

# Results for the First Quarter 2018

## Key financial and operating highlights in the first quarter 2018

- Group total revenues and EBITDA increased by 1.2% and 0.2% respectively on a proforma<sup>1</sup> basis. On an adjusted basis<sup>2</sup>, revenues and EBITDA grew by 4.0% and 6.7%.
- Last year, revenues and EBITDA included positive one-off effects (EUR 15.2 mn in EBITDA in Q1 2017) with the main effects in Austria.
- Negative FX effects in Q1 2018: EUR 13.9 mn in total revenues and EUR 6.9 mn in EBITDA.
- Operationally, total revenue growth was mostly driven by the increase in equipment revenues and service revenues with the latter growing in all markets except for Slovenia.
- Solid fixed-line service revenue growth and mobile service revenues rose slightly without the negative roaming impact.
- Adjusted EBITDA was driven by higher fixed-line service revenues, a better equipment margin and cost efficiencies:
  - Investment into A1 Digital and its market entry in Germany were compensated by savings in other markets.
- Austria: Higher fixed-line service revenues, a better equipment margin and cost efficiencies drove the adjusted EBITDA growth of 9.7%.
- Reported net result grew by 30.2% in Q1 2018 excluding D&A from the amortisation of the brand in the amount of EUR 101.1 mn; reported net result of EUR 24.5 mn in Q1 2018 compared to EUR 96.4 mn in Q1 2017, still adversely impacted by the amortisation of the brand which started and was communicated in 2017.
- Group outlook 2018 unchanged: total revenue growth of 1-2% (on a reported basis), CAPEX<sup>3</sup> of approx. EUR 750 mn.

### Key performance indicators Proforma view

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	1,075.9	1,062.9	1.2
Service revenues	931.3	936.5	-0.5
Equipment revenues	123.7	102.8	20.3
Other operating income	20.9	23.6	-11.7
EBITDA	341.5	340.9	0.2
% of total revenues	31.7%	32.1%	
Adjusted EBITDA	347.5	325.6	6.7
EBIT	51.6	127.1	-59.4
% of total revenues	4.8%	12.0%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	20,640.4	20,621.7	0.1
thereof postpaid	15,703.0	15,074.4	4.2
thereof prepaid	4,937.4	5,547.4	-11.0
MoU (per Ø subscriber) <sup>*)</sup>	339.3	323.1	5.0
ARPU (in EUR)	8.4	8.5	-0.7
Churn (%)	1.8%	2.0%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	6,034.7	6,076.4	-0.7

If not stated otherwise, all financial figures are based on IAS 18; all comparisons are given year-on-year. EBITDA is defined as net income excluding financial result, income taxes, depreciation and amortisation and impairment charges. \*) Minutes of Use no longer include M2M subscribers. Comparative figures have been adjusted accordingly. 1 Proforma figures include M&A transactions made between the start of the comparison period and the end of the reporting period. 2 Adjusted numbers are excluding one-off effects, FX effects and restructuring charges. 3 Does not include investment in spectrum and acquisitions.

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<sup>1</sup> Alternative performance measures are included in this report. For details please refer to the reconciliation tables on page 18.

# First quarter results

Vienna, 24 April 2018 - Today, the A1 Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first quarter of 2018, ending 31 March 2018.

As of 1 January 2018, A1 Telekom Austria Group initially applied IFRS 15, electing the modified retrospective approach for the initial application in accordance with the transition guidance. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18 and related interpretations. The following presentation is based on IAS 18 (i.e. without adoption of IFRS 15). In the Selected Explanatory Notes to the Consolidated Interim Financial Statements a reconciliation from IFRS 15 to IAS 18 is provided. The new revenue recognition accounting standard under IFRS 15 requires accounting for the life cycle value of contracts by allocating the total revenues from a contract to the different deliverables of the contract based on their relative fair values.

## Income Statement (reported, IAS 18)

Reported view			
in EUR million	Q1 2018 reported	Q1 2017 reported	% change
Service revenues	931.3	932.7	-0.2
Equipment revenues	123.7	102.8	20.3
Other operating income	20.9	23.4	-10.7
<b>Total revenues</b>	<b>1,075.9</b>	<b>1,058.9</b>	<b>1.6</b>
Cost of service	-340.9	-341.1	0.1
Cost of equipment	-140.6	-127.7	-10.1
Selling, general & administrative expenses	-250.3	-247.7	-1.0
Other expenses	-2.6	-2.8	5.4
<b>Total costs and expenses</b>	<b>-734.4</b>	<b>-719.4</b>	<b>-2.1</b>
<b>EBITDA</b>	<b>341.5</b>	<b>339.5</b>	<b>0.6</b>
% of total revenues	31.7%	32.1%	
<b>Adjusted EBITDA</b>	<b>347.5</b>	<b>324.2</b>	<b>7.2</b>
Depreciation and amortisation	-289.8	-213.1	-36.0
<b>EBIT</b>	<b>51.6</b>	<b>126.4</b>	<b>-59.2</b>
% of total revenues	4.8%	11.9%	
Interest income	3.2	3.5	-8.9
Interest expense	-21.9	-24.7	11.5
Other financial expense	-2.7	-4.1	34.5
Foreign currency exchange differences	3.2	4.5	-27.8
Equity interest in net income of affiliates	0.1	-0.1	n.m.
<b>Earnings before income tax</b>	<b>33.6</b>	<b>105.5</b>	<b>-68.1</b>
Income tax	-9.2	-9.1	-1.0
<b>Net result<sup>*)</sup></b>	<b>24.5</b>	<b>96.4</b>	<b>-74.6</b>

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

## Summary of Profit and Loss (proforma<sup>2</sup>, IAS 18)

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

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

The presentation for the conference call and key figures of the A1 Telekom Austria Group in Excel format ('Fact Sheet Q1 2018') are available on the website at [www.a1.group](http://www.a1.group).

- The acquisition of the fixed-line provider Garant (Gomel) in Belarus, consolidated as of 1 August 2017.
- The acquisition of the fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.
- One-off effects in Q1 2017 (EUR 15.4 mn in revenues and EUR 15.2 mn in EBITDA) and in Q1 2018 (EUR 0.9 mn in revenues and EUR 0.8 mn in EBITDA) with the following main effects:
  - A positive one-off effect in Austria in the amount of EUR 10.6 mn in fixed-line service revenues stemming from the reversal of an accrual for wholesale services in Q1 2017.
  - A positive one-off effect of EUR 3.6 mn in the Austrian segment in other operating income, stemming from the release of an asset retirement obligation in Q1 2017.
- Total negative FX effects amounting to EUR 13.9 mn for total revenues and EUR 6.9 mn for EBITDA in the first quarter of 2018, stemming solely from Belarus while the Republic of Serbia and Croatia registered some positive FX effects.
- There were no restructuring charges in Q1 2018 (positive EUR 0.1 mn in Q1 2017).

In the first quarter of 2018, the mobile subscriber base of A1 Telekom Austria Group remained stable at 20.6 million subscribers. Declining prepaid subscriber numbers in Austria, Bulgaria, Belarus, the Republic of Macedonia and Slovenia were outweighed by the growth of M2M subscribers of A1 Digital as well as growth in Croatia and the Republic of Serbia. The number of revenue generating units (RGUs) in the fixed-line business of the Group declined mainly due to fewer voice and broadband RGUs in Austria, which was partly offset by an RGU increase in Belarus and the Republic of Macedonia.

Group revenues increased by 1.2% year-on-year (reported: +1.6%)

Group total revenues increased by 1.2% (reported: +1.6%). Excluding one-off and FX effect total revenues rose by 4.0% with growth in all segments except for Slovenia. Negative effects stemming from the abolition of retail roaming in the EU as of 15 June 2017 derive mostly from Austria and Slovenia. Group service revenues declined, but grew by 0.6% without the one-off effects.

Group total costs and expenses increased in the first quarter of 2018 driven by higher cost of equipment, sales area costs, roaming expenses and content costs partly mitigated by savings in network engineering and maintenance.

Group adjusted EBITDA increase of 6.7%

EBITDA was stable (+0.2%) with positive contribution from all segments apart from Belarus and Slovenia. Adjusted for one-off effects, restructuring charges as well as the FX impact, EBITDA rose by 6.7% with growth in all markets except for Slovenia as solid revenue growth and a better equipment margin outweighed higher total costs and expenses.

Depreciation and amortisation increased in the first quarter of 2018 due to the brand amortisation resulting from the group-wide rebranding announced in September 2017 (for details please refer to the Outlook). In Q1 2018, the brand value amortisation resulting thereof amounted to EUR 101.1 mn and stemmed primarily from the segment Bulgaria as well as, to a lesser extent, from the segments Belarus, Croatia and Republic of Macedonia. In Austria, D&A declined due to the end of depreciation of frequencies and the YESSS! customer base in 2017. This led to a decline in operating income in Q1 2018. Excluding the effects of the rebranding, operating income increased by 20.2% (reported: +20.8%).

The reported negative financial result decreased in Q1 2018, resulting from lower interest expenses on financial liabilities. Income taxes increased slightly as the tax benefit from the release of deferred tax liabilities on brand names was more than offset by higher taxable income. In total, the reported net result decreased in Q1 2018, but increased by 30.2% without the D&A impact of the brand value amortisation.

## Balance Sheet (reported, IAS 18)

Reported view							
in EUR million	31 Mar 2018 reported	31 Dec 2017 reported	% change		31 Mar 2018 reported	31 Dec 2017 reported	% change
Cash, cash equivalents & other short-term investments	56.8	202.4	-71.9	Short-term debt	404.0	0.6	n.m.
Accounts receivable	690.1	679.3	1.6	Accounts payable	763.3	784.2	-2.7
Other current assets	282.1	257.1	9.7	Other current liabilities	469.0	458.9	2.2
Inventories	101.6	87.4	16.2	Current liabilities	1,636.3	1,243.7	31.6
Current assets	1,130.7	1,226.3	-7.8				
Property, plant & equipment	2,609.5	2,627.9	-0.7	Long-term debt	2,534.4	2,533.6	0.0
Intangibles	1,943.3	2,075.9	-6.4	Other liabilities	884.0	923.6	-4.3
Goodwill	1,277.4	1,276.3	0.1	Non-current liabilities	3,418.4	3,457.2	-1.1
Investments in affiliates & long-term investments	45.3	46.9	-3.3				
Other non-current assets	372.8	385.0	-3.2	Shareholder's equity	2,324.4	2,937.4	-20.9
Non-current assets	6,248.3	6,412.0	-2.6				
				Total liabilities and equity	7,379.0	7,638.3	-3.4
Total assets	7,379.0	7,638.3	-3.4				

As of 31 March 2018, the balance sheet total declined by 3.4% to EUR 7,379.0 mn compared with EUR 7,638.3 mn as of 31 December 2017. The decrease of current assets was driven by the decline in cash and cash equivalents, following the redemption of the EUR 600 mn hybrid bond at the first call date on 1 February 2018. Non-current assets decreased, primarily driven by the reduction in intangible assets resulting from brand value amortisations in connection with Group-wide rebranding and the amortisation of licences. The increase in current liabilities was above all attributable to the drawing of short-term credit facilities as part of the refinancing of the above-mentioned hybrid bond. Non-current liabilities decreased as a result of the reduction in non-current provisions, which were mainly driven by payments for restructuring, and lower deferred tax liabilities.

The decrease in shareholder's equity was primarily driven by the redemption of the EUR 600 mn hybrid bond, which was classified as equity. The equity ratio as of 31 March 2018 amounted to 31.5% after 38.5% as of 31 December 2017.

## Net Debt (reported, IAS 18)

Reported view			
in EUR million	31 Mar 2018 reported	31 Dec 2017 reported	% change
Net debt	2,881.5	2,331.8	23.6
Net Debt / EBITDA (12 months)	2.1x	1.7x	

The redemption of the hybrid bond resulted in an increase in net debt and a higher net debt to EBITDA ratio.

### Cash Flow (reported, IAS 18)

Reported view			
in EUR million	Q1 2018 reported	Q1 2017 reported	% change
Earnings before income tax (EBT)	33.6	105.5	-68.1
Net cash flow from operating activities	269.3	261.9	2.8
Net cash flow from investing activities	-183.4	-273.1	32.9
Net cash flow from financing activities	-231.6	-392.4	41.0
Adjustment to cash flows due to exchange rate fluctuations	0.2	0.0	n.m.
Net change in cash and cash equivalents	-145.5	-403.7	63.9

Earnings before income tax (EBT) declined year-on-year as the higher EBITDA was more than offset by the brand value amortisation in conjunction with the Group-wide rebranding. Cash flow from operating activities increased year-on-year due to the improvement in results of operations. The changes in working capital and other financial positions in the reporting period in the amount of EUR 74.6 mn (Q1 2017: EUR 76.4 mn) were driven by payments for restructuring as well as by prepaid expenses, increases in inventories and accounts receivable. Cash flow from investing activities went down year-on-year as the comparison period was impacted by the cash outflow from the acquisition of Metronet. Regarding Cash flow from financing activities the comparison period was characterised by the principal payments on a EUR 500 mn bond, while Q1 2018 was driven by the redemption of the EUR 600 mn hybrid bond on 1 February 2018. This cash outflow was partly mitigated by drawings of short-term credit facilities.

Free cash flow, which is calculated as cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of plant, property and equipment increased from EUR 37.5 mn in Q1 2017 to EUR 82.6 mn in Q1 2018. This was mainly attributable to the lower interest payments and capital expenditures paid as well as the operational improvement.

### Capital Expenditures (reported, IAS 18)

In Q1 2018, capital expenditures decreased by 19.3% year-on-year to EUR 145.3 mn, mainly driven by lower investments in Slovenia and Austria. Tangible capital expenditures decreased by 14.8% to EUR 117.9 mn primarily due to lower investments in the Austrian fibre rollout as a result of adverse weather conditions compared to last year. The decrease in intangible capital expenditures of 34.2% to EUR 27.4 mn was entirely driven by the capitalisation of a long-term IRU (Indefeasible Rights of Use) contract for fibre-optic lines in Slovenia in the comparison period.

### Personnel (reported, IAS 18)

Reported view			
End of period (full-time equivalent)	Q1 2018 reported	Q1 2017 reported	% change
Austria	8,239	8,322	-1.0
International operations	10,252	10,045	2.1
Corporate & other	349	246	42.2
<b>Total</b>	<b>18,840</b>	<b>18,613</b>	<b>1.2</b>

M&A drove the increase in International Operations headcount

While the headcount in the Austrian segment was further reduced, the CEE segments saw an increase mainly driven by M&A activities in Belarus and Croatia. The rise in corporate & other was driven by A1 Digital.

## Detailed analysis on quarterly results (proforma, IAS 18)<sup>3</sup>

### Segment Austria

Key performance indicators  
Proforma view (= Reported view)  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	654.6	643.3	1.8
Service revenues	592.3	594.9	-0.4
thereof mobile service revenues	254.6	252.7	0.7
thereof fixed-line service revenues	337.7	342.2	-1.3
Equipment revenues	49.2	32.9	49.5
Other operating income	13.1	15.5	-15.1
EBITDA	234.8	228.3	2.8
% of total revenues	35.9%	35.5%	
Adjusted EBITDA	234.8	214.0	9.7
EBIT	127.3	109.0	16.8
% of total revenues	19.4%	16.9%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	5,307.0	5,399.2	-1.7
thereof postpaid	3,777.9	3,697.6	2.2
thereof prepaid	1,529.1	1,701.6	-10.1
MoU (per Ø subscriber)	267.5	255.1	4.8
ARPU (in EUR)	16.0	15.6	2.7
Churn (%)	1.7%	1.7%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	3,378.7	3,476.8	-2.8

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

As there have been no M&A transactions in Austria between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

In Q1 2018, the major trends in the competitive environment in Austria remained unchanged. In the mobile market, A1 continues to follow its multi-brand strategy and higher granularity in market segmentation. In the high-value segment, the company aims to profit from propositions with additional attractive services like 'zero-rated' services, higher roaming packages and customer-friendly apps. In the no-frills and prepaid segment competition remained intense and the company reacted with attractive propositions via its bob and YESSS! brands. Additionally, subsidies for bob customers were introduced in Q4 2017 for the first time. Overall, after higher investments in the fourth quarter 2017 due to Christmas promotions, subsidies were reduced in Q1 2018 both for A1 and bob customers. Prices for new customers in the mobile premium segment have been adjusted as of 1 February 2018. An indexation of 2.1% for existing customers in both the mobile high-value and the fixed-line businesses has been effective as of 1 April 2018. In March 2018, A1 connect PLUS was launched, which serves as a new platform for convergent products.

<sup>3</sup> The following tables are presented on a proforma basis and include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period. This affects the segments of Croatia and Belarus. The proforma view is equivalent to the reported view for the other segments. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. For the reconciliation tables, including reported and proforma values, as well as the difference thereof, see page 18.

The fixed-line business continued to profit from the monthly fee increase for existing customers as of 1 August 2017 as well as ongoing high demand for broadband products with higher speeds and TV options. In this context, next to the classical fibre infrastructure, the hybrid modem as a combination of the fixed-line and mobile networks remains central to providing fixed-line products with higher bandwidths. Beyond that, the Austrian broadband market continued to be shaped by the ongoing high demand for mobile WiFi routers with unlimited data offerings.

In the first quarter of 2018, the total number of mobile communication subscribers declined entirely due to the decrease in prepaid customers and despite an increase in postpaid customers. A higher demand for mobile WiFi routers and high-value tariffs helped to slow down the subscriber decline. Net additions came in negative at -28,200, entirely driven by the prepaid segment.

4.5% year-on-year TV RGU growth

In the fixed-line business, total revenue generating units (RGUs) decreased in Q1 2018 mainly due to losses of voice RGUs. While the demand for fibre upgrades remained continuously strong and TV RGUs also continued to exhibit solid growth, the number of fixed-line broadband RGUs declined year-on-year as the above mentioned price increase as of 1 August 2017 led to higher churn and due to some substitution by WiFi routers. Compared to Q4 and Q3, the number of broadband RGUs remained stable.

In the first quarter of 2018, total revenues increased by 1.8% despite positive one-off effects in the amount of EUR 14.4 mn in the comparison period. Without these one-off effects, the increase amounts to 4.1%. Also, total service revenues rose by 1.4% excluding the one-off effects. Fixed-line service revenues rose on the back of the above mentioned price increase as well as solid demand for higher bandwidth products and TV options, which also drove ARPL higher. Mobile service revenues rose as increased revenues from high-value customers and mobile WiFi routers as well as visitor roaming more than outweighed negative effects on customer roaming after the abolition of retail roaming within the EU as of 15 June 2017. Equipment revenues rose due to a more expensive handset portfolio and higher quantities as well as ICT equipment revenues caused by larger customer projects.

ARPU increased in Q1 2018 compared to last year due to the rise in the number of mobile WiFi router customers and high-value customers as well as visitor roaming overcompensating the negative customer roaming effect.

Total costs and expenses were higher in the first quarter of 2018 compared to the same period last year. Costs of equipment increased due to a more expensive handset portfolio and higher quantities as well as higher ICT equipment costs, which were partly compensated by promotional deals. Overall, subsidies increased due to a higher subsidy level and increased quantities. Higher product-related costs such as commissions, content costs and costs for leased lines, were fully offset by lower workforce costs which were impacted by some time-shifts in projects to upcoming quarters.

Adjusted EBITDA rose by 9.7%

In total, adjusted EBITDA<sup>4</sup> increased by 9.7% due to higher fixed-line service revenues, a better equipment margin and cost efficiencies.

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<sup>4</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.



## Segment Bulgaria

Key performance indicators  
Proforma view (= Reported view)  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	107.0	103.5	3.4
Service revenues	89.3	86.7	3.0
thereof mobile service revenues	64.6	64.8	-0.3
thereof fixed-line service revenues	24.7	21.9	12.7
Equipment revenues	16.2	15.7	2.8
Other operating income	1.6	1.1	42.2
EBITDA	31.2	28.2	10.7
% of total revenues	29.2%	27.3%	
Adjusted EBITDA	30.8	28.6	7.8
EBIT	-78.3	-0.7	n.m.
% of total revenues	-73.2%	-0.7%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	3,959.4	4,090.3	-3.2
thereof postpaid	3,506.3	3,491.3	0.4
thereof prepaid	453.1	599.1	-24.4
MoU (per Ø subscriber) <sup>*)</sup>	318.9	304.7	4.6
ARPU (in EUR)	5.4	5.3	2.9
Churn (%)	1.5%	2.1%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	1,005.1	1,006.8	-0.2

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

**As there have been no M&A transactions in Bulgaria between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.**

In the Bulgarian market, the trend of stabilisation continued. MobilTel maintained its focus on value-based management and enhanced efforts to retain high-value customers with convergent offers. In the mobile business, customer retention in the residential segment remained a challenge while the business segment continued to improve and showed a slight increase in a year-on-year comparison. Fixed-line trends continued to be encouraging on the back of corporate solutions as well as successful up and cross selling for residential customers. As of 1 February 2018, a new mobile tariff portfolio was launched which includes a new digital package giving access to cloud storage and mobile TV with sport channels at higher prices.

Total mobile subscribers declined year-on-year in the first quarter of 2018 due to the prepaid segment which was impacted by the national regulation for a limited number of prepaid card activations per person, effective since 1 July 2017. The contract segment grew following demand for smartphones and mobile broadband services. Total fixed-line revenue generating units (RGUs) decreased slightly, driven by the decrease in fixed-line voice services, mostly offset by positive trends in broadband and TV.

Total revenues continued the positive trend of the last quarters and rose by 3.4%, driven by higher service revenues. Fixed-line service revenues increased, supported by the launch of the exclusive sports TV package in Q1 2017, upselling activities and high demand for customised fixed-line corporate solutions. Mobile service revenues remained stable as the slight increase in the business segment due to more customers and less repricing outweighed lower customer roaming.

### ARPU and ARPL increased in Q1 2018

Average monthly revenue per user (ARPU) rose in the first quarter of 2018, mainly due to improved residential ARPU as well as less repricing in the business segment. The average monthly revenue per fixed-line (ARPL) increased in Q1 2018 supported by the upselling of existing subscribers as well as the exclusive sports content.

Total costs and expenses rose as lower costs of equipment due to reduced handset sales as well as lower sales commissions could not offset higher employee costs as well as interconnection and roaming expenses. Advertising expenses also rose due to rebranding activities.

### Adjusted EBITDA increased by 7.8% in Q1 2018

Adjusted EBITDA<sup>5</sup> rose by 7.8% in Q1 2018 mainly driven by higher fixed-line service revenues and a better equipment margin due to reduced subsidies.

## Segment Croatia

Key performance indicators  
Proforma view  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	103.1	100.7	2.4
Service revenues	90.0	87.9	2.4
thereof mobile service revenues	59.3	57.9	2.4
thereof fixed-line service revenues	30.8	30.0	2.6
Equipment revenues	11.7	11.4	2.5
Other operating income	1.4	1.4	-1.2
EBITDA	25.7	22.2	15.8
% of total revenues	24.9%	22.1%	
Adjusted EBITDA	25.6	22.2	15.4
EBIT	-3.2	1.1	n.m.
% of total revenues	-3.1%	1.1%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	1,755.2	1,706.3	2.9
thereof postpaid	978.5	865.9	13.0
thereof prepaid	776.7	840.4	-7.6
MoU (per Ø subscriber) <sup>*)</sup>	314.2	310.0	1.4
ARPU (in EUR)	11.2	11.3	-0.8
Churn (%)	2.4%	2.7%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	655.4	662.3	-1.1

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

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

The Croatian segment continued to exhibit positive operational trends also in Q1 2018 while competition remains mostly visible in large data packages, bundles and convergent products with content becoming increasingly important. Vipnet's mobile business profited mainly from the push towards mobile WiFi routers. In Q3 2017, Vipnet introduced a new convergent portfolio, with more data included and higher speeds, as well as new data options for its WiFi routers. With regards to regulation, mobile termination

<sup>5</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

rates have been cut since July 2017 while frequency usage fees have been lowered as of December 2017. The fixed-line business profited from the acquisition of Metronet, consolidated as of 1 February 2017.

Mobile subscribers grew, with gains in the contract subscriber base due to the strong growth of WiFi routers as well as the ongoing general shift from prepaid to contract in the market. In the fixed-line business, revenue generating units (RGUs) declined due to the shift towards mobile WiFi routers.

In the first quarter of 2018, total revenues grew by 2.4%. Mobile service revenues increased as lower interconnection revenues due to the above-mentioned termination rate cut were outweighed by growth in mobile WiFi routers. Fixed-line service revenues continued to grow but at a lower rate due to the shift towards mobile WiFi routers. Equipment revenues rose due to more sales following higher subsidies.

Total service revenues and equipment revenues increased in Q1 2018

Average monthly revenue per user (ARPU) decreased in the first quarter of 2018 due to lower interconnection revenues. Average monthly revenue per fixed line (ARPL) rose on a reported basis as the consolidation of Metronet with a higher ARPL outweighed the decline in fixed-line RGUs.

In the first quarter of 2018, total costs and expenses decreased due to lower bad debt and MTR cut driven lower interconnection costs. Equipment costs rose due to increased quantities and subsidy level.

Adjusted EBITDA<sup>7</sup> increased by 15.4% year-on-year due to service revenue growth and lower total costs and expenses.

Adjusted EBITDA rose by 15.4% year-on-year

## Segment Belarus

Key performance indicators  
Proforma view  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	88.3	94.5	-6.6
Service revenues	67.6	76.3	-11.4
thereof mobile service revenues	59.0	67.6	-12.7
thereof fixed-line service revenues	8.5	8.6	-1.0
Equipment revenues	17.4	14.1	22.9
Other operating income	3.4	4.1	-18.0
EBITDA	38.9	46.2	-15.7
% of total revenues	44.1%	48.8%	
Adjusted EBITDA	45.8	45.0	1.9
EBIT	21.2	33.6	-37.0
% of total revenues	24.0%	35.6%	
<b>Wireless indicators</b>	<b>Q1 2018 reported</b>	<b>Q1 2017 proforma</b>	<b>% change</b>
Wireless subscribers (thousands)	4,842.6	4,881.6	-0.8
thereof postpaid	3,955.5	3,945.9	0.2
thereof prepaid	887.1	935.7	-5.2
MoU (per Ø subscriber) <sup>7)</sup>	436.3	415.1	5.1
ARPU (in EUR)	4.1	4.6	-11.9
Churn (%)	1.5%	1.8%	
<b>Wireline indicators</b>	<b>Q1 2018 reported</b>	<b>Q1 2017 proforma</b>	<b>% change</b>
RGUs (thousands)	475.5	439.7	8.1

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

<sup>7)</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

**The following analysis is based on proforma<sup>8</sup> figures if not stated otherwise.**

In Belarus, operational developments continued to face macroeconomic challenges, nevertheless there are some improvements and GDP is expected to grow by 2.8% in 2018 (IMF estimate; 2017: +2.4%). The government continued to be restrictive on price increases in order to stabilise inflation, which came in at 5.4% in March 2018.

velcom strengthened its fixed-line business through the acquisition of Garant (Gomel), consolidated as of 1 August 2017 and has been offering cloud services and digital products with its own data centre since September 2017. In March and April 2017, inflation-linked price increases were implemented in the fixed-line and mobile businesses respectively. As of 1 April 2018 prices for mobile subscribers were increased by 3.0%. Despite its lack of a 4G license, velcom maintained its superior standard in terms of the coverage and quality of its mobile network while facing strong mobile competition based on unlimited data offers. To counter these challenges, velcom launched a new youth mobile tariff plan with included data volumes of up to 4 GB and selected social networks and messenger to be used independently of data limits as of January 2018. This led to an increase in the company's mobile contract customer base, while the number of prepaid customers decreased due to database cleansing of inactive SIM cards. Revenue generating units in the fixed-line business grew following upselling to multi-play propositions.

Belarusian Rouble  
depreciated by 16.0% in Q1

In Q1 2018, the Belarusian Rouble depreciated by 16.0% compared to the same period last year (period average). Due to the negative FX effect of EUR 16.8 mn, total revenues declined in Euro terms, while they rose by 11.2% (reported: +13.1%) on a local currency basis. This rise was driven by higher equipment revenues, which rose due to higher quantities and a switch towards a more expensive handset portfolio. Service revenues also rose due to inflation-linked price increases and ongoing growth in data consumption.

Total costs and expenses rose on a local currency basis, driven by higher costs of equipment due to higher quantities and more expensive handsets. Costs of services also rose driven, inter alia, by higher frequency fees, site rentals, content costs and IT maintenance.

EBITDA increase of 0.4%  
year-on-year in local  
currency

On a local currency basis, EBITDA rose slightly by 0.4% (reported: +1.0%) in the first quarter of 2018 compared to the same period last year, as the increase in service revenues outweighed higher costs of service. In Euro terms, EBITDA decreased due to the negative FX translation effect of EUR 7.4 mn. Adjusted EBITDA<sup>9</sup> increased by 1.9%.

<sup>8</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

<sup>9</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

## Segment Slovenia

Key performance indicators  
Proforma view (= Reported view)  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	49.3	52.9	-6.8
Service revenues	38.9	41.7	-6.7
thereof mobile service revenues	30.2	33.1	-8.8
thereof fixed-line service revenues	8.7	8.6	1.6
Equipment revenues	9.2	10.1	-8.8
Other operating income	1.1	1.0	9.2
EBITDA	7.4	12.1	-39.2
% of total revenues	15.0%	22.9%	
Adjusted EBITDA	7.4	12.1	-39.2
EBIT	0.2	3.7	-94.2
% of total revenues	0.4%	7.1%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	697.6	717.0	-2.7
thereof postpaid	604.4	601.7	0.5
thereof prepaid	93.2	115.3	-19.2
MoU (per Ø subscriber) <sup>*)</sup>	375.2	361.8	3.7
ARPU (in EUR)	14.4	15.5	-7.2
Churn (%)	1.6%	1.7%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	171.4	176.4	-2.8

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

**As there have been no M&A transactions in Slovenia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.**

In the first quarter of 2018, the Slovenian telecommunications market was still characterised by fierce competition in the mobile market, with a focus on convergent tariffs with high discounts and competitive mobile tariffs including high data allowances. As a result, the number of mobile customers and mobile monthly fees declined. Together with lower customer roaming revenues this led to a decline in total revenues in Slovenia of 6.8%. To counter this trend, prices in the mobile residential and mobile SME business segment have been increased by 1 Euro as of 1 April 2018.

Total revenues declined by  
6.8%

In the fixed-line business, TV content has become a major differentiation factor as some commercial TV channels have changed from a free air distribution to a fixed-line-only distribution, for which customers now need to pay. Following the resulting higher content costs, prices for IPTV were increased by 3 Euro for all customers as of 1 January 2018 which helped to grow fixed-line service revenues. Overall, total service revenues declined.

Total costs and expenses increased, mainly driven by higher roaming, administration, corporate network and equipment costs. Together with lower total revenues, this led to a sharp adjusted EBITDA<sup>10</sup> decline of 39.2%.

Adjusted EBITDA declined  
sharply by 39.2%

<sup>10</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

## Segment Republic of Serbia

Key performance indicators  
Proforma view (= Reported view)  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	57.0	51.0	11.9
Service revenues	37.3	32.3	15.4
thereof mobile service revenues	36.1	31.0	16.4
Equipment revenues	18.7	17.4	7.4
Other operating income	1.1	1.3	-16.1
EBITDA	9.8	7.7	26.7
% of total revenues	17.1%	15.1%	
Adjusted EBITDA	9.3	7.7	21.1
EBIT	-1.4	-3.3	58.8
% of total revenues	-2.4%	-6.5%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	2,174.9	2,155.8	0.9
thereof postpaid	1,392.1	1,254.9	10.9
thereof prepaid	782.8	900.9	-13.1
MoU (per Ø subscriber) <sup>*)</sup>	312.4	271.0	15.3
ARPU (in EUR)	5.5	4.8	15.1
Churn (%)	3.2%	3.2%	

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

As there have been no M&A transactions in the Republic of Serbia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

Total revenues increased by  
11.9%

In the segment Republic of Serbia, vip mobile faces a highly competitive market with aggressive convergent offers which include high data allowances at high discounts. The company addressed this market environment by means of a repositioning and the introduction of flat tariffs in June 2017. The improving trends were already visible in the contract subscriber numbers, which were also supported by high demand for mobile WiFi routers. The resulting higher mobile service revenues outweighed the regulation-driven lower interconnection revenues due to another mobile termination rate cut in January 2018 and led to strong ARPU growth as well as an increase in total revenues of 11.9%.

Adjusted EBITDA increase of  
21.1%

Total costs and expenses rose driven by higher equipment and interconnection costs. The latter rose due to unlimited tariffs which led to increased outgoing traffic. Equipment costs increased due to the increased number of postpaid subscribers with subsidised devices and mobile WiFi routers. Following the service revenue increase, adjusted EBITDA<sup>11</sup> rose sharply by 21.1%.

<sup>11</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges. Difference between EBITDA and adjusted EBITDA stem mainly from FX effects in the segment Republic of Serbia.

## Segment Republic of Macedonia

Key performance indicators  
Proforma view (= Reported view)  
Financials

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	28.1	27.3	2.9
Service revenues	26.3	25.6	2.7
thereof mobile service revenues	20.1	19.2	4.6
thereof fixed-line service revenues	6.2	6.4	-2.8
Equipment revenues	1.6	1.6	3.4
Other operating income	0.2	0.1	31.4
EBITDA	7.0	5.9	17.5
% of total revenues	24.9%	21.8%	
Adjusted EBITDA	7.0	5.7	22.3
EBIT	-0.5	-5.8	90.6
% of total revenues	-1.9%	-21.2%	

Wireless indicators	Q1 2018 reported	Q1 2017 proforma	% change
Wireless subscribers (thousands)	1,064.1	1,105.8	-3.8
thereof postpaid	648.7	651.4	-0.4
thereof prepaid	415.4	454.4	-8.6
MoU (per Ø subscriber) <sup>*)</sup>	421.7	429.1	-1.7
ARPU (in EUR)	6.3	5.8	8.2
Churn (%)	1.7%	1.7%	

Wireline indicators	Q1 2018 reported	Q1 2017 proforma	% change
RGUs (thousands)	348.6	314.5	10.9

Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

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

As there have been no M&A transactions in the Republic of Macedonia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

Also in Q1 2018, customer retention was the major focus of all market players in the Macedonian segment. In the mobile as well as the fixed-line market, customers are leaning towards multiple-play offers rather than maintaining multiple single-play subscriptions. This increases the competitive advantage of convergent operators, such as one.Vip and led to an increase in the number of revenue generating units (RGU) and a decrease in mobile prepaid subscribers. As of end of March 2018, one.Vip increased the data volume in its mobile tariffs to meet increasing customer demands. This followed the introduction of WiFi routers in May 2017.

Total revenues increased by 2.9% mainly due to higher total service revenues as mobile service revenues rose, supported by higher monthly fees, while interconnection revenues declined. Total costs and expenses fell in a year-on-year comparison, driven by lower content costs as well as cost synergies deriving from the merger with ONE. This led to adjusted EBITDA<sup>12</sup> growth of 22.3%.

Adjusted EBITDA growth of  
22.3% in Q1 2018

<sup>12</sup> Adjusted EBITDA is EBITDA excluding one-off effects, FX effects and restructuring charges.

## A1 Telekom Austria Group outlook for the full year 2018 unchanged

In Q1 2018, A1 Telekom Austria Group again managed to grow total revenues and EBITDA via a clear focus on high-value customers and attractive fixed-line propositions, both on a reported and on a proforma basis. This was achieved despite the fact that most of the Group's mobile markets continued to be characterised by intense competition and regulatory burdens. Once more, results were negatively impacted by the stepwise abolition of retail roaming in the EU during the last two years. In Q1 2018, the negative roaming impact was in line with expectations. The Belarusian Rouble followed the movement of the Russian Rouble and depreciated by 16.0% year-on-year (period average). Cost efficiencies and a better equipment margin enabled the translation of the solid revenue growth into an EBITDA increase. Moreover, results profited from acquisitions in the fixed-line business.

In 2017, the A1 Telekom Austria Group decided to harmonise its brands throughout the Group and to roll out the 'A1' brand in a gradual manner, depending on local circumstances. This triggered the amortisation of local brand values, which had reached a total of around EUR 350 mn by the end of 2016. The respective companies will amortise the brand values until the phase-out of the old brands, which is expected to have a negative impact on the net result until the financial year 2019. More than half of the impact already came through in 2017 and Q1 2018.

For the full year 2018, most of the market dynamics mentioned above are expected to remain. Both in Austria and in the CEE markets, the competitive environment in mobile markets is anticipated to continue, while demand for fixed-line services is expected to remain a positive driver across all markets. In the CEE segments, operational results are expected to benefit increasingly from measures taken in the past as well as from the macroeconomic improvements, with GDP growth forecasted in all markets.

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

In this business environment, the Management of A1 Telekom Austria Group remains committed to its growth strategy and is concentrating on the following focus areas: excelling in the core business, the expansion of products and services as well as value-accretive mergers and acquisitions. As in the previous year, results should gain support from ongoing efforts to continuously increase operating efficiency. For the year 2018, the Management of A1 Telekom Austria Group expects to achieve modest growth in total revenues on a reported basis.

A1 Telekom Austria Group remains committed to the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. Capital expenditures before spectrum investments and acquisitions are expected to remain almost stable in 2018 (EUR 750 mn).

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

Based on the improved operational and financial performance of the Group, a new expected dividend level was agreed upon by América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) in 2016. Starting with the financial year 2016, this dividend expectation entails the payment of EUR 0.20 per share to be maintained or increased on a sustainable basis in line with the operational and financial developments of the Group.

In order to ensure its financial flexibility, A1 Telekom Austria Group remains committed to maintaining its Baa2/BBB ratings from Moody's and Standard & Poor's. With regards to frequencies, in Austria the NRA announced that an auction on the 3.4-3.8 GHz band will be held in 2018.<sup>13</sup>

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<sup>13</sup> Please note that this is a list of potential spectrum awards procedures. The Group is not permitted to comment on whether A1 Telekom Austria Group is planning and sees a need to participate and acquire spectrum in the abovementioned procedures.



# Reconciliation tables and consolidated financial statements

## Reconciliation tables – IAS18 and IFRS 15 reconciliation

As of 1 January 2018, A1 Telekom Austria Group initially applied IFRS 15, electing the modified retro-spective approach for the initial application in accordance with the transition guidance. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18 and related interpretations. The following tables provide a reconciliation from IFRS 15 to IAS 18. The new revenue recognition accounting standard under IFRS 15 requires accounting for the life cycle value of contracts by allocating the total revenues from a contract to the different deliverables of the contract based on their relative fair values.

### Income Statement (reported)

in EUR million	Q1 2018 IAS18	Q1 2017 IAS18	% change	Q1 2018 IFRS15
Service revenues	931.3	932.7	-0.2	898.5
Equipment revenues	123.7	102.8	20.3	153.7
Other operating income	20.9	23.4	-10.7	20.9
<b>Total revenues</b>	<b>1,075.9</b>	<b>1,058.9</b>	<b>1.6</b>	<b>1,073.1</b>
Cost of service	-340.9	-341.1	0.1	-340.9
Cost of equipment	-140.6	-127.7	-10.1	-140.4
Selling, general & administrative expenses	-250.3	-247.7	-1.0	-240.2
Other expenses	-2.6	-2.8	5.4	-2.6
<b>Total costs and expenses</b>	<b>-734.4</b>	<b>-719.4</b>	<b>-2.1</b>	<b>-724.2</b>
<b>EBITDA</b>	<b>341.5</b>	<b>339.5</b>	<b>0.6</b>	<b>348.9</b>
% of total revenues	31.7%	32.1%		32.5%
Depreciation and amortisation	-289.8	-213.1	-36.0	-289.8
<b>EBIT</b>	<b>51.6</b>	<b>126.4</b>	<b>-59.2</b>	<b>59.1</b>
% of total revenues	4.8%	11.9%		5.5%
Interest income	3.2	3.5	-8.9	1.2
Interest expense	-21.9	-24.7	11.5	-21.9
Other financial expense	-2.7	-4.1	34.5	-2.7
Foreign currency exchange differences	3.2	4.5	-27.8	3.2
Equity interest in net income of affiliates	0.1	-0.1	o.A.	0.1
<b>Earnings before income tax</b>	<b>33.6</b>	<b>105.5</b>	<b>-68.1</b>	<b>39.0</b>
Income tax	-9.2	-9.1	-1.0	-10.7
<b>Net result<sup>*)</sup></b>	<b>24.5</b>	<b>96.4</b>	<b>-74.6</b>	<b>28.4</b>

## ARPU (reported)

in EUR	Q1 2018 IAS 18	Q1 2017 IAS 18	% change	Q1 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	16.0	15.6	2.7	14.5	-1.5
Bulgaria	5.4	5.3	2.9	5.0	-0.4
Croatia	11.2	11.3	-0.8	10.0	-1.2
Belarus	4.1	4.6	-11.9	4.1	0.0
Slovenia	14.4	15.5	-7.2	13.7	-0.7
Republic of Serbia	5.5	4.8	15.1	6.5	1.0
Republic of Macedonia	6.3	5.8	8.2	5.3	-1.0
<b>Group ARPU</b>	<b>8.4</b>	<b>8.5</b>	<b>-0.7</b>	<b>7.9</b>	<b>-0.5</b>

## ARPL (reported)

in EUR	Q1 2018 IAS 18	Q1 2017 IAS 18	% change	Q1 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	30.4	28.2	7.6	30.4	0.1
Bulgaria	12.2	11.0	11.3	12.2	-0.1
Croatia	28.8	26.5	8.7	28.5	-0.3
Belarus	5.9	7.9	-25.3	5.9	0.0
Slovenia	36.6	36.2	1.0	36.7	0.1
Republic of Serbia	n.a.	n.a.	n.a.	n.a.	n.a.
Republic of Macedonia	11.7	12.3	-4.7	11.5	-0.2

### Information on alternative performance measures

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

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

## Group - Adjusted EBITDA (reported and proforma)

in EUR million	Q1 2018	Q1 2017	% change
<b>EBITDA (reported)</b>	<b>341.5</b>	<b>339.5</b>	<b>0.6</b>
FX translation effect	6.9		
One-off effects	-0.8	-15.2	
Restructuring charges	0.0	-0.1	
<b>Adjusted EBITDA (reported)</b>	<b>347.5</b>	<b>324.2</b>	<b>7.2</b>
M&A effect		1.4	
<b>Adjusted EBITDA (proforma)</b>	<b>347.5</b>	<b>325.6</b>	<b>6.7</b>

## Austria - Adjusted EBITDA (reported)

in EUR million	Q1 2018	Q1 2017	% change
<b>EBITDA (reported)</b>	<b>234.8</b>	<b>228.3</b>	<b>2.8</b>
One-off effects		-14.2	
Restructuring charges	0.0	-0.1	
<b>Adjusted EBITDA (reported)</b>	<b>234.8</b>	<b>214.0</b>	<b>9.7</b>

## ARPL (reported)

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

ARPL-relevant revenues (in EUR million)	Q1 2018 reported	Q1 2017 reported	% change
Austria	192.2	185.7	3.5
Bulgaria	19.5	17.8	9.4
Croatia	25.5	23.7	7.9
Belarus	5.4	4.1	30.0
Slovenia	7.7	7.7	0.7
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	5.3	5.3	1.1

Access lines (in '000)	Q1 2018 reported	Q1 2017 reported	% change
Austria	2,102.6	2,187.5	-3.9
Bulgaria	529.1	537.0	-1.5
Croatia	294.8	305.0	-3.3
Belarus	302.6	174.4	73.5
Slovenia	70.6	70.7	-0.1
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	152.4	142.7	6.9

## ARPU (proforma)

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

**Free Cashflow (reported)**

(in EUR million)	1-3 M 2018 reported	1-3 M 2017 reported	% change
Net cash flow from operating activities	269.3	261.9	2.8
Capital expenditures paid	-187.7	-208.9	10.1
Proceeds from sale of plant, property and equipment	2.5	8.5	-71.0
Interest paid	-1.4	-23.9	94.3
<b>Free cash flow</b>	<b>82.6</b>	<b>37.5</b>	<b>120.2</b>

**Belarus Key Financials in EUR and BYN (reported and proforma)**

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

in EUR million	Q1 2018 reported	Q1 2017 reported	% change
Total revenues	88.3	92.9	-4.9
Total costs and expenses	-49.4	-47.0	-5.0
EBITDA	38.9	45.9	-15.1

in BYN million	Q1 2018 reported	Q1 2017 reported	% change
Total revenues	214.1	189.2	13.1
Total costs and expenses	-119.7	-95.8	-24.9
EBITDA	94.4	93.4	1.0

in EUR million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	88.3	94.5	-6.6
Total costs and expenses	-49.4	-48.3	-2.1
EBITDA	38.9	46.2	-15.7

in BYN million	Q1 2018 reported	Q1 2017 proforma	% change
Total revenues	214.1	192.5	11.2
Total costs and expenses	-119.7	-98.5	-21.6
EBITDA	94.4	94.0	0.4

**Proforma and reported results**

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

- The acquisition of the fixed-line provider Garant (Gomel) in Belarus, consolidated as of 1 August 2017.
- The acquisition of the fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.

## Group Overview – First Quarter of 2018

## Key performance indicators

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	1,075.9	1,058.9	1.6	1,062.9	1.2	4.0
Service revenues	931.3	932.7	-0.2	936.5	-0.5	3.7
thereof mobile service revenues	520.5	524.0	-0.7	524.0	-0.7	0.0
thereof fixed-line service revenues	410.8	408.7	0.5	412.4	-0.4	3.7
Equipment revenues	123.7	102.8	20.3	102.8	20.3	0.0
Other operating income	20.9	23.4	-10.7	23.6	-11.7	0.3
EBITDA	341.5	339.5	0.6	340.9	0.2	1.4
% of total revenues	31.7%	32.1%		32.1%		
Adjusted EBITDA	347.5	324.2	7.2	325.6	6.7	1.4
EBIT	51.6	126.4	-59.2	127.1	-59.4	0.6
% of total revenues	4.8%	11.9%		12.0%		

Wireline indicators	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	6,034.7	5,920.0	1.9	6,076.4	-0.7	156.4

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

## Depreciation and Amortisation

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	107.4	119.3	-9.9	119.3	-9.9	0.0
Bulgaria	109.5	28.9	279.0	28.9	279.0	0.0
Croatia	28.9	20.7	40.1	21.1	37.1	0.5
Belarus	17.7	12.3	44.6	12.5	41.4	0.3
Slovenia	7.2	8.4	-14.7	8.4	-14.7	0.0
Republic of Serbia	11.2	11.1	0.9	11.1	0.9	0.0
Republic of Macedonia	7.5	11.7	-35.8	11.7	-35.8	0.0
Corporate & other, eliminations	0.3	0.8	-59.0	0.8	-59.0	0.0
<b>Total D&amp;A</b>	<b>289.8</b>	<b>213.1</b>	<b>36.0</b>	<b>213.8</b>	<b>35.5</b>	<b>0.7</b>

## EBIT

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	127.3	109.0	16.8	109.0	16.8	0.0
Bulgaria	-78.3	-0.7	n.a.	-0.7	n.a.	0.0
Croatia	-3.2	0.5	n.a.	1.1	n.a.	0.6
Belarus	21.2	33.6	-36.9	33.6	-37.0	0.0
Slovenia	0.2	3.7	-94.2	3.7	-94.2	0.0
Republic of Serbia	-1.4	-3.3	58.8	-3.3	58.8	0.0
Republic of Macedonia	-0.5	-5.8	90.6	-5.8	90.6	0.0
Corporate & other, eliminations	-13.6	-10.6	-28.6	-10.6	-28.6	0.0
<b>Total EBIT</b>	<b>51.6</b>	<b>126.4</b>	<b>-59.2</b>	<b>127.1</b>	<b>-59.4</b>	<b>0.6</b>

## Capital Expenditures\*)

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	102.2	118.5	-13.7	118.5	-13.7	0.0
Bulgaria	11.1	14.7	-24.7	14.7	-24.7	0.0
Croatia	13.8	17.0	-19.0	17.0	-19.0	0.0
Belarus	7.3	4.1	80.6	4.1	80.6	0.0
Slovenia	3.1	21.7	-85.6	21.7	-85.6	0.0
Republic of Serbia	5.6	6.5	-13.4	6.5	-13.4	0.0
Republic of Macedonia	2.4	1.5	55.7	1.5	55.7	0.0
Corporate & other, eliminations	-0.2	-3.9	94.5	-3.9	94.5	0.0
<b>Total capital expenditures</b>	<b>145.3</b>	<b>180.0</b>	<b>-19.3</b>	<b>180.0</b>	<b>-19.3</b>	<b>0.0</b>

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

## Capital Expenditures - Tangible

in EUR million	Q1 2018 reported	Q1 2017 reported	% change
Austria	82.8	100.2	-17.4
Bulgaria	7.7	11.7	-33.7
Croatia	13.2	16.6	-20.4
Belarus	5.4	3.8	42.2
Slovenia	2.7	3.8	-28.3
Republic of Serbia	4.1	5.1	-20.7
Republic of Macedonia	2.3	1.1	105.8
Corporate & other, eliminations	-0.3	-3.9	92.0
<b>Total capital expenditures - tangible</b>	<b>117.9</b>	<b>138.4</b>	<b>-14.8</b>

## Capital Expenditures - Intangible

in EUR million	Q1 2018 reported	Q1 2017 reported	% change
Austria	19.4	18.3	6.5
Bulgaria	3.4	3.1	9.6
Croatia	0.6	0.4	34.0
Belarus	1.9	0.2	n.m.
Slovenia	0.4	17.9	-97.8
Republic of Serbia	1.5	1.3	15.4
Republic of Macedonia	0.1	0.4	-75.9
Corporate & other, eliminations	0.1	0.0	n.a.
<b>Total capital expenditures - intangible</b>	<b>27.4</b>	<b>41.6</b>	<b>-34.2</b>

## Segment Croatia - First Quarter of 2018

## Key performance indicators

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	103.1	98.4	4.8	100.7	2.4	2.4
Service revenues	90.0	85.7	5.1	87.9	2.4	2.2
thereof mobile service revenues	59.3	57.9	2.3	57.9	2.4	0.0
thereof fixed-line service revenues	30.8	27.8	10.9	30.0	2.6	2.3
Equipment revenues	11.7	11.4	2.5	11.4	2.5	0.0
Other operating income	1.4	1.3	9.0	1.4	-1.2	0.1
EBITDA	25.7	21.2	21.5	22.2	15.8	1.1
% of total revenues	24.9%	21.5%		22.1%		
Adjusted EBITDA	25.6	n.a.	n.a.	22.2	15.4	n.a.
EBIT	-3.2	0.5	n.m.	1.1	n.m.	0.6
% of total revenues	-3.1%	0.5%		1.1%		

Wireline indicators	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	655.4	662.3	-1.1	662.3	-1.1	0.0

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



## Segment Belarus – First Quarter of 2018

## Key performance indicators

in EUR million	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	88.3	92.9	-4.9	94.5	-6.6	1.6
Service revenues	67.6	74.8	-9.6	76.3	-11.4	1.5
thereof mobile service revenues	59.0	67.6	-12.7	67.6	-12.7	0.0
thereof fixed-line service revenues	8.5	7.1	19.9	8.6	-1.0	1.5
Equipment revenues	17.4	14.1	22.9	14.1	22.9	0.0
Other operating income	3.4	4.0	-15.6	4.1	-18.0	0.1
EBITDA	38.9	45.9	-15.1	46.2	-15.7	0.3
% of total revenues	44.1%	49.4%		48.8%		
Adjusted EBITDA	45.8	n.a.	n.a.	45.0	1.9	n.a.
EBIT	21.2	33.6	-36.9	33.6	-37.0	0.0
% of total revenues	24.0%	36.2%		35.6%		

Wireline indicators	Q1 2018 reported	Q1 2017 reported	% change	Q1 2017 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	475.5	283.3	67.9	439.7	8.1	156.4

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

## Additional Information

### Risks and Uncertainties

The A1 Telekom Austria Group faces various risks and uncertainties which could affect its results. For further details about these risks and uncertainties, please refer to the A1 Telekom Austria Group Annual Report 2017, pp. 72 ff.

### Waiver of Review

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

### Other

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

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

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

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

### 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 Financial Statements A1 Telekom Austria Group

Q1 2018 is based on IFRS 15, Q1 2017 without adoption of IFRS 15 (see "Changes in accounting policies")

## Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q1 2018 unaudited	Q1 2017 unaudited
Service Revenues (incl. other operating income)	919.4	956.1
Equipment revenues	153.7	102.8
<b>Total revenues (incl. other operating income - OOI)</b>	<b>1,073.1</b>	<b>1,058.9</b>
Cost of service	-340.9	-341.1
Cost of equipment	-140.4	-127.7
Selling, general & administrative expenses	-240.2	-247.7
Other expenses	-2.6	-2.8
<b>Total cost and expenses</b>	<b>-724.2</b>	<b>-719.4</b>
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA</b>	<b>348.9</b>	<b>339.5</b>
Depreciation and amortisation	-289.8	-213.1
<b>Operating income - EBIT</b>	<b>59.1</b>	<b>126.4</b>
Interest income	1.2	3.5
Interest expense on financial liabilities	-21.9	-24.7
Interest on employee benefits and restructuring and other financial items, net	-2.7	-4.1
Foreign currency exchange differences, net	3.2	4.5
Equity interest in net income of associated companies	0.1	-0.1
<b>Financial result</b>	<b>-20.0</b>	<b>-20.9</b>
<b>Earnings before income tax - EBT</b>	<b>39.0</b>	<b>105.5</b>
Income tax	-10.7	-9.1
<b>Net result</b>	<b>28.4</b>	<b>96.4</b>
Attributable to:		
Equity holders of the parent	26.1	90.1
Non-controlling interests	0.1	0.0
Hybrid capital owners	2.2	6.2
<b>Basic and diluted earnings per share attributable to equity holders of the parent</b>	<b>0.0</b>	<b>0.1</b>
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841
<b>Other comprehensive income items:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Effect of translation of foreign entities	-4.3	6.9
Realised result on hedging activities, net of tax	1.1	1.1
Unrealised result on securities available-for-sale, net of tax	0.0	0.2
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of defined benefit obligations, net of tax	-0.9	-0.9
<b>Total other comprehensive income (loss)</b>	<b>-4.1</b>	<b>7.2</b>
<b>Total comprehensive income (loss)</b>	<b>24.3</b>	<b>103.7</b>
Attributable to:		
Equity holders of the parent	22.0	97.4
Non-controlling interests	0.1	0.0
Hybrid capital owners	2.2	6.2

## Condensed Consolidated Statements of Financial Position

in EUR million	31 March 2018 unaudited	1 January 2018 unaudited	31 Dec. 2017 audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	56.8	202.4	202.4
Accounts receivable: Subscribers, distributors and other, net	728.0	708.3	679.3
Receivables due from related parties	1.0	0.9	0.9
Inventories, net	116.8	102.4	87.4
Income tax receivable	3.0	2.8	2.8
Other current assets, net	122.5	98.3	253.4
Contract assets	147.3	145.6	0.0
Contract costs	41.9	42.3	0.0
<b>Total current assets</b>	<b>1,217.4</b>	<b>1,303.1</b>	<b>1,226.3</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	2,609.5	2,627.9	2,627.9
Intangibles, net	1,943.3	2,075.9	2,075.9
Goodwill	1,277.4	1,276.3	1,276.3
Investments in associated companies	33.1	34.0	34.0
Long-term investments	12.2	13.4	12.9
Deferred income tax assets	302.8	325.4	327.1
Other non-current assets, net	10.8	10.1	57.9
<b>Total non-current assets</b>	<b>6,189.2</b>	<b>6,363.0</b>	<b>6,412.0</b>
<b>TOTAL ASSETS</b>	<b>7,406.6</b>	<b>7,666.1</b>	<b>7,638.3</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Short-term debt and current portion of long-term debt	-404.0	-0.6	-0.6
Accounts payable	-763.3	-784.2	-784.2
Accrued liabilities and current provisions	-243.3	-246.2	-265.9
Income tax payable	-41.4	-35.9	-35.9
Payables due to related parties	-0.5	-0.6	-0.6
Contract liability	-170.2	-161.6	0.0
Deferred revenues	0.0	0.0	-156.6
<b>Total current liabilities</b>	<b>-1,622.6</b>	<b>-1,229.1</b>	<b>-1,243.7</b>
<b>Non-current liabilities</b>			
Long-term debt	-2,534.4	-2,533.6	-2,533.6
Deferred income tax liabilities	-28.9	-51.0	-41.6
Deferred revenues and other non-current liabilities	-28.1	-28.5	-38.3
Asset retirement obligation and restructuring	-622.3	-646.9	-646.9
Employee benefits	-199.5	-196.8	-196.8
<b>Total non-current liabilities</b>	<b>-3,413.2</b>	<b>-3,456.8</b>	<b>-3,457.2</b>
<b>Stockholders' equity</b>			
Capital stock	-1,449.3	-1,449.3	-1,449.3
Treasury shares	7.8	7.8	7.8
Additional paid-in capital	-1,100.1	-1,100.1	-1,100.1
Hybrid capital	0.0	-591.2	-591.2
Retained earnings	-521.3	-534.8	-491.9
Other comprehensive income (loss) items	694.3	690.2	690.1
<b>Equity attributable to equity holders of the parent</b>	<b>-2,368.7</b>	<b>-2,977.5</b>	<b>-2,934.6</b>
Non-controlling interest	-2.2	-2.7	-2.7
<b>Total stockholders' equity</b>	<b>-2,370.8</b>	<b>-2,980.2</b>	<b>-2,937.4</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,406.6</b>	<b>-7,666.1</b>	<b>-7,638.3</b>

1 January 2018 includes quantitative effects of the initial application of IFRS 15 and IFRS 9 (see "Changes in accounting policies")

31 December 2017 without adoption of IFRS 15 and IFRS 9 (see "Changes in accounting policies")

## Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2018 unaudited	Q1 2017 unaudited
Earnings before income tax - EBT	39.0	105.5
<b>Items not requiring the use of cash and other reconciliation:</b>		
Depreciation	126.2	130.9
Amortisation of intangible assets	163.6	82.2
Fair value measurement investments	0.1	0.0
Equity interest in net income of associated companies	-0.1	0.1
Result on sale of investments	0.0	-0.1
Result on sale of property, plant and equipment	1.4	2.3
Net period cost of labor obligations and restructuring	3.3	3.6
Foreign currency exchange differences, net	-3.2	-4.5
Interest income	-1.2	-3.5
Interest expense	22.5	26.8
Other adjustments	-0.5	-5.1
<b>Changes in working capital and other financial positions:</b>		
Accounts receivable from subscribers, distributors and other	-13.9	-8.0
Prepaid expenses	-19.9	-16.7
Due from related parties	-0.1	-0.1
Inventories	-14.6	-10.6
Other assets	-6.5	11.0
Contract assets	-1.5	0.0
Contract costs	0.5	0.0
Employee benefits and restructuring	-24.8	-26.8
Accounts payable and accrued liabilities	-6.8	-15.3
Due to related parties	-0.1	-3.0
Contract liability	8.6	0.0
Deferred revenues	0.0	-5.1
Interest received	1.2	3.5
Income taxes paid	-4.1	-5.4
<b>Net cash flow from operating activities</b>	<b>269.3</b>	<b>261.9</b>
Capital expenditures paid	-187.7	-208.9
Dividends received from associates	0.7	0.0
Proceeds from sale of plant, property and equipment	2.5	8.5
Proceeds from sale of investment	1.1	0.3
Acquisition of businesses, net of cash acquired	0.0	-73.0
Sale of shares of associated companies	0.1	0.0
<b>Net cash flow from investing activities</b>	<b>-183.4</b>	<b>-273.1</b>
Repayments of long-term debt	0.0	-500.0
Interest paid	-1.4	-23.9
Change in short-term debt	164.1	165.4
Dividends paid	-34.4	-33.9
Issuance of short-term debt	240.0	0.0
Redemption of hybrid bond	-600.0	0.0
<b>Net cash flow from financing activities</b>	<b>-231.6</b>	<b>-392.4</b>
<b>Adjustment to cash flows due to exchange rate fluctuations, net</b>	<b>0.2</b>	<b>0.0</b>
<b>Net change in cash and cash equivalents</b>	<b>-145.5</b>	<b>-403.7</b>
Cash and cash equivalents beginning of period	202.4	457.5
Cash and cash equivalents end of period	56.8	53.8

## Capital expenditures

in EUR million	Q1 2018 unaudited	Q1 2017 unaudited	% change
<b>Capital expenditures paid</b>	<b>187.7</b>	208.9	-10.1%
Reconciliation of additions in accounts payable	-37.8	-28.9	30.8%
Reconciliation of government grants	-4.6	0.0	n.a.
<b>Total capital expenditures</b>	<b>145.3</b>	180.0	-19.3%
Thereof tangible	117.9	138.4	-14.8%
Thereof intangible	27.4	41.6	-34.2%

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

Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures.

## Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
<b>Balance at 31 December 2017</b>	<b>1,449.3</b>	-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
<b>Balance at 1 January 2018</b>	<b>1,449.3</b>	-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	28.3	0.0	28.3	0.1	28.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	-4.1	-4.1	0.0	-4.1
<b>Total comprehensive income (loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>28.3</b>	<b>-4.1</b>	<b>24.2</b>	<b>0.1</b>	<b>24.3</b>
Distribution of dividends	0.0	0.0	0.0	0.0	-33.0	0.0	-33.0	-0.6	-33.6
Redemption of hybrid capital	0.0	0.0	0.0	-591.2	-8.8	0.0	-600.0	0.0	-600.0
<b>Balance at 31 March 2018</b>	<b>1,449.3</b>	-7.8	1,100.1	0.0	521.3	-694.3	2,368.7	2.2	2,370.8

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
<b>Balance at 1 January 2017</b>	<b>1,449.3</b>	-7.8	1,100.1	591.2	306.3	-670.4	2,768.7	2.0	2,770.7
Net Result	0.0	0.0	0.0	0.0	96.4	0.0	96.4	0.0	96.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	7.2	7.2	0.0	7.2
<b>Total comprehensive income (loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>96.4</b>	<b>7.2</b>	<b>103.6</b>	<b>0.0</b>	<b>103.7</b>
Distribution of dividends	0.0	0.0	0.0	0.0	-31.7	0.0	-31.7	-0.2	-31.9
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
<b>Balance at 31 March 2017</b>	<b>1,449.3</b>	-7.8	1,100.1	591.2	371.0	-663.2	2,840.7	2.3	2,843.0

For further details on the hybrid bond redemption and coupon payment and the tax benefit relating to the amount of interest attributable to hybrid bond owners, which is recognised as distribution of dividends, see "Stockholders' Equity".

For details on the implementation of IFRS 15 and IFRS 9 see "Changes in accounting policies"

## Net Debt

in EUR million	31 March 2018 unaudited	31 Dec. 2017 audited
Long-term debt	2,534.4	2,533.6
Short-term debt and current portion of long-term debt	404.0	0.6
Cash and cash equivalents and short-term investments	-56.8	-202.4
<b>Net debt</b>	<b>2,881.5</b>	<b>2,331.8</b>
<b>Net debt/EBITDA (last 12 months)</b>	<b>2.0x</b>	<b>1.7x</b>

## Condensed Operating Segments

Q1 2018

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	646.2	104.8	98.3	88.1	47.7	59.1	27.5	1.3	1,073.1
Intersegmental revenues	6.2	2.2	1.2	0.3	1.1	1.4	0.5	-12.8	0.0
<b>Total revenues (incl. OOI)</b>	<b>652.4</b>	<b>107.0</b>	<b>99.5</b>	<b>88.4</b>	<b>48.8</b>	<b>60.4</b>	<b>28.0</b>	<b>-11.5</b>	<b>1,073.1</b>
Segment expenses	-415.2	-76.6	-73.5	-49.4	-39.7	-47.1	-20.9	-1.8	-724.2
<b>EBITDA</b>	<b>237.3</b>	<b>30.4</b>	<b>26.0</b>	<b>39.0</b>	<b>9.1</b>	<b>13.3</b>	<b>7.2</b>	<b>-13.3</b>	<b>348.9</b>
Depreciation and amortisation	-107.4	-109.5	-28.9	-17.7	-7.2	-11.2	-7.5	-0.3	-289.8
<b>Operating income - EBIT</b>	<b>129.8</b>	<b>-79.2</b>	<b>-2.9</b>	<b>21.3</b>	<b>1.9</b>	<b>2.1</b>	<b>-0.4</b>	<b>-13.6</b>	<b>59.1</b>
Interest income	0.4	0.0	0.5	0.1	0.1	0.0	0.1	0.0	1.2
Interest expense	-6.0	-0.1	-2.1	-0.7	-0.2	-0.4	-0.4	-12.0	-21.9
Other financial result	-2.1	0.0	3.7	-0.7	0.0	0.1	0.0	-0.4	0.5
Equity interest in net income of associated companies	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Earnings before income tax - EBT</b>	<b>122.2</b>	<b>-79.3</b>	<b>-0.9</b>	<b>19.9</b>	<b>1.9</b>	<b>1.9</b>	<b>-0.7</b>	<b>-26.0</b>	<b>39.0</b>
Income taxes									-10.7
<b>Net result</b>									<b>28.4</b>
EBITDA margin	36.4%	28.4%	26.1%	44.1%	18.6%	22.0%	25.6%	n.a.	32.5%
Capital expenditures - intangible	19.4	3.4	0.6	1.9	0.4	1.5	0.1	0.1	27.4
Capital expenditures - tangible	82.8	7.7	13.2	5.4	2.7	4.1	2.3	-0.3	117.9
<b>Total capital expenditures</b>	<b>102.2</b>	<b>11.1</b>	<b>13.8</b>	<b>7.3</b>	<b>3.1</b>	<b>5.6</b>	<b>2.4</b>	<b>-0.2</b>	<b>145.3</b>

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in EUR million (unaudited) without adoption of IFRS 15	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	638.4	102.2	97.0	91.7	52.1	49.5	27.0	1.2	1,058.9
Intersegmental revenues	5.0	1.3	1.4	1.2	0.8	1.5	0.3	-11.5	0.0
<b>Total revenues (incl. OOI)</b>	<b>643.3</b>	<b>103.5</b>	<b>98.4</b>	<b>92.9</b>	<b>52.9</b>	<b>51.0</b>	<b>27.3</b>	<b>-10.3</b>	<b>1,058.9</b>
Segment expenses	-415.0	-75.3	-77.2	-47.0	-40.8	-43.3	-21.4	0.5	-719.4
<b>EBITDA</b>	<b>228.3</b>	<b>28.2</b>	<b>21.2</b>	<b>45.9</b>	<b>12.1</b>	<b>7.7</b>	<b>5.9</b>	<b>-9.8</b>	<b>339.5</b>
Depreciation and amortisation	-119.3	-28.9	-20.7	-12.3	-8.4	-11.1	-11.7	-0.8	-213.1
<b>Operating income - EBIT</b>	<b>109.0</b>	<b>-0.7</b>	<b>0.5</b>	<b>33.6</b>	<b>3.7</b>	<b>-3.3</b>	<b>-5.8</b>	<b>-10.6</b>	<b>126.4</b>
Interest income	0.5	0.8	1.2	0.1	0.6	0.2	0.1	0.0	3.5
Interest expense	-5.4	-0.1	-2.4	-0.8	-0.3	-0.4	-0.2	-15.2	-24.7
Other financial result	-2.0	-3.9	4.3	0.5	0.0	-0.3	0.5	1.2	0.4
Equity interest in net income of associated companies	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
<b>Earnings before income tax - EBT</b>	<b>102.0</b>	<b>-3.9</b>	<b>3.7</b>	<b>33.5</b>	<b>4.1</b>	<b>-3.8</b>	<b>-5.5</b>	<b>-24.5</b>	<b>105.5</b>
Income taxes									-9.1
<b>Net result</b>									<b>96.4</b>
EBITDA margin	35.5%	27.3%	21.5%	49.4%	22.9%	15.1%	21.8%	n.a.	32.1%
Capital expenditures - intangible	18.3	3.1	0.4	0.2	17.9	1.3	0.4	0.0	41.6
Capital expenditures - tangible	100.2	11.7	16.6	3.8	3.8	5.1	1.1	-3.9	138.4
<b>Total capital expenditures</b>	<b>118.5</b>	<b>14.7</b>	<b>17.0</b>	<b>4.1</b>	<b>21.7</b>	<b>6.5</b>	<b>1.5</b>	<b>-3.9</b>	<b>180.0</b>

## 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 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 31 December 2017. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2017.

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

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

### 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 31 December 2017, except the following standards which are effective from 1 January 2018 and have an impact on the condensed consolidated interim financial statements:

#### Impact of IFRS 15

In May 2014, the IASB issued the new standard IFRS 15 "Revenue from Contracts with Customers". The new standard for revenue recognition aims at standardising the multitude of regulations previously included in various standards. The amount of revenue recognised and its timing is determined based on a five-step model. The type of transaction or the sector of the entity is not relevant. IFRS 15 contains additional qualitative and quantitative disclosure obligations. These are aimed at enabling users of the financial statements to understand the nature, amount, timing and the uncertainties of revenue and the resulting cash flows arising from contracts with customers. In April 2016, the IASB issued clarifications to IFRS 15 relating to identifying performance obligations, principal versus agent considerations, as well as licensing. As the standard itself, the European Union has endorsed these clarifications.

#### *Impact as of 1 January 2018*

As of 1 January 2018, A1 Telekom Austria Group initially applied IFRS 15, electing the modified retrospective approach for the initial application in accordance with the transition guidance. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.



The following table presents the quantitative effects of the initial application of IFRS 15 on the Consolidated Statements of Financial Position as of 1 January 2018 including detailed explanations (see columns a) to f)):

in EUR million at 1 January 2018 (unaudited)	Total	a)	b)	c)	d)	e)	f)
Accounts receivable: Subscribers, distributors and other, net	29.0	155.9	-17.5	0.0	0.0	-109.3	0.0
Inventories, net	15.0	0.0	15.0	0.0	0.0	0.0	0.0
Contract assets	145.6	0.0	0.0	0.0	0.0	145.6	0.0
Contract costs	42.3	0.0	0.0	0.0	42.3	0.0	0.0
Prepaid expenses	-35.6	0.0	-35.6	0.0	0.0	0.0	0.0
Other current assets	-17.6	0.0	0.0	0.0	0.0	-17.6	0.0
Current and non-current instalment sales	-149.8	-149.8	0.0	0.0	0.0	0.0	0.0
Contract liability	-161.6	0.0	0.0	-150.4	0.0	-11.2	0.0
Accrued liabilities	19.7	0.0	0.0	18.5	0.0	1.2	0.0
Current and non-current deferred revenues	166.4	0.0	0.0	132.0	0.0	34.4	0.0
Deferred income tax	-11.1	0.0	0.0	0.0	0.0	0.0	-11.1
Stockholders' equity	-42.4	-6.1	38.2	0.0	-42.3	-43.2	11.1

For further details on respective items of financial position see also audited A1 Telekom Austria Group's annual consolidated financial statements for the year ended 31 December 2017 and statement of financial position as of 1 January 2018.

- a) According to IAS 18, instalment sales receivables were recognised at the present value of the instalments. Based on the current status, financing components are considered insignificant according to IFRS 15 on an individual contract level. Thus instalment sales receivables are not discounted anymore as long as the discounting effect continues to be insignificant. Instalment sales receivables discounted at 31 December 2017 were remeasured at their nominal value at 1 January 2018 and the relating accretion effect was recognised directly in equity.

Starting 2018, this leads to an improvement in EBITDA, as instalment sales revenues that were recognised previously at the present value with the interest component reported in the financial result are now recognised at their full amount in revenues (see table "condensed consolidated statements of comprehensive income" in "impact on the period reported"). In addition, starting 2018, the total amount of instalment sales receivables is reported in accounts receivable: subscribers, distributors and other, net.

- b) According to IAS 18, dealers reselling mobile devices acquired from A1 Telekom Austria Group to end customers were considered principals. Due to the regulations of IFRS 15, hardware sales to dealers are no longer recognised as revenue as the dealers are now considered agents. Revenue is recognised only once the mobile devices are sold to end customers. The effect from the derecognition of accounts receivable and revenue relating to mobile devices in dealers' stock at 31 December 2017 as well as the effect of the recognition of these mobile devices in inventory at 1 January 2018 is reported directly in equity.

According to IAS 18, subsidies to dealers were recognised in prepaid expenses at the date of sale of mobile devices and expensed over the minimum contractual term. According to IFRS 15, these subsidies are treated as a reduction in revenue. Thus the prepaid expenses are derecognised and the effect at 1 January 2018 is recognised directly in equity.

Starting 2018, the classification of dealers as agents leads to a later recognition of equipment revenues effected via dealers. At the same time, the fact that subsidies are recognised as a reduction in revenue in 2018 leads to a shift from expenses to equipment revenues (see table "impact on condensed consolidated statements of comprehensive income").

- c) Provisions for customer rebates and deferred income are qualified as contract liabilities according to IFRS 15 and are reclassified accordingly.
- d) According to IAS 18, discounts and provisions granted to third parties and to employees were fully expensed. If these discounts and provisions are incremental costs of obtaining a customer contract, they are recognised as deferrals (contract costs) according to IFRS 15 and are expensed according to the expected duration of the underlying contract. The effect from the initial recognition of contract costs at 1 January 2018 is reported directly in equity.

Starting 2018, this results in a later recognition of expense, yet it has no further significant impact on EBITDA (see table "impact on condensed consolidated statements of comprehensive income").

- e) A1 Telekom Austria Group previously allocated the majority of transaction prices of multiple-element arrangements to goods and services based on a determination of a separable value to the customer for each deliverable on a standalone basis. IFRS 15 requires the identification of separate performance obligations in multiple-elements arrangements based on certain criteria as well as the allocation of transaction prices to the performance obligations in proportion to the stand-alone selling prices of the underlying goods and services.

The application of the criteria for identifying performance obligations according to IFRS 15 resulted in a re-evaluation of performance obligations for fixed-line services. For mobile communication services, the allocation according to IFRS 15 results in a higher transaction price for mobile equipment and a lower transaction price for mobile services. The adjusted allocation of the transaction price has also insignificant effects on the amount of deferrals for customer loyalty programmes. The effect of the re-evaluation of performance obligations for fixed-line services as well as, in accordance with IFRS 15, the effect of the allocation of the transaction price for multiple-elements arrangements for mobile services and on deferrals for customer loyalty programmes are recognised directly in equity at 1 January 2018.

Certain major business customers are granted, in addition to standardised multiple-element subsidies, further volume discounts on hardware and partly on services during the term of the service contract. According to IFRS 15, these are included in the multiple-element calculation as well.

For the majority of the contracts, A1 Telekom Austria Group applies the practical expedient according to IFRS 15 to pool similar contracts into portfolios, based on contract characteristics and duration. Only a small number of complex contracts with major clients is calculated on individual contract basis.

Starting 2018, the change in the allocation of transaction prices leads to a shift from service revenues to equipment revenues; the relating effect on EBITDA is not significant. For fixed-line telephone services, the application of the criteria of IFRS 15 for identifying performance obligations results in a later revenue recognition in 2018, which is not significant (see table "impact on condensed consolidated statements of comprehensive income").

- f) The effects on equity of the changes described above are only temporary shifts of results. Thus deferred taxes were recognised for the effects relating to the initial application of IFRS 15.

#### *Impact on the period reported*

The following tables summarise the impacts of adopting IFRS 15 on the Condensed Consolidated Financial Statements (items without any adjustments are summarised in "other"):

## Impact on Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q1 2018 as reported IFRS 15	Adjustments	Q1 2018 without adoption of IFRS 15
Service Revenues (incl. other operating income)	919.4	32.8	952.2
Equipment revenues	153.7	-30.0	123.7
<b>Total revenues (incl. other operating income - OOI)</b>	<b>1,073.1</b>	<b>2.8</b>	<b>1,075.9</b>
Cost of service	-340.9	0.0	-340.9
Cost of equipment	-140.4	-0.2	-140.6
Selling, general & administrative expenses	-240.2	-10.0	-250.3
Other expenses	-2.6	0.0	-2.6
<b>Total cost and expenses</b>	<b>-724.2</b>	<b>-10.2</b>	<b>-734.4</b>
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA</b>	<b>348.9</b>	<b>-7.4</b>	<b>341.5</b>
Interest income	1.2	2.0	3.2
Other	-311.0	0.0	-311.0
<b>Earnings before income tax - EBT</b>	<b>39.0</b>	<b>-5.4</b>	<b>33.6</b>
Income tax	-10.7	1.5	-9.2
<b>Net result</b>	<b>28.4</b>	<b>-3.9</b>	<b>24.5</b>

## Impact on Condensed Consolidated Statements of Financial Position

in EUR million	31 March 2018 as reported IFRS 15	Adjustments	31 March 2018 without adoption of IFRS 15
Accounts receivable: Subscribers, distributors and other, net	728.0	-37.9	690.1
Inventories, net	116.8	-15.2	101.6
Other current assets, net	122.5	155.5	278.1
Contract assets	147.3	-147.3	0.0
Contract costs	41.9	-41.9	0.0
Other	57.9	0.0	57.9
<b>Total current assets</b>	<b>1,217.4</b>	<b>-86.7</b>	<b>1,130.7</b>
Deferred income tax assets	302.8	8.7	311.5
Other non-current assets, net	10.8	50.5	61.3
Other	5,875.6	0.0	5,875.6
<b>Total non-current assets</b>	<b>6,189.2</b>	<b>59.1</b>	<b>6,248.3</b>
<b>TOTAL ASSETS</b>	<b>7,406.6</b>	<b>-27.6</b>	<b>7,379.0</b>
Accrued liabilities and current provisions	-243.3	-18.9	-262.2
Contract liability	-170.2	170.2	0.0
Deferred revenues	0.0	-165.0	-165.0
Other	-1,209.1	0.0	-1,209.1
<b>Total current liabilities</b>	<b>-1,622.6</b>	<b>-13.7</b>	<b>-1,636.3</b>
Deferred income tax liabilities	-28.9	4.0	-24.9
Deferred revenues and other non-current liabilities	-28.1	-9.1	-37.2
Other	-3,356.2	0.0	-3,356.2
<b>Total non-current liabilities</b>	<b>-3,413.2</b>	<b>-5.2</b>	<b>-3,418.4</b>
Retained earnings	-521.3	46.4	-474.9
Other	-2,541.6	0.0	-2,541.6
<b>Total stockholders' equity</b>	<b>-2,370.8</b>	<b>46.4</b>	<b>-2,324.4</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,406.6</b>	<b>27.6</b>	<b>-7,379.0</b>

## Impact on Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2018 as reported IFRS 15	Adjustments	Q1 2018 without adoption of IFRS 15
Earnings before income tax - EBT	39.0	-5.4	33.6
<b>Items not requiring the use of cash and other reconciliation:</b>			
Interest income	-1.2	-2.0	-3.2
Other	313.4	0.0	313.4
<b>Changes in working capital and other financial positions:</b>			
Accounts receivable from subscribers, distributors and other	-13.9	3.2	-10.7
Prepaid expenses	-19.9	2.7	-17.2
Inventories	-14.6	0.2	-14.3
Other assets	-6.5	0.0	-6.6
Contract assets	-1.5	1.5	0.0
Contract costs	0.5	-0.5	0.0
Accounts payable and accrued liabilities	-6.8	-0.8	-7.6
Contract liability	8.6	-8.6	0.0
Deferred revenues	0.0	7.7	7.7
Interest received	1.2	2.0	3.2
Other	-29.1	0.0	-29.1
<b>Net cash flow from operating activities</b>	<b>269.3</b>	<b>0.0</b>	<b>269.3</b>

The adoption of IFRS 15 does not have an effect on cash flows from investing and financing activities.

## Condensed Operating Segments without adoption of IFRS 15

in EUR million (unaudited) without adoption of IFRS 15	Q1 2018								Consoli- dated
	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Corporate, Other & Eliminations	
External revenues	648.4	104.8	101.9	88.0	48.2	55.6	27.6	1.3	1,075.9
Intersegmental revenues	6.2	2.2	1.2	0.3	1.1	1.4	0.5	-12.8	0.0
<b>Total revenues (incl. OOI)</b>	<b>654.6</b>	<b>107.0</b>	<b>103.1</b>	<b>88.3</b>	<b>49.3</b>	<b>57.0</b>	<b>28.1</b>	<b>-11.5</b>	<b>1,075.9</b>
Segment expenses	-419.8	-75.7	-77.4	-49.4	-41.9	-47.2	-21.1	-1.8	-734.4
<b>EBITDA</b>	<b>234.8</b>	<b>31.2</b>	<b>25.7</b>	<b>38.9</b>	<b>7.4</b>	<b>9.8</b>	<b>7.0</b>	<b>-13.3</b>	<b>341.5</b>
Depreciation and amortisation	-107.4	-109.5	-28.9	-17.7	-7.2	-11.2	-7.5	-0.3	-289.8
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating income - EBIT</b>	<b>127.3</b>	<b>-78.3</b>	<b>-3.2</b>	<b>21.2</b>	<b>0.2</b>	<b>-1.4</b>	<b>-0.5</b>	<b>-13.6</b>	<b>51.6</b>
Interest income	0.4	0.7	0.9	0.2	0.5	0.3	0.1	0.0	3.2
Interest expense	-6.0	-0.1	-2.1	-0.7	-0.2	-0.4	-0.4	-12.0	-21.9
Other financial result	-2.1	0.0	3.7	-0.7	0.0	0.1	0.0	-0.4	0.5
Equity interest in net income of associated companies	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Earnings before income tax - EBT</b>	<b>119.7</b>	<b>-77.7</b>	<b>-0.7</b>	<b>20.0</b>	<b>0.6</b>	<b>-1.3</b>	<b>-0.8</b>	<b>-26.0</b>	<b>33.6</b>

## Impact of IFRS 9

In July 2014 the IASB issued IFRS 9 "Financial Instruments", effective for periods beginning on or after 1 January 2018 and replacing IAS 39 "Financial Instruments". IFRS 9 introduces changes regarding the classification and measurement of financial instruments, the impairment of financial assets and hedge accounting.

A1 Telekom Austria Group initially applied IFRS 9 at 1 January 2018, electing the modified retrospective approach for initial application in accordance with the transition guidance. The initial application of IFRS 9 in A1 Telekom Austria Group has effects on the classification and measurement of financial assets which are not significant overall. The business model of A1 Telekom Austria Group is 'hold to collect' and

'hold to collect and sell', respectively, and no derivative financial instruments are held. The contractual cash flows of non-derivative financial instruments mainly consist of principal and interest. A1 Telekom Austria Group elected to measure all equity instruments held as of 31 December 2017 at fair value. Financial investments carried at cost are now recognised at their fair value, which lead to an increase in equity of EUR 0.5 million at 1 January 2018.

The loss allowance of accounts receivable trade is measured in accordance with the simplified approach of IFRS 9 at an amount equal to lifetime expected losses. Due to the good credit quality of the customers, the current measurement of accounts receivable according to the method of incurred loss only differs insignificantly from the required method of lifetime-expected credit losses, thus the adoption of IFRS 9 does not have a significant impact on the Consolidated Financial Statements. The application of lifetime-expected credit loss on contractual assets according to IFRS 15 lead to a reduction in equity of EUR 2.3 million at 1 January 2018 (this effect is included in column (e) of the table "Impact as of 1 January 2018").

A1 Telekom Austria Group only invests short-term with counterparties with investment grade rating, the requirement of IFRS 9 to recognise expected credit losses has only an insignificant impact on the Consolidated Financial Statements for all other financial assets.

The new requirements of IFRS 9 regarding hedge accounting do not have an effect on the Consolidated Financial Statements of A1 Telekom Austria Group, as no derivatives are held as hedging instrument.

## Comprehensive Income

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

in EUR million	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Corporate, Other & Eliminations	Consolidated
	1 Q 2018								
Service revenues	231.2	59.6	52.8	59.0	28.8	42.5	17.0	-3.3	487.7
Equipment revenues	61.7	20.7	14.2	17.5	10.0	15.7	4.6	-0.1	144.1
<b>Wireless revenues</b>	<b>292.8</b>	<b>80.2</b>	<b>67.0</b>	<b>76.5</b>	<b>38.8</b>	<b>58.2</b>	<b>21.6</b>	<b>-3.4</b>	<b>631.8</b>
Service revenues	338.4	24.4	30.5	8.5	8.8	1.2	6.1	-7.1	410.9
Equipment revenues	8.1	0.8	0.6	0.0	0.1	0.0	0.1	0.0	9.6
<b>Fixed-line and other revenues</b>	<b>346.4</b>	<b>25.2</b>	<b>31.1</b>	<b>8.5</b>	<b>8.8</b>	<b>1.2</b>	<b>6.3</b>	<b>-7.1</b>	<b>420.4</b>
<b>Other operating income</b>	<b>13.1</b>	<b>1.6</b>	<b>1.4</b>	<b>3.4</b>	<b>1.1</b>	<b>1.1</b>	<b>0.2</b>	<b>-1.0</b>	<b>20.9</b>
<b>Total revenues (incl. OOI)</b>	<b>652.4</b>	<b>107.0</b>	<b>99.5</b>	<b>88.4</b>	<b>48.8</b>	<b>60.4</b>	<b>28.0</b>	<b>-11.5</b>	<b>1,073.1</b>
	1 Q 2017								
Service revenues	252.7	64.8	57.9	67.6	33.1	31.0	19.2	-2.3	524.0
Equipment revenues	27.6	15.2	11.2	14.1	10.1	17.4	1.5	-0.4	96.6
<b>Wireless revenues</b>	<b>280.3</b>	<b>80.0</b>	<b>69.1</b>	<b>81.8</b>	<b>43.2</b>	<b>48.4</b>	<b>20.6</b>	<b>-2.7</b>	<b>620.7</b>
Service revenues	342.2	21.9	27.8	7.1	8.6	1.3	6.4	-6.6	408.7
Equipment revenues	5.3	0.5	0.2	0.0	0.1	0.0	0.1	0.0	6.2
<b>Fixed-line and other revenues</b>	<b>347.5</b>	<b>22.4</b>	<b>28.0</b>	<b>7.1</b>	<b>8.7</b>	<b>1.3</b>	<b>6.5</b>	<b>-6.6</b>	<b>414.9</b>
<b>Other operating income</b>	<b>15.5</b>	<b>1.1</b>	<b>1.3</b>	<b>4.0</b>	<b>1.0</b>	<b>1.3</b>	<b>0.1</b>	<b>-0.9</b>	<b>23.4</b>
<b>Total revenues (incl. OOI)</b>	<b>643.3</b>	<b>103.5</b>	<b>98.4</b>	<b>92.9</b>	<b>52.9</b>	<b>51.0</b>	<b>27.3</b>	<b>-10.3</b>	<b>1,058.9</b>

Q1 2017 without adoption of IFRS 15 (see "Changes in accounting policies")

The shift between service and equipment revenues within wireless revenues is mainly due to the implementation of IFRS 15.

The following table shows the net amount of write-down (negative sign) of inventories and employee benefit expenses:

in EUR million	Q1 2018	Q1 2017
Write-down/ reversals of write-down of inventories	-0.9	-1.7
Employee benefit expenses	-212.5	-210.1

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

### Non-Current and current assets

The decrease in intangibles is mainly a result of the amortisation of brand names as a result of the roll-out of the brand A1 on a group-wide basis as well the amortisation of licences.

The increase in Other current assets, net since 1 January 2018 is mainly due to prepayments of rent, insurance and service fees.

### Non-Current and Current Liabilities

In the first quarter of 2018 committed credit lines in the amount of EUR 403.6 million were drawn.

The decrease in accounts payable is mainly due to the reduction in accounts payable to suppliers due to less CAPEX in 2018 as well as the payment of accounts payable of prior year.

### Provisions and Accrued Liabilities

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

in EUR million	31 March 2018 unaudited	31 Dec. 2017 audited
Restructuring and social plans	461.6	482.9
Civil servants changed to the government	16.9	18.1
<b>Total restructuring</b>	<b>478.4</b>	<b>501.0</b>

The reduction of restructuring in the first quarter of 2018 is mainly due to the usage of the provision. The rates of compensation increase applied to the calculation of the provision for restructuring and social plans as well as for employee benefit obligations are the same as those applied as of 31 December 2017. The discount rate used for civil servants released from work and civil servants transferred to the government was increased from 1.25% to 1.50%, leading to a reduction in the provision for restructuring in the amount of EUR 1.9 million.

### Income Taxes

	1-3 M 2018	1-3 M 2017
Effective tax rate	27.3%	8.6%

in EUR million	31 March 2018	31 Dec. 2017
Net deferred taxes	274.0	285.5

The increase in effective tax rate is due to the contribution of negative earnings before taxes of some segments with low statutory tax rates as income tax expense decreases only to a smaller extent. Negative earnings before taxes are mainly a consequence of brand amortisation.

## Stockholders' Equity

On 1 February 2018 the hybrid bond amounting to EUR 600.0 million was redeemed at its nominal value according to Section 5 (3) of the terms and conditions of the bond resulting in a reduction of stockholders' equity in the amount of EUR 600.0 million. The hybrid bond was classified as stockholders' equity according to IFRS. Accordingly, the related discount cost in the amount of EUR 11.8 million was recorded net of tax benefit of EUR 2.9 million in stockholders' equity, which lead to an increase in stockholders' equity ("hybrid capital") in the amount of EUR 591.2 million at the time of issuance in 2013.

On 1 February 2018 and 2017 the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million was paid. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 0.7 million and EUR 2.1 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the condensed consolidated statements of comprehensive income and equals the recognised interest for the first quarter 2018 and 2017 according to local GAAP amounting to EUR 2.9 million and EUR 8.3 million, net of the related tax benefit of EUR 0.7 million and EUR 2.1 million, which is recognised in stockholders' equity according to IAS 12.

Other comprehensive income (loss) items in the Condensed Consolidated Statements of Changes in Stockholders' Equity include the re-measurement of defined benefit obligations, remeasurement of investments at fair value through other comprehensive income, the hedging reserve and the translation reserve. The foreign currency translation adjustment in the first quarter 2018 and 2017 is mainly due to the development of the Belarusian Rouble.

## Financial Instruments

Fair values are based on a three-level fair value hierarchy. The levels of the fair value hierarchy are determined as follows:

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

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

in EUR million	31 March 2018 Carrying amount unaudited	Fair value unaudited	31 Dec. 2017 Carrying amount audited	Fair value audited
Cash and cash equivalents	56.8	56.8	202.4	202.4
Accounts receivable: Subscribers, distributors and other, net	728.0	728.0	679.3	679.3
Receivables due from related parties	1.0	1.0	0.9	0.9
Other current financial assets	9.3	9.3	111.6	111.6
Other non-current financial assets	2.4	2.4	49.4	49.4
Investments at amortised cost	0.2	0.2	0.6	0.6
<b>Financial assets at amortised cost</b>	<b>797.7</b>	<b>797.7</b>	<b>1,044.2</b>	<b>1,044.2</b>
Equity instruments at fair value through profit and loss - designated	3.8	3.8	3.8	3.8
Debt instruments at fair value through profit and loss - mandatorily	5.4	5.4	5.4	5.4
Debt instruments at fair value through other comprehensive income - mandatorily	2.8	2.8	3.6	3.6
<b>Investments at fair value</b>	<b>12.0</b>	<b>12.0</b>	<b>12.8</b>	<b>12.8</b>

At 31 December 2017 other current and non-current financial assets comprised instalment sales receivables which are included in accounts receivables starting 2018 (see changes in accounting policies - impact of IFRS 15).

The carrying amounts of cash and cash equivalents, accounts receivable, other financial assets and investments at amortised 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 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	31 March 2018 Carrying amount unaudited	Fair value unaudited	31 Dec. 2017 Carrying amount audited	Fair value audited
Liabilities to financial institutions	403.6	403.6	0.0	0.0
Bonds	2,534.0	2,794.5	2,533.3	2,818.4
Other current financial liabilities	31.5	31.5	51.3	51.3
Lease obligations	0.7	0.7	0.9	0.9
Other non-current liabilities	19.9	19.9	19.9	19.9
Accounts payable - trade	531.9	531.9	592.0	592.0
Payables due to related parties	0.5	0.5	0.6	0.6
Accrued interest	48.5	48.5	30.0	30.0
<b>Financial liabilities at amortised cost</b>	<b>3,570.6</b>	<b>3,831.0</b>	<b>3,228.0</b>	<b>3,513.2</b>

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.

### Subsequent and Other Events

On 19 April 2018, A1 Telekom Austria Group announced that Thomas Arnoldner will be nominated as new Chief Executive Officer (CEO) by the two main shareholders, América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB). The appointment of Thomas Arnoldner will be resolved by the Supervisory Board Meeting to be held after the Annual General Assembly. He is expected to take office on 1 September 2018. The Board of Directors of Telekom Austria AG will again consist of three members as of 1 September 2018: Thomas Arnoldner (CEO), Alejandro Plater (COO) and Siegfried Mayrhofer (CFO).