# Results for the Second Quarter and First Half 2019

Vienna, July 23, 2019 – Today, A1 Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the second quarter and the first half of 2019, ending June 30, 2019.

Key performance indicators

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Total revenues | 1,122.6 | 1,094.3 | 2.6 | 2,212.1 | 2,167.4 | 2.1 |
| Service revenues | 943.7 | 916.3 | 3.0 | 1,868.1 | 1,814.8 | 2.9 |
| Equipment revenues | 149.8 | 151.7 | -1.3 | 293.3 | 305.5 | -4.0 |
| Other operating income | 29.1 | 26.3 | 10.8 | 50.6 | 47.2 | 7.4 |
| EBITDA | 392.1 | 397.5 | -1.4 | 766.2 | 785.3 | -2.4 |
| % of total revenues | 34.9% | 36.3% | | 34.6% | 36.2% | |
| EBITDA excl. restructuring | 413.2 | 397.6 | 3.9 | 808.2 | 785.4 | 2.9 |
| % of total revenues | 36.8% | 36.3% | | 36.5% | 36.2% | |
| EBIT | 154.6 | 100.5 | 53.8 | 294.8 | 162.4 | 81.6 |
| % of total revenues | 13.8% | 9.2% | | 13.3% | 7.5% | |
| Net result | 70.0 | 58.1 | 20.4 | 155.9 | 86.5 | 80.2 |
| % of total revenues | 6.2% | 5.3% | | 7.0% | 4.0% | |

| Wireless indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 21,179.8 | 20,755.8 | 2.0 | 21,179.8 | 20,755.8 | 2.0 |
| thereof postpaid | 16,583.3 | 15,883.1 | 4.4 | 16,583.3 | 15,883.1 | 4.4 |
| thereof prepaid | 4,596.5 | 4,872.7 | -5.7 | 4,596.5 | 4,872.7 | -5.7 |
| MoU (per Ø subscriber) | 365.7 | 351.8 | 4.0 | 359.8 | 345.4 | 4.2 |
| ARPU (in EUR) | 8.2 | 8.1 | 0.5 | 8.0 | 8.0 | 0.3 |
| Mobile churn (%) | 1.5% | 1.6% | | 1.6% | 1.7% | |

| Wireline indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 6,172.0 | 6,142.0 | 0.5 | 6,172.0 | 6,142.0 | 0.5 |

All financial figures are in accordance with IFRS 15. Figures for 2019 are in accordance with IFRS 16, figures for 2018 are based on IFRS 16 with sufficient accuracy ('IFRS 16 based'). All comparisons are given year-on-year. EBITDA is defined as net income excluding financial result, income taxes, depreciation and amortization and impairment charges.

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[1] Alternative performance measures are included in this report. For details please refer to the tables on page 14 onwards.

# Q2 2019 Analysis

## Group Summary

In Q2 2019, solid trends continued, with growing service revenues in all markets. EBITDA excluding restructuring charges, one-off and FX effects continued to grow on a Group level. Fixed-line revenues were driven by the solutions and connectivity business as well as TV content, while mobile WiFi routers were the dominant factor in the mobile segment.

The presentation for the conference call and key figures of A1 Telekom Austria Group in Excel format ('Fact Sheet Q2 2019') are available on the website at www.a1.group.

- Group total revenues increased by 2.6%, driven by service revenue growth in all markets.
- Mobile service revenues rose or remained stable in all markets except for Slovenia and were mainly driven by the ongoing strong demand for mobile WiFi routers.
  - Austrian mobile service revenues were stable, driven by growth in mobile WiFi routers as well as increased revenues from high-value customers but were negatively impacted by the EU international calls regulation.
- Fixed-line service revenues were developing well, with particularly strong growth in solutions and connectivity revenues in Austria and a strong performance in Bulgaria.
- Mobile contract subscribers rose by 4.4% with growth in all markets except for Bulgaria which was impacted by the removal of inactive SIM-cards.
- Fixed-line RGUs increased by 0.5%, as broadband RGU growth in CEE and higher TV RGUs compensated for the decline of fixed voice.
- Group EBITDA excluding one-off and FX effects as well as restructuring charges increased by 2.7%, driven by higher service revenues.
  - In Austria EBITDA excluding restructuring charges and a positive one-off effect due to a real estate sale increased by 0.8% as higher service revenues and lower workforce costs were able to compensate for higher cost of services.
  - The increase in EBITDA in the international operations was particularly supported by Bulgaria, Croatia and Slovenia.
  - On a reported basis, EBITDA declined due to restructuring charges in Austria, which amounted to EUR 21.1 mn in Q2 2019 (Q2 2018: EUR 0.1 mn).
- Net result increased from EUR 58.1 mn in Q2 2018 to EUR 70.0 mn in Q2 2019. While the comparison period was negatively impacted by the brand amortization, in Q2 2019 a tax case in Bulgaria had a negative impact on net income.
- Free cash flow declined from EUR 123.0 mn in Q2 2018 to EUR 34.2 mn in the reporting period, driven by higher CAPEX paid due to the acquired frequencies from the spectrum auction in Austria which took place in Q1 2019 (3.5 GHz; EUR 64.3 mn) and Belarus (2.1 GHz; EUR 9.5 mn). Additionally, free cash flow was negatively impacted in Q2 2019 by the payment of EUR 23.0 mn in connection with the abovementioned tax case in Bulgaria.
- Guidance confirmed, with approximately 2% higher revenues and stable CAPEX at EUR 770 mn excl. leases, spectrum investments and acquisitions in 2019.

The following factors should be considered in the analysis of A1 Telekom Austria Group's quarterly operating results:

- Total one-off effects of positive EUR 8.2 mn in revenues and EUR 6.8 mn in EBITDA in Q2 2019, stemming mainly from a real estate sale in other operating income in Austria. There were minor positive one-off effects in Q2 2018 (EUR 2.4 mn in revenues and EUR 2.9 mn in EBITDA).
- FX effects were minor and amounted to positive EUR 1.8 mn in total revenues and positive EUR 0.8 mn in EBITDA in Q2 2019, stemming solely from Belarus.

## Mobile Subscribers and Fixed-line RGUs

Number of postpaid subscribers grew by 4.4% in Q2 2019, RGUs increased by 0.5%

In mobile communications, the number of subscribers of the A1 Telekom Austria Group increased by 2.0% to 21.2 million in the quarter under review. In the Austrian market, the regulation for registering SIM cards as of January 1, 2019 led to a substantial decline in the prepaid segment and, additionally, to some shift towards low-value mobile contract offers. The number of contract customers rose in almost all international markets while prepaid customer numbers continued to decline as most markets continue to see a shift from prepaid to contract offers. Contract subscriber numbers in Bulgaria were impacted by the removal of inactive SIM cards in Q1 2019, without this effect the contract base remained stable in Bulgaria. The number of A1 Digital M2M customers continued to rise. Demand for mobile WiFi routers remained strong in all markets where available.

The number of revenue-generating units (RGUs) in the Group's fixed-line business increased by 0.5% year-on-year. The decline in RGUs in Austria, which was driven primarily by voice and to some extent also by low-bandwidth broadband RGUs, was more than offset by increases in CEE due to TV and broadband RGUs. In North Macedonia, WiFi routers have been reported in mobile postpaid since Q2 2019 due to a new product logic and were formerly reported in fixed-line RGUs.

## Segment Austria

Key performance indicators
Financials

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Total revenues | 658.5 | 648.8 | 1.5 | 1,305.3 | 1,301.2 | 0.3 |
| Service revenues | 576.6 | 568.4 | 1.4 | 1,153.8 | 1,138.0 | 1.4 |
| thereof mobile service revenues | 229.9 | 230.6 | -0.3 | 460.8 | 461.8 | -0.2 |
| thereof fixed-line service revenues | 346.7 | 337.8 | 2.6 | 693.0 | 676.2 | 2.5 |
| Equipment revenues | 62.1 | 65.7 | -5.4 | 117.6 | 135.4 | -13.2 |
| Other operating income | 19.8 | 14.7 | 34.3 | 33.9 | 27.9 | 21.8 |
| EBITDA | 236.3 | 247.0 | -4.3 | 462.3 | 502.2 | -7.9 |
| % of total revenues | 35.9% | 38.1% | | 35.4% | 38.6% | |
| EBITDA excl. restructuring | 257.4 | 247.1 | 4.1 | 504.3 | 502.4 | 0.4 |
| % of total revenues | 39.1% | 38.1% | | 38.6% | 38.6% | |
| EBIT | 109.9 | 120.0 | -8.4 | 211.7 | 250.6 | -15.5 |
| % of total revenues | 16.7% | 18.5% | | 16.2% | 19.3% | |

| Wireless indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 5,241.2 | 5,284.5 | -0.8 | 5,241.2 | 5,284.5 | -0.8 |
| thereof postpaid | 3,851.8 | 3,796.0 | 1.5 | 3,851.8 | 3,796.0 | 1.5 |
| thereof prepaid | 1,389.4 | 1,488.5 | -6.7 | 1,389.4 | 1,488.5 | -6.7 |
| MoU (per Ø subscriber) | 279.3 | 270.4 | 3.3 | 278.7 | 268.9 | 3.6 |
| ARPU (in EUR) | 14.5 | 14.5 | 0.1 | 14.5 | 14.5 | -0.2 |
| Mobile churn (%) | 1.4% | 1.5% | | 1.4% | 1.6% | |

| Wireline indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 3,283.7 | 3,362.7 | -2.3 | 3,283.7 | 3,362.7 | -2.3 |

In the Austrian market, competitor T-Mobile launched its new convergent brand “Magenta” in May 2019 and introduced some new mobile tariffs, including 5G-ready unlimited data propositions in the premium segment, as well as convergent offers and fixed-line promotions. Meanwhile, A1 Austria continues its successful high-value proposition in the mobile segment and provides regional broadband and TV promotions in major cities. Moreover, A1 launched its first premium 5G-ready tariffs with increased speed for mobile WiFi routers. In the low value segment, the competitive intensity remained high, with a new MVNO entering the market and promotional activities.

In Q2 2019, the demand for mobile WiFi routers remained strong. SIM card registration which has been effective as of January 1, 2019 led to lower gross additions and subscriber numbers in the prepaid segment as well as some shift to low-value contract offers. As of April 1, 2019 an indexation of 2.0% has been effective for existing customers in both the mobile high-value and parts of the fixed-line business.

Total revenues in the Austrian segment increased by 1.5% year-on-year in the second quarter of 2019, mainly driven by a higher other operating income due to the real estate sale. Excluding this one-off effect, total revenues remained stable (+0.2%) as higher service revenues were able to offset lower equipment revenues. The latter declined due to lower quantities for retention as well as for acquisition.

Retail mobile service revenues remained stable driven by growth in mobile WiFi routers as well as increased revenues from high-value customers but were negatively impacted by the EU international calls regulation which has been in place since May 15, 2019. Visitor and national roaming revenues were higher due to higher data usage, offsetting reduced intra-operator/inter-company tariffs, while interconnection revenues decreased due to a lower volume of and lower prices for SMS. ARPU remained stable as increases due to mobile WiFi routers outweighed losses in the low value segment following the prepaid registration.

Strong solutions and connectivity revenue growth in Austria in Q2 2019

Fixed-line service revenues grew on the back of higher solutions and connectivity revenues due to the ongoing strong demand for ICT solutions and complementary connectivity, which outweighed lower retail fixed-line service revenues. Retail fixed-line service revenues decreased by 1.3% as losses in voice and a decline in the number of low bandwidth broadband subscribers could not be fully offset by the rising demand for higher bandwidth products and TV options as well as the abovementioned indexation measure. ARPL increased further by 2.6% due to successful upselling activities and price indexation.

Internet@home subscriber numbers, which include pure fixed-line broadband RGUs, hybrid modems and mobile WiFi routers, grew by 2.0%. This was mainly driven by ongoing strong demand for mobile WiFi routers.

EBITDA excluding restructuring charges and the abovementioned one-off effect increased by 0.8%. Higher service revenues and lower workforce costs were able to offset increased cost of services, which were mainly driven by higher maintenance, content and corporate network costs. Workforce costs declined mainly due to a lower number of employees.The equipment margin remained almost stable.

Subsidies per handset were higher compared to Q2 2018 due to Easter promotions in the reporting period, following the later Easter date this year. This led to slightly higher total subsidies despite lower quantities.

## International operations

Key performance indicators
Financials

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Total revenues | 476.2 | 457.8 | 4.0 | 929.3 | 888.9 | 4.5 |
| Service revenues | 379.0 | 359.4 | 5.5 | 735.8 | 698.4 | 5.4 |
| thereof mobile service revenues | 289.7 | 276.4 | 4.8 | 557.2 | 535.9 | 4.0 |
| thereof fixed-line service revenues | 89.3 | 83.0 | 7.6 | 178.6 | 162.5 | 9.9 |
| Equipment revenues | 87.7 | 86.2 | 1.8 | 176.0 | 170.2 | 3.4 |
| Other operating income | 9.5 | 12.3 | -22.9 | 17.5 | 20.3 | -13.5 |
| EBITDA | 173.6 | 165.2 | 5.1 | 334.7 | 310.4 | 7.8 |
| % of total revenues | 36.5% | 36.1% | | 36.0% | 34.9% | |
| EBIT | 63.1 | -4.3 | n.m. | 115.0 | -60.1 | n.m. |
| % of total revenues | 13.3% | -0.9% | | 12.4% | -6.8% | |

| Wireless indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Wireless subscribers (thousands) | 14,611.6 | 14,586.3 | 0.2 | 14,611.6 | 14,586.3 | 0.2 |
| thereof postpaid | 11,404.5 | 11,202.1 | 1.8 | 11,404.5 | 11,202.1 | 1.8 |
| thereof prepaid | 3,207.1 | 3,384.2 | -5.2 | 3,207.1 | 3,384.2 | -5.2 |

| Wireline indicators | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| RGUs (thousands) | 2,888.2 | 2,779.4 | 3.9 | 2,888.2 | 2,779.4 | 3.9 |

The international operations showed an increase in total revenues of 4.0%, driven by mobile and fixed-line service revenue growth. Service revenues grew in all segments, with Bulgaria, Belarus and Serbia as the main positive contributors. EBITDA increased by 5.1%, driven particularly by Bulgaria, Croatia and Slovenia.

Service revenues showed growth in all CEE markets

*Segment Bulgaria*

Market dynamics in Bulgaria remained unchanged compared to previous quarters. The fixed-line business continued to be driven by customized corporate solutions, upselling and exclusive sports content, which led to a higher ARPL as well as more broadband and TV RGUs. The mobile business still showed strong trends in both the business and the residential segment driving revenues and ARPU higher. Subsidies remained mostly unchanged.

This resulted in a strong increase in service revenues while equipment revenues as well as other operating income declined. Overall, total revenues increased by 4.0%, leading to a strong EBITDA growth of 9.3%.

*Segment Croatia*

In Croatia, the market continued to be shaped by a competitive mobile market and convergent solutions with highly discounted offers. In April 2019, A1 Hrvatska launched an unlimited data option, additionally available against a surcharge for its high-value mobile tariffs, while Hrvatski Telekom also introduced an unlimited mobile proposition in the premium segment. In May 2019, Tele2 announced to sell its Croatian business to United Group, a Balkan based telecom services provider. The closing is subject to regulatory approval. In the fixed-line business, the demand for TV content remained strong.

Total revenues in the Croatian segment rose slightly by 0.3% year-on-year, driven by higher service revenues. Mobile service revenues grew due to higher subscriber numbers driven by the demand for mobile WiFi routers and successful promotional activities. Fixed-line service revenues showed a modest growth, driven by higher solutions & connectivity revenues due to a higher number of satellite RGUs, which were able to offset a slight decline in retail fixed-line revenues.

Costs and expenses decreased as higher market investments, reflected in content costs and commissions, as well as higher bad debt were more than offset by lower frequency usage fees following the cut as of November 2018. As a result, EBITDA increased by 7.2% year-on-year.

*Segment Belarus*

The macroeconomic environment in Belarus showed a stable development, with inflation at 5.7% in June and a slight FX appreciation of 1.7% (period average) in Q2 2019. While the mobile market remained competitive, velcom concluded its redesign and renewal of service plans in the second quarter, especially with the improvement of youth and business propositions. As a result, its new residential postpaid and prepaid portfolio gained traction. Since mid-March, velcom has been offering 4G services in cooperation with beCloud. In April, the launch of the 'A1' brand successfully started with the incorporation into a dual brand.

As of July 1, 2019, an inflation-linked price increase for mobile customers of 4.3% was implemented, while fixed-line tariffs for existing customers were increased by 6.0% in June 2019.

Total revenues in the Belarusian segment increased by 7.3% (+7.2% excluding FX effects and a one-off effect in other operating income in Q2 2018). This rise was mainly driven by higher service revenues following charging of unlimited mobile data options since Q1 2019, and an inflation-linked price increase of 2.4% for mobile subscribers as of September 1, 2018. Fixed-line service revenues also contributed to the growth. Equipment revenues increased driven by a higher value handset portfolio, resulting in an uplift of the absolute margin. Attractive instalment models supported the sales performance of higher value equipment.

Costs and expenses rose mainly due to higher cost of services, namely increased interconnection expenses, content costs and network costs, as well as higher workforce costs and higher bad debt.

In total, EBITDA declined by 1.9% as the year-on-year comparison was also affected by a positive one-off effect in other operating income in Q2 2018. EBITDA excluding one-off and FX effects remained stable in Q2 2019 (-0.2%), as higher service revenues were able to outweigh the abovementioned cost increases.

*Other Segments*

In the Slovenian market, mobile competition remained intense with attractive offers including high data allowances, while TV content still plays an important role in the fixed-line business. Total revenues increased, driven by higher equipment revenues and an increase in fixed-line service revenues. The latter rose due to higher subscriber numbers and the expiration of a fixed-line promotion with lower monthly fees at the end of 2018. Costs and expenses declined, mainly due to the VULA agreement entered in Q4 2018. This led to a shift of bitstream costs, included in cost of services in the comparison period, to D&A for rights of use in the reporting period, following the IFRS 16 accounting standard. Together with a better equipment margin, partly due to lower subsidies per device, this led to an EBITDA increase of 17.5%, while operational trends continued to be challenging.

In the Serbian mobile business, demand for unlimited voice and SMS tariffs with flat data allowances remained solid, while strong demand for mobile WiFi routers also continued. The ongoing service revenue growth of 9.3% translated into an EBITDA growth of 4.1%. A sales push in Q2 2019 led to higher subsidies, resulting in a worse equipment margin, and an increase in salesforce costs while interconnection costs also increased.

With the introduction of a regional retail roaming agreement for the Western Balkan countries, roaming rates have been cut as of July 1, 2019 and are planned to be abolished entirely by July 1, 2021. This affects both Serbia and North Macedonia.

In North Macedonia, customer retention and upselling remained the focus of existing market players. The fixed-line provider Telekabel launched a mobile SIM-only proposition in Q1 2019. Mobile WiFi routers, which were formerly reported in fixed-line RGUs, have been reported in mobile postpaid starting with Q2 2019 due to a new product logic. Although the segment reported higher service revenues, EBITDA declined by 5.8% year-on-year due to the release of a bad debt provision in Q2 2018.

# Half-year Analysis

## Group Summary

- Group total revenues increased by 2.1%, driven by service revenue growth in all markets.
- Mobile service revenues rose or remained stable in all markets, mainly due to the ongoing strong demand for mobile WiFi routers.
- Fixed-line service revenues were developing well, with particularly strong growth in solutions and connectivity revenues in Austria as well as a strong performance in Bulgaria.
- Group EBITDA excluding one-off and FX effects as well as restructuring charges increased by 2.4%, driven by higher service revenues.
  - While Austria continued to show solid operational trends, EBITDA excluding restructuring and one-off effects declined by 1.2%, mainly due to a lower equipment margin which was particularly supportive in Q1 2018.
  - The increase in EBITDA for the international operations was particularly supported by Bulgaria, Croatia and Slovenia.
  - On a reported basis, EBITDA declined due to restructuring charges in Austria, which amounted to EUR 42.0 mn in the first half of 2019 (1-6M 2018: EUR 0.2 mn).
- Net result increased from EUR 86.5 mn in the first half of 2018 to EUR 155.9 mn in the first half of 2019. While the comparison period was negatively impacted by the brand amortization, in Q2 2019 a tax case in Bulgaria had a negative impact on net income.

The following factors should be considered in the analysis of A1 Telekom Austria Group's half-year operating results:

- Total one-off effects of positive EUR 8.2 mn in revenues and EUR 6.8 mn in EBITDA in the first half of 2019, stemming mainly from a real estate sale in other operating income in Austria . Minor positive one-off effects in the first half of 2018 (EUR 3.3 mn in revenues and EUR 3.7 mn in EBITDA).
- Minor positive FX effects amounting to EUR 1.7 mn in total revenues and EUR 0.7 mn in EBITDA in the first half of 2019.

**Segment Austria**

Total revenues in the Austrian segment increased by 0.3% year-on-year in the first half of 2019. Excluding the abovementioned one-off effect in Q2 2019, total revenues declined slightly by 0.3% in the first half of 2019 as higher service revenues were offset by lower equipment revenues. The latter declined due to lower quantities for retention as well as for acquisition purposes.

Retail mobile service revenues were stable, as growth in mobile WiFi routers as well as increased revenues from high-value customers and price indexation measures outweighed lower interconnection revenues due to a lower volume and lower prices for SMS.

Fixed-line service revenues grew on the back of higher solutions and connectivity revenues due to the ongoing strong demand for ICT solutions, which outweighed lower retail fixed-line service revenues. Retail fixed-line service revenues decreased as losses in voice and a decline in the number of low bandwidth broadband subscribers could not be fully offset by the rising demand for higher bandwidth products and TV options as well as indexation measures.

EBITDA excluding restructuring charges and the abovementioned one-off declined by 1.2%, mainly due to a lower equipment margin in Q1 2019. Cost of services increased in the first half of 2019, mainly driven by content and maintenance as well as corporate network costs. The equipment margin declined due to a particularly high amount of promotional deals and a high ICT equipment margin in Q1 2018 as well as the negative impact from deferrals according to IFRS 15.

**International operations**

In the first half of 2019 the international operations showed an increase in total revenues of 4.5%, driven by mobile and fixed-line service revenue growth. Service revenues grew in all segments, with Bulgaria, Belarus and Serbia as the main positive contributors. EBITDA increased by 7.8%, particularly driven by Bulgaria, Croatia and Slovenia.

*Segment Bulgaria*

In the Bulgarian segment, service revenues increased by 7.0% in the first half of 2019, driven by growth in the fixed-line as well as the mobile business. The fixed-line business was driven by customized corporate solutions, upselling and exclusive sports content, while the mobile business showed consistent positive trends in both the business and the residential segment which led to ARPU increases.

Costs and expenses declined as lower cost of equipment due to lower average cost per handset sold and lower bad debt due to better collection as well as decreased advertising costs more than outweighed the increase in workforce and content costs. In total, this led to strong EBITDA growth of 13.3%.

*Segment Croatia*

In the Croatian segment, total revenues rose by 1.4% year-on-year, driven by higher service revenues in both the mobile and fixed-line business. Mobile service revenues grew due to higher subscriber numbers, driven by the demand for mobile WiFi routers and successful promotional activities. Fixed-line service revenues were supported by UEFA Champions League content.

Costs and expenses decreased slightly as higher market investments, reflected in content costs and commissions, as well as a lower equipment margin were more than offset by lower frequency usage fees following the cut as of November 2018. As a result, EBITDA increased by 6.8% year-on-year.

*Segment Belarus*

In the Belarusian segment, total revenues increased by 6.7%. This rise was mainly driven by higher service revenues following the charging of unlimited data options since Q1 2019, and an inflation-linked price increase of 2.4% for mobile subscribers as of September 2018. In the fixed-line business, price increases of 5% in October 2018 and 6% in June 2019 contributed to fixed-line service revenues growth. Equipment revenues increased, driven by a higher value handset portfolio, resulting in an uplift of the absolute margin. The FX development had only a minor impact in the first half of 2019 as the Belarusian Ruble slightly appreciated by 0.7% against the Euro (period average).

Costs and expenses rose mainly due to higher costs of services, namely increased interconnection expenses, network and content costs, as well as higher workforce costs and higher bad debt. In total, EBITDA remained stable (-0.2%). EBITDA excluding one-off and FX effects increased by 1.5% in the first half of 2019.

*Other Segments*

In the Slovenian segment, total revenues increased by 3.1%, mainly driven by higher equipment revenues due to higher quantities following promotional activities and higher-value handsets. Fixed-line service revenues also increased due to a larger customer base and the expiration of a fixed-line promotion with lower monthly fees at the end of 2018, while mobile service revenues remained stable. Costs and expenses declined, mainly due to the VULA agreement entered into in Q4 2018. This led to a shift of bitstream costs, included in cost of services in the comparison period, to D&A for rights of use in the reporting period, following the IFRS 16 accounting standard. Together with a better equipment margin this led to an EBITDA increase of 15.7%, while operational trends continued to be challenging.

In Serbia, the demand in the mobile business for unlimited voice and SMS tariffs with flat data allowances remained solid and led to service revenue growth of 8.7%. Costs and expenses increased, mainly driven by higher salesforce costs due to a sales push and more employees as well as higher network costs. In total, EBITDA rose by 7.4% in the first half of 2019.

In North Macedonia, customer retention and upselling measures for existing customers led to higher service revenues and equipment revenues. Total revenues grew by 3.5% year-on-year. Together with a stable development of operating costs, this led to a strong EBITDA increase of 9.4%. Mobile WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid starting with Q2 2019 due to a new product logic.

## Group profit and loss – below EBITDA

In the first half of 2019, depreciation and amortization (incl. rights of use) decreased by 24.3% to EUR 471.3 mn, driven by the brand value amortization in the comparison period.

Operating income rose by 81.6% to EUR 294.8 mn in the first half of 2019, positively impacted by the brand amortization of last year. Excluding the D&A of the rebranding, operating income decreased by 7.3% due to restructuring charges.

Net result increased from EUR 86.5 mn in the first half of 2018 to EUR 155.9 mn in the reporting period, positively impacted by the brand amortization of last year. Apart from this, a tax case in Bulgaria had a negative impact on net income in Q2 2019.

Net result of EUR 155.9 mn in the first half of 2019

## Cash flow

| (in EUR million) | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|
| Cash flow from operating activities | 668.8 | 688.6 | -2.9 |
| Capital expenditures paid | -473.2 | -366.4 | -29.2 |
| Proceeds from sale of plant, property and equipment | 11.7 | 4.3 | 173.3 |
| Interest paid | -53.7 | -38.6 | -39.1 |
| Lease principal paid | -84.9 | -82.2 | -3.3 |
| Free cash flow | 68.7 | 205.7 | -66.6 |

Cash flow from operating activities declined despite better operating performance in the first half of 2019 due to higher working capital needs and higher income taxes paid. In the first half of 2019, the changes in 'working capital and other financial positions' ('Changes in financial positions') in the amount of EUR 134.2 mn (1-6M 2018: EUR 100.6 mn) were mainly driven by payments to suppliers and payments for restructuring as well as income tax payments which were impacted by the abovementioned tax case in Bulgaria.

Capital expenditures paid in the first half of 2019 were mainly driven by acquired frequencies in Austria and Belarus. Proceeds from sale of plant, property and equipment benefited from the real estate sale in Austria, while interest paid were also impacted by the Bulgarian tax case. In total, this led to a decline of the free cash flow from EUR 205.7 mn in the first half of 2018 to EUR 68.7 mn in the reporting period.

## Balance Sheet

As of June 30, 2019, the balance sheet total (including lease liabilities) slightly declined by 0.2% compared to January 1, 2019, with only minor changes in the balance sheet structure.

The equity ratio as of June 30, 2019, amounted to 29.5%, after 29.1% as of January 1, 2019 (33.1% without lease liabilities as of December 31, 2018). The increase in shareholders' equity was driven by higher retained earnings due to net income generation.

## Net Debt

| in EUR million | Jun 30, 2019 IFRS 16 | Jan 1, 2019 IFRS 16 based | % change |
|---|---|---|---|
| Net debt (incl. leases) | 3,751.3 | 3,720.8 | 0.8 |
| Net debt (incl. leases) / EBITDA (12 months) | 2.5x | 2.4x | |

| in EUR million | Jun 30. 2019 | Dec 31, 2018 | % change |
|---|---|---|---|
| Net debt (excl. leases) | 2,791.1 | 2,718.4 | 2.7 |
| Net debt (excl. leases) / EBITDA after leases (12 months) | 2.0x | 2.0x | |

Net debt (incl. leases) increased by 0.8%, driven by higher short-term debt as well as lower cash and cash equivalents, following the payments for frequencies in Q2 2019. Net debt (incl. leases)/EBITDA (12 months) slightly increased from 2.4x as of January 1, 2019 to 2.5x as of June 30, 2019.

## CAPEX (excl. leases)

In the first half of 2019, capital expenditures increased by 32.3% to EUR 414.6 mn. Tangible capital expenditures rose by 6.1% to EUR 278.5 mn, mainly due to higher investments in Austria and Belarus. While Austrian tangible capital expenditures rose due to higher investments in the fiber roll-out, in Belarus they increased year-on-year due to time-shifts in mobile network investments.

Intangible capital expenditures rose from EUR 50.9 mn in the comparison period to EUR 136.2 mn in the first half of 2019 due to acquired frequencies in Austria (3.5 GHz; EUR 64.3 mn), Belarus (2.1 GHz; EUR 9.5 mn) and Croatia (2.1 GHz; EUR 7.2 mn).

## Personnel

| End of period (full-time equivalent) | Jun 30, 2019 | Jun 30, 2018 | % change |
|---|---|---|---|
| Austria | 7,875 | 8,182 | -3.8 |
| International operations | 10,278 | 10,383 | -1.0 |
| Corporate & other | 388 | 352 | 10.1 |
| **Total** | **18,541** | **18,917** | **-2.0** |

Group headcount was reduced year-on-year by 2.0%, driven by the Austrian segment due to the ongoing restructuring measures. The overall number of employees in the CEE segments also declined while the increase in 'Corporate & other' is attributable to the continued increase in the workforce of its affiliate A1 Digital.

## A1 Telekom Austria Group outlook for the full year 2019

Outlook confirmed

The Management of A1 Group confirms the outlook with revenue growth of approximately 2% and stable capital expenditures (excl. leases) before spectrum investments and acquisitions of approximately EUR 770 mn as well as a EUR 0.21 dividend per share for the financial year 2019 as a proposal for the Annual General Meeting 2020. With regards to costs, A1 Group is determined to continuously increase efficiency, which should enable the translation of revenue growth into operational EBITDA growth (i.e. excluding restructuring charges, one-off and FX effects). The Belarusian Ruble is expected to devalue by up to 5% (period average) in 2019. In the first six months, the Belarusian Ruble appreciated by 0.7% against the Euro (period average).

# Detailed Figures

## Information on alternative performance measures

The Consolidated Financial Statements are prepared according to applicable accounting standards. Additionally, alternative performance measures are used to describe the operational performance. Therefore, please also refer to the financial information presented in the Consolidated Financial Statements as well as the following reconciliation tables.

### Revenues

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 658.5 | 648.8 | 1.5 | 1,305.3 | 1,301.2 | 0.3 |
| Bulgaria | 115.4 | 111.0 | 4.0 | 226.5 | 218.0 | 3.9 |
| Croatia | 106.5 | 106.2 | 0.3 | 208.6 | 205.8 | 1.4 |
| Belarus | 105.2 | 98.0 | 7.3 | 198.9 | 186.4 | 6.7 |
| Slovenia | 51.5 | 50.8 | 1.4 | 102.6 | 99.6 | 3.1 |
| Serbia | 68.9 | 63.7 | 8.2 | 134.0 | 124.1 | 8.0 |
| North Macedonia | 29.3 | 29.6 | -1.0 | 59.6 | 57.6 | 3.5 |
| Corporate & other, eliminations | -12.6 | -13.7 | n.m. | -23.5 | -25.2 | n.m. |
| Total revenues | 1,122.6 | 1,094.3 | 2.6 | 2,212.1 | 2,167.4 | 2.1 |

### Service Revenues

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 576.6 | 568.4 | 1.4 | 1,153.8 | 1,138.0 | 1.4 |
| Bulgaria | 93.4 | 86.9 | 7.5 | 182.9 | 170.9 | 7.0 |
| Croatia | 91.5 | 89.7 | 1.9 | 177.0 | 173.1 | 2.2 |
| Belarus | 79.2 | 72.8 | 8.7 | 151.2 | 140.4 | 7.7 |
| Slovenia | 39.5 | 39.3 | 0.6 | 78.4 | 76.9 | 2.0 |
| Serbia | 51.1 | 46.8 | 9.3 | 98.3 | 90.5 | 8.7 |
| North Macedonia | 24.9 | 24.4 | 2.2 | 48.9 | 47.5 | 2.9 |
| Corporate & other, eliminations | -12.5 | -12.0 | n.m. | -22.4 | -22.4 | n.m. |
| Total service revenues | 943.7 | 916.3 | 3.0 | 1,868.1 | 1,814.8 | 2.9 |

## Mobile Service Revenues

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 229.9 | 230.6 | -0.3 | 460.8 | 461.8 | -0.2 |
| Bulgaria | 64.5 | 61.6 | 4.6 | 126.3 | 121.2 | 4.2 |
| Croatia | 59.8 | 58.4 | 2.5 | 113.6 | 111.2 | 2.1 |
| Belarus | 67.6 | 63.2 | 7.1 | 128.7 | 122.2 | 5.3 |
| Slovenia | 30.2 | 30.5 | -1.2 | 59.6 | 59.3 | 0.4 |
| Serbia | 48.7 | 45.1 | 7.9 | 93.3 | 87.7 | 6.4 |
| North Macedonia | 19.4 | 18.0 | 7.7 | 36.6 | 35.0 | 4.5 |
| Corporate & other, eliminations | -4.9 | -4.0 | n.m. | -8.7 | -7.2 | n.m. |
| **Total mobile service revenues** | **515.2** | **503.5** | **2.3** | **1,010.1** | **991.2** | **1.9** |

*In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

## Fixed-Line Service Revenues

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 346.7 | 337.8 | 2.6 | 693.0 | 676.2 | 2.5 |
| Bulgaria | 28.9 | 25.3 | 14.4 | 56.6 | 49.7 | 13.9 |
| Croatia | 31.6 | 31.3 | 1.0 | 63.3 | 61.9 | 2.4 |
| Belarus | 11.6 | 9.7 | 19.4 | 22.6 | 18.2 | 24.0 |
| Slovenia | 9.4 | 8.8 | 6.8 | 18.9 | 17.5 | 7.7 |
| Serbia | 2.4 | 1.7 | 46.0 | 5.0 | 2.8 | 77.8 |
| North Macedonia | 5.5 | 6.3 | -13.7 | 12.3 | 12.5 | -1.5 |
| Corporate & other, eliminations | -7.6 | -8.1 | n.m. | -13.7 | -15.1 | n.m. |
| **Total fixed line service revenues** | **428.5** | **412.8** | **3.8** | **858.0** | **823.6** | **4.2** |

*In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

## Other Operating Income

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 19.8 | 14.7 | 34.3 | 33.9 | 27.9 | 21.8 |
| Bulgaria | 1.3 | 2.5 | -49.0 | 2.9 | 4.1 | -28.5 |
| Croatia | 1.9 | 1.4 | 35.7 | 3.3 | 2.8 | 18.2 |
| Belarus | 4.8 | 6.6 | -26.9 | 7.4 | 9.9 | -25.7 |
| Slovenia | 0.8 | 1.2 | -34.4 | 1.6 | 2.3 | -29.6 |
| Serbia | 0.6 | 1.0 | -44.1 | 1.4 | 2.1 | -31.8 |
| North Macedonia | 0.2 | 0.4 | -64.2 | 0.9 | 0.6 | 48.8 |
| Corporate & other, eliminations | -0.1 | -1.5 | n.m. | -0.9 | -2.5 | n.m. |
| **Total other operating income** | **29.1** | **26.3** | **10.8** | **50.6** | **47.2** | **7.4** |

## EBITDA

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 236.3 | 247.0 | -4.3 | 462.3 | 502.2 | -7.9 |
| Bulgaria | 45.1 | 41.2 | 9.3 | 87.9 | 77.6 | 13.3 |
| Croatia | 34.9 | 32.6 | 7.2 | 66.6 | 62.4 | 6.8 |
| Belarus | 47.8 | 48.7 | -1.9 | 90.4 | 90.6 | -0.2 |
| Slovenia | 14.5 | 12.3 | 17.5 | 28.4 | 24.5 | 15.7 |
| Serbia | 20.4 | 19.6 | 4.1 | 39.4 | 36.7 | 7.4 |
| North Macedonia | 10.9 | 11.6 | -5.8 | 22.0 | 20.1 | 9.4 |
| Corporate & other, eliminations | -17.8 | -15.6 | n.m. | -30.8 | -28.8 | n.m. |
| **Total EBITDA** | **392.1** | **397.5** | **-1.4** | **766.2** | **785.3** | **-2.4** |

## EBITDA After Leases*

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 216.3 | 229.0 | -5.5 | 422.5 | 466.3 | -9.4 |
| Bulgaria | 38.4 | 35.3 | 8.9 | 74.7 | 65.7 | 13.7 |
| Croatia | 31.0 | 28.7 | 8.3 | 58.8 | 54.7 | 7.6 |
| Belarus | 43.9 | 45.6 | -3.8 | 83.0 | 84.6 | -2.0 |
| Slovenia | 10.1 | 9.4 | 7.5 | 19.8 | 18.5 | 7.0 |
| Serbia | 16.4 | 15.9 | 3.6 | 31.4 | 29.2 | 7.9 |
| North Macedonia | 9.3 | 10.3 | -9.3 | 18.8 | 17.4 | 8.1 |
| Corporate & other, eliminations | -17.9 | -15.6 | n.m. | -30.9 | -28.9 | n.m. |
| **Total EBITDA after leases** | **347.7** | **358.6** | **-3.0** | **678.2** | **707.5** | **-4.1** |

* EBITDA after leases is defined as EBITDA plus depreciation of right-of-use assets and interest expense on lease liabilities

## Depreciation and Amortization

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 126.4 | 127.0 | -0.5 | 250.6 | 251.6 | -0.4 |
| Bulgaria | 28.6 | 87.0 | -67.1 | 56.7 | 202.3 | -72.0 |
| Croatia | 26.2 | 32.5 | -19.5 | 51.5 | 64.8 | -20.5 |
| Belarus | 23.6 | 21.7 | 8.9 | 46.8 | 42.2 | 10.9 |
| Slovenia | 11.2 | 10.1 | 11.6 | 21.9 | 20.0 | 9.1 |
| Serbia | 13.8 | 13.6 | 1.0 | 27.5 | 27.9 | -1.4 |
| North Macedonia | 7.3 | 4.6 | 58.1 | 15.7 | 13.2 | 18.7 |
| Corporate & other, eliminations | 0.4 | 0.5 | -19.3 | 0.7 | 0.8 | -22.0 |
| **Total D&A** | **237.5** | **296.9** | **-20.0** | **471.3** | **622.9** | **-24.3** |

## EBIT

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 109.9 | 120.0 | -8.4 | 211.7 | 250.6 | -15.5 |
| Bulgaria | 16.4 | -45.8 | n.m. | 31.2 | -124.7 | n.m. |
| Croatia | 8.7 | 0.0 | n.m. | 15.1 | -2.3 | n.m. |
| Belarus | 24.2 | 27.0 | -10.6 | 43.6 | 48.3 | -9.9 |
| Slovenia | 3.3 | 2.3 | 44.0 | 6.5 | 4.5 | 45.6 |
| Serbia | 6.7 | 6.0 | 11.2 | 11.9 | 8.8 | 35.2 |
| North Macedonia | 3.6 | 7.0 | -47.8 | 6.3 | 6.8 | -8.6 |
| Corporate & other, eliminations | -18.2 | -16.1 | -13.4 | -31.5 | -29.7 | -6.0 |
| Total EBIT | 154.6 | 100.5 | 53.8 | 294.8 | 162.4 | 81.6 |

## Capital Expenditures

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 181.4 | 112.7 | 61.0 | 290.4 | 214.9 | 35.1 |
| Bulgaria | 16.3 | 13.5 | 20.9 | 26.5 | 24.6 | 7.7 |
| Croatia | 21.6 | 22.6 | -4.2 | 46.3 | 36.3 | 27.5 |
| Belarus | 20.5 | 4.4 | n.m. | 27.2 | 11.8 | 131.2 |
| Slovenia | 3.9 | 4.2 | -6.0 | 6.1 | 7.3 | -16.2 |
| Serbia | 7.7 | 5.5 | 38.5 | 10.4 | 11.1 | -6.6 |
| North Macedonia | 3.9 | 4.6 | -14.2 | 5.4 | 7.0 | -22.7 |
| Corporate & other, eliminations | 1.4 | 0.7 | 101.1 | 2.3 | 0.5 | n.m. |
| Total capital expenditures | 256.8 | 168.1 | 52.7 | 414.6 | 313.4 | 32.3 |

## Capital Expenditures – Tangible

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 97.0 | 97.7 | -0.7 | 186.6 | 180.5 | 3.3 |
| Bulgaria | 13.6 | 11.3 | 20.3 | 21.0 | 19.1 | 10.1 |
| Croatia | 19.8 | 20.3 | -2.5 | 35.6 | 33.5 | 6.2 |
| Belarus | 9.7 | 3.1 | 214.4 | 15.2 | 8.5 | 78.2 |
| Slovenia | 3.3 | 2.8 | 15.1 | 5.2 | 5.6 | -6.5 |
| Serbia | 6.5 | 4.9 | 31.3 | 8.5 | 9.0 | -5.8 |
| North Macedonia | 3.7 | 4.3 | -13.4 | 5.0 | 6.6 | -24.0 |
| Corporate & other, eliminations | 0.8 | 0.0 | n.m. | 1.4 | -0.3 | n.m. |
| Total capital expenditures - tangible | 154.5 | 144.6 | 6.9 | 278.5 | 262.5 | 6.1 |

## Capital Expenditures – Intangible

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 84.4 | 14.9 | n.m. | 103.8 | 34.4 | 202.2 |
| Bulgaria | 2.7 | 2.2 | 24.2 | 5.5 | 5.5 | -0.9 |
| Croatia | 1.8 | 2.3 | -19.2 | 10.8 | 2.9 | 277.0 |
| Belarus | 10.8 | 1.4 | n.m. | 12.1 | 3.3 | 269.3 |
| Slovenia | 0.6 | 1.3 | -51.7 | 0.9 | 1.7 | -48.2 |
| Serbia | 1.2 | 0.6 | 98.3 | 1.9 | 2.1 | -10.1 |
| North Macedonia | 0.2 | 0.3 | -26.9 | 0.4 | 0.4 | 0.4 |
| Corporate & other, eliminations | 0.5 | 0.7 | -20.0 | 0.9 | 0.8 | 19.0 |
| **Total capital expenditures - intangible** | **102.3** | **23.5** | **n.m.** | **136.2** | **50.9** | **167.4** |

## Wireless Subscribers

| in thousands | Q2 2019 | Q2 2018 | % change |
|---|---|---|---|
| Austria | 5,241.2 | 5,284.5 | -0.8 |
| thereof postpaid | 3,851.8 | 3,796.0 | 1.5 |
| Bulgaria | 3,836.8 | 3,973.5 | -3.4 |
| thereof postpaid | 3,408.1 | 3,517.9 | -3.1 |
| Croatia | 1,852.2 | 1,801.0 | 2.8 |
| thereof postpaid | 1,081.9 | 1,001.5 | 8.0 |
| Belarus | 4,869.4 | 4,861.5 | 0.2 |
| thereof postpaid | 4,069.1 | 3,985.0 | 2.1 |
| Slovenia | 697.0 | 694.4 | 0.4 |
| thereof postpaid | 616.8 | 606.4 | 1.7 |
| Serbia | 2,271.5 | 2,173.1 | 4.5 |
| thereof postpaid | 1,523.8 | 1,416.3 | 7.6 |
| North Macedonia* | 1,084.7 | 1,082.8 | 0.2 |
| thereof postpaid | 704.7 | 674.9 | 4.4 |
| **Total wireless subscribers** | **21,179.8** | **20,755.8** | **2.0** |
| **thereof postpaid** | **16,583.3** | **15,883.1** | **4.4** |

*In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The subscriber numbers of the comparison period have been adapted.

## RGUs

| in thousands | Q2 2019 | Q2 2018 | % change |
|---|---|---|---|
| Austria | 3,283.7 | 3,362.7 | -2.3 |
| thereof broadband | 1,419.8 | 1,442.8 | -1.6 |
| thereof TV | 317.9 | 305.2 | 4.2 |
| Bulgaria | 1,040.5 | 1,014.7 | 2.5 |
| thereof broadband | 454.0 | 440.1 | 3.2 |
| thereof TV | 517.3 | 496.6 | 4.2 |
| Croatia | 703.6 | 658.2 | 6.9 |
| thereof broadband | 259.3 | 249.1 | 4.1 |
| thereof TV | 238.9 | 217.0 | 10.1 |
| Belarus | 624.4 | 614.9 | 1.5 |
| thereof broadband | 234.7 | 245.8 | -4.5 |
| thereof TV | 387.0 | 366.4 | 5.6 |
| Slovenia | 190.4 | 176.9 | 7.6 |
| thereof broadband | 77.8 | 71.3 | 9.2 |
| thereof TV | 64.4 | 57.2 | 12.5 |
| North Macedonia* | 329.3 | 314.6 | 4.7 |
| thereof broadband | 103.0 | 101.1 | 1.9 |
| thereof TV | 131.2 | 124.4 | 5.5 |
| **Total RGUs** | **6,172.0** | **6,142.0** | **0.5** |
| **thereof broadband** | **2,548.5** | **2,550.1** | **-0.1** |
| **thereof TV** | **1,656.7** | **1,566.8** | **5.7** |

* In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The RGU numbers of the comparison period have been adapted.

## Mobile churn

| in % | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 1.4% | 1.5% | -6.6 | 1.4% | 1.6% | -11.9 |
| Bulgaria | 1.4% | 1.4% | -0.1 | 1.9% | 1.4% | 31.0 |
| Croatia | 1.8% | 1.7% | 4.8 | 2.3% | 2.0% | 14.5 |
| Belarus | 1.4% | 1.4% | -4.5 | 1.4% | 1.4% | -4.4 |
| Slovenia | 1.3% | 1.5% | -13.3 | 1.3% | 1.5% | -16.7 |
| Serbia | 2.7% | 3.1% | -13.5 | 2.7% | 3.2% | -15.3 |
| North Macedonia | 1.5% | 1.7% | -10.2 | 1.5% | 1.7% | -14.5 |

EBITDA after leases – adjusted for FX-, one-off effects and restructuring charges

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| EBITDA after leases | 347.7 | 358.6 | -3.0 | 678.2 | 707.5 | -4.1 |
| FX translation effect | -0.8 | | | -0.7 | | |
| One-off effects | -6.8 | -2.9 | | -6.8 | -3.8 | |
| Restructuring charges | 21.1 | 0.1 | | 42.0 | 0.2 | |
| EBITDA after leases - excl. FX-, one-off effects and restructuring charges | 361.1 | 355.8 | 1.5 | 712.7 | 703.9 | 1.3 |

EBITDA per segment - adjusted for FX-, one-off effects and restructuring charges

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 249.2 | 247.1 | 0.8 | 496.1 | 502.4 | -1.2 |
| Bulgaria | 45.1 | 40.5 | 11.3 | 87.9 | 76.5 | 14.9 |
| Croatia | 35.0 | 32.6 | 7.4 | 66.6 | 62.4 | 6.8 |
| Belarus | 46.9 | 47.0 | -0.2 | 89.7 | 88.4 | 1.5 |
| Slovenia | 15.5 | 12.3 | 25.5 | 29.4 | 24.5 | 19.7 |
| Serbia | 20.8 | 19.6 | 6.1 | 39.8 | 36.7 | 8.3 |
| North Macedonia | 10.9 | 11.1 | -1.7 | 22.0 | 19.6 | 12.1 |
| Corporate & other, eliminations | -17.8 | -15.6 | n.m. | -30.8 | -28.9 | n.m. |
| Total adjusted EBITDA | 405.5 | 394.7 | 2.7 | 800.7 | 781.7 | 2.4 |

Group EBITDA - adjustments for FX-, one-off effects and restructuring charges

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| EBITDA | 392.1 | 397.5 | -1.4 | 766.2 | 785.3 | -2.4 |
| FX translation effect | -0.8 | | | -0.7 | | |
| One-off effects | -6.8 | -2.9 | | -6.8 | -3.8 | |
| Restructuring charges | 21.1 | 0.1 | | 42.0 | 0.2 | |
| EBITDA - excl. FX-, one off effects and restructuring charges | 405.5 | 394.7 | 2.7 | 800.7 | 781.7 | 2.4 |

Austria EBITDA - adjustments for one-off effects and restructuring charges

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| EBITDA | 236.3 | 247.0 | -4.3 | 462.3 | 502.2 | -7.9 |
| One-off effects | -8.2 | 0.0 | | -8.2 | 0.0 | |
| Restructuring charges | 21.1 | 0.1 | | 42.0 | 0.2 | |
| EBITDA excl. one off effects and restructuring charges | 249.2 | 247.1 | 0.8 | 496.1 | 502.4 | -1.2 |

## ARPU

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

| in EUR | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria | 14.5 | 14.5 | 0.1 | 14.5 | 14.5 | -0.2 |
| Bulgaria | 5.6 | 5.2 | 8.2 | 5.5 | 5.1 | 7.6 |
| Croatia | 10.9 | 11.0 | -0.5 | 10.4 | 10.5 | -0.7 |
| Belarus | 4.6 | 4.3 | 6.8 | 4.4 | 4.2 | 5.1 |
| Slovenia | 14.4 | 14.6 | -1.4 | 14.2 | 14.2 | 0.4 |
| Serbia | 7.2 | 6.9 | 4.4 | 7.0 | 6.7 | 4.1 |
| North Macedonia* | 6.0 | 5.6 | 7.5 | 5.6 | 5.4 | 4.1 |
| **Group ARPU** | **8.2** | **8.1** | **0.5** | **8.0** | **8.0** | **0.3** |

* In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. ARPU numbers of the comparison period have been adapted.

## 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 represents interconnection transit revenues, solutions & connectivity revenues and other revenues.

| in EUR | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria* | 31.2 | 30.4 | 2.6 | 31.2 | 30.4 | 2.5 |
| Bulgaria | 13.2 | 12.5 | 5.3 | 13.0 | 12.3 | 5.9 |
| Croatia | 30.0 | 30.3 | -0.9 | 30.3 | 30.2 | 0.2 |
| Belarus | 5.9 | 5.6 | 5.0 | 5.6 | 5.7 | -2.0 |
| Slovenia* | 35.3 | 36.0 | -2.0 | 35.8 | 36.3 | -1.4 |
| Serbia | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| North Macedonia** | 10.8 | 11.0 | -0.9 | 10.9 | 11.1 | -2.1 |

* Figures for the comparison period have been restated due to minor reclassifications in Austria and Slovenia.
** In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. ARPL numbers of the comparison period have been adapted.

| ARPL-relevant revenues (in EUR million) | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Austria* | 189.0 | 191.5 | -1.3 | 379.6 | 384.1 | -1.2 |
| Bulgaria | 21.1 | 19.8 | 6.5 | 41.9 | 39.2 | 7.0 |
| Croatia | 26.9 | 26.8 | 0.5 | 54.1 | 53.4 | 1.4 |
| Belarus | 7.4 | 6.4 | 15.2 | 14.5 | 11.8 | 22.8 |
| Slovenia* | 8.2 | 7.7 | 6.4 | 16.3 | 15.4 | 6.0 |
| Serbia | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| North Macedonia** | 4.9 | 4.7 | 4.4 | 9.9 | 9.6 | 2.9 |

* Figures for the comparison period have been restated due to minor reclassifications in Austria and Slovenia.
** In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. ARPL-relevant revenues of the comparison period have been adapted.

| Access lines (in thousands) | Q2 2019 | Q2 2018 | % change |
|---|---|---|---|
| Austria | 2,006.5 | 2,085.7 | -3.8 |
| Bulgaria | 538.2 | 532.0 | 1.2 |
| Croatia | 298.1 | 293.8 | 1.5 |
| Belarus | 405.3 | 423.5 | -4.3 |
| Slovenia | 77.9 | 71.3 | 9.2 |
| Serbia | n.a. | n.a. | n.a. |
| North Macedonia* | 152.2 | 144.8 | 5.1 |

* In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. Access lines of the comparison period have been adapted.

## Belarus Key Financials in EUR and BYN

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

| in EUR million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Total revenues | 105.2 | 98.0 | 7.3 | 198.9 | 186.4 | 6.7 |
| Total costs and expenses | -57.4 | -49.2 | -16.5 | -108.5 | -95.8 | -13.3 |
| EBITDA | 47.8 | 48.7 | -1.9 | 90.4 | 90.6 | -0.2 |

| in BYN million | Q2 2019 IFRS 16 | Q2 2018 IFRS 16 based | % change | 1-6 M 2019 IFRS 16 | 1-6 M 2018 IFRS 16 based | % change |
|---|---|---|---|---|---|---|
| Total revenues | 247.4 | 234.6 | 5.4 | 475.8 | 448.9 | 6.0 |
| Total costs and expenses | -134.8 | -117.9 | -14.4 | -259.5 | -230.7 | -12.5 |
| EBITDA | 112.5 | 116.7 | -3.6 | 216.3 | 218.2 | -0.9 |

# Additional Information

## Risks and Uncertainties

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 2018, pp. 78 ff.

## Waiver of Review

This financial report of the A1 Telekom Austria Group contains quarterly and half-year 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 amortization 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.

## 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.

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# Condensed Consolidated Interim Financial Statements A1 Telekom Austria Group

2019 according to IFRS 16, 2018 without adoption of IFRS 16 (see "Changes in Accounting Policies")

## Condensed Consolidated Statements of Comprehensive Income

| in EUR million, except per share information | Q2 2019 unaudited | Q2 2018 unaudited | 1-6 M 2019 unaudited | 1-6 M 2018 unaudited |
|---|---|---|---|---|
| Service revenues (incl. other operating income) | 972.8 | 942.6 | 1,918.7 | 1,862.0 |
| Equipment revenues | 149.8 | 151.7 | 293.3 | 305.5 |
| **Total revenues (incl. other operating income)** | **1,122.6** | 1,094.3 | **2,212.1** | 2,167.4 |
| Cost of service | -325.2 | -342.8 | -641.4 | -683.7 |
| Cost of equipment | -143.8 | -145.8 | -286.6 | -286.3 |
| Selling, general & administrative expenses | -259.1 | -245.0 | -512.9 | -485.2 |
| Other expenses | -2.4 | -2.1 | -5.0 | -4.8 |
| **Total cost and expenses** | **-730.5** | -735.8 | **-1,445.9** | -1,460.0 |
| **Earnings before interest, tax, depreciation and amortization - EBITDA** | **392.1** | 358.6 | **766.2** | 707.5 |
| Depreciation and amortization | -197.7 | -260.8 | -392.2 | -550.7 |
| Depreciation of right-of-use assets | -39.8 | 0.0 | -79.1 | 0.0 |
| **Operating income - EBIT** | **154.6** | 97.7 | **294.8** | 156.8 |
| Interest income | 1.3 | 1.4 | 2.7 | 2.6 |
| Interest expense | -26.3 | -21.7 | -52.4 | -43.6 |
| Interest on employee benefits and restructuring and other financial items, net | -23.7 | -1.9 | -26.9 | -4.6 |
| Foreign currency exchange differences, net | 2.7 | 4.7 | 3.3 | 7.9 |
| Equity interest in net income of associated companies | -0.2 | -0.3 | -0.2 | -0.1 |
| **Financial result** | **-46.2** | -17.8 | **-73.5** | -37.8 |
| **Earnings before income tax - EBT** | **108.4** | 79.9 | **221.3** | 119.0 |
| Income tax | -38.4 | -21.8 | -65.4 | -32.5 |
| **Net result** | **70.0** | 58.1 | **155.9** | 86.5 |
| Attributable to: | | | | |
| Equity holders of the parent | 69.8 | 58.0 | 155.7 | 84.1 |
| Non-controlling interests | 0.1 | 0.1 | 0.2 | 0.2 |
| Hybrid capital owners | 0.0 | 0.0 | 0.0 | 2.2 |
| **Earnings per share attributable to equity holders of the parent in Euro*** | **0.11** | 0.09 | **0.23** | 0.13 |
| Weighted-average number of ordinary shares outstanding | 664,084,841 | 664,084,841 | 664,084,841 | 664,084,841 |
| | | | | |
| **Other comprehensive income items:** | | | | |
| **Items that may be reclassified to profit or loss:** | | | | |
| Effect of translation of foreign entities | 9.9 | 13.8 | 19.9 | 9.5 |
| Realized result on hedging activities, net of tax | 1.1 | 1.1 | 2.2 | 2.2 |
| **Items that will not be reclassified to profit or loss:** | | | | |
| Remeasurement of defined benefit obligations, net of tax | -4.1 | -1.0 | -8.0 | -1.9 |
| **Total other comprehensive income (loss)** | **6.9** | 13.9 | **14.0** | 9.8 |
| | | | | |
| **Total comprehensive income (loss)** | **76.8** | 72.0 | **169.9** | 96.3 |
| Attributable to: | | | | |
| Equity holders of the parent | 76.7 | 71.9 | 169.7 | 93.9 |
| Non-controlling interests | 0.1 | 0.1 | 0.2 | 0.2 |
| Hybrid capital owners | 0.0 | 0.0 | 0.0 | 2.2 |

* basic and diluted.

As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

## Condensed Consolidated Statements of Financial Position

| in EUR million | June 30, 2019 unaudited | Jan 1, 2019 IFRS 16 unaudited | Dec. 31, 2018 audited |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 44.1 | 63.6 | 63.6 |
| Accounts receivable: Subscribers, distributors and other | 866.6 | 830.4 | 830.4 |
| Receivables due from related parties | 1.8 | 1.4 | 1.4 |
| Inventories, net | 116.5 | 131.2 | 131.2 |
| Income tax receivable | 0.4 | 2.6 | 2.6 |
| Other current assets, net | 147.0 | 145.7 | 153.1 |
| Contract assets | 126.6 | 141.1 | 141.1 |
| Total current assets | 1,303.0 | 1,316.0 | 1,323.4 |
| Non-current assets | | | |
| Property, plant and equipment, net | 2,759.9 | 2,716.1 | 2,716.1 |
| Right-of-use assets, net | 976.1 | 1,010.7 | 0.0 |
| Intangibles, net | 1,783.2 | 1,782.7 | 1,782.7 |
| Goodwill | 1,279.1 | 1,277.9 | 1,277.9 |
| Investments in associated companies | 33.2 | 33.2 | 33.2 |
| Long-term investments | 12.8 | 11.5 | 11.5 |
| Deferred income tax assets | 223.7 | 245.5 | 245.5 |
| Other non-current assets, net | 24.2 | 16.9 | 17.8 |
| Total non-current assets | 7,092.2 | 7,094.5 | 6,084.7 |
| TOTAL ASSETS | 8,395.2 | 8,410.5 | 7,408.1 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term debt and current portion of long-term debt | -297.2 | -245.0 | -245.3 |
| Lease liabilities short-term | -149.9 | -143.6 | 0.0 |
| Accounts payable | -847.5 | -937.9 | -937.9 |
| Accrued liabilities and current provisions | -218.0 | -233.5 | -233.7 |
| Income tax payable | -43.4 | -27.1 | -27.1 |
| Payables due to related parties | -0.9 | -0.5 | -0.5 |
| Contract liabilities | -176.9 | -160.2 | -160.2 |
| Total current liabilities | -1,733.9 | -1,747.8 | -1,604.7 |
| Non-current liabilities | | | |
| Long-term debt | -2,538.0 | -2,536.4 | -2,536.8 |
| Lease liabilities long-term | -810.3 | -859.4 | 0.0 |
| Deferred income tax liabilities | -9.7 | -15.0 | -15.0 |
| Deferred revenues and other non-current liabilities | -24.6 | -22.6 | -22.6 |
| Asset retirement obligation and restructuring | -579.0 | -576.0 | -576.0 |
| Employee benefits | -220.3 | -203.7 | -203.7 |
| Total non-current liabilities | -4,181.9 | -4,213.0 | -3,354.0 |
| Stockholders' equity | | | |
| Capital stock | -1,449.3 | -1,449.3 | -1,449.3 |
| Treasury shares | 7.8 | 7.8 | 7.8 |
| Additional paid-in capital | -1,100.1 | -1,100.1 | -1,100.1 |
| Retained earnings | -619.9 | -603.6 | -603.5 |
| Other comprehensive income (loss) items | 684.2 | 698.3 | 698.3 |
| Equity attributable to equity holders of the parent | -2,477.3 | -2,447.0 | -2,446.8 |
| Non-controlling interests | -2.2 | -2.7 | -2.7 |
| Total stockholders' equity | -2,479.5 | -2,449.6 | -2,449.4 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | -8,395.2 | -8,410.5 | -7,408.1 |

The impact of the initial application of IFRS 16 is unaudited and may be subject to change until the publication of the Consolidated Financial Statements 2019.
As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

## Condensed Consolidated Statements of Cash Flows

| in EUR million | Q2 2019 unaudited | Q2 2018 unaudited | 1-6 M 2019 unaudited | 1-6 M 2018 unaudited |
|---|---|---|---|---|
| Earnings before income tax - EBT | 108.4 | 79.9 | 221.3 | 119.0 |
| Items not requiring the use of cash and other reconciliation: | | | | |
| Depreciation | 126.8 | 121.8 | 250.6 | 248.0 |
| Amortization of intangible assets | 70.9 | 139.0 | 141.6 | 302.7 |
| Depreciation of right-of-use assets | 39.8 | 0.0 | 79.1 | 0.0 |
| Result from measurement of investments | -0.7 | -0.2 | -1.3 | -0.1 |
| Equity interest in net income of associated companies | 0.2 | 0.3 | 0.2 | 0.1 |
| Result on sale of property, plant and equipment | -7.1 | 0.6 | -6.5 | 2.0 |
| Net period cost of labor obligations and restructuring | 24.9 | 3.8 | 49.5 | 7.1 |
| Foreign currency exchange differences, net | -2.7 | -4.7 | -3.3 | -7.9 |
| Interest income | -1.3 | -1.4 | -2.7 | -2.6 |
| Interest expense | 49.1 | 22.3 | 77.3 | 44.8 |
| Other adjustments | -0.5 | -1.5 | -2.8 | -1.9 |
| Changes in financial positions: | | | | |
| Accounts receivable: Subscribers, distributors and other | -26.8 | -35.2 | -30.4 | -55.3 |
| Prepaid expenses | 6.8 | 3.3 | 9.9 | -16.6 |
| Due from related parties | -0.3 | -0.2 | -0.4 | -0.2 |
| Inventories | 8.8 | 8.9 | 15.6 | -5.6 |
| Other assets | 0.9 | -9.9 | -5.4 | -9.8 |
| Contract assets | 7.4 | 4.0 | 14.6 | 2.5 |
| Employee benefits and restructuring | -24.6 | -23.9 | -49.4 | -48.7 |
| Accounts payable and accrued liabilities | -2.5 | 23.8 | -79.6 | 17.0 |
| Due to related parties | 0.3 | 0.0 | 0.4 | -0.1 |
| Contract liabilities | -0.1 | 8.4 | 16.7 | 17.0 |
| Interest received and income taxes paid: | | | | |
| Interest received | 1.3 | 1.4 | 2.7 | 2.6 |
| Income taxes paid | -18.2 | -9.8 | -29.0 | -13.9 |
| Net cash flow from operating activities | 360.7 | 330.8 | 668.8 | 600.1 |
| Capital expenditures paid | -257.1 | -178.6 | -473.2 | -366.4 |
| Dividends received from associates | 0.0 | 0.1 | 0.0 | 0.8 |
| Proceeds from sale of plant, property and equipment | 9.9 | 1.8 | 11.7 | 4.3 |
| Purchase of investments | 0.0 | 0.0 | -0.2 | 0.0 |
| Proceeds from sale of investment | 0.1 | 0.6 | 0.1 | 1.6 |
| Acquisition of businesses, net of cash acquired | 0.0 | -4.0 | 0.0 | -4.0 |
| Sale of shares of associated companies | 0.1 | 0.0 | 0.1 | 0.1 |
| Net cash flow from investing activities | -246.9 | -180.2 | -461.5 | -363.6 |
| Interest paid | -48.2 | -31.0 | -53.7 | -32.3 |
| Change in short-term debt | 98.5 | 19.5 | 293.8 | 183.6 |
| Repayments of short-term debt | 0.0 | 0.0 | -240.0 | 0.0 |
| Dividends paid | -139.5 | -132.8 | -139.9 | -167.2 |
| Issuance of short-term debt | 0.0 | 0.0 | 0.0 | 240.0 |
| Redemption of hybrid bond | 0.0 | 0.0 | 0.0 | -600.0 |
| Acquisition of non-controlling interests | 0.0 | 0.0 | -0.1 | 0.0 |
| Deferred consideration paid for business combinations | -3.5 | 0.0 | -3.5 | 0.0 |
| Lease principal paid | -31.0 | 0.0 | -84.9 | 0.0 |
| Net cash flow from financing activities | -123.7 | -144.3 | -228.4 | -375.9 |
| Adjustment to cash flows due to exchange rate fluctuations, net | 0.8 | 0.5 | 1.5 | 0.7 |
| Net change in cash and cash equivalents | -9.2 | 6.8 | -19.5 | -138.7 |
| Cash and cash equivalents beginning of period | 53.3 | 56.8 | 63.6 | 202.4 |
| Cash and cash equivalents end of period | 44.1 | 63.7 | 44.1 | 63.7 |

As a result of the application of the modified retrospective method for IFRS 16, the comparative figures for 2018 have not been restated.

# Capital expenditures

| in EUR million | Q2 2019 unaudited | Q2 2018 unaudited | % change | 1-6 M 2019 unaudited | 1-6 M 2018 unaudited | % change |
|---|---|---|---|---|---|---|
| Capital expenditures paid | 257.1 | 178.6 | 43.9% | 473.2 | 366.4 | 29.2% |
| Reconciliation of additions in accounts payable | 7.5 | -5.3 | -241.0% | -43.5 | -43.1 | 0.8% |
| Reconciliation of government grants | -5.9 | -5.2 | 13.8% | -12.6 | -9.8 | 28.4% |
| Reconciliation of right-of-use assets paid | -2.0 | 0.0 | n.a. | -2.5 | 0.0 | n.a. |
| Total capital expenditures | 256.8 | 168.1 | 52.7% | 414.6 | 313.4 | 32.3% |
| Thereof tangible | 154.5 | 144.6 | 6.9% | 278.5 | 262.5 | 6.1% |
| Thereof intangible | 102.3 | 23.5 | 334.3% | 136.2 | 50.9 | 167.4% |

Total capital expenditures are defined as additions to intangibles and to property, plant and equipment (“tangibles”) including interest capitalized, excluding additions related to asset retirement obligation and to right-of-use assets.
Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures. The reconciliation of right-of-use assets paid includes prepayments and other direct costs, which are paid before delivery of the lease asset and are disclosed in the cash flow from investing activities.

# Condensed Consolidated Statements of Changes in Stockholders’ Equity

| in EUR million (unaudited) | Capital stock | Treasury shares | Additional paid-in capital | Hybrid capital | Retained earnings | Other compre-hensive items | Total | Non-controlling interests | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| At December 31, 2018 | 1,449.3 | -7.8 | 1,100.1 | 0.0 | 603.5 | -698.3 | 2,446.8 | 2.7 | 2,449.4 |
| Impact of change in accounting policy | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 | 0.0 | 0.2 |
| At January 1, 2019 | 1,449.3 | -7.8 | 1,100.1 | 0.0 | 603.6 | -698.3 | 2,447.0 | 2.7 | 2,449.6 |
| Net Result | 0.0 | 0.0 | 0.0 | 0.0 | 155.7 | 0.0 | 155.7 | 0.2 | 155.9 |
| Other comprehensive income (loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 14.0 | 14.0 | 0.0 | 14.0 |
| Total comprehensive income (loss) | 0.0 | 0.0 | 0.0 | 0.0 | 155.7 | 14.0 | 169.7 | 0.2 | 169.9 |
| Distribution of dividends | 0.0 | 0.0 | 0.0 | 0.0 | -139.5 | 0.0 | -139.5 | -0.5 | -139.9 |
| Redemption of hybrid capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Acquisition of non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 | -0.1 |
| At June 30, 2019 | 1,449.3 | -7.8 | 1,100.1 | 0.0 | 619.9 | -684.2 | 2,477.3 | 2.2 | 2,479.5 |

| in EUR million (unaudited) | Capital stock | Treasury shares | Additional paid-in capital | Hybrid capital | Retained earnings | Other compre-hensive items | Total | Non-controlling interests | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| At December 31, 2017 | 1,449.3 | -7.8 | 1,100.1 | 591.2 | 491.9 | -690.1 | 2,934.6 | 2.7 | 2,937.4 |
| Impact of change in accounting policy | 0.0 | 0.0 | 0.0 | 0.0 | 42.9 | 0.0 | 42.8 | 0.0 | 42.8 |
| At January 1, 2018 | 1,449.3 | -7.8 | 1,100.1 | 591.2 | 534.8 | -690.2 | 2,977.5 | 2.7 | 2,980.2 |
| Net Result | 0.0 | 0.0 | 0.0 | 0.0 | 86.3 | 0.0 | 86.3 | 0.2 | 86.5 |
| Other comprehensive income (loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.8 | 9.8 | 0.0 | 9.8 |
| Total comprehensive income (loss) | 0.0 | 0.0 | 0.0 | 0.0 | 86.3 | 9.8 | 96.1 | 0.2 | 96.3 |
| Distribution of dividends | 0.0 | 0.0 | 0.0 | 0.0 | -165.8 | 0.0 | -165.8 | -0.6 | -166.5 |
| Redemption of hybrid capital | 0.0 | 0.0 | 0.0 | -591.2 | -8.8 | 0.0 | -600.0 | 0.0 | -600.0 |
| Acquisition of non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 |
| At June 30, 2018 | 1,449.3 | -7.8 | 1,100.1 | 0.0 | 446.5 | -680.4 | 2,307.7 | 2.2 | 2,309.9 |

For details on the initial application of IFRS 16 at January 1, 2019 , see “Changes in accounting policies”.
For details on the initial application of IFRS 15 at January 1, 2018, see the Note (3) “Basis of Presentation” to the Consolidated Financial Statements as of December 31, 2018.
For details on 2018 regarding the hybrid bond redemption and coupon payment and the tax benefit relating to the amount of interest attributable to hybrid bond owners, which is recognized as distribution of dividends, see Note (28) “Stockholders’ Equity” to the Consolidated Financial Statements as of December 31, 2018.

## Net Debt

In the first table, the key performance indicator net debt/EBITDA was calculated as if IFRS 16 had not been applied and in the second table including the effects from the application of IFRS 16.

| in EUR million | June 30, 2019 unaudited | Dec. 31, 2018 audited |
|---|---|---|
| **Net debt (excl. leases)** | | |
| Long-term debt | 2,538.0 | 2,536.8 |
| Short-term debt and current portion of long-term debt | 297.2 | 245.3 |
| Cash and cash equivalents and short-term investments | -44.1 | -63.6 |
| **Net debt** | **2,791.1** | **2,718.4** |
| **Net debt/EBITDA after leases* (last 12 months)** | **2.0x** | **2.0x** |
| EBITDA after leases* (last 12 months) | 1,361.6 | 1,390.9 |

* EBITDA after leases is defined as EBITDA plus depreciation of right-of-use assets and interest expense on lease liabilities, to make it comparable to 2018 (before application of IFRS 16).

| | | |
|---|---|---|
| **Net debt (incl. leases)** | | |
| Long-term debt (incl. lease liability) | 3,348.3 | 3,395.8 |
| Short-term debt (incl. lease liability) | 447.1 | 388.6 |
| Cash and cash equivalents and short-term investments | -44.1 | -63.6 |
| **Net debt (incl. leases)** | **3,751.3** | **3,720.8** |
| **Net debt/EBITDA (last 12 months)** | **2.5x** | **2.4x** |
| EBITDA (last 12 months) | 1,529.8 | 1,548.9 |

# Condensed Operating Segments

| 1-6 M 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| in EUR million (unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Macedonia | Other* | Consolidated |
| External revenues | 1,293.7 | 221.9 | 205.0 | 199.0 | 100.7 | 128.9 | 59.1 | 3.7 | 2,212.1 |
| Intersegmental revenues | 11.5 | 4.6 | 3.6 | -0.1 | 1.9 | 5.2 | 0.6 | -27.2 | 0.0 |
| **Total revenues (incl. OOI)** | **1,305.3** | **226.5** | **208.6** | **198.9** | **102.6** | **134.0** | **59.6** | **-23.5** | **2,212.1** |
| Segment expenses | -843.0 | -138.6 | -142.0 | -108.5 | -74.2 | -94.6 | -37.7 | -7.3 | -1,445.9 |
| **EBITDA** | **462.3** | **87.9** | **66.6** | **90.4** | **28.4** | **39.4** | **22.0** | **-30.8** | **766.2** |
| Depreciation and amortization | -250.6 | -56.7 | -51.5 | -46.8 | -21.9 | -27.5 | -15.7 | -0.7 | -471.3 |
| **Operating income - EBIT** | **211.7** | **31.2** | **15.1** | **43.6** | **6.5** | **11.9** | **6.3** | **-31.5** | **294.8** |
| Interest income | 0.8 | 0.0 | 1.3 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 2.7 |
| Interest expense | -13.8 | -1.8 | -3.8 | -2.6 | -0.9 | -1.8 | -1.2 | -26.5 | -52.4 |
| Other financial result | -3.1 | -22.2 | -0.3 | 2.7 | 0.0 | 0.3 | 0.0 | -0.9 | -23.7 |
| Equity interest in net income of associated companies | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.2 |
| **Earnings before income tax - EBT** | **195.7** | **7.2** | **12.3** | **43.8** | **5.8** | **10.5** | **5.2** | **-59.2** | **221.3** |
| Income taxes | | | | | | | | | -65.4 |
| **Net result** | | | | | | | | | **155.9** |
| EBITDA margin | 35.4% | 38.8% | 31.9% | 45.4% | 27.7% | 29.4% | 36.8% | n.a. | 34.6% |
| Capital expenditures - intangible | 103.8 | 5.5 | 10.8 | 12.1 | 0.9 | 1.9 | 0.4 | 0.9 | 136.2 |
| Capital expenditures - tangible | 186.6 | 21.0 | 35.6 | 15.2 | 5.2 | 8.5 | 5.0 | 1.4 | 278.5 |
| **Total capital expenditures** | **290.4** | **26.5** | **46.3** | **27.2** | **6.1** | **10.4** | **5.4** | **2.3** | **414.6** |

| 1-6 M 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| in EUR million (IFRS 16 based unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Macedonia | Other* | Consolidated |
| External revenues | 1,288.0 | 212.4 | 202.7 | 186.0 | 97.3 | 121.1 | 56.5 | 3.4 | 2,167.4 |
| Intersegmental revenues | 13.2 | 5.5 | 3.0 | 0.3 | 2.3 | 3.0 | 1.1 | -28.5 | 0.0 |
| **Total revenues (incl. OOI)** | **1,301.2** | **218.0** | **205.8** | **186.4** | **99.6** | **124.1** | **57.6** | **-25.2** | **2,167.4** |
| Segment expenses | -799.0 | -140.4 | -143.3 | -95.8 | -75.0 | -87.4 | -37.6 | -3.7 | -1,382.2 |
| **EBITDA** | **502.2** | **77.6** | **62.4** | **90.6** | **24.5** | **36.7** | **20.1** | **-28.8** | **785.3** |
| Depreciation and amortization | -251.6 | -202.3 | -64.8 | -42.2 | -20.0 | -27.9 | -13.2 | -0.8 | -622.9 |
| **Operating income - EBIT** | **250.6** | **-124.7** | **-2.3** | **48.3** | **4.5** | **8.8** | **6.8** | **-29.7** | **162.4** |
| Interest income | 0.8 | 0.0 | 1.1 | 0.1 | 0.3 | 0.0 | 0.1 | 0.1 | 2.6 |
| Interest expense | -13.3 | -0.6 | -5.3 | -1.6 | -0.6 | -2.1 | -1.1 | -24.5 | -49.2 |
| Other financial result | -3.1 | -0.2 | 5.9 | 0.3 | 0.0 | 0.3 | 0.0 | 0.0 | 3.3 |
| Equity interest in net income of associated companies | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.1 |
| **Earnings before income tax - EBT** | **235.1** | **-125.5** | **-0.6** | **47.2** | **4.1** | **7.0** | **5.9** | **-54.3** | **119.0** |
| Income taxes | | | | | | | | | -32.5 |
| **Net result** | | | | | | | | | **86.5** |
| EBITDA margin | 38.6% | 35.6% | 30.3% | 48.6% | 24.6% | 29.6% | 34.8% | n.a. | 36.2% |
| Capital expenditures - intangible | 34.4 | 5.5 | 2.9 | 3.3 | 1.7 | 2.1 | 0.4 | 0.8 | 50.9 |
| Capital expenditures - tangible | 180.5 | 19.1 | 33.5 | 8.5 | 5.6 | 9.0 | 6.6 | -0.3 | 262.5 |
| **Total capital expenditures** | **214.9** | **24.6** | **36.3** | **11.8** | **7.3** | **11.1** | **7.0** | **0.5** | **313.4** |

*Other includes: Corporate, Other & Eliminations
Comparative figures 2018 of segment reporting are presented based on IFRS 16 with sufficient accuracy ("IFRS 16 based"), see also "Operating Segments".

| in EUR million (unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Mace-donia | Other* | Consoli-dated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q2 2019 | | | | |
| External revenues | 652.8 | 113.3 | 104.3 | 105.2 | 50.4 | 66.0 | 29.0 | 1.4 | 1,122.6 |
| Intersegmental revenues | 5.6 | 2.0 | 2.2 | -0.1 | 1.1 | 2.9 | 0.3 | -14.0 | 0.0 |
| **Total revenues (incl. OOI)** | **658.5** | **115.4** | **106.5** | **105.2** | **51.5** | **68.9** | **29.3** | **-12.6** | **1,122.6** |
| Segment expenses | -422.2 | -70.3 | -71.6 | -57.4 | -37.0 | -48.5 | -18.4 | -5.2 | -730.5 |
| **EBITDA** | **236.3** | **45.1** | **34.9** | **47.8** | **14.5** | **20.4** | **10.9** | **-17.8** | **392.1** |
| Depreciation and amortization | -126.4 | -28.6 | -26.2 | -23.6 | -11.2 | -13.8 | -7.3 | -0.4 | -237.5 |
| **Operating income - EBIT** | **109.9** | **16.4** | **8.7** | **24.2** | **3.3** | **6.7** | **3.6** | **-18.2** | **154.6** |
| Interest income | 0.4 | 0.0 | 0.6 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 1.3 |
| Interest expense | -6.9 | -0.9 | -1.9 | -1.5 | -0.5 | -0.9 | -0.6 | -13.3 | -26.3 |
| Other financial result | -1.4 | -22.1 | 1.9 | 1.2 | 0.0 | 0.1 | 0.0 | -0.5 | -21.0 |
| Equity interest in net income of associated companies | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | -0.2 |
| **Earnings before income tax - EBT** | **102.2** | **-6.6** | **9.4** | **24.0** | **2.9** | **5.9** | **3.1** | **-32.5** | **108.4** |
| Income taxes | | | | | | | | | -38.4 |
| **Net result** | | | | | | | | | **70.0** |
| EBITDA margin | 35.9% | 39.1% | 32.8% | 45.5% | 28.2% | 29.7% | 37.2% | n.a. | 34.9% |
| Capital expenditures - intangible | 84.4 | 2.7 | 1.8 | 10.8 | 0.6 | 1.2 | 0.2 | 0.5 | 102.3 |
| Capital expenditures - tangible | 97.0 | 13.6 | 19.8 | 9.7 | 3.3 | 6.5 | 3.7 | 0.8 | 154.5 |
| **Total capital expenditures** | **181.4** | **16.3** | **21.6** | **20.5** | **3.9** | **7.7** | **3.9** | **1.4** | **256.8** |

| in EUR million (IFRS 16 based unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Mace-donia | Other* | Consoli-dated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q2 2018 | | | | |
| External revenues | 641.8 | 107.7 | 104.4 | 97.9 | 49.6 | 62.0 | 29.0 | 2.0 | 1,094.3 |
| Intersegmental revenues | 7.0 | 3.3 | 1.9 | 0.0 | 1.2 | 1.6 | 0.6 | -15.7 | 0.0 |
| **Total revenues (incl. OOI)** | **648.8** | **111.0** | **106.2** | **98.0** | **50.8** | **63.7** | **29.6** | **-13.7** | **1,094.3** |
| Segment expenses | -401.8 | -69.8 | -73.7 | -49.2 | -38.4 | -44.0 | -18.0 | -1.9 | -696.9 |
| **EBITDA** | **247.0** | **41.2** | **32.6** | **48.7** | **12.3** | **19.6** | **11.6** | **-15.6** | **397.5** |
| Depreciation and amortization | -127.0 | -87.0 | -32.5 | -21.7 | -10.1 | -13.6 | -4.6 | -0.5 | -296.9 |
| **Operating income - EBIT** | **120.0** | **-45.8** | **0.0** | **27.0** | **2.3** | **6.0** | **7.0** | **-16.1** | **100.5** |
| Interest income | 0.4 | 0.0 | 0.7 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 1.4 |
| Interest expense | -6.5 | -0.3 | -2.6 | -0.9 | -0.2 | -1.1 | -0.6 | -12.4 | -24.5 |
| Other financial result | -1.0 | -0.1 | 2.2 | 1.1 | 0.0 | 0.2 | 0.1 | 0.4 | 2.8 |
| Equity interest in net income of associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.3 |
| **Earnings before income tax - EBT** | **112.9** | **-46.2** | **0.3** | **27.3** | **2.2** | **5.2** | **6.6** | **-28.3** | **79.9** |
| Income taxes | | | | | | | | | -21.8 |
| **Net result** | | | | | | | | | **58.1** |
| EBITDA margin | 38.1% | 37.1% | 30.7% | 49.7% | 24.3% | 30.8% | 39.1% | n.a. | 36.3% |
| Capital expenditures - intangible | 14.9 | 2.2 | 2.3 | 1.4 | 1.3 | 0.6 | 0.3 | 0.7 | 23.5 |
| Capital expenditures - tangible | 97.7 | 11.3 | 20.3 | 3.1 | 2.8 | 4.9 | 4.3 | 0.0 | 144.6 |
| **Total capital expenditures** | **112.7** | **13.5** | **22.6** | **4.4** | **4.2** | **5.5** | **4.6** | **0.7** | **168.1** |

*Other includes: Corporate, Other & Eliminations
Comparative figures 2018 of segment reporting are presented based on IFRS 16 with sufficient accuracy ("IFRS 16 based"), see also "Operating Segments".

# Selected Explanatory Notes to the Consolidated Interim Financial Statements

## Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation of the financial position and performance and are not audited or reviewed and should be read in connection with the audited A1 Telekom Austria Group’s annual consolidated financial statements according to IFRS for the year ended December 31, 2018. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

The preparation of the interim financial statements in conformity with IAS 34 “Interim Financial Reporting” requires making estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The significant judgements and the key sources of estimation uncertainty are the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Changes in Accounting Policies. Actual results could differ from these estimates.

Compared to other economic sectors, the telecommunications industry is in general less cyclical. Within the telecommunication sector, the seasonality of the A1 Telekom Austria Group’s segments shows the same pattern as other European incumbents, having lower margins in the year-end quarter due to Christmas promotions, equipment provided to customers and increases in sales commissions.

## Changes in Accounting Policies

A1 Telekom Austria Group has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended December 31, 2018, except the following standards which are effective from January 1, 2019:

| | |
|---|---|
| IFRS 16 | Leases |
| IFRIC 23 | Uncertainty over Tax Treatments |
| IFRS 9 | Amendments: Prepayment Features with Negative Compensation |
| Several IFRSs | Annual Improvements 2015 – 2017 |
| IAS 28 | Amendments: Long-term Interests in Associates and Joint Ventures |
| IAS 19 | Amendments: Plan Amendment, Curtailment or Settlement |

The following standards have an impact on the condensed consolidated interim financial statements:

### Impact of IFRS 16

As of January 1, 2019, A1 Telekom Austria Group initially applied IFRS 16 “Leases”, which replaces the former leasing standard IAS 17 as well as its respective interpretations. Under IFRS 16, lessors continue to classify into operating lease and finance lease as previously under IAS 17, while lessees are required to recognize assets and liabilities for most leases based on the right-of-use approach. The new standard affects A1 Telekom Austria Group as a lessee in particular in relation to leases of telecommunication sites for fixed-line and mobile telephony.

For the initial application of IFRS 16, A1 Telekom Austria Group elected the modified retrospective approach in accordance with the transition guidance. Accordingly, the information presented for 2018 was not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations with the exception of segment reporting where figures are presented based on IFRS 16 with sufficient accuracy (see “Operating Segments”).

For contracts previously classified as operating leasing according to IAS 17, A1 Telekom Austria Group, as a lessee, recognized rights of use to leased assets (“right-of-use assets“) based on the future payment obligations (“lease liabilities”) discounted at the incremental borrowing rate plus existing prepayments and other direct costs. The incremental borrowing rates applied range from 0.05% to 2.29% in the euro zone and from 1.79% to 7.96% in the non-euro currency area and reflect the risk-free interest rates based on the underlying contract term adjusted for country, currency and entity risks.

In accordance with the IFRS 16, the lease term is generally equal to the non-cancellable term of the contract. In addition, options to extend or terminate a contract are taken into account. For cancellable contracts with an indefinite term and for prolongation options, A1 Telekom Austria Group determined a contract term of seven years which takes into account the planning horizon, technology, business strategy as well as probabilities. For certain leases related to fixed infrastructure in Austria, 15 years was estimated as the appropriate lease term.

In accordance with IFRS 16.C3, A1 Telekom Austria Group elected to apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application. Furthermore and in accordance with IFRS 16.C10, A1 Telekom Austria Group elected to apply the recognition exemptions for low-value assets and short-term leases for certain rights of use that are immaterial for business operations. The recognition exemptions were not applied to core assets such as base stations, technical sites and facilities as well as buildings and vehicles. Non-lease components in contracts such as electricity, maintenance, etc. are excluded from the right-of-use calculation.

IFRS 16 requires estimates that affect the measurement of right-of-use assets as well as lease liabilities. These include lease terms and the incremental borrowing rate used for discounting the future payment obligations. The impact of the initial application of IFRS 16 is unaudited and may be subject to change until the publication of the Financial Statements 2019.

The following table provides the impact on the condensed consolidated statement of financial position:

| | Jan. 1, 2019 | | Dec. 31, 2018 |
|---|---|---|---|
| in EUR million | IFRS 16 unaudited | Adjustments | IAS 17 audited |
| Cash and cash equivalents | 63.6 | | 63.6 |
| Accounts receivable: Subscribers, distributors and other | 830.4 | | 830.4 |
| Inventories | 131.2 | | 131.2 |
| Other current assets | 290.9 | -7.4 | 298.2 |
| **Current assets** | **1,316.0** | **-7.4** | **1,323.4** |
| Property, plant and equipment, net | 2,716.1 | | 2,716.1 |
| Right-of-use assets, net | 1,010.7 | 1,010.7 | 0.0 |
| Intangibles, net | 1,782.7 | | 1,782.7 |
| Goodwill | 1,277.9 | | 1,277.9 |
| Investments in affiliates & long-term investments | 44.7 | | 44.7 |
| Other non-current assets | 262.4 | -0.9 | 263.3 |
| **Non-current assets** | **7,094.5** | **1,009.8** | **6,084.7** |
| **TOTAL ASSETS** | **8,410.5** | **1,002.4** | **7,408.1** |
| | | | |
| Short-term debt and current portion of long-term debt | -245.0 | 0.3 | -245.3 |
| Lease liabilities short-term | -143.6 | -143.6 | 0.0 |
| Accounts payable | -937.9 | | -937.9 |
| Other current liabilities | -421.3 | 0.2 | -421.5 |
| **Current liabilities** | **-1,747.8** | **-143.2** | **-1,604.7** |
| Long-term debt | -2,536.4 | 0.4 | -2,536.8 |
| Lease liabilities long-term | -859.4 | -859.4 | 0.0 |
| Other liabilities | -817.2 | -0.1 | -817.2 |
| **Non-current liabilities** | **-4,213.0** | **-859.1** | **-3,354.0** |
| **Stockholders' equity** | **-2,449.6** | **-0.2** | **-2,449.4** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **-8,410.5** | **-1,002.4** | **-7,408.1** |

The difference in other current and non-current assets relates to prepaid expenses for lease contracts which were reclassified to lease liabilities. Finance leases according to IAS 17 were presented within short- and long-term debt in 2018 and were reclassified to lease liabilities as of January 1, 2019. The increase in total assets and total liabilities reduced the equity ratio from 33% to 29%.

In the statement of comprehensive income there is a shift from rental and lease expenses, which had been reported in EBITDA in 2018, to depreciation and interest expense, which are not included in EBITDA. For the first half of 2019, the interest expense on lease liabilities amounts to EUR 8.8 million. For the depreciation of right-of-use assets, see the Condensed Consolidated Statement of Comprehensive Income.

In the statement of cash flows, payments for operating leasing contracts were included in the cash flow from operating activities in 2018. Starting 2019, these payments are essentially reported in the cash flow from financing activities, broken down into redemption of lease liability and interest payment. Prepayments and other direct costs, which are paid before delivery of the lease asset, are reported in capital expenditures paid in the cash flow from investing activities.

The following table provides a detail of the right-of-use ("RoU") assets recognized:

| in EUR million | RoU Land & Buildings | RoU Telecommunication sites | RoU Other facilities | RoU Leased lines | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| **At January 1, 2019** | **375.1** | **516.3** | **17.8** | **101.5** | **1,010.7** |
| Additions | 12.7 | 27.5 | 4.8 | 9.2 | 54.2 |
| Disposals | -2.5 | -7.7 | -1.4 | -1.8 | -13.3 |
| Translation adjustment | 0.6 | 2.4 | 0.0 | 0.1 | 3.1 |
| **At June 30, 2019** | **385.8** | **538.6** | **21.3** | **109.0** | **1,054.7** |
| | | | | | |
| Accumulated depreciation | | | | | |
| **At January 1, 2019** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| Additions | -24.6 | -40.6 | -3.8 | -10.2 | -79.1 |
| Disposals | 0.2 | 0.3 | 0.2 | 0.0 | 0.7 |
| Translation adjustment | 0.0 | -0.1 | 0.0 | 0.0 | -0.2 |
| **At June 30, 2019** | **-24.4** | **-40.4** | **-3.7** | **-10.1** | **-78.6** |
| | | | | | |
| Carrying amount | | | | | |
| At June 30, 2019 | 361.4 | 498.1 | 17.7 | 98.9 | 976.1 |

Apart from new contracts, additions to RoU assets contain modifications and renewals of contracts as well as index adjustments.

The following table presents the reconciliation of non-cancellable operating lease obligations according to IAS 17 at December 31, 2018 to the lease liability according to IFRS 16 at January 1, 2019:

| in EUR million | |
|---|---|
| Minimum lease payments under non-cancellable operating leases at December 31, 2018 (IAS 17) | 373.8 |
| less effect from discounting at the incremental borrowing rate as of January 1, 2019 | -32.6 |
| less recognition exemptions | |
| for short-term leases | -0.8 |
| for leases of low-value assets | -7.6 |
| others | -1.0 |
| plus contracts with options to extend or terminate a lease | 670.7 |
| **Lease liabilities due to the initial application of IFRS 16 as of January 1, 2019** | **1,002.4** |
| Finance lease liabilities at December 31, 2018 | 0.6 |
| **Lease liabilities at January 1, 2019** | **1,003.0** |

Contracts with options to extend or terminate a lease mainly relate to contracts for telecommunication sites for fixed-line and mobile telephony and were not included in the minimum lease payments under non-cancellable operating leases according to IAS 17, but have to be included in lease liabilities according to IFRS 16.

## Operating Segments

Unchanged to previous years A1 Telekom Austria Group's chief operating decision maker focuses on revenues, EBITDA and capital expenditures (CAPEX).

Starting 2019, revenue and EBITDA are managed based on figures reported according to IFRS 15 and IFRS 16, while in 2018 revenue and EBITDA were managed without the application of IFRS 15 and IFRS 16 (for IFRS 16 see "Changes in Accounting Policies"; for IFRS 15 see Note 1 "Segment Reporting" to the Consolidated Financial Statements 2018). In 2019, comparative figures for 2018 were adjusted as follows: IFRS 15, which had already been applied to the consolidated statements of comprehensive income in 2018, is now also applied to segment reporting 2018. Furthermore, comparative figures 2018 are presented based on IFRS 16 with sufficient accuracy ("IFRS 16 based").

The following tables provide a reconciliation of comparative figures 2018 "IFRS 16 based" (as reported in 2019) to comparative figures 2018 according to IAS 17, i.e. without adoption of IFRS 16 (as reported in 2018):

| in EUR million (unaudited) | 1-6 M 2018 IFRS 16 based | Adjustments | 1-6 M 2018 without adoption of IFRS 16 |
|---|---|---|---|
| External revenues | 2,167.4 | 0.0 | 2,167.4 |
| Intersegmental revenues | 0.0 | 0.0 | 0.0 |
| **Total revenues (incl. OOI)** | **2,167.4** | **0.0** | **2,167.4** |
| Segment expenses | -1,382.2 | -77.8 | -1,460.0 |
| **EBITDA** | **785.3** | **-77.8** | **707.5** |
| Depreciation and amortization | -622.9 | 72.2 | -550.7 |
| **Operating income - EBIT** | **162.4** | **-5.6** | **156.8** |
| Interest income | 2.6 | 0.0 | 2.6 |
| Interest expense | -49.2 | 5.6 | -43.6 |
| Other financial result | 3.3 | 0.0 | 3.3 |
| Equity interest in net income of associated companies | -0.1 | 0.0 | -0.1 |
| **Earnings before income tax - EBT** | **119.0** | **0.0** | **119.0** |

| in EUR million (unaudited) | Q2 2018 IFRS 16 based | Adjustments | Q2 2018 without adoption of IFRS 16 |
|---|---|---|---|
| External revenues | 1,094.3 | 0.0 | 1,094.3 |
| Intersegmental revenues | 0.0 | 0.0 | 0.0 |
| **Total revenues (incl. OOI)** | **1,094.3** | **0.0** | **1,094.3** |
| Segment expenses | -696.9 | -38.9 | -735.8 |
| **EBITDA** | **397.5** | **-38.9** | **358.6** |
| Depreciation and amortization | -296.9 | 36.1 | -260.8 |
| **Operating income - EBIT** | **100.5** | **-2.8** | **97.7** |
| Interest income | 1.4 | 0.0 | 1.4 |
| Interest expense | -24.5 | 2.8 | -21.7 |
| Other financial result | 2.8 | 0.0 | 2.8 |
| Equity interest in net income of associated companies | -0.3 | 0.0 | -0.3 |
| **Earnings before income tax - EBT** | **79.9** | **0.0** | **79.9** |

## Revenues

The following table shows disaggregated revenues from external customers for each product line by segment:

| 1-6 M 2019 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| in EUR million (unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Macedonia | Other* | Consolidated |
| Mobile service revenues | 460.8 | 126.3 | 113.6 | 128.7 | 59.6 | 93.3 | 36.6 | -8.7 | 1,010.1 |
| Fixed-line service revenues | 693.0 | 56.6 | 63.3 | 22.6 | 18.9 | 5.0 | 12.3 | -13.7 | 858.0 |
| **Service revenues** | **1,153.8** | **182.9** | **177.0** | **151.2** | **78.4** | **98.3** | **48.9** | **-22.4** | **1,868.1** |
| Mobile equipment revenues | 100.6 | 39.0 | 27.4 | 40.2 | 22.5 | 34.3 | 9.6 | 0.0 | 273.6 |
| Fixed-line equipment revenues | 16.9 | 1.7 | 0.9 | 0.1 | 0.1 | 0.0 | 0.3 | -0.3 | 19.7 |
| **Equipment revenues** | **117.6** | **40.7** | **28.3** | **40.3** | **22.6** | **34.3** | **9.9** | **-0.3** | **293.3** |
| **Other operating income** | **33.9** | **2.9** | **3.3** | **7.4** | **1.6** | **1.4** | **0.9** | **-0.9** | **50.6** |
| **Total revenues (incl. OOI)** | **1,305.3** | **226.5** | **208.6** | **198.9** | **102.6** | **134.0** | **59.6** | **-23.5** | **2,212.1** |

| 1-6 M 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| in EUR million (unaudited) | Austria | Bulgaria | Croatia | Belarus | Slovenia | Serbia | North Macedonia | Other* | Consolidated |
| Mobile service revenues | 461.8 | 121.2 | 111.2 | 122.2 | 59.3 | 87.7 | 35.0 | -7.2 | 991.2 |
| Fixed-line service revenues | 676.2 | 49.7 | 61.9 | 18.2 | 17.5 | 2.8 | 12.5 | -15.1 | 823.6 |
| **Service revenues** | **1,138.0** | **170.9** | **173.1** | **140.4** | **76.9** | **90.5** | **47.5** | **-22.4** | **1,814.8** |
| Mobile equipment revenues | 120.4 | 41.3 | 28.7 | 35.9 | 20.2 | 31.5 | 9.3 | 0.0 | 287.4 |
| Fixed-line equipment revenues | 15.0 | 1.7 | 1.2 | 0.1 | 0.2 | 0.0 | 0.2 | -0.2 | 18.1 |
| **Equipment revenues** | **135.4** | **42.9** | **29.9** | **36.0** | **20.4** | **31.5** | **9.5** | **-0.3** | **305.5** |
| **Other operating income** | **27.9** | **4.1** | **2.8** | **9.9** | **2.3** | **2.1** | **0.6** | **-2.5** | **47.2** |
| **Total revenues (incl. OOI)** | **1,301.2** | **218.0** | **205.8** | **186.4** | **99.6** | **124.1** | **57.6** | **-25.2** | **2,167.4** |

*Other includes: Corporate, Other & Eliminations

## Cost and Expenses

The cost of equipment corresponds to material expense. Employee expenses and the net amount of write-down (negative sign) of inventories are shown in the following table:

| in EUR million | 1-6 M 2019 | 1-6 M 2018 |
|---|---|---|
| Write-down/ reversals of write-down of inventories | -0.1 | -1.6 |
| Employee expenses, including benefits and taxes | -474.3 | -423.7 |

Inventories are measured at the lower of cost or net realizable value. Net realizable value of merchandise is the estimated selling price in the ordinary course of business less the estimated selling expense.

## Non-Current and Current Assets

The recognition of right-of-use assets due to the initial application of IFRS 16 led to an increase in non-current assets.

In the first half of 2019, A1 Telekom Austria Group acquired a 3.5 GHz band spectrum in Austria for EUR 64.3 million, which will be used for the new 5G network and capacity expansions of the existing mobile network. Furthermore, spectrum was acquired in Belarus for EUR 9.5 million (2.1 GHz band) and in Croatia for EUR 7.2 million (2.1 GHz band). The increase in intangible assets was mainly compensated by regular amortization of software and licenses.

## Non-Current and Current Liabilities

As of June 30, 2019 credit lines in the amount of EUR 295.0 million were drawn.

## Provisions and Accrued Liabilities

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

| in EUR million | June 30, 2019 unaudited | Dec. 31, 2018 audited |
|---|---|---|
| Restructuring and social plans | 417.0 | 421.0 |
| Civil servants changed to the government | 11.0 | 12.8 |
| **Total restructuring** | **428.0** | 433.8 |

In the first half of 2019, the reduction of the provision for restructuring due to usage was mainly offset by additions due to new social plans and the effect of changes in estimates for discount rates. The following table sets forth the discount rates applied at June 30, 2019:

| Discount rate | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **Restructuring** | | |
| Employees permanently leaving the service process | 1.00% | 1.50% |
| Social plans | 0.50% | 0.75% |
| Civil servants changed to the government | 1.00% | 1.50% |
| | | |
| **Employee benefit obligations** | | |
| Service awards | 0.75% | 1.25% |
| Severance | 1.50% | 2.00% |
| Pensions | 1.00% | 1.75% |

The change in the discount rates led to an increase in the provisions for severance and pensions of EUR 8.0 million, which was recognized in other comprehensive income, and an increase in the provision for service awards of EUR 1.9 million, which was recognized in employee expenses.

In the first half of 2019 the parameters used for calculating the asset retirement obligation were adjusted to current market expectations in each operative segment and are summarized in the following table:

| | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| Discount rate | 1.0%–11.0% | 1.5%–12.0% |
| Inflation rate | 1.5%–4.5% | 2.0%–5.5% |

The change in parameters led to an increase in the provision and the underlying assets in the amount of EUR 6.0 million.

## Income Taxes

| | 1-6 M 2019 | 1-6 M 2018 |
|---|---|---|
| Effective income tax rate | 29.6% | 27.3% |

| in EUR million | June 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| Net deferred taxes | 214.1 | 230.5 |

The increase in the effective income tax rate is essentially due to the below mentioned effects following the tax audit in Bulgaria.

In 2018, A1 Bulgaria received the tax assessments for a tax audit covering the years 2010 to 2012, which did not accept brand name and customer base to be tax deductible and related interest. An appeal was filed against these tax assessments as the Supreme Court decided in favor of A1 Bulgaria regarding the amortization of customer base for the years 2007 to 2009. In April 2019, the Supreme Court finally decided for the year 2010 that neither brand name nor customer base was accepted to be tax deductible leading to payment of EUR 11.6 million tax and EUR 11.4 million related interest. Tax and interest related to the brand name for the years 2010 to 2012 was already provided for in 2018. Following the decision of the Supreme Court for the year 2010 tax and interest related to the customer base for the years 2011 and 2012 were additionally accrued in the first half of 2019. The total case had an impact of EUR 32.3 million on net income in the first half of 2019 (EUR 10.3 million income tax expense and EUR 22.0 million related interest).

## Stockholders' Equity

In June 2019 and 2018, A1 Telekom Austria Group paid dividends to its shareholders in the amount of EUR 139.5 million and EUR 132.8 million (0.21 euro respectively 0.20 euro per share).

Other comprehensive income (loss) items in the Condensed Consolidated Statements of Changes in Stockholders' Equity include the remeasurement of defined benefit obligations, remeasurement of investments at fair value through other comprehensive income, the hedging reserve and the translation reserve.

## Financial Instruments

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

| | June 30, 2019 | | Dec. 31, 2018 | |
|---|---|---|---|---|
| in EUR million | Carrying amount unaudited | Fair value unaudited | Carrying amount audited | Fair value audited |
| Cash and cash equivalents | 44.1 | 44.1 | 63.6 | 63.6 |
| Accounts receivable: Subscribers, distributors and other | 866.6 | 866.6 | 830.4 | 830.4 |
| Receivables due from related parties | 1.8 | 1.8 | 1.4 | 1.4 |
| Other current financial assets | 4.5 | 4.5 | 6.8 | 6.8 |
| Other non-current financial assets | 16.6 | 16.6 | 9.2 | 9.2 |
| Investments at amortized cost | 3.3 | 3.3 | 3.3 | 3.3 |
| **Financial assets at amortized cost** | **936.9** | **936.9** | 914.7 | 914.7 |
| | | | | |
| Equity instruments at fair value through profit or loss - mandatory | 5.0 | 5.0 | 3.7 | 3.7 |
| Debt instruments at fair value through other comprehensive income - mandatory | 2.8 | 2.8 | 2.8 | 2.8 |
| Debt instruments at fair value through profit or loss - mandatory | 1.7 | 1.7 | 1.6 | 1.6 |
| **Investments at fair value** | **9.5** | **9.5** | 8.1 | 8.1 |

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

Investments at fair value mainly include quoted bonds, quoted shares and investment funds and are thus mainly classified as Level 1 of the fair value hierarchy.

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

| in EUR million | June 30, 2019 Carrying amount unaudited | Fair value unaudited | Dec. 31, 2018 Carrying amount audited | Fair value audited |
|---|---|---|---|---|
| Liabilities to financial institutions | 297.2 | 297.2 | 245.0 | 245.1 |
| Bonds | 2,538.0 | 2,837.0 | 2,536.4 | 2,743.8 |
| Other current financial liabilities | 32.4 | 32.4 | 33.8 | 33.8 |
| Lease obligations | 960.2 | n.a.* | 0.6 | 0.6 |
| Other non-current liabilities | 20.2 | 20.2 | 17.6 | 17.6 |
| Accounts payable - trade | 616.6 | 616.6 | 745.4 | 745.4 |
| Payables due to related parties | 0.9 | 0.9 | 0.5 | 0.5 |
| Accrued interest | 47.9 | 47.9 | 30.0 | 30.0 |
| Financial liabilities at amortized cost | 4,513.4 | 3,852.2 | 3,609.3 | 3,816.7 |

* The fair value disclosure of lease liabilities is not required according to IFRS 7.29 (d).

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

The fair values of liabilities to financial institutions are measured at the present values of the cash flows associated with the debt and are thus classified as Level 2 of the fair value hierarchy.

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

## Contingent Liabilities

In the course of a tax audit in Austria the provision related to the reference date for salary increments of civil servants was not accepted to be tax deductible for the financial year 2015. A1 Telekom Austria Group will appeal against the assessment which would result in an additional payment of taxes amounting EUR 11.6 million. As the Austrian law regarding the reference date has been repeatedly repealed by the European Court of Justice (see also "Subsequent and Other Events"), A1 Telekom Austria Group expects with a high probability that the appeal will be successful. Thus no tax liability was recognized.

## Subsequent Events

In 2014, the European Court of Justice (ECJ) ruled that the Austrian law determining the reference date for salary increments for Austrian civil servants (this date determines the length of service and thus the date for advancing to the next salary level) conflicted with European Union law. In its judgement of May 8, 2019, the European Court of Justice (ECJ) once again ruled that the adapted Austrian law is still in conflict with European Union law. As of June 30, 2019 and December 31, 2018, A1 Telekom Austria Group recognized a provision of EUR 46.6 million and EUR 45.7 million, respectively, for imminent back payments of salaries to the civil servants. On July 8, 2019, a further change in the Austrian law was published in the Federal Law Gazette (N. 58/2019). A1 Telekom Austria Group is analyzing if this change in law has an impact on the existing provision.

Vienna, July 23, 2019
The Management Board

CEO Thomas Arnoldner

COO Alejandro Plater

CFO Siegfried Mayrhofer

# Statement of All Legal Representatives

## Declaration of the Management Board according to §125 Para 1 Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards (IFRS) and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, July 23, 2019
The Management Board

CEO Thomas Arnoldner

COO Alejandro Plater

CFO Siegfried Mayrhofer