Results for the Second Quarter and First Half 2018

Key financial and operating highlights in the second quarter 2018

- Group total revenues increased by 1.3% (reported: +1.5%), mainly driven by higher equipment revenues and the solid retail fixed-line performance. Excluding FX and the minor one-off effects, total revenues grew by 2.3% (reported: +2.5%), with service revenue growth in all markets except for Slovenia.
- The strong comparison period Q2 2017 was positively impacted by project-driven revenues and some reversals of accruals in Austria. Together with higher investments into A1 Digital and a negative FX impact in Q2 2018, this led to a decline in Group EBITDA of 0.9% (reported: -0.8%).
  - Excluding FX and the minor one-off effects as well as restructuring charges, (the latter having almost zero impact in the respective periods), Group EBITDA increased slightly by 0.2% (reported: +0.3%), with strong contributions from CEE compensating for A1 Digital investments; Austria showed an almost stable performance (-0.5%) despite the strong comparable in Q2 2017.
- Net result grew by 15.9% in Q2 2018 excluding D&A from the brand value amortisation in connection with the group-wide rebranding of EUR 72.4 mn (reported net result Q2 2018: EUR 58.0 mn; Q2 2017: EUR 112.5 mn).
- Reported free cash flow increased by 35.4% to EUR 205.7 mn in the first half of 2018. This was mainly attributable to lower interest payments and lower capital expenditures paid as well as the operational improvement.
- Group outlook 2018 unchanged: total revenue growth of 1-2% (on a reported basis), CAPEX[1] of approx. EUR 750 mn.

Key performance indicators
Proforma view

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	1,099.3	1,084.7	1.3	2,175.2	2,147.6	1.3
Service revenues	949.8	946.1	0.4	1,881.1	1,882.5	-0.1
Equipment revenues	123.2	116.6	5.7	246.9	219.4	12.5
Other operating income	26.3	22.0	19.5	47.2	45.6	3.3
EBITDA	356.4	359.7	-0.9	697.9	700.6	-0.4
% of total revenues	32.4%	33.2%		32.1%	32.6%	
EBIT	95.6	146.6	-34.8	147.2	273.7	-46.2
% of total revenues	8.7%	13.5%		6.8%	12.7%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	20,735.3	20,677.0	0.3	20,735.3	20,677.0	0.3
thereof postpaid	15,862.6	15,140.2	4.8	15,862.6	15,140.2	4.8
thereof prepaid	4,872.7	5,536.8	-12.0	4,872.7	5,536.8	-12.0
MoU (per Ø subscriber)*)	352.1	328.8	7.1	345.7	325.9	6.1
ARPU (in EUR)	8.7	8.7	0.0	8.5	8.6	-0.3
Churn (%)	1.6%	1.9%		1.7%	1.9%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	6,183.1	6,056.6	2.1	6,183.1	6,056.6	2.1

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.
Proforma figures include M&A transactions made between the start of the comparison period and the end of the reporting period.
[1] Does not include investment in spectrum and acquisitions.

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[1] Alternative performance measures are included in this report. For details please refer to the reconciliation tables on page 21.

Group Management Report for the first half year

Vienna, 24 July 2018 – Today, A1 Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the second quarter and first half of 2018, ending 30 June 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.

Second quarter and half-year results

Income Statement (reported, IAS 18)

The presentation for the conference call and key figures of A1 Telekom Austria Group in Excel format ('Fact Sheet Q2 2018') are available on the website at www.a1.group.

in EUR million	Q2 2018 reported	Q2 2017 reported	% change	1-6 M 2018 reported	1-6 M 2017 reported	% change
Service revenues	949.8	944.5	0.6	1,881.1	1,877.2	0.2
Equipment revenues	123.2	116.6	5.7	246.9	219.4	12.5
Other operating income	26.3	21.8	20.4	47.2	45.2	4.3
Total revenues	**1,099.3**	**1,082.9**	**1.5**	**2,175.2**	**2,141.9**	**1.6**
Cost of service	-342.8	-342.7	0.0	-683.7	-683.8	0.0
Cost of equipment	-144.0	-128.9	-11.7	-284.7	-256.6	-10.9
Selling, general & administrative expenses	-253.9	-251.0	-1.1	-504.1	-498.7	-1.1
Other expenses	-2.1	-1.0	-110.0	-4.8	-3.8	-25.2
Total costs and expenses	**-742.9**	**-723.6**	**-2.7**	**-1,477.3**	**-1,443.0**	**-2.4**
EBITDA	**356.4**	**359.3**	**-0.8**	**697.9**	**698.9**	**-0.1**
% of total revenues	32.4%	33.2%		32.1%	32.6%	
Depreciation and amortisation	-260.8	-212.8	-22.5	-550.7	-425.9	-29.3
EBIT	**95.6**	**146.5**	**-34.8**	**147.2**	**272.9**	**-46.1**
% of total revenues	8.7%	13.5%		6.8%	12.7%	
Interest income	3.5	3.7	-6.8	6.7	7.2	-7.8
Interest expense	-21.7	-23.5	7.4	-43.6	-48.2	9.5
Other financial expense	-1.9	-2.7	30.5	-4.6	-6.8	32.9
Foreign currency exchange differences	4.7	-0.3	n.m.	7.9	4.2	89.9
Equity interest in net income of affiliates	-0.3	-0.6	51.3	-0.1	-0.7	80.0
Earnings before income tax (EBT)	**79.8**	**123.1**	**-35.2**	**113.5**	**228.6**	**-50.4**
Income tax	-21.8	-10.6	-105.3	-31.0	-19.7	-57.2
Net result*)	**58.0**	**112.5**	**-48.4**	**82.5**	**208.9**	**-60.5**

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

Q2 2018: Summary of Profit and Loss (proforma[2], IAS 18)

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

- Negative effects stemming from the abolition of retail roaming in the EU as of 15 June 2017, which derive mostly from Austria, with further impacts in Croatia, Slovenia and Bulgaria.
- Total negative FX effects amounting to EUR 12.7 mn for total revenues and EUR 6.7 mn for EBITDA in the second quarter of 2018, stemming solely from Belarus, while the Republic of Serbia registered some minor positive FX effects.
- The acquisitions of the fixed-line providers Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018, both in Belarus. As the financial impact of Vitebsk Garant on the Belarusian segment is marginal, no proforma view is provided on this acquisition.
- There were only minor one-off effects in Q2 2018 and Q2 2017. Restructuring charges were almost zero in the respective periods.

The number of postpaid subscribers increased by 4.8% in Q2 2018, reflecting the growth in M2M subscribers and the ongoing shift from prepaid to postpaid offers. The total mobile subscriber base of A1 Telekom Austria Group rose slightly (+0.3%), as the growth of M2M subscribers as well as growth in Croatia, the Republic of Serbia and Belarus was able to offset the declining subscriber numbers in Bulgaria, Austria, the Republic of Macedonia and Slovenia. In Austria, the number of post-paid subscribers increased by 3.0% in the second quarter of 2018, driven by growth in all segments, especially strong performance of the high value segment and mobile WiFi routers.

The number of revenue generating units (RGUs) of the Group increased by 2.1% (reported: +4.8%). RGU growth in Belarus, driven by the acquisition of Vitebsk Garant, the Republic of Macedonia and Bulgaria was partly offset by declines in Austria and Croatia. RGUs in Austria declined by 2.1%, mainly driven by voice.

Group revenues increased by 1.3% year-on-year (reported: +1.5%)

Group total revenues increased by 1.3% (reported: +1.5%), mainly driven by higher equipment revenues and the solid retail fixed-line performance. Excluding FX and the minor one-off effects, total revenues grew by 2.3% (reported: +2.5%), with service revenue growth in all markets except for Slovenia.

Group total costs and expenses rose by 2.5% year-on-year to EUR 742.9 mn in the second quarter of 2018 (reported: +2.7%), mainly driven by higher cost of equipment, increased workforce costs as well as investments into A1 Digital and higher content costs. Additionally, the comparison period was positively affected by the reversal of accruals in the Austrian segment.

Group EBITDA 0.2% higher adjusted for FX, one-off effects and restructuring

Group EBITDA declined by 0.9% year-on-year to EUR 356.4 mn in the second quarter of 2018 (reported: -0.8%). The strong comparison period Q2 2017 was positively impacted by project-driven revenues and some reversals of accruals in Austria. Excluding FX and the minor one-off effects as well as restructuring charges, (the latter having almost zero impact in the respective periods), Group EBITDA increased slightly by 0.2% (reported: +0.3%), with strong contributions from CEE compensating for A1 Digital investments. Austria showed an almost stable performance (-0.5%) despite the strong comparable in Q2 2017.

Depreciation and amortisation increased by 22.4% to EUR 260.8 mn (reported: +22.5%) in the second quarter of 2018 due to the brand value amortisation resulting from the group-wide rebranding announced in September 2017. In Q2 2018, the brand value amortisation resulting thereof amounted to EUR 72.4 mn and stemmed primarily from Bulgaria, where the brand values have now been fully amortised. In Austria, D&A declined due to the end of depreciation of licences and the YESSS! customer base in 2017.

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

Operating income declined by 34.8% to EUR 95.6 mn in Q2 2018. Excluding the effects from the D&A for the rebranding, operating income increased by 14.6% (reported: +14.7%).

Net result grew by 15.9% in Q2 2018 excluding D&A from the brand value amortisation of EUR 72.4 mn (reported net result Q2 2018: EUR 58.0 mn; Q2 2017: EUR 112.5 mn).

Net result increase of 15.9% excl. brand value amortisation

Half-year analysis (reported)

Balance Sheet (reported, IAS 18)

in EUR million	30 Jun 2018 reported	31 Dec 2017 reported	% change		30 Jun 2018 reported	31 Dec 2017 reported	% change
Cash, cash equivalents	63.7	202.4	-68.5	Short-term debt	422.7	0.6	n.m.
Accounts receivable	716.6	679.3	5.5	Accounts payable	780.9	784.2	-0.4
Other current assets	294.1	257.1	14.4	Other current liabilities	481.2	458.9	4.9
Inventories	95.2	87.4	8.9	**Current liabilities**	**1,684.7**	**1,243.7**	**35.5**
Current assets	**1,169.6**	**1,226.3**	**-4.6**				
Property, plant & equipment	2,639.9	2,627.9	0.5	Long-term debt	2,535.1	2,533.6	0.1
Intangibles	1,833.2	2,075.9	-11.7	Other liabilities	874.5	923.6	-5.3
Goodwill	1,279.0	1,276.3	0.2	**Non-current liabilities**	**3,409.7**	**3,457.2**	**-1.4**
Investments in affiliates & long-term investments	45.1	46.9	-3.8				
Other non-current assets	391.1	385.0	1.6	**Stockholder's equity**	**2,263.4**	**2,937.4**	**-22.9**
Non-current assets	**6,188.2**	**6,412.0**	**-3.5**				
Total assets	**7,357.7**	**7,638.3**	**-3.7**	**Total liabilities and equity**	**7,357.7**	**7,638.3**	**-3.7**

As of 30 June 2018, the balance sheet total declined compared to 31 December 2017. The decrease in 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 the brand value amortisations in connection with the Group-wide rebranding and to a lesser extent from the amortisation of licences. The increase in current liabilities was above all attributable to the drawings of short-term credit facilities as part of the refinancing of the abovementioned hybrid bond. Non-current liabilities decreased mainly as a result of payments for restructuring and of 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, and to a lesser extent by dividend payments. The equity ratio as of 30 June 2018 amounted to 30.8% after 38.5% as of 31 December 2017.

Net Debt (reported, IAS 18)

in EUR million	30 Jun 2018 reported	31 Dec 2017 reported	% change
Net debt	2,894.1	2,331.8	24.1
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)

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change
Earnings before income tax (EBT)	113.5	228.6	-50.4
Net cash flow from operating activities	600.1	576.1	4.2
Net cash flow from investing activities	-363.6	-438.2	17.0
Net cash flow from financing activities	-375.9	-548.1	31.4
Adjustment to cash flows due to exchange rate fluctuations	0.7	-0.9	n.m.
Net change in cash and cash equivalents	-138.7	-411.2	66.3

Due to the brand value amortisation in conjunction with the Group-wide rebranding. Earnings before income tax (EBT) declined year-on-year in spite of stable EBITDA. The changes in working capital and other financial positions in the reporting period in the amount of EUR 101.7 mn (1-6M 2017: EUR 123.8 mn) were driven by payments for restructuring and increases in accounts receivables as well as other assets due to instalment sales. All in all, this resulted in an increase in net cash flow from operating activities. 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 the first half of 2018 was driven by the redemption of the EUR 600 mn hybrid bond on 1 February 2018. This cash outflow in 2018 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 property, plant and equipment, rose by 35.4% to EUR 205.7 mn. This was mainly attributable to the lower interest payments and lower capital expenditures paid as well as the operational improvement.

Capital Expenditures (reported, IAS 18)

In the first half of 2018, capital expenditures decreased by 10.8% year-on-year to EUR 313.4 mn, mainly driven by lower investments in Slovenia and Bulgaria. Tangible capital expenditures decreased by 5.2% to EUR 262.5 mn primarily driven by Bulgaria due to lower investments in the mobile network and Austria due to time shifts in the fibre rollout. The decrease in intangible capital expenditures of 31.4% to EUR 50.9 mn was driven by the capitalisation of a long-term IRU (Indefeasible Rights of Use) contract for fibre-optic lines in Slovenia as well as the acquisition of exclusive content in Bulgaria, both in the comparison period.

Personnel (reported)

End of period (full-time equivalent)	30 Jun 2018 reported	30 Jun 2017 reported	% change
Austria	8,182	8,274	-1.1
International operations	10,383	10,050	3.3
Corporate & other	352	256	37.7
Total	**18,917**	**18,580**	**1.8**

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 in Belarus. The rise in corporate & other was entirely driven by A1 Digital.

Detailed analysis of quarterly and half-year results (proforma, IAS 18)[3]

Segment Austria

Key performance indicators
Proforma view (= Reported view)
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	651.1	647.4	0.6	1,305.7	1,290.7	1.2
Service revenues	590.4	587.7	0.4	1,182.6	1,182.6	0.0
thereof mobile service revenues	252.9	249.7	1.3	507.4	502.4	1.0
thereof fixed-line service revenues	337.5	338.0	-0.1	675.2	680.2	-0.7
Equipment revenues	46.0	47.0	-2.2	95.2	79.9	19.1
Other operating income	14.7	12.7	16.0	27.9	28.2	-1.1
EBITDA	228.7	229.8	-0.5	463.4	458.1	1.2
% of total revenues	35.1%	35.5%		35.5%	35.5%	
EBIT	118.9	108.5	9.6	246.2	217.5	13.2
% of total revenues	18.3%	16.8%		18.9%	16.9%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	5,284.5	5,364.0	-1.5	5,284.5	5,364.0	-1.5
thereof postpaid	3,796.0	3,684.3	3.0	3,796.0	3,684.3	3.0
thereof prepaid	1,488.5	1,679.8	-11.4	1,488.5	1,679.8	-11.4
MoU (per Ø subscriber)	270.4	253.1	6.8	268.9	254.1	5.8
ARPU (in EUR)	15.9	15.5	2.9	15.9	15.5	2.8
Churn (%)	1.5%	1.7%		1.6%	1.7%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	3,362.7	3,435.1	-2.1	3,362.7	3,435.1	-2.1

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 Q2 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 'data zero-rating', 'roam like at home' and constant enhancements of 'connect plus' benefits. The youth segment, where competition remains intense, is addressed by attractive target group-oriented tariff plans. Overall, subsidies were increased again in Q2 2018 compared to the last quarter, both for A1 and bob customers, to exploit market opportunities and to prevent churn. Furthermore, an indexation of 2.1% for existing customers in both the mobile high-value and the fixed-line business has been effective as of 1 April 2018.

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

[3] 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 21.

that, the Austrian broadband market continued to be influenced by the ongoing high demand for mobile WiFi routers with unlimited data offerings.

In the second quarter of 2018, the total number of postpaid customers rose, mainly driven by high demand for mobile WiFi routers and high-value tariffs, while the ongoing decline in the prepaid segment led overall to a lower number of mobile communication subscribers in a year-on-year comparison. Net additions came in negative at 22,600, entirely driven by the prepaid segment, while postpaid increased.

5.2% year-on-year TV RGU growth

In the fixed-line business, total revenue generating units (RGUs) decreased in Q2 2018 mainly due to losses of voice RGUs. While 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. This was due to higher churn following the above mentioned price increase as of 1 August 2017 and due to some substitution by WiFi routers.

Total revenues in the Austrian segment increased by 0.6% year-on-year in the second quarter of 2018 with service revenue growth of 0.4%. Total fixed-line service revenues were stable due to the solid growth in retail fixed-line service revenues. The latter was able to offset both the decline in interconnection revenues, stemming from lower transit volumes and prices as well as the the strong comparable Q2 2017, which benefitted from project-driven revenues.The retail fixed-line business profited from the price increases as of 1 August 2017 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 more than outweighed negative effects on customer roaming after the abolition of retail roaming within the EU as of 15 June 2017. Furthermore, service revenues profited from the price indexation for existing mobile and fixed-line customers as of 1 April 2018.

ARPU increased in Q2 2018 compared to last year due to the rise in the number of mobile WiFi router customers and high-value customers overcompensating the negative customer roaming effect.

Total costs and expenses were higher in the second quarter of 2018 compared to the same period last year, also due the strong comparable Q2 2017 which benefitted from the reversal of accruals and positive effects in the equipment margin. Moreover, cost of equipment was higher due to a more expensive handset portfolio and a higher number of devices sold. Product-related costs such as commissions also increased, while interconnection costs were lower and savings could be generated in IT and network maintenance. Subsidies increased in Q2 2018 due to a higher subsidy level and increased quantities.

EBITDA slightly declined by 0.5%

Overall, this led to an almost stable performance with a slight EBITDA decline of 0.5% despite the positive effects in the comparison period mentioned above.

Segment Bulgaria

Key performance indicators
Proforma view (= Reported view)
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	110.5	103.3	7.0	217.5	206.8	5.2
Service revenues	91.9	89.1	3.2	181.2	175.8	3.1
thereof mobile service revenues	66.6	66.4	0.3	131.2	131.1	0.0
thereof fixed-line service revenues	25.3	22.7	11.4	50.0	44.6	12.0
Equipment revenues	16.1	12.8	25.5	32.2	28.5	13.0
Other operating income	2.5	1.4	77.7	4.1	2.5	62.2
EBITDA	36.3	33.4	8.9	67.6	61.6	9.7
% of total revenues	32.9%	32.3%		31.1%	29.8%	
EBIT	-44.9	2.9	n.m.	-123.2	2.2	n.m.
% of total revenues	-40.6%	2.8%		-56.6%	1.0%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	3,973.5	4,101.3	-3.1	3,973.5	4,101.3	-3.1
thereof postpaid	3,517.9	3,487.0	0.9	3,517.9	3,487.0	0.9
thereof prepaid	455.6	614.3	-25.8	455.6	614.3	-25.8
MoU (per Ø subscriber)*)	322.8	301.9	6.9	320.9	303.3	5.8
ARPU (in EUR)	5.6	5.4	3.8	5.5	5.3	3.3
Churn (%)	1.4%	2.0%		1.4%	2.0%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	1,014.7	1,002.0	1.3	1,014.7	1,002.0	1.3

*) 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 segment recent trends also continued in Q2 2018 and the focus on value-based management and enhanced efforts to retain high-value customers with convergent offers was maintained. The mobile business segment continued to improve and showed a slight increase in a year-on-year comparison. In the mobile residential segment active customer retention measures led to lower churn. Fixed-line trends continued to be encouraging on the back of corporate solutions as well as successful up and cross selling for residential customers. During May 2018, Mobiltel was successfully rebranded into A1 Bulgaria.

The mobile postpaid segment grew in Q2 2018, primarily driven by the higher number of business customers. Total mobile subscribers remaind below prior year's level 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. Total fixed-line revenue generating units (RGUs) increased again as the positive trends in TV and broadband were able to offset the decline in fixed-line voice services.

Total revenues rose by 7.0% in Q2 2018

The increase in total revenues was driven by higher equipment revenues and increased fixed-line service revenues. Equipment revenues rose due to lower subsidies and ongoing demand for more expensive smart devices. The increase in fixed-line service revenues was mainly driven by the high demand for customised fixed-line corporate solutions, upselling activities and strong demand for the exclusive sports TV package. Mobile service revenues also rose slightly as improved trends in the business segment outweighed lower customer roaming revenues.

ARPU and ARPL increased in Q2 2018

Average monthly revenue per user (ARPU) rose in the second quarter of 2018, mainly due to the improved residential ARPU as well as less repricing in the business segment. The average monthly revenue per fixed-line (ARPL) increased in Q2 2018 supported by sales of advanced corporate services, upselling of existing TV subscribers as well as the exclusive sports content.

Total costs and expenses rose, driven by higher cost of equipment and increased salesforce costs due to higher wages as well as increased bad debt following a lower collection rate. The increase in cost of equipment was driven by the abovementioned change in the handset portfolio and higher ICT equipment costs. Furthermore, interconnection and roaming costs rose due to growing outgoing traffic to other networks. These increases were mitigated by a decline in sales comissions and the optimisation of network maintenance costs.

EBITDA increased by 8.9% in Q2 2018

The ongoing solid fixed-line performance and improving mobile service revenue trends more than offset higher salesforce costs and increased bad debt, which led to EBITDA growth of 8.9% (excluding one-off effects: +7.0%).

Segment Croatia

Key performance indicators
Proforma view
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	110.0	108.6	1.3	213.1	209.3	1.8
Service revenues	96.6	94.8	1.9	186.7	182.7	2.1
thereof mobile service revenues	65.1	63.5	2.6	124.4	121.4	2.5
thereof fixed-line service revenues	31.5	31.3	0.5	62.3	61.3	1.5
Equipment revenues	12.0	12.3	-1.9	23.7	23.6	0.2
Other operating income	1.4	1.5	-10.9	2.8	3.0	-6.2
EBITDA	27.9	25.6	9.3	53.6	47.8	12.3
% of total revenues	25.4%	23.5%		25.2%	22.8%	
EBIT	-1.3	3.2	n.m.	-4.5	4.3	n.m.
% of total revenues	-1.2%	2.9%		-2.1%	2.1%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	1,801.0	1,782.0	1.1	1,801.0	1,782.0	1.1
thereof postpaid	1,001.5	902.9	10.9	1,001.5	902.9	10.9
thereof prepaid	799.5	879.1	-9.1	799.5	879.1	-9.1
MoU (per Ø subscriber)*)	328.2	312.8	4.9	321.2	311.4	3.2
ARPU (in EUR)	12.3	12.2	0.7	11.7	11.7	0.0
Churn (%)	1.7%	1.8%		2.0%	2.2%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	658.2	667.2	-1.4	658.2	667.2	-1.4

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

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

The Croatian segment continued to exhibit positive operational trends also in Q2 2018. Competition remains mostly visible in the offerings of larger data packages and unlimited data offers. Bundles and convergent products with content are also becoming increasingly important. In line with this trend, Vipnet launched a new sports TV package in June 2018.

In April 2018 new mobile tariffs and options, which include more data and new flexible convergent products, were introduced for small enterprise customers. With regards to regulation, mobile termination rates have been cut since July 2017 while frequency usage fees have been lowered as of December 2017.

Mobile subscriber numbers 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 a decrease in voice and the shift towards mobile WiFi routers, which was partly mitigated by the strong demand for TV solutions.

Service revenues increased in Q2 2018

Total revenues in the Croatian segment rose despite an MTR rate cut in July 2017. The higher revenues were driven by an increase in mobile service revenues, mainly due to the ongoing strong demand for mobile WiFi routers. Fixed-line service revenues also continued to grow, backed by an increase in solutions & connectivity revenues and TV RGUs, but at a lower rate due to the shift of fixed-line-broadband towards mobile WiFi routers as mentioned above.

Average monthly revenue per user (ARPU) rose in the second quarter of 2018 as lower interconnection revenues were more than offset by the increased share of WiFi routers with higher ARPU. The rise in the average monthly revenue per fixed line (ARPL) was driven by less bitstream customers with a low ARPL and an increase in the business segment.

In the second quarter of 2018, total costs and expenses decreased, driven by lower bad debt which more than compensated for higher equipment costs and product-related costs such as content and commissions as well as increased roaming costs. Equipment costs were driven by increased handset prices as well as slightly higher subsidies.

EBITDA rose by 9.3% year-on-year

EBITDA increased by 9.3% year-on-year (excluding FX and one-off effects: +8.8%), mainly driven by higher mobile service revenues and lower bad debt.

Segment Belarus

Key performance indicators
Proforma view
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	97.7	103.6	-5.7	186.0	198.1	-6.1
Service revenues	72.9	82.6	-11.8	140.4	158.8	-11.6
thereof mobile service revenues	63.2	73.6	-14.2	122.2	141.3	-13.5
thereof fixed-line service revenues	9.7	8.9	8.5	18.2	17.6	3.8
Equipment revenues	18.3	15.9	14.7	35.6	30.0	18.6
Other operating income	6.6	5.1	28.9	9.9	9.2	8.0
EBITDA	45.3	52.6	-13.8	84.3	98.7	-14.7
% of total revenues	46.4%	50.8%		45.3%	49.8%	
EBIT	26.4	40.2	-34.4	47.6	73.8	-35.6
% of total revenues	27.0%	38.8%		25.6%	37.3%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	4,861.5	4,855.9	0.1	4,861.5	4,855.9	0.1
thereof postpaid	3,985.0	3,932.3	1.3	3,985.0	3,932.3	1.3
thereof prepaid	876.6	923.6	-5.1	876.6	923.6	-5.1
MoU (per Ø subscriber) *)	463.3	442.4	4.7	449.8	428.7	4.9
ARPU (in EUR)	4.3	5.0	-13.9	4.2	4.8	-12.9
Churn (%)	1.4%	1.6%		1.4%	1.7%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	614.9	458.2	34.2	614.9	458.2	34.2

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

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

Inflation rate of 4.1% year-on-year

In Belarus, operational developments of the last quarters mostly continued. Macroeconomic improvements continued 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 4.1% in June 2018. velcom strengthened its fixed-line business through the acquisitions of Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018. As the addition of Vitebsk Garant has only a minor financial impact, the company was not included in the proforma figures.

In March 2018, velcom increased its fixed-line tariffs for existing customers by 9.0%. Furthermore, inflation-linked price increases of 2.9% were implemented for mobile subscribers as of 1 April 2018.

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 increased data allowances. Additionally, selected social networks and messenger services can be used independently of data limits. Furthermore, velcom offers an unlimited data proposition to a small number of customers. 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

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

business grew, benefitting from the acquisition of the fixed-line provider Vitebsk Garant which had 137,300 RGUs.

Belarusian Rouble depreciated by 13.6% in Q2

Total revenues in the Belarusian segment decreased by 5.7% year-on-year (reported: -4.1%) but rose by 9.4% year-on-year (reported: +11.2%) excluding the negative FX impact of EUR 15.6 mn. 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, driven by the abovementioned price increases.

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 by higher frequency fees, site rentals, content costs and IT maintenance, which are partly denominated in foreign currency. Additionally, workforce costs rose due to salary increases.

In Euro terms, EBITDA decreased due to the negative FX translation effect of EUR 7.3 mn. Adjusted for FX and one-off effects EBITDA decreased by 3.2% in Q2 2018, as higher costs, which are partly denominated in foreign currency could not be fully offset by the increase in equipment revenues and fixed-line service revenues.

Segment Slovenia

Key performance indicators
Proforma view (= Reported view)
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	54.7	53.5	2.1	104.0	106.4	-2.3
Service revenues	40.5	42.4	-4.5	79.4	84.1	-5.6
thereof mobile service revenues	31.8	33.7	-5.8	62.0	66.8	-7.3
thereof fixed-line service revenues	8.7	8.7	0.7	17.5	17.3	1.1
Equipment revenues	13.0	10.1	29.1	22.3	20.2	10.1
Other operating income	1.2	1.1	10.4	2.3	2.1	9.8
EBITDA	11.4	10.2	11.2	18.7	22.3	-16.2
% of total revenues	20.8%	19.1%		18.0%	21.0%	
EBIT	4.1	3.1	32.4	4.3	6.9	-36.8
% of total revenues	7.5%	5.8%		4.2%	6.4%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	694.4	714.3	-2.8	694.4	714.3	-2.8
thereof postpaid	606.4	604.9	0.3	606.4	604.9	0.3
thereof prepaid	87.9	109.4	-19.6	87.9	109.4	-19.6
MoU (per Ø subscriber)*)	372.8	357.6	4.2	374.0	359.7	4.0
ARPU (in EUR)	15.2	15.7	-3.2	14.8	15.6	-5.2
Churn (%)	1.5%	1.7%		1.5%	1.7%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	176.9	177.1	-0.1	176.9	177.1	-0.1

*) 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.

Mobile competition remains fierce

In the second 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. Prices in the mobile residential and mobile SME business segment have been increased by 1 Euro as of 1 April 2018 for new and existing customers. In the fixed-line business, TV content has become a major differentiation factor as some commercial TV channels have changed from free air distribution to fixed-line-only distribution, for which customers now need to pay. Due to the resulting higher content costs, prices for IPTV were increased by 3 Euro for all customers as of 1 January 2018, which helped to stabilise fixed-line service revenues.

In the Slovenian segment, total revenues rose on the back of higher equipment revenues which more than offset lower mobile service revenues. Fixed-line revenues saw a stable development. The increase in equipment revenues was also related to dealer shipment which was particularly high in Q2 2018. Operationally, total revenues declined due to ongoing strong competition in the mobile segment.

The Q2 specific better equipment margin and stable operating expenses resulted in an EBITDA increase of 11.2%. The increase in cost of equipment and cost of services was fully offset by savings in the other areas. Excluding the positive effect in equipment revenues, EBITDA declined due to ongoing fierce competition in the mobile segment.

Segment Republic of Serbia

Key performance indicators
Proforma view (= Reported view)
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	59.1	54.2	9.2	116.2	105.2	10.5
Service revenues	41.8	35.5	17.6	79.1	67.8	16.6
thereof mobile service revenues	40.1	34.0	17.9	76.2	65.1	17.2
Equipment revenues	16.3	17.5	-6.9	35.0	35.0	0.2
Other operating income	1.0	1.1	-7.9	2.1	2.4	-12.2
EBITDA	11.7	9.1	28.2	21.5	16.8	27.5
% of total revenues	19.8%	16.9%		18.5%	16.0%	
EBIT	1.2	-2.0	n.m.	-0.2	-5.4	95.9
% of total revenues	1.9%	-3.7%		-0.2%	-5.1%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	2,173.1	2,158.7	0.7	2,173.1	2,158.7	0.7
thereof postpaid	1,416.3	1,271.9	11.4	1,416.3	1,271.9	11.4
thereof prepaid	756.8	886.8	-14.7	756.8	886.8	-14.7
MoU (per Ø subscriber)*)	328.0	283.1	15.9	320.2	277.1	15.6
ARPU (in EUR)	6.2	5.3	16.8	5.8	5.0	16.0
Churn (%)	3.1%	2.9%		3.2%	3.0%	

*) 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.

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 introduction of flat tariffs by the company in June 2017 was successful and the improving trends led to an increase in contract subscriber numbers. Trends were also supported by the high demand for mobile WiFi routers. Meanwhile, the competition also launched flat tariffs and one competitor introduced a premium price-plan with an unlimited data proposition in April 2018.

The increase in total revenues in the Serbian segment resulted from higher mobile service revenues following the successful introduction of flat tariffs in June 2017, which also led to strong ARPU growth.

Total revenues increased by 9.2%

Total costs and expenses rose, mainly driven by higher cost of equipment and interconnection costs due to unlimited tariffs, which led to increased outgoing traffic, as well as higher salesforce costs. Equipment costs rose due to higher subsidies per device and the increase in mobile WiFi routers.

EBITDA rose by 28.2% year-on-year (excluding FX and one-off effects: +23.2%) as the rise in service revenues more than offset both the lower equipment margin and the interconnection margin as well as higher salesforce costs.

EBITDA rose by 28.2%

Segment Republic of Macedonia

Key performance indicators
Proforma view (= Reported view)
Financials

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	29.8	28.0	6.6	57.9	55.3	4.8
Service revenues	27.8	26.4	5.3	54.1	52.0	4.0
thereof mobile service revenues	21.3	20.0	6.7	41.4	39.1	5.6
thereof fixed-line service revenues	6.5	6.5	1.0	12.8	12.9	-0.9
Equipment revenues	1.5	1.4	12.1	3.2	3.0	7.5
Other operating income	0.4	0.2	167.3	0.6	0.3	108.5
EBITDA	10.7	8.2	30.2	17.7	14.2	24.9
% of total revenues	35.9%	29.4%		30.6%	25.6%	
EBIT	7.2	0.5	n.m.	6.7	-5.3	n.m.
% of total revenues	24.2%	1.7%		11.5%	-9.6%	

Wireless indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Wireless subscribers (thousands)	1,062.2	1,088.3	-2.4	1,062.2	1,088.3	-2.4
thereof postpaid	654.4	644.5	1.5	654.4	644.5	1.5
thereof prepaid	407.8	443.8	-8.1	407.8	443.8	-8.1
MoU (per Ø subscriber) *)	457.5	408.3	12.1	439.5	418.7	5.0
ARPU (in EUR)	6.7	6.1	10.7	6.5	5.9	9.5
Churn (%)	1.7%	2.3%		1.7%	2.0%	

Wireline indicators	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
RGUs (thousands)	355.6	316.9	12.2	355.6	316.9	12.2

*) 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 Q2 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) as well as mobile postpaid subscribers and a decrease in the number of mobile prepaid subscribers. As of end of March 2018, one.Vip increased the data volume in its mobile tariffs to meet respective customer demands.

Adjusted EBITDA growth of 30.2% in Q2 2018

Total revenue growth in the Macedonian segment was mainly driven by higher mobile service revenues which were supported by upselling measures to higher tariffs. Total costs and expenses fell in a year-on-year comparison, driven by lower bad debt. Altogether, this led to EBITDA growth of 30.2% (excluding one-off effects: +28.7%).

Half-year 2018: Summary of Profit and Loss

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

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

- Negative effects stemming from the abolition of retail roaming in the EU as of 15 June 2017 derive mostly from Austria, with further impacts in Slovenia, Croatia and Bulgaria.
- The acquisition of the fixed-line operator Metronet in Croatia, consolidated as of 1 February 2017.
- The acquisitions of the fixed-line providers Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018, both in Belarus. As the financial impact of Vitebsk Garant on the Belarusian segment is marginal, no proforma view is provided on this acquisition.
- One-off effects of EUR 15.8 mn in revenues and EUR 15.5 mn in EBITDA in the first half of 2017 and of EUR 2.6 mn in revenues and EUR 2.2 mn in EBITDA in the first half of 2018, with the following main effects:
  - Positive EUR 10.6 mn in fixed-line service revenues stemming from the reversal of an accrual for wholesale services and of EUR 3.6 mn in other operating income, stemming from the release of an asset retirement obligation, both in Austria in Q1 2017.
- Total negative FX effects amounted to EUR 26.7 mn for total revenues and EUR 13.5 mn for EBITDA in the first half of 2018, stemming almost entirely from Belarus.
- Restructuring charges were almost zero in the respective periods.

Revenues

Group total revenues rose by 1.3% year-on-year

In the first half of 2018, A1 Telekom Austria Group saw an increase in revenues of 1.3% (reported: +1.6%). Excluding one-off and FX effects total revenues rose by 3.1% (reported: +3.4%) with service revenue growth in all segments except for Slovenia. Group service revenues increased by 0.5% (reported: +0.8%) without the one-off effect in Q1 2017 in Austria.

In the Austrian segment, total revenues increased by 1.2% year-on-year. Excluding the abovementioned one-off effects, total revenues rose by 2.3% and service revenues increased by 0.9%. Fixed-line service revenues rose on the back of price increases for existing customers as of 1 August 2017 as well as indexation measures for fixed-line customers as of 1 April 2018, which affected also mobile high-value customers. Solid demand for higher bandwidths and TV options also drove the fixed-line service revenue increase while fixed-line interconnection revenues declined due to lower volumes and prices. In the mobile business, the negative effects of the stepwise abolition of retail roaming in the EU were outweighed by high demand for mobile WiFi routers and high-value tariffs as well as the above mentioned indexation measure. Equipment revenues increased due to higher quantities sold and an updated handset portfolio with a shift to higher-value devices.

In the Bulgarian segment, total revenues rose by 5.2% in the first half of 2018. This was driven by the increase in fixed-line service revenues and equipment revenues. Fixed-line service revenues rose, supported by strong demand for the exclusive sports TV package and higher speeds as well as customised fixed-line corporate solutions. Equipment revenues grew due to lower subsidies per handset. Wireless service revenues remained stable as a slight increase in the business segment, due to less repricing and more customers, outweighed lower customer roaming due to the abolition of retail roaming.

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

In the Croatian segment, total revenues rose by 1.8% year-on-year (reported: +3.0%). This development was attributable to the rise in mobile service revenues and growth in the fixed-line business. Fixed-line service revenues grew due to higher solutions and connectivity revenues but were impacted by the shift towards mobile WiFi routers. Mobile service revenues profited from the strong demand for mobile WiFi routers which outweighed the negative impact of a termination rate cut in July 2017.

Total revenues in the Belarusian segment decreased by 6.1% year-on-year (reported: -4.5%) in Euro terms, while they rose by 10.2% year-on-year (reported: +12.1%) on a local currency basis. This increase was driven by higher equipment revenues due to a shift towards more expensive handsets and higher quantities. Also, the operational growth on the back of an inflation-linked price increase in the mobile business as of April 2018 and a price increase of 9% in the fixed-line business as of March 2018, supported the revenue growth.

In Slovenia total revenues decreased by 2.3% year-on-year, as the decrease in revenues from mobile services due to the enduring highly competitive environment more than offset increasing equipment revenues due to higher prices of handsets sold. Total revenues in the Republic of Serbia increased by 10.5% year-on-year as a result of higher monthly fees which more than outweighed lower interconnection revenues due to a mobile termination rate cut in January 2018. Total revenues in the Republic of Macedonia rose by 4.8% year-on-year due to higher mobile service revenues resulting from higher monthly fees and upselling activities.

Total Costs and Expenses

Group total costs and expenses increased by 2.1% year-on-year (reported: +2.4%). Investments in high-value customers led to a rise in costs of equipment, higher sales area costs and increased content costs. Also, investments into A1 Digital, included in the position ‘Corporate & other, eliminations’, had a negative impact on Group total costs and expenses. Interconnection costs and bad debts were lower compared to the previous year.

EBITDA

Group EBITDA grew by 3.3% year-on-year; excl. FX-, one-off effects and restructuring

Group EBITDA decreased slightly by 0.4% in the first half of 2018 (reported: -0.1%). Adjusted for one-off effects, FX effects and restructuring charges, EBITDA rose by 3.3% (reported: +3.6%), with growth in all segments except for Slovenia. Investments into A1 Digital had a negative impact on Group EBITDA but were outweighed by the solid performance of the fixed-line business, while the equipment margin remained stable.

In the Austrian segment, higher total revenues offset the rise in total costs and expenses and allowed a rise in EBITDA of 1.2%. Adjusted for one-off effects as well as restructuring expenses, EBITDA rose by 4.4%. The year-on-year comparison was negatively affected by project-driven revenue contribution and some reversals of accruals in Q2 2017. In the first half of 2018, total costs and expenses in the Austrian segment rose by 1.2% year-on-year. Cost of equipment as well as product-related costs such as commissions experienced an increase. These increases were partially offset by lower interconnection expenses. Cost of equipment rose primarily due to higher handset subsidies and higher quantities.

In the Bulgarian segment, increasing total revenues could more than offset higher costs and expenses which resulted in an EBITDA increase of 9.7% (excluding one-off effects: +7.4%). The increase in total costs and expenses of 3.2% in comparison with the previous year was driven by higher interconnection costs and increased employee costs due to sales initiatives. Bad debt expenses also rose year-on-year due to lower collections. These cost increases were partially offset by lower network maintenance costs and lower commissions.

Also in the Croatian segment, higher revenues and lower costs and expenses led to an EBITDA increase of 12.3% year-on-year(excluding one-off effects: +11.8%). The decrease in costs and expenses in the year under review was primarily due to lower bad debts and MTR-cut-driven lower interconnection costs.

In the Belarusian segment, the lower revenues and higher costs and expenses resulted in an EBITDA decline of 14.7% (reported: -14.1%). Excluding the negative FX effects amounting to EUR 14.7 mn, EBITDA in Belarus was stable year-on-year (+0.2%; reported: +0.9%). Costs and expenses increased which resulted mostly from equipment costs due to more expensive handsets and higher quantities as well as higher content costs and FX-denominated costs such as frequency usage fees.

In Slovenia, lower revenues and higher roaming, interconnection and content costs in the period under review resulted in a significant EBITDA decrease of 16.2% year-on-year. In the Republic of Serbia, the higher mobile service revenues more than offset the lower equipment margin. This resulted in an EBITDA growth of 27.5% (excluding FX and one-off effects: +22.2%). In the Republic of Macedonia, EBITDA grew by 24.9% (excluding one-off effects: +26.0%) in the period under review as mobile service revenues grew while administration costs declined.

Operating Income

In the first half of 2018, depreciation and amortisation increased by 29.0% to EUR 550.7 mn (reported: +29.3%) in comparison with the previous year. This increase was primarily due to the brand value amortisation in Bulgaria, which has now been fully amortised, as well as, to a lesser degree, in Belarus, Croatia, and the Republic of Macedonia, in conjunction with the Group-wide rebranding. As a result, operating income declined by 46.2% to EUR 147.2 mn compared with the previous year (reported: -46.1%). Excluding brand value amortisation in the amount of EUR 173.5 mn, operating income increased by 17.2% (reported: +17.5%).

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

Consolidated Net Result

Net result increase of 22.5% excl. brand value amortisation

In the first half of 2018, A1 Telekom Austria Group recorded a financial result of negative EUR 33.7 mn, which means an improvement of 23.8% compared to the previous year. This was partly due to lower interest expenses on financial liabilities. The FX differences amounted to positive EUR 7.9 mn compared to positive EUR 4.2 mn in the first half of 2017. Higher tax expenses of EUR 31.0 mn were reported in the first half of 2018 (1-6 M 2017: EUR 19.7 mn), mainly due to higher EBT in Austria. Overall, the A1 Telekom Austria Group reported a net result of EUR 82.5 mn in the first half of 2018 compared to EUR 208.9 mn in the first half of 2017. Excluding the brand value amortisation, net result rose by 22.5%.

A1 Telekom Austria Group outlook for the full year 2018 unchanged

In the first half of 2018, A1 Telekom Austria Group continued to grow total revenues and EBITDA (adjusted for FX and one-off effects as well as restructuring charges) via a clear focus on high-value customers and attractive fixed-line propositions. This was achieved despite the fact that most of the Group's mobile markets continued to be characterised by intense competition and regulatory burdens. The Belarusian Rouble mostly followed the movement of the Russian Rouble and depreciated by 14.8% year-on-year (period average). Stable costs and a stable equipment margin enabled the translation of the solid revenue growth into an EBITDA increase. Results in the first half of 2018 were again negatively impacted by the stepwise abolition of retail roaming in the EU. This effect has now annualised.

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. As of 30 June 2018, EUR 297.4 mn have already been amoritised, thereof EUR 173.5 mn so far in 2018. The brand value amortisation negatively affects the net result.

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 most 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 came in at the bottom end of the anticipated 1.0% to 1.5% of Group EBITDA for the full year 2018. Contrary to the supportive FX development in 2017, the operational performance in Belarus is expected to be negatively affected by a devaluation of the Belarusian Rouble.

In this business environment, the Management of A1 Telekom Austria Group remains committed to its growth strategy and is concentrating on the following focus areas: exceling in the core business, 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. The Belarusian Rouble devalued 14.8% in the first half of the year.

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 solid investment grade rating. In June 2018, Moody's upgraded the rating for A1 Telekom Austria Group to Baa1 while Standard & Poor's confirmed the BBB rating. 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.[6]

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[6] Please note that this 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: second quarter of 2018 (reported)

in EUR million	Q2 2018 IAS 18	Q2 2017 IAS 18	% change	Q2 2018 IFRS 15
Service revenues	949.8	944.5	0.6	916.3
Equipment revenues	123.2	116.6	5.7	151.7
Other operating income	26.3	21.8	20.4	26.3
Total revenues	**1,099.3**	**1,082.9**	**1.5**	**1,094.3**
Cost of service	-342.8	-342.7	0.0	-342.8
Cost of equipment	-144.0	-128.9	-11.7	-145.8
Selling, general & administrative expenses	-253.9	-251.0	-1.1	-245.0
Other expenses	-2.1	-1.0	-110.0	-2.1
Total costs and expenses	**-742.9**	**-723.6**	**-2.7**	**-735.8**
EBITDA	**356.4**	**359.3**	**-0.8**	**358.6**
% of total revenues	32.4%	33.2%		32.8%
Depreciation and amortisation	-260.8	-212.8	-22.5	-260.8
EBIT	**95.6**	**146.5**	**-34.8**	**97.7**
% of total revenues	8.7%	13.5%		8.9%
Interest income	3.5	3.7	-6.8	1.4
Interest expense	-21.7	-23.5	7.4	-21.7
Other financial expense	-1.9	-2.7	30.5	-1.9
Foreign currency exchange differences	4.7	-0.3	n.m.	4.7
Equity interest in net income of affiliates	-0.3	-0.6	51.3	-0.3
Earnings before income tax (EBT)	**79.8**	**123.1**	**-35.2**	**79.9**
Income tax	-21.8	-10.6	-105.3	-21.8
Net result*)	**58.0**	**112.5**	**-48.4**	**58.1**

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

Income statement: first half of 2018 (reported)

in EUR million	1-6 M 2018 IAS 18	1-6 M 2017 IAS 18	% change	1-6 M 2018 IFRS 15
Service revenues	1,881.1	1,877.2	0.2	1,814.8
Equipment revenues	246.9	219.4	12.5	305.5
Other operating income	47.2	45.2	4.3	47.2
Total revenues	**2,175.2**	**2,141.9**	**1.6**	**2,167.4**
Cost of service	-683.7	-683.8	0.0	-683.7
Cost of equipment	-284.7	-256.6	-10.9	-286.3
Selling, general & administrative expenses	-504.1	-498.7	-1.1	-485.2
Other expenses	-4.8	-3.8	-25.2	-4.8
Total costs and expenses	**-1,477.3**	**-1,443.0**	**-2.4**	**-1,460.0**
EBITDA	**697.9**	**698.9**	**-0.1**	**707.5**
% of total revenues	32.1%	32.6%		32.6%
Depreciation and amortisation	-550.7	-425.9	-29.3	-550.7
EBIT	**147.2**	**272.9**	**-46.1**	**156.8**
% of total revenues	6.8%	12.7%		7.2%
Interest income	6.7	7.2	-7.8	2.6
Interest expense	-43.6	-48.2	9.5	-43.6
Other financial expense	-4.6	-6.8	32.9	-4.6
Foreign currency exchange differences	7.9	4.2	89.9	7.9
Equity interest in net income of affiliates	-0.1	-0.7	80.0	-0.1
Earnings before income tax (EBT)	**113.5**	**228.6**	**-50.4**	**119.0**
Income tax	-31.0	-19.7	-57.2	-32.5
Net result*)	**82.5**	**208.9**	**-60.5**	**86.5**

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

ARPU: second quarter of 2018 (reported)

in EUR	Q2 2018 IAS 18	Q2 2017 IAS 18	% change	Q2 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	15.9	15.5	2.9	14.5	-1.4
Bulgaria	5.6	5.4	3.8	5.2	-0.4
Croatia	12.3	12.2	0.7	11.0	-1.3
Belarus	4.3	5.0	-13.9	4.3	0.0
Slovenia	15.2	15.7	-3.2	14.6	-0.6
Republic of Serbia	6.2	5.3	16.8	6.9	0.8
Republic of Macedonia	6.7	6.1	10.7	5.7	-1.0
Group ARPU	**8.7**	**8.7**	**0.0**	**8.1**	**-0.5**

ARPU: first half of 2018 (reported)

in EUR	1-6 M 2018 IAS 18	1-6 M 2017 IAS 18	% change	1-6 M 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	15.9	15.5	2.8	14.5	-1.4
Bulgaria	5.5	5.3	3.3	5.1	-0.4
Croatia	11.7	11.7	0.0	10.5	-1.2
Belarus	4.2	4.8	-12.9	4.2	0.0
Slovenia	14.8	15.6	-5.2	14.2	-0.6
Republic of Serbia	5.8	5.0	16.0	6.7	0.9
Republic of Macedonia	6.5	5.9	9.5	5.5	-1.0
Group ARPU	**8.5**	**8.6**	**-0.3**	**8.0**	**-0.5**

ARPL: second quarter of 2018 (reported)

in EUR	Q2 2018 IAS 18	Q2 2017 IAS 18	% change	Q2 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	30.5	28.5	7.2	30.4	-0.1
Bulgaria	12.5	11.4	10.3	12.5	-0.1
Croatia	28.8	28.3	1.8	29.1	0.3
Belarus*	5.6	8.5	-34.4	5.6	0.0
Slovenia	35.8	35.3	1.3	35.7	-0.1
Republic of Serbia	n.a.	n.a.	n.a.	n.a.	n.a.
Republic of Macedonia	11.7	12.4	-5.7	11.9	0.2

* ARPL in Belarus is affected by the acquisitions of the fixed-line providers Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018, which have a comparably low ARPL.

ARPL: first half of 2018 (reported)

in EUR	1-6 M 2018 IAS 18	1-6 M 2017 IAS 18	% change	1-6 M 2018 IFRS 15	Absolute change (IFRS15 - IAS18)
Austria	30.4	28.3	7.4	30.4	0.0
Bulgaria	12.4	11.2	10.8	12.3	-0.1
Croatia	28.8	27.4	5.1	28.8	0.0
Belarus*	5.7	8.2	-30.2	5.7	0.0
Slovenia	36.2	35.8	1.2	36.2	0.0
Republic of Serbia	n.a.	n.a.	n.a.	n.a.	n.a.
Republic of Macedonia	11.7	12.3	-5.2	11.7	0.0

* ARPL in Belarus is affected by the acquisitions of the fixed-line providers Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018, which have a comparably low ARPL.

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.

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

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Austria	228.8	229.9	-0.5	463.6	443.9	4.4
Bulgaria	35.6	33.3	7.0	66.5	61.9	7.4
Croatia	27.8	25.6	8.8	53.4	47.8	11.8
Belarus	50.9	52.6	-3.2	96.8	97.6	-0.8
Slovenia	11.4	10.2	11.2	18.7	22.3	-16.2
Republic of Serbia	11.2	9.1	23.2	20.6	16.8	22.2
Republic of Macedonia	10.2	7.9	28.7	17.2	13.6	26.0
Corporate & other, eliminations	-15.6	-9.2	n.m.	-28.9	-19.0	n.m.
Total adjusted EBITDA	**360.3**	**359.5**	**0.2**	**707.9**	**685.0**	**3.3**

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

in EUR million	Q2 2018	Q2 2017	% change	1-6 M 2018	1-6 M 2017	% change
EBITDA (reported)	**356.4**	**359.3**	**-0.8**	**697.9**	**698.9**	**-0.1**
FX translation effect	6.7			13.5		
One-off effects	-2.9	-0.4		-3.8	-15.6	
Restructuring charges	0.1	0.2		0.2	0.1	
Adjusted EBITDA (reported)	**360.3**	**359.1**	**0.3**	**707.9**	**683.3**	**3.6**
M&A effect		0.3			1.7	
Adjusted EBITDA (proforma)	**360.3**	**359.5**	**0.2**	**707.9**	**685.0**	**3.3**

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

in EUR million	Q2 2018	Q2 2017	% change	1-6 M 2018	1-6 M 2017	% change
EBITDA (reported)	**228.7**	**229.8**	**-0.5**	**463.4**	**458.1**	**1.2**
One-off effects					-14.2	
Restructuring charges	0.1	0.2		0.2	0.1	
Adjusted EBITDA (reported)	**228.8**	**229.9**	**-0.5**	**463.6**	**443.9**	**4.4**

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)	Q2 2018 reported	Q2 2017 reported	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Austria	191.7	185.9	3.2	383.9	371.6	3.3
Bulgaria	19.9	18.3	9.0	39.4	36.1	9.2
Croatia	25.5	26.0	-2.0	51.0	49.7	2.7
Belarus	6.4	4.5	42.3	11.8	8.7	36.4
Slovenia	7.6	7.5	1.9	15.3	15.2	1.3
Republic of Serbia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Republic of Macedonia	5.4	5.3	1.1	10.7	10.6	1.1

Access lines (in '000)	Q2 2018 reported	Q2 2017 reported	% change
Austria	2,085.7	2,160.2	-3.4
Bulgaria	532.0	535.6	-0.7
Croatia	293.8	305.3	-3.8
Belarus	423.5	179.3	136.2
Slovenia	71.3	70.5	1.2
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	154.7	143.5	7.8

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)	1-6 M 2018 reported	1-6 M 2017 reported	% change
Net cash flow from operating activities	600.1	576.1	4.2
Capital expenditures paid	-366.4	-378.2	3.1
Proceeds from sale of plant, property and equipment	4.3	10.1	-57.7
Interest paid	-32.3	-56.1	42.4
Free cash flow	205.7	151.9	35.4

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	Q2 2018 reported	Q2 2017 reported	% change	1-6 M 2018 reported	1-6 M 2017 reported	% change
Total revenues	97.7	101.9	-4.1	186.0	194.7	-4.5
Total costs and expenses	-52.4	-49.6	-5.5	-101.7	-96.7	-5.2
EBITDA	45.3	52.2	-13.2	84.3	98.1	-14.1

in BYN million	Q2 2018 reported	Q2 2017 reported	% change	1-6 M 2018 reported	1-6 M 2017 reported	% change
Total revenues	233.9	210.3	11.2	448.0	399.5	12.1
Total costs and expenses	-125.3	-102.5	-22.3	-245.0	-198.3	-23.6
EBITDA	108.6	107.8	0.7	203.0	201.2	0.9

in EUR million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	97.7	103.6	-5.7	186.0	198.1	-6.1
Total costs and expenses	-52.4	-51.0	-2.6	-101.7	-99.3	-2.4
EBITDA	45.3	52.6	-13.8	84.3	98.7	-14.7

in BYN million	Q2 2018 reported	Q2 2017 proforma	% change	1-6 M 2018 reported	1-6 M 2017 proforma	% change
Total revenues	233.9	213.9	9.4	448.0	406.4	10.2
Total costs and expenses	-125.3	-105.4	-19.0	-245.0	-203.8	-20.2
EBITDA	108.6	108.5	0.0	203.0	202.6	0.2

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 operator Metronet in Croatia, consolidated as of 1 February 2017.
- The acquisitions of the fixed-line providers Garant (Gomel), consolidated as of 1 August 2017, and Vitebsk Garant, consolidated as of 1 May 2018, both in Belarus. As the financial impact of Vitebsk Garant on the Belarusian segment is marginal, no proforma view is provided on this acquisition.

Group Overview: second quarter of 2018

Key performance indicators

in EUR million	Q2 2018 reported	Q2 2017 reported	% change	Q2 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	1,099.3	1,082.9	1.5	1,084.7	1.3	1.7
Service revenues	949.8	944.5	0.6	946.1	0.4	1.6
thereof mobile service revenues	536.9	536.1	0.1	536.1	0.1	0.0
thereof fixed-line service revenues	412.9	408.4	1.1	409.9	0.7	1.6
Equipment revenues	123.2	116.6	5.7	116.6	5.7	0.0
Other operating income	26.3	21.8	20.4	22.0	19.5	0.2
EBITDA	356.4	359.3	-0.8	359.7	-0.9	0.3
% of total revenues	32.4%	33.2%		33.2%		
EBIT	95.6	146.5	-34.8	146.6	-34.8	0.1
% of total revenues	8.7%	13.5%		13.5%		

Wireline indicators	Q2 2018 reported	Q2 2017 reported	% change	Q2 2017 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	6,183.1	5,899.0	4.8	6,056.6	2.1	157.6

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

Group Overview: first half of 2018

Key performance indicators

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	2,175.2	2,141.9	1.6	2,147.6	1.3	5.7
Service revenues	1,881.1	1,877.2	0.2	1,882.5	-0.1	5.3
thereof mobile service revenues	1,057.5	1,060.2	-0.3	1,060.2	-0.3	0.0
thereof fixed-line service revenues	823.6	817.1	0.8	822.4	0.2	5.3
Equipment revenues	246.9	219.4	12.5	219.4	12.5	0.0
Other operating income	47.2	45.2	4.3	45.6	3.3	0.4
EBITDA	697.9	698.9	-0.1	700.6	-0.4	1.7
% of total revenues	32.1%	32.6%		32.6%		
EBIT	147.2	272.9	-46.1	273.7	-46.2	0.7
% of total revenues	6.8%	12.7%		12.7%		

Depreciation and Amortisation

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	217.2	240.6	-9.7	240.6	-9.7	0.0
Bulgaria	190.8	59.4	221.0	59.4	221.0	0.0
Croatia	58.2	43.0	35.2	43.5	33.8	0.5
Belarus	36.7	24.4	50.4	24.9	47.3	0.5
Slovenia	14.4	15.5	-7.1	15.5	-7.1	0.0
Republic of Serbia	21.7	22.2	-2.3	22.2	-2.3	0.0
Republic of Macedonia	11.0	19.5	-43.5	19.5	-43.5	0.0
Corporate & other, eliminations	0.8	1.3	-43.5	1.3	-43.5	0.0
Total D&A	**550.7**	**425.9**	**29.3**	**426.9**	**29.0**	**1.0**

EBIT

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	246.2	217.5	13.2	217.5	13.2	0.0
Bulgaria	-123.2	2.2	n.m.	2.2	n.m.	0.0
Croatia	-4.5	3.7	n.m.	4.3	n.m.	0.6
Belarus	47.6	73.7	-35.4	73.8	-35.6	0.1
Slovenia	4.3	6.9	-36.8	6.9	-36.8	0.0
Republic of Serbia	-0.2	-5.4	95.9	-5.4	95.9	0.0
Republic of Macedonia	6.7	-5.3	n.m.	-5.3	n.m.	0.0
Corporate & other, eliminations	-29.7	-20.3	-46.1	-20.3	-46.1	0.0
Total EBIT	**147.2**	**272.9**	**-46.1**	**273.7**	**-46.2**	**0.7**

Capital Expenditures*)

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Austria	214.9	218.7	-1.7	218.7	-1.7	0.0
Bulgaria	24.6	39.9	-38.4	39.9	-38.4	0.0
Croatia	36.3	37.2	-2.3	37.6	-3.4	0.4
Belarus	11.8	14.3	-17.9	15.0	-21.6	0.7
Slovenia	7.3	26.3	-72.3	26.3	-72.3	0.0
Republic of Serbia	11.1	15.7	-29.1	15.7	-29.1	0.0
Republic of Macedonia	7.0	5.6	24.7	5.6	24.7	0.0
Corporate & other, eliminations	0.5	-6.4	n.m.	-6.4	n.m.	0.0
Total capital expenditures	**313.4**	**351.3**	**-10.8**	**352.4**	**-11.1**	**1.1**

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

Capital Expenditures – Tangible

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change
Austria	180.5	185.9	-2.9
Bulgaria	19.1	26.7	-28.7
Croatia	33.5	33.5	-0.2
Belarus	8.5	12.2	-30.2
Slovenia	5.6	6.9	-19.2
Republic of Serbia	9.0	12.0	-24.9
Republic of Macedonia	6.6	4.7	39.4
Corporate & other, eliminations	-0.3	-5.0	94.1
Total capital expenditures - tangible	**262.5**	277.0	**-5.2**

Capital Expenditures – Intangible

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change
Austria	34.4	32.8	4.7
Bulgaria	5.5	13.2	-58.2
Croatia	2.9	3.7	-21.8
Belarus	3.3	2.1	52.0
Slovenia	1.7	19.4	-91.2
Republic of Serbia	2.1	3.7	-42.7
Republic of Macedonia	0.4	0.9	-56.6
Corporate & other, eliminations	0.8	-1.5	n.m.
Total capital expenditures - intangible	**50.9**	74.2	**-31.4**

Segment Croatia – first half of 2018

Key performance indicators

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	213.1	207.0	3.0	209.3	1.8	2.4
Service revenues	186.7	180.5	3.4	182.7	2.1	2.2
thereof mobile service revenues	124.4	121.4	2.5	121.4	2.5	0.0
thereof fixed-line service revenues	62.3	59.1	5.4	61.3	1.5	2.3
Equipment revenues	23.7	23.6	0.2	23.6	0.2	0.0
Other operating income	2.8	2.8	-1.8	3.0	-6.2	0.1
EBITDA	53.6	46.7	14.8	47.8	12.3	1.1
% of total revenues	25.2%	22.6%		22.8%		
EBIT	-4.5	3.7	n.m.	4.3	n.m.	0.6
% of total revenues	-2.1%	1.8%		2.1%		

Wireline indicators	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-12 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	658.2	667.2	-1.4	667.2	-1.4	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 – second quarter of 2018

Key performance indicators

in EUR million	Q2 2018 reported	Q2 2017 reported	% change	Q2 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	97.7	101.9	-4.1	103.6	-5.7	1.7
Service revenues	72.9	81.0	-10.1	82.6	-11.8	1.6
thereof mobile service revenues	63.2	73.6	-14.2	73.6	-14.2	0.0
thereof fixed-line service revenues	9.7	7.4	31.3	8.9	8.5	1.6
Equipment revenues	18.3	15.9	14.7	15.9	14.7	0.0
Other operating income	6.6	4.9	33.0	5.1	28.9	0.2
EBITDA	45.3	52.2	-13.2	52.6	-13.8	0.3
% of total revenues	46.4%	51.3%		50.8%		
EBIT	26.4	40.1	-34.2	40.2	-34.4	0.1
% of total revenues	27.0%	39.4%		38.8%		

Wireline indicators	Q2 2018 reported	Q2 2017 reported	% change	Q2 2017 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	614.9	300.7	104.5	458.2	34.2	157.6

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 half of 2018

Key performance indicators

in EUR million	1-6 M 2018 reported	1-6 M 2017 reported	% change	1-6 M 2017 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	186.0	194.7	-4.5	198.1	-6.1	3.3
Service revenues	140.4	155.8	-9.9	158.8	-11.6	3.1
thereof mobile service revenues	122.2	141.3	-13.5	141.3	-13.5	0.0
thereof fixed-line service revenues	18.2	14.5	25.7	17.6	3.8	3.1
Equipment revenues	35.6	30.0	18.6	30.0	18.6	0.0
Other operating income	9.9	8.9	11.3	9.2	8.0	0.3
EBITDA	84.3	98.1	-14.1	98.7	-14.7	0.6
% of total revenues	45.3%	50.4%		49.8%		
EBIT	47.6	73.7	-35.4	73.8	-35.6	0.1
% of total revenues	25.6%	37.8%		37.3%		

Additional Information

Risks and Uncertainties

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

Waiver of Review

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

Other

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

The reported results include depreciation and 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 Interim Financial Statements A1 Telekom Austria Group

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

Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q2 2018 unaudited	Q2 2017 unaudited	1-6 M 2018 unaudited	1-6 M 2017 unaudited
Service Revenues (incl. other operating income)	942.6	966.4	1,862.0	1,922.5
Equipment revenues	151.7	116.6	305.5	219.4
Total revenues (incl. other operating income - OOI)	**1,094.3**	**1,082.9**	**2,167.4**	**2,141.9**
Cost of service	-342.8	-342.7	-683.7	-683.8
Cost of equipment	-145.8	-128.9	-286.3	-256.6
Selling, general & administrative expenses	-245.0	-251.0	-485.2	-498.7
Other expenses	-2.1	-1.0	-4.8	-3.8
Total cost and expenses	**-735.8**	**-723.6**	**-1,460.0**	**-1,443.0**
Earnings before interest, tax, depreciation and amortisation - EBITDA	**358.6**	**359.3**	**707.5**	**698.9**
Depreciation and amortisation	-260.8	-212.8	-550.7	-425.9
Operating income - EBIT	**97.7**	**146.5**	**156.8**	**272.9**
Interest income	1.4	3.7	2.6	7.2
Interest expense on financial liabilities	-21.7	-23.5	-43.6	-48.2
Interest on employee benefits and restructuring and other financial items, net	-1.9	-2.7	-4.6	-6.8
Foreign currency exchange differences, net	4.7	-0.3	7.9	4.2
Equity interest in net income of associated companies	-0.3	-0.6	-0.1	-0.7
Financial result	**-17.8**	**-23.4**	**-37.8**	**-44.3**
Earnings before income tax - EBT	**79.9**	**123.1**	**119.0**	**228.6**
Income tax	-21.8	-10.6	-32.5	-19.7
Net result	**58.1**	**112.5**	**86.5**	**208.9**
Attributable to:				
Equity holders of the parent	58.0	106.1	84.1	196.3
Non-controlling interests	0.1	0.1	0.2	0.1
Hybrid capital owners	0.0	6.3	2.2	12.6
Basic and diluted earnings per share attributable to equity holders of the parent	**0.1**	**0.2**	**0.1**	**0.3**
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841	664,084,841	664,084,841
Other comprehensive income items:				
Items that may be reclassified to profit or loss:				
Effect of translation of foreign entities	13.8	-22.6	9.5	-15.8
Realised result on hedging activities, net of tax	1.1	1.1	2.2	2.2
Unrealised result on securities, net of tax	0.0	-0.1	0.0	0.1
Items that will not be reclassified to profit or loss:				
Remeasurements of defined benefit obligations, net of tax	-1.0	-0.9	-1.9	-1.8
Total other comprehensive income (loss)	**13.9**	**-22.5**	**9.8**	**-15.3**
Total comprehensive income (loss)	**72.0**	**90.0**	**96.3**	**193.6**
Attributable to:				
Equity holders of the parent	71.9	83.6	93.9	181.0
Non-controlling interests	0.1	0.1	0.2	0.1
Hybrid capital owners	0.0	6.3	2.2	12.6

Condensed Consolidated Statements of Financial Position

in EUR million	30 June 2018 unaudited	1 January 2018 unaudited	31 Dec. 2017 audited
ASSETS			
Current assets			
Cash and cash equivalents	63.7	202.4	202.4
Accounts receivable: Subscribers, distributors and other, net	767.7	708.3	679.3
Receivables due from related parties	1.2	0.9	0.9
Inventories, net	108.6	102.4	87.4
Income tax receivable	1.7	2.8	2.8
Other current assets, net	129.9	98.3	253.4
Contract assets	143.5	145.6	0.0
Contract costs	40.5	42.3	0.0
Total current assets	1,256.8	1,303.1	1,226.3
Non-current assets			
Property, plant and equipment, net	2,639.9	2,627.9	2,627.9
Intangibles, net	1,833.2	2,075.9	2,075.9
Goodwill	1,279.0	1,276.3	1,276.3
Investments in associated companies	33.2	34.0	34.0
Long-term investments	11.8	13.4	12.9
Deferred income tax assets	309.1	325.4	327.1
Other non-current assets, net	17.2	10.1	57.9
Total non-current assets	6,123.4	6,363.0	6,412.0
TOTAL ASSETS	7,380.2	7,666.1	7,638.3
LIABILITIES AND STOCKHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	-422.7	-0.6	-0.6
Accounts payable	-780.9	-784.2	-784.2
Accrued liabilities and current provisions	-232.2	-246.2	-265.9
Income tax payable	-53.0	-35.9	-35.9
Payables due to related parties	-0.5	-0.6	-0.6
Contract liability	-178.6	-161.6	0.0
Deferred revenues	0.0	0.0	-156.6
Total current liabilities	-1,667.8	-1,229.1	-1,243.7
Non-current liabilities			
Long-term debt	-2,535.1	-2,533.6	-2,533.6
Deferred income tax liabilities	-35.1	-51.0	-41.6
Deferred revenues and other non-current liabilities	-28.5	-28.5	-38.3
Asset retirement obligation and restructuring	-600.6	-646.9	-646.9
Employee benefits	-203.2	-196.8	-196.8
Total non-current liabilities	-3,402.5	-3,456.8	-3,457.2
Stockholders' equity			
Capital stock	-1,449.3	-1,449.3	-1,449.3
Treasury shares	7.8	7.8	7.8
Additional paid-in capital	-1,100.1	-1,100.1	-1,100.1
Hybrid capital	0.0	-591.2	-591.2
Retained earnings	-446.5	-534.8	-491.9
Other comprehensive income (loss) items	680.4	690.2	690.1
Equity attributable to equity holders of the parent	-2,307.7	-2,977.5	-2,934.6
Non-controlling interest	-2.2	-2.7	-2.7
Total stockholders' equity	-2,309.9	-2,980.2	-2,937.4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-7,380.2	-7,666.1	-7,638.3

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	Q2 2018 unaudited	Q2 2017 unaudited	1-6 M 2018 unaudited	1-6 M 2017 unaudited
Earnings before income tax - EBT	79.9	123.1	119.0	228.6
Items not requiring the use of cash and other reconciliation:				
Depreciation	121.8	135.3	248.0	266.2
Amortisation of intangible assets	139.0	77.6	302.7	159.7
Fair value measuremet investments	-0.2	0.0	-0.1	0.0
Equity interest in net income of associated companies	0.3	0.6	0.1	0.7
Result on sale of investments	0.0	0.0	0.0	-0.1
Result on sale of property, plant and equipment	0.6	0.3	2.0	2.6
Net period cost of labor obligations and restructuring	3.8	4.1	7.1	7.7
Foreign currency exchange differences, net	-4.7	0.3	-7.9	-4.2
Interest income	-1.4	-3.7	-2.6	-7.2
Interest expense	22.3	24.2	44.8	51.0
Other adjustments	-1.5	-0.1	-1.9	-5.2
Changes in working capital and other financial positions:				
Accounts receivable from subscribers, distributors and other	-28.5	-49.6	-42.4	-57.5
Prepaid expenses	3.3	2.6	-16.6	-14.1
Due from related parties	-0.2	0.0	-0.2	-0.1
Inventories	8.9	2.0	-5.6	-8.5
Other assets	-18.1	-2.7	-24.7	8.3
Contract assets	4.0	0.0	2.5	0.0
Contract costs	1.4	0.0	1.9	0.0
Employee benefits and restructuring	-23.9	-26.6	-48.7	-53.4
Accounts payable and accrued liabilities	23.8	25.9	17.0	10.6
Due to related parties	0.0	-1.2	-0.1	-4.2
Contract liability	8.4	0.0	17.0	0.0
Deferred revenues	0.0	4.0	0.0	-1.1
Interest received	1.4	3.7	2.6	7.2
Income taxes paid	-9.8	-5.6	-13.9	-11.0
Net cash flow from operating activities	330.8	314.2	600.1	576.1
Capital expenditures paid	-178.6	-169.4	-366.4	-378.2
Dividends received from associates	0.1	0.0	0.8	0.0
Proceeds from sale of plant, property and equipment	1.8	1.6	4.3	10.1
Proceeds from sale of investment	0.6	0.2	1.6	0.5
Acquisition of businesses, net of cash acquired	-4.0	2.5	-4.0	-70.5
Sale of shares of associated companies	0.0	0.0	0.1	0.0
Net cash flow from investing activities	-180.2	-165.1	-363.6	-438.2
Repayments of long-term debt	0.0	-22.0	0.0	-522.0
Interest paid	-31.0	-32.1	-32.3	-56.1
Change in short-term debt	19.5	32.3	183.6	197.7
Dividends paid	-132.8	-132.8	-167.2	-166.7
Issuance of short-term debt	0.0	0.0	240.0	0.0
Redemption of hybrid bond	0.0	0.0	-600.0	0.0
Aquisition of non-controlling interest	0.0	-1.0	0.0	-1.0
Net cash flow from financing activities	-144.3	-155.7	-375.9	-548.1
Adjustment to cash flows due to exchange rate fluctuations, net	0.5	-0.9	0.7	-0.9
Net change in cash and cash equivalents	6.8	-7.5	-138.7	-411.2
Cash and cash equivalents beginning of period	56.8	53.8	202.4	457.5
Cash and cash equivalents end of period	63.7	46.3	63.7	46.3

Capital expenditures

in EUR million	Q2 2018 unaudited	Q2 2017 unaudited	% change	1-6 M 2018 unaudited	1-6 M 2017 unaudited	% change
Capital expenditures paid	**178.6**	**169.4**	**5.5%**	**366.4**	**378.2**	**-%3.1**
Reconciliation of additions in accounts payable	-5.3	1.9	n.a.	-43.1	-27.0	59.9%
Reconciliation of government grants	-5.2	0.0	n.a.	-9.8	0.0	n.a.
Total capital expenditures	**168.1**	**171.3**	**-%1.8**	**313.4**	**351.3**	**-%10.8**
Thereof tangible	144.6	138.6	4.3%	262.5	277.0	-%5.2
Thereof intangible	23.5	32.6	-%27.9	50.9	74.2	-%31.4

Total capital expenditures are defined as additions to intangibles and to property, plant and equipment ("tangibles"), excluding additions related to asset retirement obligation and including interest capitalised.
Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43. 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 compre-hensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 31 December 2017	**1,449.3**	**-7.8**	**1,100.1**	**591.2**	**491.9**	**-690.1**	**2,934.6**	**2.7**	**2,937.4**
Impact of change in accounting policy	0.0	0.0	0.0	0.0	42.9	0.0	42.8	0.0	42.8
Balance at 1 January 2018	**1,449.3**	**-7.8**	**1,100.1**	**591.2**	**534.8**	**-690.2**	**2,977.5**	**2.7**	**2,980.2**
Net Result	0.0	0.0	0.0	0.0	86.3	0.0	86.3	0.2	86.5
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	9.8	9.8	0.0	9.8
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**86.3**	**9.8**	**96.1**	**0.2**	**96.3**
Distribution of dividends	0.0	0.0	0.0	0.0	-165.8	0.0	-165.8	-0.6	-166.5
Redemption of hybrid capital	0.0	0.0	0.0	-591.2	-8.8	0.0	-600.0	0.0	-600.0
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Balance at 30 June 2018	**1,449.3**	**-7.8**	**1,100.1**	**0.0**	**446.5**	**-680.4**	**2,307.7**	**2.2**	**2,309.9**

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other compre-hensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2017	**1,449.3**	**-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	208.8	0.0	208.8	0.1	208.9
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	-15.3	-15.3	0.0	-15.3
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**208.8**	**-15.3**	**193.5**	**0.1**	**193.6**
Distribution of dividends	0.0	0.0	0.0	0.0	-162.4	0.0	-162.4	-0.2	-162.6
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5	0.0	-0.5
Balance at 30 June 2017	**1,449.3**	**-7.8**	**1,100.1**	**591.2**	**352.3**	**-685.7**	**2,799.4**	**1.9**	**2,801.3**

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	30 June 2018 unaudited	31 Dec. 2017 audited
Long-term debt	2,535.1	2,533.6
Short-term debt and current portion of long-term debt	422.7	0.6
Cash and cash equivalents and short-term investments	-63.7	-202.4
Net debt	**2,894.1**	**2,331.8**
Net debt/EBITDA (last 12 months)	**2.1x**	**1.7x**

Condensed Operating Segments

in EUR million (unaudited) without adoption of IFRS 15	1-6 M 2018 Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Other*	Consolidated
External revenues	1,292.5	211.9	210.1	185.6	101.7	113.1	56.8	3.4	2,175.2
Intersegmental revenues	13.2	5.5	3.0	0.3	2.3	3.0	1.1	-28.5	0.0
Total revenues (incl. OOI)	**1,305.7**	**217.5**	**213.1**	**186.0**	**104.0**	**116.2**	**57.9**	**-25.2**	**2,175.2**
Segment expenses	-842.3	-149.9	-159.5	-101.7	-85.3	-94.7	-40.2	-3.8	-1,477.3
EBITDA	**463.4**	**67.6**	**53.6**	**84.3**	**18.7**	**21.5**	**17.7**	**-28.9**	**697.9**
Depreciation and amortisation	-217.2	-190.8	-58.2	-36.7	-14.4	-21.7	-11.0	-0.8	-550.7
Operating income - EBIT	**246.2**	**-123.2**	**-4.5**	**47.6**	**4.3**	**-0.2**	**6.7**	**-29.7**	**147.2**
Interest income	0.8	1.4	1.9	0.5	1.1	0.7	0.1	0.1	6.7
Interest expense	-11.8	-0.2	-4.1	-1.3	-0.3	-0.8	-0.7	-24.5	-43.6
Other financial result	-3.1	-0.2	5.9	0.3	0.0	0.3	0.0	0.0	3.3
Equity interest in net income of associated companies	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.1
Earnings before income tax - EBT	**232.3**	**-122.2**	**-0.9**	**47.2**	**5.2**	**0.0**	**6.2**	**-54.3**	**113.5**
Income taxes									-31.0
Net result									**82.5**
EBITDA margin	35.5%	31.1%	25.2%	45.3%	18.0%	18.5%	30.6%	n.a.	32.1%
Capital expenditures - intangible	34.4	5.5	2.9	3.3	1.7	2.1	0.4	0.8	50.9
Capital expenditures - tangible	180.5	19.1	33.5	8.5	5.6	9.0	6.6	-0.3	262.5
Total capital expenditures	**214.9**	**24.6**	**36.3**	**11.8**	**7.3**	**11.1**	**7.0**	**0.5**	**313.4**

in EUR million (unaudited) without adoption of IFRS 15	1-6 M 2017 Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Other*	Consolidated
External revenues	1,279.5	203.1	203.4	193.2	104.6	101.8	54.5	1.9	2,141.9
Intersegmental revenues	11.3	3.7	3.6	1.6	1.8	3.3	0.8	-26.1	0.0
Total revenues (incl. OOI)	**1,290.7**	**206.8**	**207.0**	**194.7**	**106.4**	**105.2**	**55.3**	**-24.3**	**2,141.9**
Segment expenses	-832.7	-145.2	-160.3	-96.7	-84.1	-88.3	-41.1	5.3	-1,443.0
EBITDA	**458.1**	**61.6**	**46.7**	**98.1**	**22.3**	**16.8**	**14.2**	**-19.0**	**698.9**
Depreciation and amortisation	-240.6	-59.4	-43.0	-24.4	-15.5	-22.2	-19.5	-1.3	-425.9
Operating income - EBIT	**217.5**	**2.2**	**3.7**	**73.7**	**6.9**	**-5.4**	**-5.3**	**-20.3**	**272.9**
Interest income	1.0	1.6	2.6	0.3	1.2	0.4	0.1	0.0	7.2
Interest expense	-10.4	-0.4	-4.8	-1.5	-0.5	-0.8	-0.7	-29.0	-48.2
Other financial result	-4.2	-3.8	6.1	-2.8	0.0	1.6	0.4	0.0	-2.7
Equity interest in net income of associated companies	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7
Earnings before income tax - EBT	**203.3**	**-0.5**	**7.6**	**69.7**	**7.5**	**-4.1**	**-5.5**	**-49.4**	**228.6**
Income taxes									-19.7
Net result									**208.9**
EBITDA margin	35.5%	29.8%	22.6%	50.4%	21.0%	16.0%	25.6%	n.a.	32.6%
Capital expenditures - intangible	32.8	13.2	3.7	2.1	19.4	3.7	0.9	-1.5	74.2
Capital expenditures - tangible	185.9	26.7	33.5	12.2	6.9	12.0	4.7	-5.0	277.0
Total capital expenditures	**218.7**	**39.9**	**37.2**	**14.3**	**26.3**	**15.7**	**5.6**	**-6.4**	**351.3**

*Other includes: Corporate, Other & Eliminations

in EUR million (unaudited) without adoption of IFRS 15	Q2 2018 Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Other*	Consolidated
External revenues	644.0	107.2	108.2	97.6	53.5	57.5	29.2	2.0	1,099.3
Intersegmental revenues	7.0	3.3	1.9	0.0	1.2	1.6	0.6	-15.7	0.0
Total revenues (incl. OOI)	**651.1**	**110.5**	**110.0**	**97.7**	**54.7**	**59.1**	**29.8**	**-13.7**	**1,099.3**
Segment expenses	-422.4	-74.2	-82.1	-52.4	-43.3	-47.4	-19.1	-2.0	-742.9
EBITDA	**228.7**	**36.3**	**27.9**	**45.3**	**11.4**	**11.7**	**10.7**	**-15.6**	**356.4**
Depreciation and amortisation	-109.7	-81.2	-29.2	-18.9	-7.2	-10.6	-3.5	-0.4	-260.8
Operating income - EBIT	**118.9**	**-44.9**	**-1.3**	**26.4**	**4.1**	**1.2**	**7.2**	**-16.1**	**95.6**
Interest income	0.4	0.7	1.0	0.4	0.6	0.4	0.1	0.1	3.5
Interest expense	-5.8	-0.1	-2.0	-0.6	-0.1	-0.4	-0.3	-12.4	-21.7
Other financial result	-1.0	-0.1	2.2	1.1	0.0	0.2	0.1	0.4	2.8
Equity interest in net income of associated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3
Earnings before income tax - EBT	**112.6**	**-44.5**	**-0.1**	**27.2**	**4.6**	**1.3**	**7.0**	**-28.3**	**79.8**
Income taxes									-21.8
Net result									**58.0**
EBITDA margin	35.1%	32.9%	25.4%	46.4%	20.8%	19.8%	35.9%	n.a.	32.4%
Capital expenditures - intangible	14.9	2.2	2.3	1.4	1.3	0.6	0.3	0.7	23.5
Capital expenditures - tangible	97.7	11.3	20.3	3.1	2.8	4.9	4.3	0.0	144.6
Total capital expenditures	**112.7**	**13.5**	**22.6**	**4.4**	**4.2**	**5.5**	**4.6**	**0.7**	**168.1**

in EUR million (unaudited) without adoption of IFRS 15	Q2 2017 Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	Macedonia	Other*	Consolidated
External revenues	641.1	100.9	106.4	101.5	52.5	52.3	27.5	0.7	1,082.9
Intersegmental revenues	6.3	2.4	2.2	0.4	1.0	1.8	0.4	-14.6	0.0
Total revenues (incl. OOI)	**647.4**	**103.3**	**108.6**	**101.9**	**53.5**	**54.2**	**28.0**	**-14.0**	**1,082.9**
Segment expenses	-417.6	-69.9	-83.1	-49.6	-43.3	-45.0	-19.7	4.8	-723.6
EBITDA	**229.8**	**33.4**	**25.6**	**52.2**	**10.2**	**9.1**	**8.2**	**-9.2**	**359.3**
Depreciation and amortisation	-121.3	-30.5	-22.4	-12.1	-7.1	-11.2	-7.8	-0.5	-212.8
Operating income - EBIT	**108.5**	**2.9**	**3.2**	**40.1**	**3.1**	**-2.0**	**0.5**	**-9.7**	**146.5**
Interest income	0.5	0.8	1.4	0.1	0.6	0.2	0.1	0.0	3.7
Interest expense	-5.1	-0.2	-2.5	-0.8	-0.3	-0.4	-0.4	-13.8	-23.5
Other financial result	-2.1	0.0	1.7	-3.3	0.0	1.9	-0.1	-1.2	-3.0
Equity interest in net income of associated companies	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Earnings before income tax - EBT	**101.3**	**3.4**	**3.9**	**36.2**	**3.5**	**-0.3**	**0.0**	**-24.8**	**123.1**
Income taxes									-10.6
Net result									**112.5**
EBITDA margin	35.5%	32.3%	23.5%	51.3%	19.1%	16.9%	29.4%	n.a.	33.2%
Capital expenditures - intangible	14.5	10.1	3.2	1.9	1.5	2.4	0.4	-1.5	32.6
Capital expenditures - tangible	85.7	15.1	17.0	8.4	3.1	6.9	3.6	-1.0	138.6
Total capital expenditures	**100.2**	**25.2**	**20.2**	**10.3**	**4.6**	**9.2**	**4.0**	**-2.5**	**171.3**

*Other includes: Corporate ,Other & Eliminations

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 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 A1 Telekom Austria Group's segments shows the same pattern as other European incumbents, having lower margins in the year-end quarter due to Christmas promotions, equipment provided to customers and increases in sales commissions.

Changes in accounting policies

A1 Telekom Austria Group has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2017, except the following standards which are effective from 1 January 2018:

IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers - Clarifications
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
All IFRSs	Annual Improvements 2014 - 2016
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IAS 40	Transfers of Investment Property (Amendments to IAS 40)

The following standards 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 positon 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 to be 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 (contracts 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 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 the effect of the allocation of the transaction price for multiple-elements arrangements for mobile services and on deferrals for customer loyalty programmes in accordance with IFRS 15 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	1-6 M 2018 as reported IFRS 15	Adjustments	1-6 M 2018 without adoption of IFRS 15
Service Revenues (incl. other operating income)	1,862.0	66.3	1,928.3
Equipment revenues	305.5	-58.5	246.9
Total revenues (incl. other operating income - OOI)	**2,167.4**	**7.8**	**2,175.2**
Cost of service	-683.7	0.0	-683.7
Cost of equipment	-286.3	1.6	-284.7
Selling, general & administrative expenses	-485.2	-18.9	-504.1
Other expenses	-4.8	0.0	-4.8
Total cost and expenses	**-1,460.0**	**-17.3**	**-1,477.3**
Earnings before interest, tax, depreciation and amortisation - EBITDA	**707.5**	**-9.6**	**697.9**
Interest income	2.6	4.1	6.7
Other	-591.1	0.0	-591.1
Earnings before income tax - EBT	**119.0**	**-5.5**	**113.5**
Income tax	-32.5	1.5	-31.0
Net result	**86.5**	**-4.0**	**82.5**

Impact on Condensed Consolidated Statements of Financial Position

in EUR million	30 June 2018 as reported IFRS 15	Adjustments	30 June 2018 without adoption of IFRS 15
Accounts receivable: Subscribers, distributors and other, net	767.7	-51.2	716.6
Inventories, net	108.6	-13.4	95.2
Other current assets, net	129.9	161.4	291.3
Contract assets	143.5	-143.5	0.0
Contract costs	40.5	-40.5	0.0
Other	64.9	0.0	64.9
Total current assets	**1,256.8**	**-87.2**	**1,169.6**
Deferred income tax assets	309.1	10.7	319.8
Other non-current assets, net	17.2	54.1	71.3
Other	5,797.1	0.0	5,797.1
Total non-current assets	**6,123.4**	**64.7**	**6,188.2**
TOTAL ASSETS	7,380.2	-22.5	7,357.7
Accrued liabilities and current provisions	-232.2	-19.5	-251.7
Contract liability	-178.6	178.6	0.0
Deferred revenues	0.0	-176.0	-176.0
Other	-1,257.0	0.0	-1,257.0
Total current liabilities	**-1,667.8**	**-16.9**	**-1,684.7**
Deferred income tax liabilities	-35.1	2.0	-33.1
Deferred revenues and other non-current liabilities	-28.5	-9.2	-37.7
Other	-3,338.9	0.0	-3,338.9
Total non-current liabilities	**-3,402.5**	**-7.2**	**-3,409.7**
Retained earnings	-446.5	46.5	-400.0
Other	-2,541.6	0.0	-2,541.6
Total stockholders' equity	**-2,309.9**	**46.5**	**-2,263.4**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-7,380.2	22.5	-7,357.7

Impact on Condensed Consolidated Statements of Cash Flows

in EUR million	1-6 M 2018 as reported IFRS 15	Adjustments	1-6 M 2018 without adoption of IFRS 15
Earnings before income tax - EBT	119.0	-5.5	113.5
Items not requiring the use of cash and other reconciliation:			
Interest income	-2.6	-4.1	-6.7
Other	594.9	0.0	594.9
Changes in working capital and other financial positions:			
Accounts receivable from subscribers, distributors and other	-42.4	8.4	-34.0
Prepaid expenses	-16.6	2.8	-13.8
Inventories	-5.6	-1.6	-7.2
Other assets	-24.7	-1.3	-25.9
Contract assets	2.5	-2.5	0.0
Contract costs	1.9	-1.9	0.0
Accounts payable and accrued liabilities	17.0	-0.2	16.8
Contract liability	17.0	-17.0	0.0
Deferred revenues	0.0	18.8	18.8
Interest received	2.6	4.1	6.7
Other	-63.0	0.0	-63.0
Net cash flow from operating activities	600.1	0.0	600.1

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

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 and 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 following table provides the effects on the classification and the carrying amounts of financial assets, which existed under IAS 39, in EUR million:

Item	Classification IAS 39	Classification IFRS 9	Carrying amount 31. Dec. 2017 IAS 39	Carrying amount 1. Jan. 2018 IFRS 9
Cash and cash equivalents	Cash and cash equivalents	Financial assets at amortised cost	202.4	202.4
Accounts receivable: Subscribers, distributors and other, net	Loans and receivables	Financial assets at amortised cost	679.3	679.3
Receivables due from related parties	Loans and receivables	Financial assets at amortised cost	0.9	0.9
Other current financial assets	Loans and receivables	Financial assets at amortised cost	111.6	111.6
Other non-current financial assets	Loans and receivables	Financial assets at amortised cost	49.4	49.4
Long-term investments			12.9	13.4
thereof:				
Quoted bonds	Available-for-sale investments	Debt instruments at fair value through other comprehensive income - mandatory	3.6	3.6
Quoted equity instruments	Available-for-sale investments	Equity instruments at fair value through profit and loss - designated	1.8	1.8
Other long-term investments	Available-for-sale investments	Debt instruments at fair value through profit and loss - mandatory	5.4	5.4
Fixed deposits	Available-for-sale investments	Financial assets at amortised cost	0.6	0.6
Unquoted equity instruments	Carried at cost	Equity instruments at fair value through profit and loss - designated	1.5	2.0

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) in the table presenting the quantitative effects of the initial application of IFRS 15 under "Impact as of 1 January 2018").

As 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.

2018 financial figures are based on IFRS 15 and IFRS 9 whereas comparison figures 2017 are presented without adaption of IFRS 15 and IFRS 9.

Status of IFRS 16

IFRS 16, becoming effective as of 1 January 2019, introduces fundamental changes for accounting of lease contracts that affect the lessees' recognition of leases in the financial statements. Generally, all leases have to be recognised based on the "right of use"- approach. For lessors, the accounting implications based from IAS 17 on operating and finance leases remain unchanged with the introduction of IFRS 16. A1 Telekom Austria Group plans to apply the modified retrospective approach for the initial application of IFRS 16.

The application of IFRS 16 will affect net assets, financial position and results of all operations of A1 Telekom Austria Group:

Whereas under IAS 17 recurring payments for rented assets from operating leases have been recognised in rental and lease expenses and the future payment obligation for operating leases had to be disclosed in the Notes to the Financial Statements, under IFRS 16 the majority of the rights and obligations from lease contracts will have to be recognised as rights of use assets and lease obligations.

At the initial application, A1 Telekom Austria Group expects a significant increase of the balance sheet total due to the increase in lease obligations and a respective increase in rights of use assets. In the Statement of Comprehensive Income there will be a shift from rental and lease expenses, which are reported in EBITDA, to amortisation and interest expense, which are reported outside EBITDA.

The overall impact is currently analysed in a group-wide project for the implementation of IFRS 16. A high volume of transactions are impacted by IFRS 16 and material judgements are required in identifying and accounting for leases. The most significant judgement is expected to be the determination of the lease term, as the lease term under IFRS 16 also includes options, when it is reasonably certain, that the option to prolong will be exercised or an option not to terminate will be used. Significant judgment will also be required to determine the lease term with options to terminate or to extend. Hence the quantitative effects from the implementation of IFRS 16 cannot be reliably estimated at the current stage of the project. In the course of the project, a software allowing for IT-based mass data processing is introduced and workflow processes are adapted.

Operating Segments

Unchanged to in previous years A1 Telekom Austria Group's chief operating decision maker focuses on capital expenditures (CAPEX), revenues and EBITDA of each of its seven operating segments without adoption of IFRS 15, i.e. according to IAS 18.

The following tables provide a reconciliation of the total reportable segments' revenues and result ("without adoption of IFRS 15") to A1 Telekom Austria Group's total consolidated revenues and result ("as reported IFRS 15"):

in EUR million (unaudited)	1-6 M 2018 without adoption of IFRS 15	Adjustments	1-6 M 2018 as reported IFRS 15
External revenues	2,175.2	-7.8	2,167.4
Intersegmental revenues	0.0	0.0	0.0
Total revenues (incl. OOI)	**2,175.2**	**-7.8**	**2,167.4**
Segment expenses	-1,477.3	17.3	-1,460.0
EBITDA	**697.9**	**9.6**	**707.5**
Depreciation and amortisation	-550.7	0.0	-550.7
Operating income - EBIT	**147.2**	**9.6**	**156.8**
Interest income	6.7	-4.1	2.6
Interest expense	-43.6	0.0	-43.6
Other financial result	3.3	0.0	3.3
Equity interest in net income of associated companies	-0.1	0.0	-0.1
Earnings before income tax - EBT	**113.5**	**5.5**	**119.0**

in EUR million (unaudited)	Q2 2018 without adoption of IFRS 15	Adjustments	Q2 2018 as reported IFRS 15
External revenues	1,099.3	-4.9	1,094.3
Intersegmental revenues	0.0	0.0	0.0
Total revenues (incl. OOI)	**1,099.3**	**- 4.9**	**1,094.3**
Segment expenses	-742.9	7.1	-735.8
EBITDA	**356.4**	**2.2**	**358.6**
Depreciation and amortisation	-260.8	0.0	-260.8
Operating income - EBIT	**95.6**	**2.2**	**97.7**
Interest income	3.5	-2.1	1.4
Interest expense	-21.7	0.0	-21.7
Other financial result	2.8	0.0	2.8
Equity interest in net income of associated companies	-0.3	0.0	-0.3
Earnings before income tax - EBT	**79.8**	**0.1**	**79.9**

Revenues

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

in EUR million (unaudited) as reported IFRS 15	Austria	Bulgaria	Croatia	Belarus	Slovenia 1-6 M 2018	Serbia	Macedonia	Other*	Consoli- dated
Service revenues	461.8	121.2	111.2	122.2	59.3	87.7	35.0	-7.2	991.2
Equipment revenues	120.4	41.3	28.7	35.9	20.2	31.5	9.3	0.0	287.4
Wireless revenues	**582.2**	**162.5**	**139.9**	**158.1**	**79.6**	**119.2**	**44.3**	**-7.3**	**1,278.5**
Service revenues	676.2	49.7	61.9	18.2	17.5	2.8	12.5	-15.1	823.6
Equipment revenues	15.0	1.7	1.2	0.1	0.2	0.0	0.2	-0.2	18.1
Fixed-line and other revenues	**691.2**	**51.4**	**63.0**	**18.3**	**17.7**	**2.8**	**12.7**	**-15.4**	**841.7**
Other operating income	**27.9**	**4.1**	**2.8**	**9.9**	**2.3**	**2.1**	**0.6**	**-2.5**	**47.2**
Total revenues (incl. OOI)	**1,301.2**	**218.0**	**205.8**	**186.4**	**99.6**	**124.1**	**57.6**	**-25.2**	**2,167.4**

in EUR million (unaudited) without adoption of IFRS 15	Austria	Bulgaria	Croatia	Belarus	Slovenia 1-6 M 2017	Serbia	Macedonia	Other*	Consoli- dated
Service revenues	502.4	131.1	121.4	141.3	66.8	65.1	39.1	-7.1	1,060.2
Equipment revenues	63.8	27.6	23.2	30.0	20.0	34.9	2.8	-0.7	201.8
Wireless revenues	**566.3**	**158.8**	**144.6**	**171.3**	**86.9**	**100.0**	**42.0**	**-7.8**	**1,262.0**
Service revenues	680.2	44.6	59.1	14.5	17.3	2.8	12.9	-14.3	817.1
Equipment revenues	16.1	0.9	0.4	0.0	0.2	0.0	0.1	-0.1	17.6
Fixed-line and other revenues	**696.3**	**45.5**	**59.5**	**14.5**	**17.5**	**2.8**	**13.0**	**-14.4**	**834.6**
Other operating income	**28.2**	**2.5**	**2.8**	**8.9**	**2.1**	**2.4**	**0.3**	**-2.0**	**45.2**
Total revenues (incl. OOI)	**1,290.7**	**206.8**	**207.0**	**194.7**	**106.4**	**105.2**	**55.3**	**-24.3**	**2,141.9**

*Other includes: Corporate, Other & Eliminations

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

Cost and Expenses

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

in EUR million	1-6 M 2018	1-6 M 2017
Write-down/ reversals of write-down of inventories	-1.6	-2.0
Employee expenses, including benefits and taxes	-423.7	-413.4

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

As of 30 June 2018 committed credit lines in the amount of EUR 422.5 million were drawn to refinance the redemption of the hybrid bond (see Stockholders' equity).

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	30 June 2018 unaudited	31 Dec. 2017 audited
Restructuring and social plans	440.9	482.9
Civil servants changed to the government	15.5	18.1
Total restructuring	456.4	501.0

The reduction of restructuring in the first half of 2018 is mainly due to the usage of the provision.

Income Taxes

	1-6 M 2018	1-6 M 2017
Effective tax rate	27.3%	8.6%

in EUR million	30 June 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 4.2 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 half 2018 and 2017 according to local GAAP amounting to EUR 2.9 million and EUR 16.7 million, net of the related tax benefit of EUR 0.7 million and EUR 4.2 million, which is recognised in stockholders' equity according to IAS 12.

In June 2018 and 2017, the A1 Telekom Austria Group paid dividend to its shareholders in the amount of EUR 132.8 million.

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.

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	30 June 2018 Carrying amount unaudited	Fair value unaudited	31 Dec. 2017 Carrying amount audited	Fair value audited
Cash and cash equivalents	63.7	63.7	202.4	202.4
Accounts receivable: Subscribers, distributors and other, net	767.7	767.7	679.3	679.3
Receivables due from related parties	1.2	1.2	0.9	0.9
Other current financial assets	9.8	9.8	111.6	111.6
Other non-current financial assets	7.9	7.9	49.4	49.4
Investments at amortised cost	0.2	0.2	0.0	0.0
Contract assets	160.9	160.9	0.0	0.0
Financial assets at amortised cost	1,011.3	1,011.3	1,043.6	1,043.6
Equity instruments at fair value through profit and loss - designated	3.8	3.8	0.0	0.0
Debt instruments at fair value through profit and loss - mandatory	5.0	5.0	0.0	0.0
Debt instruments at fair value through other comprehensive income - mandatory	2.8	2.8	0.0	0.0
Investments at fair value	11.6	11.6	0.0	0.0
Available-for-sale investments	0.0	0.0	11.3	11.3

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).
At 31 December 2017 financial assets at amortised cost were categorised into cash and cash equivalents and loans and receivables. For details on the classification of financial assets and investments in the course of the implementation of IFRS 9 see changes in accounting policies – impact of IFRS 9.

The carrying amounts of cash and cash equivalents, accounts receivable, other financial assets, contract 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	30 June 2018 Carrying amount unaudited	Fair value unaudited	31 Dec. 2017 Carrying amount audited	Fair value audited
Liabilities to financial institutions	422.5	422.4	0.0	0.0
Bonds	2,534.8	2,782.6	2,533.3	2,818.4
Other current financial liabilities	29.3	29.3	51.3	51.3
Lease obligations	0.5	0.5	0.9	0.9
Other non-current liabilities	20.0	20.0	19.9	19.9
Accounts payable - trade	556.1	556.1	592.0	592.0
Payables due to related parties	0.5	0.5	0.6	0.6
Accrued interest	37.3	37.3	30.0	30.0
Contract liability	17.7	17.7	0.0	0.0
Financial liabilities at amortised cost	**3,618.6**	**3,866.2**	**3,228.0**	**3,513.2**

At 31 December 2017 other current financial liabilities comprised provisions for customer rebates which are qualified as contract liabilities according to IFRS 15 starting 2018 (see changes in accounting policies - impact of IFRS 15).

The carrying amounts of accounts payable, contract liabilities 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.

Business Combinations

On 24 April 2018 A1 Telekom Austria Group acquired 97.07% of Vitebskiy oblastnoy technotorgovyi tsentr Garant ("Garant") via its Belarusian subsidiary velcom. Garant is a broadband-, cable- and IP-TV-operator in Belarus providing services mainly for residential customers in both, Vitebsk and other small cities in the region. The fair values of the assets acquired and liabilities assumed at the acquisition date were determined based on the preliminary allocation of consideration transferred and are reported in the segment Belarus:

Acquisition of Garant in EUR millions (unaudited)	Fair values on acquisition
Property, plant and equipment	3.6
Intangible assets	1.0
Other assets and receivables	0.4
Cash and cash equivalents	0.1
Deferred income tax liabilities	-0.4
Accounts payable - trade and other liabilities	-0.9
Net identifiable assets and liabilities	**3.9**
Goodwill on acquisition	0.2
Total purchase consideration	**4.1**
Purchase price not yet paid	0.0
Cash acquired	-0.1
Net cash outflow	**3.9**

The final allocation of consideration transferred will be determined once all necessary information regarding identifiable assets is available (IFRS 3.45). As velcom has the right to acquire the remaining shares, no non-controlling interest was recognised and the total purchase consideration already includes the fair value of the outstanding shares. As of 30 June 2018 velcom holds 98,9% of Garant's shares. Since the acquisition date, Garant has contributed revenues of EUR 0.7 million and a net loss of EUR 0.1 million. Since the effect of the acquired entity on the Consolidated Financial Statements of A1 Telekom Austria Group is not considered significant, no pro-forma information is presented.

On 21 June 2018 A1 Telekom Austria Group acquired the non-controlling interest of 49.0% of City TV OOD million in Bulgaria in the amount of EUR 0.1 for a consideration of EUR 0.1 million.

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) of Telekom Austria AG 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).

On 26 June 2018 Moody's has upgraded the current investment grade rating of A1 Telekom Austria Group from Baa2 to Baa1.

Vienna, 24. July 2018
The Management Board

CEO and COO Alejandro Plater

CFO Siegfried Mayrhofer

Statement of All Legal Representatives

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

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

Vienna, 24. July 2018
The Management Board

CEO and COO Alejandro Plater

CFO Siegfried Mayrhofer