



Earnings Update: Q3 2023 and Q1-Q3 2023

Highlights of Q3 2023

- Spin-off and listing of Telekom Austria's tower business, EuroTeleSites.
 - EUR 1 bn reduction of financial debt; net debt excl. leases / EBITDAaL: 0.4x
- Strong FX impact from BYN/EUR:
 - Revenues: EUR -33 mn
 - EBITDA: EUR -14 mn
- Q3 revenues up by 3%, driven by service revenues (+4%).
 - Revenues up 5% in constant currencies.
- EBITDA growth of 0.6% despite one-time factors (EUR -7 mn in total), adverse FX developments (EUR -14 mn) and higher restructuring expenses (EUR -6 mn).
 - The underlying EBITDA increased by 6%.
- Telekom Austria was included in the ATX, the leading index of the Vienna Stock Exchange, on September 18, 2023.
- Ambitions 2024-2026:
 - Revenue growth of 3-4% per year
 - EBITDA growth of 4-5% per year
 - CAPEX of EUR 2.8 bn plus frequencies
 - Dividend policy confirmed with increased base to EUR 0.32 per share (previously: EUR 0.20)

In this Earnings Update, rounding differences may occur in the summing of rounded amounts due to the use of automatic calculation tools.

The spin-off of EuroTeleSites AG took place a few days before the end of the third reporting quarter of Telekom Austria AG. As the de-consolidation process takes a longer period of time, Telekom Austria AG has decided to publish the results of the third quarter in an abbreviated form. The approach chosen is to present the condensed consolidated statement of comprehensive income as if the tower business were part of the Telekom Austria Group as of the reporting date September 30, 2023. The publication of the consolidated statement of financial position and statement of cash flows as well as the segment reporting is exceptionally waived.

Key financial data

in EUR million	Q3 2023	Q3 2022		Q1-Q3 2023	Q1-Q3 2022	
Total revenues	1,326	1,292	2.6%	3,883	3,667	5.9%
Service revenues	1,116	1,069	4.5%	3,237	3,083	5.0%
Equipment revenues	189	200	-5.8%	578	517	11.7%
Other operating income	21	23	-10.0%	68	67	1.1%
EBITDA	521	517	0.6%	1,442	1,406	2.6%
EBITDA margin	39.3%	40.0%	-0.8pp	37.1%	38.3%	-1.2pp
EBIT	278	273	1.7%	713	686	3.9%
EBIT margin	20.9%	21.1%	-0.2pp	18.4%	18.7%	-0.3pp
Net result	201	205	-2.1%	502	503	-0.2%
Net margin	15.1%	15.9%	-0.7pp	12.9%	13.7%	-0.8pp
Net debt (excl. leases) / EBITDA after leases (12 M)				Sept 30, 2023	Dec 31, 2022	
(2023: excl. the net debt spun off with EuroTeleSites)				0.4x	1.0x	
Customer indicators (thousand)				Sept 30, 2023	Sept 30, 2022	
Mobile subscribers				25,131	23,776	5.7%
Postpaid				21,121	19,708	7.2%
Prepaid				4,010	4,068	-1.4%
RGUs				6,250	6,153	1.6%
	Q3 2023	Q3 2022		Q1-Q3 2023	Q1-Q3 2022	
ARPL – Average Revenue Per Line	26.5	25.8	2.9%	26.2	25.7	1.7%
ARPU – Average Revenue Per User	8.5	8.7	-2.5%	8.3	8.3	-0.5%
Mobile churn	1.2%	1.3%	-0.1pp	1.3%	1.3%	0.0pp
Employees (full-time equivalent)				Sept 30, 2023	Sept 30, 2022	
				17,779	17,825	-0.3%

pp = percentage points

Q3 2023 in a nutshell

The third quarter was dominated by the spin-off and listing of EuroTeleSites on September 22, 2023. As the deconsolidation process takes some time, the condensed financial results are preliminary. However, the impact of the spin-off on the profitability of Q3 is rather limited, especially in terms of revenues and EBITDA.

Total revenues increased by 2.6% to EUR 1,326 million, with service revenues up 4.5%. The Belarusian ruble depreciated strongly against the euro, negatively impacting revenues by EUR 33 million.

The EBITDA increased by 0.6%. However, the underlying performance was much stronger as one-time factors, such as the stamp tax for the Austrian master lease agreement with EuroTeleSites, had a negative impact. Furthermore, the Belarusian ruble had a strong negative overall impact. In addition, restructuring expenses in Austria were higher than in the third quarter of the previous year. At that time, they were exceptionally low due to the sharp rise in interest rates. Despite these factors adding up to EUR -27 million, A1 reached a net result of EUR 201 million, i.e., only 4 million lower than in the third quarter of the previous year.

A major effect of the EuroTeleSites spin-off was the reduction of financial debt by around EUR 1 billion to EUR 725 million. This corresponds to a net debt excluding leases/EBITDAaL ratio of 0.4x.

Telekom Austria became a member of Austria's main stock index, ATX, on September 18, 2023.

On a capital market day, Telekom Austria published the ambitions 2024-2026:

- Revenues to increase by 3-4% per year
(Based on current inflation and exchange rate expectations)
- EBITDA to increase by 4-5% per year
(Based on current inflation and exchange rate expectations)
- CAPEX should amount to about EUR 2.8 billion (total over the period) plus frequencies
- The dividend baseline was increased from EUR 0.20 to EUR 0.32 per share.
Based on the Group's operational and financial development, the dividend level will be maintained or sustainably increased.

As from September 2023, the following changes to the A1 Group management became effective:

- Alejandro Plater took over as the new CEO (former COO)
- Thomas Arnoldner, former CEO, became Deputy CEO
- CFO Siegfried Mayrhofer left the Group on his own wish
- Sonja Wallner, CFO of A1 in Austria, additionally took over Group CFO function

Mobile subscribers and fixed-line RGUs

In mobile communications, the number of subscribers rose by 5.7% to a total of about 25.1 million. Growth was largely driven by the strong increase in M2M business. Excluding M2M customers, the number of subscribers remained stable. As of September 30, 2023, the share of contract customers was 84.0% (September 30, 2022: 83.1%).

Internet@home
+4.2%

In the fixed-line business, the number of revenue generating units (RGUs) increased by 1.6% year-on-year. While the number of voice RGUs decreased, the number of broadband RGUs and TV at home RGUs increased.

Internet@home customer base increased by 4.2% to 3.8 million in the Group, driven by the increase in mobile WiFi routers and broadband RGUs.

Spin-off of the tower business "EuroTeleSites"

On September 22, 2023, Telekom Austria AG spun off the Group's mobile tower business under the name of EuroTeleSites. On the same day, the new company was listed on the prime market segment of the Vienna Stock Exchange.

A1 Group has contractually secured long-term access to the towers. The spin-off allows A1 Group to focus more on its core business, which does not include the management of towers. In addition, the transaction allows for a more efficient budget allocation.

As of June 30, 2023 the tower portfolio comprised 13,225 macro sites in Austria, Bulgaria, Croatia, Serbia, Slovenia and North Macedonia. On a pro forma basis, the tower business would have generated revenues from leases of about EUR 230 million and EBITDAaL of EUR 127 million in 2022.

The annualized impact of the spin-off on A1 Group's revenues are expected to be negligible (-0.2%) based on the pro forma figures in 2022. As EuroTeleSites has taken over approximately EUR 1 billion of financial liabilities, these were reduced by the same amount at A1 Group. Net debt excluding leases to EBITDAaL more than halved to 0.4x. On the other hand, free cash flow will decrease by approximately EUR 60 million per year on average as a result of this transaction.

Outlook for financial year 2023 and mid-term ambitions

A1 confirms the existing guidance for 2023. Revenue growth is expected to be around 5%. CAPEX (excluding spectrum investments) should amount to around EUR 950 million.

For the period 2024-2026, A1 has the ambition to increase revenues by 3-4% and EBITDA by 4-5% per year (both ambitions are based on current inflation and exchange rate expectations). CAPEX should amount to about EUR 2.8 billion (total over the period) plus frequencies. The dividend baseline was increased from EUR 0.20 to EUR 0.32 per share, with the dividend policy being confirmed. This means that based on the Group's operational and financial development, the dividend level will be maintained or sustainably increased.

Group results (Q3 and Q1-Q3 2023)

In Q3, **total revenues** grew 2.6%. Service revenues were up 4.5% year-on-year, benefiting from upselling and value-protecting pricing measures. Equipment revenues declined by 5.8% as some large projects were completed. The Belarusian ruble depreciation accelerated in the third quarter, reducing revenues by EUR 33 mn.

In Q1-Q3 2023, total revenues increased by 5.9% to EUR 3,883 mn. Service revenues increased by 5.0% and equipment revenues by 11.7%. STEM0 in Bulgaria has been consolidated since August 2022. From January to July 2023 (i.e., the period in which STEM0 is not included in the comparable results), this company generated total revenues of EUR 26 mn. The depreciation of the Belarusian ruble had a negative impact of EUR 40 mn.

In Q3, **EBITDA** increased by 0.6% to EUR 521 mn. This positive development was achieved despite one-time factors totaling EUR -7 mn and the depreciation of the Belarusian ruble which accounted for EUR -14 mn. Restructuring charges in Austria amounted to EUR 15 mn (Q3 2022: EUR 9 mn). The increase was due to exceptionally low restructuring charges in the prior year, as higher interest rates had reduced the present value of long-term restructuring provisions.

In Q1-Q3 2023, EBITDA increased by 2.6% to EUR 1,442 mn. Restructuring charges amounted to EUR 53 mn (Q1-Q3 2022: EUR 50 mn). The development of the Belarusian ruble had a negative impact on the EBITDA of EUR 18 mn.

In Q3, **operating income (EBIT)** increased by 1.7% to EUR 278 mn.

In Q1-Q3 2023, the EBIT reached EUR 713 mn, an increase of 3.9%.

In Q3, the **financial result** amounted to EUR -19 mn (previous year: EUR -9 mn). This development reflects a significant portion of interest and lease costs in connection with the tower business and the master lease agreement.

In Q1-Q3 2023, the financial result deteriorated to EUR -67 mn (previous year: EUR -39 mn).

In Q3, the **net result** decreased by EUR 4 mn or 2.1% to EUR 201 mn.

In Q1-Q3 2023, the net result decreased by EUR 1 mn to EUR 502 mn.

Segment overview

Segment Austria

in EUR million	Q3 2023	Q3 2022		Q1-Q3 2023	Q1-Q3 2022	
Total revenues	704	702	0.3%	2,084	2,042	2.0%
Service revenues	622	608	2.5%	1,837	1,799	2.1%
Equipment revenues	69	83	-17.1%	210	204	2.6%
Other operating income	13	12	10.5%	37	39	-4.9%
EBITDA before restructuring	301	301	0.0%	840	845	-0.6%
EBITDA margin before restructuring	42.7%	42.8%	-0.1pp	40.3%	41.4%	-1.0pp
EBITDA	286	292	-2.2%	787	795	-1.0%
EBITDA margin	40.6%	41.6%	-1.0pp	37.8%	38.9%	-1.2pp
Adj. EBITDA*	293	284	3.1%	794	787	0.9%
Adj. EBITDA margin	41.6%	40.5%	1.1pp	38.1%	38.5%	-0.4pp
EBIT	150	154	-2.6%	377	383	-1.6%
EBIT margin	21.3%	21.9%	-0.6pp	18.1%	18.8%	-0.7pp
Customer indicators (thousand)				Sept 30, 2023	Sept 30, 2022	
Mobile subscribers				5,142	5,148	-0.1%
RGUs				2,892	2,971	-2.7%

pp = percentage points

* Adjustment for one-time factors in Q3 2023 and for the interest-related decrease in the restructuring provision in Q3 2022.

In Q3, the higher service revenues compensated for significantly lower equipment sales. EBITDA was below last year's Q3 due to one-time effects totaling EUR -7 million. In addition, A1 Austria had to cope with higher electricity costs and network maintenance costs. Restructuring expenses were EUR 6 million higher than in Q3 2022.

International segments

in EUR million	Q3 2023	Q3 2022		Q1-Q3 2023	Q1-Q3 2022	
Total revenues	633	601	5.4%	1,824	1,653	10.4%
Service revenues	505	471	7.1%	1,422	1,308	8.7%
Equipment revenues	120	117	2.0%	368	313	17.6%
Other operating income	9	12	-27.5%	34	32	6.5%
EBITDA	248	237	4.8%	696	646	7.7%
EBITDA margin	39.2%	39.5%	-0.2pp	38.2%	39.1%	-1.0pp
EBIT	143	131	8.5%	380	342	11.2%
EBIT margin	22.5%	21.9%	0.6pp	20.9%	20.7%	0.2pp
Customer indicators (thousand)				Sept 30, 2023	Sept 30, 2022	
Mobile subscribers				15,215	15,125	0.6%
RGUs				3,357	3,139	6.9%

pp = percentage points

In Q3, favorable conditions prevailed in most international markets, resulting in a solid growth. In particular, Bulgaria and Croatia achieved double-digit growth in revenues and EBITDA. The depreciation of the Belarusian ruble against the euro had a negative impact on revenues (EUR -33 million) and EBITDA (EUR -14 million). In addition, A1 Belarus faces restrictions to increase prices in an inflationary environment.

Condensed Consolidated Statement of Comprehensive Income

in EUR million, except per share information	Q3 2023 unaudited	Q3 2022 unaudited	Q1-Q3 2023 unaudited	Q1-Q3 2022 unaudited
Service revenues	1,116	1,069	3,237	3,083
Equipment revenues	189	200	578	517
Other operating income	21	23	68	67
Total revenues (incl. other operating income)	1,326	1,292	3,883	3,667
Cost of service	-406	-357	-1,124	-1,043
Cost of equipment	-183	-193	-563	-496
Selling, general & administrative expenses	-213	-223	-744	-716
Other expenses	-3	-2	-8	-6
Total cost and expenses	-806	-775	-2,440	-2,261
Earnings before interest, tax, depreciation and amortization - EBITDA	521	517	1,442	1,406
Depreciation and amortization	-200	-202	-597	-594
Depreciation of right-of-use assets	-43	-42	-130	-126
Impairment	0	0	-3	0
Operating income - EBIT	278	273	713	686
Interest income	10	3	16	7
Interest expense	-34	-15	-75	-45
Interest on employee benefits and restructuring and other financial items, net	5	0	-6	-5
Foreign currency exchange differences, net	-1	3	-4	4
Equity interest in net income of associated companies	1	0	1	-1
Financial result	-19	-9	-67	-39
Earnings before income tax - EBT	258	264	646	647
Income tax	-58	-59	-144	-145
Net result	201	205	502	503
Attributable to:				
Equity holders of the parent	201	205	501	502
Non-controlling interests	0	0	1	1
Earnings per share attributable to equity holders of the parent in euro*	0.30	0.31	0.75	0.76
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	-8	29	-37	50
Realized result on hedging activities, net of tax	0	1	2	3
Unrealized result on debt instruments at fair value, net of tax	0	0	1	-2
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit obligations, net of tax	-2	30	-4	37
Total other comprehensive income (loss)	-11	60	-38	88
Total comprehensive income (loss)	190	265	464	590
Attributable to:				
Equity holders of the parent	190	265	463	590
Non-controlling interests	0	0	1	1

* basic and diluted

Financial calendar

Feb 13, 2024: Results Q4 / FY 2023	July 1, 2024: Dividend ex-date
April 23, 2024: Results Q1 2024	July 2, 2024: Dividend record date
June 17, 2024: Record date: Annual General Meeting	July 4, 2024: Dividend payment date
June 27, 2024: Annual General Meeting	July 16, 2024: Results Q2 / H1 2024
	Oct 15, 2024: Results Q3 / Q1-Q3 2024

Risks and uncertainties

A1 Group faces various risks and uncertainties that could affect its results. For further details about these risks and uncertainties, please refer to the latest A1 Group Annual Financial Report.

Contact information for investors

Mr. Hans Lang
 Head of Investor Relations
 Tel.: +43 (0) 50 664 47500 E-mail: investor.relations@a1.group

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