobile termination rates have been cut since July 2017.

Mobile subscribers increased by 3.1% year-on-year, with losses in the prepaid segment while the contract subscriber base continued to rise due to the strong growth of mobile WiFi routers as well as the ongoing general shift from prepaid to contract in the market. This led to a value enhancement of the customer base. In the fixed-line business, revenue generating units (RGUs) rose by 1.3% year-on-year (reported: +5.5%), driven by the ongoing solid demand for TV and fixed-line broadband products.

[4] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

The fourth quarter of 2017 saw a decrease in total revenues in the Croatian segment of 3.2% year-on-year (reported: +3.6%), which was mainly driven by a decline in equipment revenues due to lower quantities as well as the lower other operating income, while service revenues continued to grow. Other operating income was exceptionally high in the comparison period due to a better collection rate of bad debts. Service revenues increased as lower interconnection revenues due to the above-mentioned termination rate cut were outweighed by growth in mobile WiFi routers and higher visitor roaming revenues. Fixed-line service revenues were stable as lower interconnection revenues were outweighed by the continuing rise in retail fixed-line revenues.

Total revenue decrease of 3.2% year-on-year (reported: +3.6%)

Average monthly revenue per user (ARPU) decreased to EUR 11.2 in the fourth quarter of 2017 compared to EUR 11.3 in Q4 2016 due to the above-mentioned mobile termination rate cut. Average monthly revenue per fixed line (ARPL) rose on a reported basis from EUR 23.8 in Q4 2016 to EUR 28.5 in Q4 2017 due to the consolidation of Metronet with a higher ARPL. Together with the growth in fixed-line RGUs, this led to a 26.2% year-on-year increase in reported ARPL-relevant revenues.

In the fourth quarter of 2017, total costs and expenses declined by 2.7% year-on-year (reported: +3.7%). Increased bad debts and roaming expenses were more than outweighed by lower equipment costs, advertising expenses as well as content and bitstream costs.

Lower costs and expenses could not offset the decline in total revenues, which led to a decrease in EBITDA of 5.6% year-on-year (reported: +3.3%).

EBITDA decrease of 5.6% year-on-year (reported: +3.3%)

## Segment Belarus

Key performance indicators
Proforma view
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 95.9 | 96.0 | -0.1 | 390.5 | 338.8 | 15.2 |
| Service revenues | 72.1 | 76.2 | -5.4 | 303.7 | 270.5 | 12.3 |
| thereof mobile service revenues | 63.7 | 67.8 | -6.0 | 273.1 | 242.5 | 12.6 |
| thereof fixed-line service revenues | 8.4 | 8.4 | -0.5 | 30.6 | 28.0 | 9.5 |
| Equipment revenues | 21.7 | 16.4 | 32.7 | 71.5 | 58.4 | 22.4 |
| Other operating income | 2.1 | 3.4 | -38.5 | 15.2 | 9.9 | 53.2 |
| EBITDA | 36.5 | 42.4 | -14.0 | 181.3 | 157.4 | 15.2 |
| % of total revenues | 38.0% | 44.2% | | 46.4% | 46.4% | |
| EBIT | 14.9 | 28.2 | -47.3 | 123.1 | 91.7 | 34.1 |
| % of total revenues | 15.5% | 29.4% | | 31.5% | 27.1% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 4,864.2 | 4,944.9 | -1.6 | 4,864.2 | 4,944.9 | -1.6 |
| thereof postpaid | 3,964.5 | 3,972.5 | -0.2 | 3,964.5 | 3,972.5 | -0.2 |
| thereof prepaid | 899.7 | 972.3 | -7.5 | 899.7 | 972.3 | -7.5 |
| MoU (per Ø subscriber)*) | 450.7 | 425.6 | 5.9 | 438.5 | 417.6 | 5.0 |
| ARPU (in EUR) | 4.4 | 4.6 | -4.9 | 4.7 | 4.1 | 13.7 |
| Churn (%) | 1.7% | 1.7% | | 1.7% | 1.6% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 463.4 | 429.3 | 8.0 | 463.4 | 429.3 | 8.0 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

The following analysis is based on proforma[5] figures if not stated otherwise.

In Belarus, operational developments continued to face macroeconomic challenges, nevertheless there are some improvements and GDP is expected to have grown slightly by 0.7% in 2017 (IMF estimate; 2016: -2.6%). In this context, the government still maintains its focus on stabilising inflation, which came in at 4.6% in December 2017 and continued to keep, amongst others, caps on certain price increases.

Already in the previous quarter, velcom continued its fixed-line consolidation strategy with the acquisition of Garant (Gomel), consolidated as of 1 August 2017. Additionally, velcom is now able to offer cloud services and digital products (Infrastructure as a Service, Platform as a Service), with the launch of its own data centre in September 2017. Moreover, an inflation-linked price increase of 9% as of 12 April 2017 was implemented for the mobile business, following a price increase for the fixed-line business as of 1 March 2017. Despite its lack of a 4G license, velcom's mobile network maintained its superior standard in terms of coverage and quality. At the same time, strong mobile competition with unlimited data offers is a challenge to customer retention. Although data consumption still increased, growth rates have started to slow down.

The company's mobile customer base decreased by 1.6% compared to the previous year, mainly driven by the prepaid and, to a lesser extent, by the postpaid segment. Revenue generating units in the fixed-line

[5] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

business grew by 8.0% year-on-year to 463,400 RGUs, including the 159,600 RGUs of the acquired fixed-line provider Garant (Gomel).

Belarusian Rouble depreciated by 10.7% in Q4

In Q4 2017, the Belarusian Rouble devalued by 10.7% compared to the same period last year (period average), while it appreciated by 1.0% in the full year 2017 versus full year 2016 (period average). Due to the negative FX effect of EUR 10.4 mn, total revenues were stable at -0.1% (reported: +5.8%) year-on-year in Euro terms, while they rose by 10.7% (reported: +17.2%) on a local currency basis. This rise was driven by higher equipment revenues which rose due to a switch towards a more expensive handset portfolio. Service revenues also rose due to inflation-linked price increases and ongoing growth in data consumption. Nevertheless, revenue growth dynamics were fading out, also due to the annualisation of the price increase from September 2016.

Total costs and expenses rose on a local currency basis driven by higher costs of equipment and higher service costs such as taxes and use of rights as well as increased inflation-based salary increases.

EBITDA decline of 2.5% year-on-year in local currency

The slowdown in revenue growth, together with higher costs and expenses, resulted in a 14.0% lower EBITDA compared to Q4 2016 (reported: -10.2%). Excluding the negative FX impact of EUR 4.9 mn, EBITDA in Belarus declined by 2.5% year-on-year (reported: +1.8%).

## Segment Slovenia

Key performance indicators
Proforma view ( = Reported view)
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 54.1 | 55.1 | -1.8 | 216.1 | 214.1 | 0.9 |
| Service revenues | 40.5 | 41.7 | -2.8 | 167.9 | 169.4 | -0.9 |
| thereof mobile service revenues | 31.8 | 33.0 | -3.7 | 132.9 | 135.7 | -2.0 |
| thereof fixed-line service revenues | 8.7 | 8.7 | 0.2 | 35.0 | 33.7 | 3.8 |
| Equipment revenues | 12.5 | 11.8 | 5.6 | 43.8 | 40.4 | 8.4 |
| Other operating income | 1.1 | 1.6 | -30.3 | 4.3 | 4.3 | 0.8 |
| EBITDA | 7.6 | 10.1 | -24.9 | 40.6 | 52.8 | -23.2 |
| % of total revenues | 14.0% | 18.3% | | 18.8% | 24.7% | |
| EBIT | 0.0 | 1.4 | -97.1 | 10.5 | 20.1 | -47.8 |
| % of total revenues | 0.1% | 2.5% | | 4.8% | 9.4% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 703.3 | 714.3 | -1.5 | 703.3 | 714.3 | -1.5 |
| thereof postpaid | 605.8 | 591.8 | 2.4 | 605.8 | 591.8 | 2.4 |
| thereof prepaid | 97.5 | 122.5 | -20.4 | 97.5 | 122.5 | -20.4 |
| MoU (per Ø subscriber)*) | 371.8 | 361.5 | 2.9 | 359.4 | 356.2 | 0.9 |
| ARPU (in EUR) | 15.0 | 15.4 | -2.5 | 15.6 | 15.8 | -1.7 |
| Churn (%) | 1.8% | 1.6% | | 1.7% | 1.5% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 183.0 | 172.0 | 6.4 | 183.0 | 172.0 | 6.4 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

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 2017, the Slovenian telecommunications market was still characterised by fierce competition in the mobile market, with a focus on convergent tariffs with high discounts and competitive mobile tariffs including high data allowances. In order to follow market demand, A1 Slovenija also increased its data allowances in September 2017.

RGUs increased by 6.4% year-on-year in Slovenia

In the fourth quarter of 2017, the number of mobile customers decreased by 1.5%, as losses in the prepaid segment could not be fully offset by an increasing number of postpaid subscribers. Total fixed-line revenue generating units (RGUs) increased by 6.4% year-on-year in the fourth quarter of 2017, mainly driven by higher demand for IPTV and voice telephony.

Total revenues in Slovenia declined by 1.8% year-on-year due to lower mobile service revenues. This decline was driven by lower monthly fees following the enduring highly competitive environment as well as the negative roaming impact. Equipment revenues rose on the back of higher sales prices due to high-value handsets. Fixed-line service revenues remained stable in a year-on-year comparison.

Total costs and expenses increased by 3.3% year-on-year, mainly driven by higher roaming expenses as well as sales area costs due to more sales staff. Content costs also rose following more TV RGUs and price increases for TV rights.

EBITDA declined by 24.9% year-on-year

The above-mentioned decline in revenues, together with the increase in total costs and expenses, led to a sharp EBITDA decline of 24.9% year-on-year.

## Segment Republic of Serbia

Key performance indicators
Proforma view ( = Reported view)
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 66.2 | 60.0 | 10.3 | 230.8 | 221.1 | 4.4 |
| Service revenues | 38.9 | 35.9 | 8.1 | 145.8 | 147.1 | -0.9 |
| thereof mobile service revenues | 37.2 | 34.0 | 9.3 | 139.6 | 139.9 | -0.2 |
| Equipment revenues | 22.4 | 22.7 | -1.4 | 76.4 | 69.8 | 9.6 |
| Other operating income | 5.0 | 1.4 | 255.3 | 8.5 | 4.2 | 101.7 |
| EBITDA | 9.6 | 8.3 | 15.7 | 38.4 | 38.8 | -1.2 |
| % of total revenues | 14.6% | 13.9% | | 16.6% | 17.6% | |
| EBIT | -2.0 | -3.8 | 45.9 | -6.8 | -7.8 | 13.1 |
| % of total revenues | -3.1% | -6.3% | | -2.9% | -3.5% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 2,182.8 | 2,145.3 | 1.7 | 2,182.8 | 2,145.3 | 1.7 |
| thereof postpaid | 1,367.8 | 1,236.8 | 10.6 | 1,367.8 | 1,236.8 | 10.6 |
| thereof prepaid | 814.9 | 908.5 | -10.3 | 814.9 | 908.5 | -10.3 |
| MoU (per Ø subscriber)*) | 311.4 | 285.9 | 8.9 | 287.5 | 278.8 | 3.1 |
| ARPU (in EUR) | 5.7 | 5.3 | 6.0 | 5.4 | 5.6 | -3.8 |
| Churn (%) | 3.4% | 3.4% | | 3.2% | 3.3% | |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

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 the segment Republic of Serbia, vip mobile faces a highly competitive market with aggressive convergent offers including high discounts. The company addressed this market environment by a repositioning and the introduction of attractive flat tariffs in June 2017, with improving trends throughout the year. On a negative tone, results were impacted by regulatory headwinds due to termination rate cuts in January 2017.

Supported by the new tariff portfolio, the contract share continued to increase further from 57.7% in Q4 2016 to 62.7% in Q4 2017. The number of total subscribers increased by 1.7% year-on-year, entirely driven by the postpaid segment which was backed by high gross additions from the above-mentioned new tariffs and high demand for mobile WiFi routers.

Total revenues increased by 10.3% year-on-year.

In Q4 2017, total revenues increased by 10.3% year-on-year due to higher mobile service revenues and higher other operating income, partly offset by lower equipment revenues due to lower quantities. Other operating income was driven by a positive one-off effect in the amount of EUR 3.8 mn in Q4 2017, resulting from changed parameters in the calculation of asset retirement obligations. Excluding this one-off effect, total revenues rose by 4.0% year-on-year. Mobile service revenues increased as rising revenues from fixed fees more than compensated for decreased visitor and national roaming as well as lower interconnection revenues resulting from termination rate cuts.

Total costs and expenses rose by 9.5% year-on year in the fourth quarter of 2017, driven by higher bad debts. Interconnection costs rose due to unlimited tariffs which led to increased outgoing traffic. Additionally, equipment costs increased due to mobile WiFi routers and increased subsidies.

EBITDA increase of 15.7% in the Republic of Serbia

EBITDA in the Republic of Serbia increased by 15.7% year-on-year. Excluding the above-mentioned one-off effect, EBITDA declined by 29.9% year-on-year as the rise in mobile service revenues could not outweigh higher bad debts and interconnection costs.

## Segment Republic of Macedonia

Key performance indicators
Proforma view ( = Reported view)
Financials

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Total revenues | 28.6 | 31.0 | -7.9 | 114.0 | 119.4 | -4.5 |
| Service revenues | 26.5 | 26.6 | -0.2 | 106.6 | 109.8 | -2.9 |
| thereof mobile service revenues | 19.9 | 20.1 | -0.9 | 80.6 | 82.8 | -2.6 |
| thereof fixed-line service revenues | 6.7 | 6.5 | 2.2 | 26.0 | 27.0 | -3.6 |
| Equipment revenues | 1.8 | 2.7 | -31.9 | 6.7 | 7.0 | -4.9 |
| Other operating income | 0.2 | 1.7 | -89.5 | 0.7 | 2.6 | -73.0 |
| EBITDA | 6.6 | 5.9 | 11.0 | 30.1 | 26.1 | 15.0 |
| % of total revenues | 23.0% | 19.1% | | 26.4% | 21.9% | |
| EBIT | -2.8 | -10.0 | 71.6 | -6.0 | -29.5 | 79.7 |
| % of total revenues | -9.9% | -32.2% | | -5.2% | -24.7% | |

| Wireless indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 1,072.3 | 1,103.6 | -2.8 | 1,072.3 | 1,103.6 | -2.8 |
| thereof postpaid | 647.4 | 641.0 | 1.0 | 647.4 | 641.0 | 1.0 |
| thereof prepaid | 424.9 | 462.6 | -8.2 | 424.9 | 462.6 | -8.2 |
| MoU (per Ø subscriber)*) | 437.0 | 439.3 | -0.5 | 426.8 | 420.8 | 1.4 |
| ARPU (in EUR) | 6.1 | 6.0 | 1.6 | 6.1 | 6.1 | 0.7 |
| Churn (%) | 2.9% | 3.0% | | 2.1% | 2.5% | |

| Wireline indicators | Q4 2017 reported | Q4 2016 proforma | % change | 1-12 M 2017 reported | 1-12 M 2016 proforma | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 340.7 | 314.3 | 8.4 | 340.7 | 314.3 | 8.4 |

*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly.

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.

In the Macedonian segment, the development remained driven by high levels of competition, both the consumer and business segments face a fierce competitive environment. Customer retention has become a major challenge for all market players. In the fixed-line market, customers are leaning towards multiple-play offers rather than maintaining multiple single-play subscriptions. This increases the competitive advantage of convergent operators, such as one.Vip. In order to profit from the demand for data and to attract a higher number of customers with broadband products, one.Vip introduced WiFi routers in May 2017.

One.Vip's mobile customer base declined by 2.8% year-on-year in the fourth quarter of 2017 as customers continued to move from multiple prepaid to single contract subscriptions. In the fixed-line business, the number of revenue generating units (RGU) increased by 8.4% compared to the previous year. RGU growth was driven by strong demand for convergent bundles.

Total revenues declined by 7.9% year-on-year as the growth in national roaming as well as fixed-line service revenues could not offset the decline in other operating income, equipment revenues and interconnection revenues. Higher fixed-line service revenues were driven by higher solutions and connectivity revenues as well as more RGUs. The decrease in interconnection revenues resulted from a mobile termination rate cut in December 2016. However, service revenues were stable year-on-year, showing an improving trend compared to previous quarters. Equipment revenues declined due to lower quantities.

Total costs and expenses fell by 12.3% in a year-on-year comparison, driven by lower equipment costs as well as cost synergies deriving from the merger with ONE.

In the Republic of Macedonia, lower total revenues were more than compensated by the decline in costs and resulted in EBITDA growth of 11.0% year-on-year.

EBITDA grew by 11.0% in Q4 2017 year-on-year

## Full Year 2017: Summary of Profit and Loss

The following analysis is based on proforma[6] figures if not stated otherwise.

In order to further strengthen its market position, the A1 Telekom Austria Group carried out targeted M&A activities, whereby the following transactions between the start of the comparison period and the end of the reporting period are highlighted:

- The acquisition of fixed-line operator Garant (Gomel) in Belarus, consolidated as of 1 August 2017.
- The acquisition of fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.
- The acquisition of fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

In 2017, the one-off effects in total revenues (incl. other operating income) amounted to EUR +23.8 mn (2016: none), EBITDA included one-off effects of EUR +23.8 mn (2016: EUR +21.4 mn). The material one-off effects in 2017 and 2016 are as follows:

2017:

- A positive one-off effect in the Republic of Serbia in the amount of EUR 3.8 mn in Q4 2017 in other operating income, resulting from changed parameters in the calculation of asset retirement obligations.
- A positive one-off effect in Bulgaria in the amount of EUR 5.8 mn in Q3 2017 in other operating income, stemming from a legal settlement.
- A positive one-off effect in Austria in the amount of EUR 10.6 mn in Q1 2017 in fixed-line service revenues (in solutions & connectivity), resulting from the reversal of an accrual for wholesale services.
- A positive one-off effect of EUR 3.6 mn in the Austria segment in Q1 2017 in other operating income, stemming from a release of an asset retirement obligation.

2016:

- A positive EUR 14.4 mn one-off effect in Q3 2016 deriving from the reversal of an accrual for copyrights in Austria, included in cost of service.
- A positive EUR 7.0 mn one-off effect in Austria in cost of equipment in Q1 2016, stemming from the harmonisation of value adjustments for handsets.

Furthermore, positive FX effects of EUR 11.0 mn are included in revenues and EUR 3.3 mn in EBITDA in 2017, stemming from the segments Belarus, Croatia and Republic of Serbia.

Restructuring charges amounted to positive EUR 18.2 mn in 2017 compared to negative EUR 7.2 mn in 2016.

### Revenues

Group total revenues rose by 3.0% year-on-year

In the 2017 financial year, the A1 Telekom Austria Group saw an increase in revenues of 3.0% (reported: +4.1%). This revenue growth was driven by the strong operational performance in Belarus, as well as higher total revenues in Austria, Bulgaria, Croatia, the Republic of Serbia and Slovenia. These increases

[6] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

were only partly offset by lower total revenues in the Republic of Macedonia. In total, Group service revenues increased by 1.6% (reported: +2.7%).

Negative effects stemming from the stepwise abolition of retail roaming in the EU as of 30 April 2016 and 15 June 2017 came in lower than expected and derive mostly from Austria, with further impacts in Slovenia and Bulgaria. The impact in Croatia was positive.

Total revenues in the Austrian segment increased by 2.0% year-on-year in the year under review, including the positive one-off effects described above in the total amount of EUR 14.2 mn in Q1 2017. Excluding these effects, total revenues rose by 1.4%. The rise was driven by higher solutions & connectivity and interconnection revenues in the fixed-line segment, increasing revenues from fixed-line services in the residential business as well as higher revenues from the sale of handsets. Revenues from fixed-line services in the residential business increased as the lower airtime revenues could be more than offset by higher broadband revenues thanks to a strong demand for products with a higher bandwidth and the above-mentioned price increases as well as increased TV revenues. In the mobile business, the lower revenues from mobile services were due to the negative effects of the stepwise abolition of retail roaming in the EU as of 30 April 2016 and 15 June 2017 as well as losses in the prepaid segment. This was somewhat compensated for by increased revenues in the mobile broadband business and the postpaid segment. Revenues from the sale of mobile handsets increased due to higher quantities sold and an updated handset portfolio with a shift to higher-value devices.

In the Bulgarian segment, total revenues rose by 4.7% in 2017 compared to the same period last year. This was driven by the increase in revenues from the sale of handsets and higher revenues from fixed-line services as well as a positive one-off effect in other operating income in Q3 2017 amounting to EUR 5.8 mn as a result of a legal settlement. Excluding this one-off effect, total revenues increased by 3.2% year-on-year. Wireless service revenues were impacted by pricing pressure in the business segment and regulatory effects from the reduction of interconnection and roaming charges. Fixed-line service revenues increased, supported by the launch of the exclusive sport TV package and increased demand for fixed-line corporate solutions as well as the growth in satellite TV subscribers.

In the Croatian segment, total revenues rose by 2.6% year-on-year (reported: +9.2%). This development was attributable primarily to the strong growth in the fixed-line business as well as the significant increase in visitor roaming due to greater elasticity in data usage. Excluding these positive roaming effects, Croatia also saw a rise in revenues from mobile services in the year under review. Equipment revenues declined despite higher sales volumes as revenues per device decreased.

Total revenues in the Belarusian segment increased by 15.2% year-on-year (reported: +21.6%), driven by continuing solid operational growth on the back of inflation-linked price increases and strong demand for data. Revenues from the sale of handsets also increased due to the changeover to a portfolio with more expensive handsets and higher sales volumes. The supportive FX development in the first half of 2017 was almost completely offset by a devaluation in the second half of the year. Overall, the Belarusian Rouble appreciated by 1.0% compared to the same period last year (period average used respectively). On a local currency basis, total revenues rose by 14.1% in comparison with the previous year (reported: +20.5%).

Total revenues in Slovenia increased by 0.9% year-on-year, as lower revenues from mobile services could be more than offset by increasing equipment revenues and increasing revenues from fixed-line services. Mobile service revenues declined as a result of negative roaming impacts and lower monthly fees due to the enduring highly competitive environment. Equipment revenues rose on the back of higher sales prices due to higher value handsets. Fixed-line service revenues increased due to price adjustments for TV products as of 1 March 2017 and RGU growth.

Total revenues in the Republic of Serbia increased by 4.4% year-on-year as a result of higher equipment revenues, which increased as a result of higher sales prices, and the positive one-off effect resulting from changed parameters in the calculation of asset retirement obligations. Excluding this one-off effect, total revenues increased by 2.6% year-on-year. Increased monthly fees were fully offset by lower interconnection revenues, prescribed by regulation, and by lower airtime revenues.

Total revenues in the Republic of Macedonia decreased by 4.5% year-on-year, mostly due to a decline in interconnection revenues stemming from a mobile termination rate cut as well as lower transit revenues in the fixed-line segment.

## Total Costs and Expenses

Group total costs and expenses increased by 3.5% year-on-year in the year under review (reported: +4.5%). Investments in high-value customers led to a rise in costs of equipment and higher sales area costs. The costs of service increased, among other things, due to higher roaming and content costs. Restructuring, originating entirely from the Austria segment, resulted in income of EUR 18.2 mn in the year under review, stemming primarily from a revaluation due to changed parameters. In the previous year, restructuring charges amounted to EUR 7.2 mn.

## EBITDA

Group EBITDA increase of 2.0% year-on-year

Group EBITDA increased by 2.0% in the 2017 financial year (reported: +3.2%). The growth in Belarus, Austria, Croatia, Bulgaria and Republic of Macedonia was only partially offset by a decline in Slovenia and the Republic of Serbia. Furthermore, start-up costs of A1 Digital, included in the position 'Corporate & other, eliminations', had a negative impact on Group EBITDA. In total, the EBITDA margin decreased slightly from 32.2% in the previous year to 31.9% in the year under review. Solid operational trend in the first nine months of 2017 were weakened by seasonally lower EBITDA margin in Q4 but also higher Q4 OPEX versus last year driven by additional investments realising market opportunities in the Christmas season, A1 Digital and higher than usual non-recurring items.

In the Austrian segment, the rise in total costs and expenses in the year under review was more than offset by higher total revenues. The EBITDA thereby increased by 1.6% in comparison with the previous year. Adjusted for one-off effects in costs and revenues as well as restructuring expenses, the EBITDA decreased slightly by 0.4%. In 2017, total costs and expenses in the Austrian segment rose by 2.2% year-on-year. Costs of equipment, interconnection expenses, attributable to increased volumes, and roaming costs in particular experienced an increase. These increases were partially offset by lower network maintenance and advertising costs. Costs of equipment rose primarily due to higher handset subsidies and higher quantities as well as increased costs for ICT equipment.

In the Bulgarian segment, increasing total revenues could more than offset higher costs and expenses which resulted in an EBITDA increase of 3.6% in the 2017 year under review. Excluding the above-mentioned positive one-off effect in Q3 2017, the EBITDA declined by 1.0% year-on-year. The increase in total costs and expenses of 5.1% in comparison with the previous year was driven primarily by higher equipment costs following increased costs for smartphones. In addition, employee costs increased due to sales initiatives while bad debt expenses rose year-on-year due to lower collections. These cost increases were partially offset by lower network maintenance costs and decreased interconnection costs.

In the Croatian segment, the slightly higher costs and expenses were more than offset by revenue growth, which led to an EBITDA increase of 9.6% year-on-year (reported: +22.4%). The 0.5% increase in costs and expenses in the year under review (reported: +5.4%) was primarily driven by higher roaming costs as well as revenue-related salesforce costs and commissions.

In the Belarusian segment, the increasing revenues more than offset higher costs and expenses, which resulted in an increase in EBITDA of 15.2% (reported: 19.6%). Belarus recorded the highest EBITDA margin in the Group at 46.4% in the year under review (2016: 46.4%). Excluding the positive FX effects amounting to EUR 1.8 mn, the EBITDA in Belarus increased by 14.1% year-on-year (reported: 18.5%). Costs and expenses increased by 15.3% in the year under review (reported: +23.5%). On a local currency basis, the increase amounted to 14.2% (reported: 22.3%). This increase resulted mostly from increasing equipment costs and higher personnel costs due to inflation-linked salary increases as well as higher roaming costs.

In Slovenia, higher revenues were more than offset by higher costs and expenses in the year under review and resulted in a significant decrease in the EBITDA of 23.2% year-on-year. Costs and expenses increased by 8.8% and were primarily driven by higher equipment costs following the shift to higher value handsets and rising roaming costs. Content costs increased as a result of more TV RGUs and price increases for TV rights, while advertising costs also increased due to the rebranding.

In the Republic of Serbia, the higher total revenues could not entirely offset the higher costs and expenses, which resulted in a 1.2% decline in the EBITDA. Excluding the one-off effect in Q4 2017, EBITDA decreased by 11.0% year-on-year. In the year under review, total costs and expenses increased by 5.5% year-on-year, mainly driven by higher equipment costs due to mobile Wi-Fi routers and higher handset prices. The higher costs were also attributable to higher bad debts as well as increasing personnel and advertising costs as a result of sales initiatives. These increases were partly compensated for by lower interconnection expenses due to the above-mentioned termination rate cuts.

In the Republic of Macedonia, the decrease in total revenues was more than offset by lower total costs and expenses and in 2017; the EBITDA increased by 15.0% year-on-year. Costs and expenses decreased by 10.0% year-on-year. The decline was attributable to lower interconnection expenses due to a termination rate cut as well as cost savings on account of the synergies created following the merger with ONE.

## Operating Income

In the year under review, expenses for depreciation and amortisation increased by 9.4% to EUR 953.4 mn (reported: +10.2%) in comparison with the previous year. This increase was primarily due to the brand value amortisation in Bulgaria and, to a lesser degree, in Belarus, Croatia, and the Republic of Macedonia, in conjunction with Group-wide rebranding. As a result, operating income declined by 10.5% to EUR 443.9 mn compared with the previous year (reported: -8.8%). Excluding brand value amortisations, the operating income increased by 14.3% (reported: 16.5%).

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

## Consolidated Net Result

The A1 Telekom Austria Group recorded a financial result of negative EUR 95.4 mn in the year under review, which means an improvement of 24.8% compared to the previous year. This was mainly due to the EUR 47.2 mn reduction in interest expense. This resulted, on the one hand, from the repayment of a EUR 500 mn bond on 27 January 2017 and favourable refinancing conditions. On the other hand, the previous year was impacted by termination costs for the early repayment of bank debt. FX differences amounted to negative EUR 2.6 mn in the reporting year after positive EUR 10.0 mn in 2016.

Reported net result of EUR 345.5 mn

Tax expenses of EUR 3.0 mn were reported in the year under review despite further capitalisation of deferred tax assets. In the previous year, the recognition of higher deferred tax assets on tax losses carried forward resulted in a tax benefit of EUR 53.5 mn. Overall, the A1 Telekom Austria Group reported a positive net result of EUR 345.5 mn in the 2017 reporting year (2016: EUR 413.2 mn).

# Outlook

A1 Telekom Austria Group outlook for the full year 2018
(Based on IAS 18 reporting)

In 2017, A1 Telekom Austria Group managed to grow revenues and EBITDA via a clear focus on high-value customers and attractive fixed-line propositions, both on a reported and proforma basis. This was achieved despite the fact that most of the Group's mobile markets continued to be characterised by intense competition and regulatory burdens. The macroeconomic headwinds slowed down further in most segments. Results were negatively impacted by the stepwise abolition of retail roaming in the EU during the last two years. The Belarusian Rouble showed, in contrast to the forgone years, a stable development versus the Euro (+1.0% year-on-year based on period average). Cost efficiencies enabled the translation of the solid revenue growth into an EBITDA increase. Moreover, results profited from acquisitions in the fixed-line business.

In the reporting year, the A1 Telekom Austria Group decided to harmonise its brands throughout the Group and to roll out the 'A1' brand in a gradual manner throughout the Group, depending on local circumstances. This triggered the amortisation of local brand values, which had reached a total of around EUR 350 mn by the end of 2016. The respective companies will amortise the brand values until the phase-out of the old brands, which is expected to have a negative impact on the net result until the financial year 2019, with more than half of the impact in 2017 and Q1 2018. In 2017, the brand value amortisation resulting thereof amounted to EUR 121.8 mn and stemmed primarily from the segment Bulgaria as well as, to a lesser extent, from the segments Belarus, Croatia and Republic of Macedonia. (The total brand amortisation for the full year 2017 amounted to EUR 123.2 mn.)

For the full year 2018, most of the market dynamics mentioned above are expected to remain.

Both in Austria and in the CEE markets, the competitive environment in mobile markets is anticipated to continue, while the demand for fixed-line services is expected to remain a positive driver across all markets. In the CEE segments, operational results are expected to benefit increasingly from measures taken in the past as well as from the macroeconomic improvements, with GDP growth forecasted in all markets.

The negative roaming impact is anticipated to amount to approximately 1.0% to 1.5% of Group EBITDA for the full year 2018. Contrary to the supportive FX development in 2017, the operational performance in Belarus is expected to be negatively affected by a devaluation of the Belarusian Rouble.

In this business environment, the Management of A1 Telekom Austria Group remains committed to its growth strategy and is concentrating on the following focus areas: exceling in the core business, expansion of products and services as well as value-accretive mergers and acquisitions.
As in the previous year, results should gain support from ongoing efforts to continuously increase operating efficiency.

For the year 2018, the Management of A1 Telekom Austria Group expects to achieve modest growth in total revenues on a reported basis.

A1 Telekom Austria Group remains committed to the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. Capital expenditures before spectrum investments and acquisitions are expected to remain stable in 2018.

Whilst the Management of A1 Telekom Austria Group acknowledges the limited predictability of the Belarusian Rouble, it expects the currency to devalue by approximately 10% versus the EUR (period average) in 2018.

Based on the improved operational and financial performance of the Group, a new expected dividend level was agreed upon by América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) in 2016. Starting with the financial year 2016, this 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, A1 Telekom Austria Group remains committed to maintaining its Baa2/BBB ratings from Moody’s and Standard & Poor’s.

With regards to frequencies, in Austria the NRA announced that an auction on 3.4-3.8 GHz band will be published in 2018.

Please note that this a list of potential spectrum awards procedures. Whether A1 Telekom Austria Group is planning and sees a need to participate and acquire spectrum in the abovementioned procedures, the Group is not permitted to comment on.

# Additional Information

## Risks and Uncertainties

The A1 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 A1 Telekom Austria Group Annual Report 2016, pp. 74 ff.

## Waiver of Review

This financial report of the A1 Telekom Austria Group contains quarterly results which have not been audited or reviewed by a certified public accountant.

## Other

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

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

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

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

# Reconciliation tables –
# Proforma values and additional performance measures

The following tables present all the proforma tables from the previous section on a reported as well as on a proforma basis. Additionally, the difference between reported and proforma values is also provided and stems from the M&A activities between the start of the comparison period and the end of the reporting period mentioned on page 5. Alternative performance measures are used to describe the operational performance. Further explanations are provided to give additional, useful and relevant details about 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 by average fixed access lines in a certain period. The difference to fixed-line service revenues are interconnection transit revenues, solutions & connectivity revenues and other revenues.

| ARPL-relevant revenues (in EUR million) | Q4 2017 reported | Q4 2016 reported | % change |
|---|---|---|---|
| Austria | 194.7 | 186.3 | 4.5 |
| Bulgaria | 18.9 | 17.6 | 6.9 |
| Croatia | 25.6 | 20.3 | 26.2 |
| Belarus | 5.5 | 1.3 | n.m. |
| Slovenia | 7.4 | 7.3 | 0.7 |
| Republic of Serbia | n.a. | n.a. | n.a. |
| Republic of Macedonia | 5.3 | 5.2 | 2.7 |

| Access lines (in ,000) | Q4 2017 reported | Q4 2016 reported | % change |
|---|---|---|---|
| Austria | 2,117.5 | 2,202.8 | -3.9 |
| Bulgaria | 531.2 | 542.6 | -2.1 |
| Croatia | 296.6 | 284.9 | 4.1 |
| Belarus | 306.4 | 179.3 | 70.9 |
| Slovenia | 70.5 | 70.2 | 0.3 |
| Republic of Serbia | n.a. | n.a. | n.a. |
| Republic of Macedonia | 149.3 | 141.8 | 5.3 |

## ARPU (proforma)

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

## Free Cashflow (reported)

| (in EUR million) | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Net cash flow from operating activities | 1,174.8 | 1,195.5 | -1.7 |
| Capital expenditures paid | -705.4 | -816.5 | 13.6 |
| Proceeds from sale of plant, property and equipment | 15.1 | 18.9 | -20.1 |
| Interest paid | -99.8 | -166.0 | 39.9 |
| **Free cash flow** | **384.7** | 232.0 | **65.8** |

### Belarus Key Financials in EUR and 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 | Q4 2017 reported | Q4 2016 reported | % change |
|---|---|---|---|
| Total revenues | 95.9 | 90.6 | 5.8 |
| Total costs and expenditures | -59.4 | -50.0 | -18.8 |
| EBITDA | 36.5 | 40.6 | -10.2 |

| in BYN million | Q4 2017 reported | Q4 2016 reported | % change |
|---|---|---|---|
| Total revenues | 224.3 | 191.4 | 17.2 |
| Total costs and expenditures | -137.3 | -105.9 | -29.7 |
| EBITDA | 87.0 | 85.5 | 1.8 |

| in EUR million | Q4 2017 reported | Q4 2016 proforma | % change |
|---|---|---|---|
| Total revenues | 95.9 | 96.0 | -0.1 |
| Total costs and expenditures | -59.4 | -53.6 | -10.9 |
| EBITDA | 36.5 | 42.4 | -14.0 |

| in BYN million | Q4 2017 reported | Q4 2016 proforma | % change |
|---|---|---|---|
| Total revenues | 224.3 | 202.7 | 10.7 |
| Total costs and expenditures | -137.3 | -113.4 | -21.1 |
| EBITDA | 87.0 | 89.3 | -2.5 |

## Proforma and reported results

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

- The acquisition of the fixed-line provider Garant (Gomel) in Belarus, consolidated as of 1 August 2017.
- The acquisition of the fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.
- The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

### Group Overview – Fourth Quarter of 2017

Key performance indicators

| in EUR million | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 1,130.0 | 1,098.2 | 2.9 | 1,110.8 | 1.7 | 12.6 |
| Service revenues | 940.2 | 929.8 | 1.1 | 941.1 | -0.1 | 11.3 |
| thereof mobile service revenues | 525.1 | 536.4 | -2.1 | 536.4 | -2.1 | 0.0 |
| thereof fixed-line service revenues | 415.1 | 393.4 | 5.5 | 404.7 | 2.6 | 11.3 |
| Equipment revenues | 161.5 | 141.4 | 14.2 | 141.3 | 14.2 | 0.0 |
| Other operating income | 28.2 | 27.1 | 4.4 | 28.4 | -0.7 | 1.4 |
| EBITDA | 288.3 | 275.1 | 4.8 | 278.7 | 3.5 | 3.6 |
| % total revenues | 25.5% | 25.1% | | 25.1% | | |
| EBIT | -20.1 | 52.2 | n.m. | 53.9 | n.m. | 1.7 |
| % total revenues | -1.8% | 4.8% | | 4.9% | | |

| Wireline indicators | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 6,036.5 | 5,900.2 | 2.3 | 6,075.8 | -0.6 | 175.6 |

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

## Group Overview – Full Year 2017

Key performance indicators

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 4,382.5 | 4,211.5 | 4.1 | 4,254.9 | 3.0 | 43.4 |
| Service revenues | 3,775.3 | 3,674.5 | 2.7 | 3,715.8 | 1.6 | 41.4 |
| thereof mobile service revenues | 2,139.0 | 2,146.3 | -0.3 | 2,146.2 | -0.3 | -0.1 |
| thereof fixed-line service revenues | 1,636.3 | 1,528.2 | 7.1 | 1,569.6 | 4.2 | 41.4 |
| Equipment revenues | 504.4 | 450.3 | 12.0 | 450.4 | 12.0 | 0.0 |
| Other operating income | 102.8 | 86.6 | 18.6 | 88.7 | 15.8 | 2.1 |
| EBITDA | 1,397.3 | 1,354.3 | 3.2 | 1,370.4 | 2.0 | 16.1 |
| % total revenues | 31.9% | 32.2% | | 32.2% | | |
| EBIT | 443.9 | 486.7 | -8.8 | 496.2 | -10.5 | 9.5 |
| % total revenues | 10.1% | 11.6% | | 11.7% | | |

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

## Revenues

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma – reported) |
|---|---|---|---|---|---|---|
| Austria | 2,622.3 | 2,571.6 | 2.0 | 2,571.6 | 2.0 | 0.0 |
| Bulgaria | 431.2 | 412.0 | 4.7 | 412.0 | 4.7 | 0.0 |
| Croatia | 434.9 | 398.3 | 9.2 | 423.9 | 2.6 | 25.6 |
| Belarus | 390.5 | 321.0 | 21.6 | 338.8 | 15.2 | 17.9 |
| Slovenia | 216.1 | 214.1 | 0.9 | 214.1 | 0.9 | 0.0 |
| Republic of Serbia | 230.8 | 221.1 | 4.4 | 221.1 | 4.4 | 0.0 |
| Republic of Macedonia | 114.0 | 119.4 | -4.5 | 119.4 | -4.5 | 0.0 |
| Corporate & other, eliminations | -57.3 | -46.2 | -24.1 | -46.2 | -24.1 | 0.0 |
| **Total revenues** | **4,382.5** | 4,211.5 | **4.1** | 4,254.9 | **3.0** | **43.4** |

## EBITDA

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma – reported) |
|---|---|---|---|---|---|---|
| Austria | 914.2 | 899.7 | 1.6 | 899.7 | 1.6 | 0.0 |
| Bulgaria | 130.1 | 125.6 | 3.6 | 125.6 | 3.6 | 0.0 |
| Croatia | 108.0 | 88.3 | 22.4 | 98.6 | 9.6 | 10.3 |
| Belarus | 181.3 | 151.5 | 19.6 | 157.4 | 15.2 | 5.9 |
| Slovenia | 40.6 | 52.8 | -23.2 | 52.8 | -23.2 | 0.0 |
| Republic of Serbia | 38.4 | 38.8 | -1.2 | 38.8 | -1.2 | 0.0 |
| Republic of Macedonia | 30.1 | 26.1 | 15.0 | 26.1 | 15.0 | 0.0 |
| Corporate & other, eliminations | -45.3 | -28.6 | -58.5 | -28.6 | -58.5 | 0.0 |
| **Total EBITDA** | **1,397.3** | 1,354.3 | **3.2** | 1,370.4 | **2.0** | **16.1** |

## Depreciation and Amortisation

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Austria | 472.2 | 493.0 | -4.2 | 493.0 | -4.2 | 0.0 |
| Bulgaria | 215.7 | 110.2 | 95.8 | 110.2 | 95.8 | 0.0 |
| Croatia | 95.6 | 78.8 | 21.2 | 83.5 | 14.4 | 4.7 |
| Belarus | 58.2 | 63.7 | -8.7 | 65.7 | -11.3 | 1.9 |
| Slovenia | 30.1 | 32.7 | -8.0 | 32.7 | -8.0 | 0.0 |
| Republic of Serbia | 45.1 | 46.6 | -3.2 | 46.6 | -3.2 | 0.0 |
| Republic of Macedonia | 36.0 | 55.7 | -35.3 | 55.7 | -35.3 | 0.0 |
| Corporate & other, eliminations | 0.5 | -15.4 | n.m. | -15.4 | n.m. | 0.0 |
| **Total D&A** | **953.4** | 865.3 | **10.2** | 871.9 | **9.4** | **6.6** |

## EBIT

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Austria | 442.1 | 404.4 | 9.3 | 404.4 | 9.3 | 0.0 |
| Bulgaria | -85.6 | 15.4 | n.m. | 15.4 | n.m. | 0.0 |
| Croatia | 12.4 | 9.4 | 32.1 | 15.0 | -17.2 | 5.6 |
| Belarus | 123.1 | 87.8 | 40.2 | 91.7 | 34.1 | 3.9 |
| Slovenia | 10.5 | 20.1 | -47.8 | 20.1 | -47.8 | 0.0 |
| Republic of Serbia | -6.8 | -7.8 | 13.1 | -7.8 | 13.1 | 0.0 |
| Republic of Macedonia | -6.0 | -29.5 | 79.7 | -29.5 | 79.7 | 0.0 |
| Corporate & other, eliminations | -45.8 | -13.2 | -248.0 | -13.2 | -248.0 | 0.0 |
| **Total EBIT** | **443.9** | 486.7 | **-8.8** | 496.2 | **-10.5** | **9.5** |

## Capital Expenditures*)

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Austria | 435.5 | 460.3 | -5.4 | 460.3 | -5.4 | 0.0 |
| Bulgaria | 81.3 | 73.0 | 11.3 | 73.0 | 11.3 | 0.0 |
| Croatia | 84.7 | 76.3 | 11.0 | 81.0 | 4.6 | 4.7 |
| Belarus | 47.1 | 73.7 | -36.1 | 73.8 | -36.2 | 0.1 |
| Slovenia | 41.8 | 26.8 | 56.2 | 26.8 | 56.2 | 0.0 |
| Republic of Serbia | 35.1 | 25.9 | 35.7 | 25.9 | 35.7 | 0.0 |
| Republic of Macedonia | 21.3 | 35.4 | -39.8 | 35.4 | -39.8 | 0.0 |
| Corporate & other, eliminations | -10.0 | -7.2 | -37.5 | -7.2 | -37.5 | 0.0 |
| **Total capital expenditures** | **736.9** | 764.1 | **-3.6** | 768.9 | **-4.2** | **4.8** |

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

### Capital Expenditures – Tangible

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Austria | 361.2 | 391.3 | -7.7 |
| Bulgaria | 53.8 | 52.6 | 2.3 |
| Croatia | 69.3 | 67.2 | 3.1 |
| Belarus | 37.9 | 65.8 | -42.4 |
| Slovenia | 19.3 | 20.2 | -4.5 |
| Republic of Serbia | 26.0 | 19.2 | 35.2 |
| Republic of Macedonia | 17.9 | 30.9 | -42.3 |
| Corporate & other, eliminations | -6.0 | -6.9 | 11.9 |
| Total capital expenditures – tangible | 579.3 | 640.4 | -9.5 |

### Capital Expenditures – Intangible

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change |
|---|---|---|---|
| Austria | 74.3 | 68.9 | 7.9 |
| Bulgaria | 27.5 | 20.4 | 34.3 |
| Croatia | 15.4 | 9.1 | 68.8 |
| Belarus | 9.1 | 7.8 | 16.4 |
| Slovenia | 22.5 | 6.6 | 241.8 |
| Republic of Serbia | 9.1 | 6.6 | 37.3 |
| Republic of Macedonia | 3.5 | 4.5 | -22.7 |
| Corporate & other, eliminations | -3.9 | -0.4 | n.m. |
| Total capital expenditures – intangible | 157.6 | 123.7 | 27.4 |

## Segment Croatia – Fourth Quarter of 2017

Key performance indicators

| in EUR million | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 106.9 | 103.2 | 3.6 | 110.5 | -3.2 | 7.3 |
| Service revenues | 90.9 | 83.3 | 7.7 | 90.5 | 0.5 | 7.3 |
| thereof mobile service revenues | 60.5 | 60.0 | 0.8 | 60.0 | 0.9 | 0.0 |
| thereof fixed-line service revenues | 30.4 | 23.3 | 30.8 | 30.6 | -0.3 | 7.3 |
| Equipment revenues | 14.4 | 17.4 | -17.3 | 17.4 | -17.2 | 0.0 |
| Other operating income | 1.6 | 2.5 | -36.8 | 2.5 | -38.2 | 0.1 |
| EBITDA | 19.6 | 19.0 | 3.3 | 20.8 | -5.6 | 1.8 |
| % of total revenues | 18.3% | 18.4% | | 18.8% | | |
| EBIT | -9.4 | -1.2 | n.m. | -0.8 | n.m. | 0.5 |
| % of total revenues | -8.8% | -1.2% | | -0.7% | | |

| Wireline indicators | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 654.1 | 620.1 | 5.5 | 645.8 | 1.3 | 25.7 |

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

## Segment Croatia – Full Year 2017

Key performance indicators

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 434.9 | 398.3 | 9.2 | 423.9 | 2.6 | 25.6 |
| Service revenues | 379.7 | 339.7 | 11.8 | 365.1 | 4.0 | 25.4 |
| thereof mobile service revenues | 258.8 | 249.9 | 3.6 | 249.8 | 3.6 | -0.1 |
| thereof fixed-line service revenues | 120.9 | 89.8 | 34.6 | 115.3 | 4.9 | 25.5 |
| Equipment revenues | 49.0 | 51.9 | -5.6 | 51.9 | -5.6 | 0.0 |
| Other operating income | 6.2 | 6.8 | -8.6 | 7.0 | -11.0 | 0.2 |
| EBITDA | 108.0 | 88.3 | 22.4 | 98.6 | 9.6 | 10.3 |
| % of total revenues | 24.8% | 22.2% | | 23.2% | | |
| EBIT | 12.4 | 9.4 | 32.1 | 15.0 | -17.2 | 5.6 |
| % of total revenues | 2.9% | 2.4% | | 3.5% | | |

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

## Segment Belarus – Fourth Quarter of 2017

Key performance indicators

| in EUR million | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 95.9 | 90.6 | 5.8 | 96.0 | -0.1 | 5.3 |
| Service revenues | 72.1 | 72.2 | -0.1 | 76.2 | -5.4 | 4.0 |
| thereof mobile service revenues | 63.7 | 67.8 | -6.0 | 67.8 | -6.0 | 0.0 |
| thereof fixed-line service revenues | 8.4 | 4.4 | 90.9 | 8.4 | -0.5 | 4.0 |
| Equipment revenues | 21.7 | 16.4 | 32.7 | 16.4 | 32.7 | 0.0 |
| Other operating income | 2.1 | 2.1 | -0.5 | 3.4 | -38.5 | 1.3 |
| EBITDA | 36.5 | 40.6 | -10.2 | 42.4 | -14.0 | 1.8 |
| % of total revenues | 38.0% | 44.8% | | 44.2% | | |
| EBIT | 14.9 | 26.9 | -44.8 | 28.2 | -47.3 | 1.3 |
| % of total revenues | 15.5% | 29.7% | | 29.4% | | |

| Wireline indicators | Q4 2017 reported | Q4 2016 reported | % change | Q4 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 463.4 | 279.4 | 65.9 | 429.3 | 8.0 | 149.9 |

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

## Segment Belarus – Full Year 2017

Key performance indicators

| in EUR million | 1-12 M 2017 reported | 1-12 M 2016 reported | % change | 1-12 M 2016 proforma | % change proforma | Absolute change (proforma - reported) |
|---|---|---|---|---|---|---|
| Total revenues | 390.5 | 321.0 | 21.6 | 338.8 | 15.2 | 17.9 |
| Service revenues | 303.7 | 254.5 | 19.3 | 270.5 | 12.3 | 16.0 |
| thereof mobile service revenues | 273.1 | 242.5 | 12.6 | 242.5 | 12.6 | 0.0 |
| thereof fixed-line service revenues | 30.6 | 12.0 | 154.9 | 28.0 | 9.5 | 16.0 |
| Equipment revenues | 71.5 | 58.4 | 22.4 | 58.4 | 22.4 | 0.0 |
| Other operating income | 15.2 | 8.0 | 89.4 | 9.9 | 53.2 | 1.9 |
| EBITDA | 181.3 | 151.5 | 19.6 | 157.4 | 15.2 | 5.9 |
| % of total revenues | 46.4% | 47.2% | | 46.4% | | |
| EBIT | 123.1 | 87.8 | 40.2 | 91.7 | 34.1 | 3.9 |
| % of total revenues | 31.5% | 27.4% | | 27.1% | | |

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