Telekom Austria Group

Results for the 2nd quarter of 2026

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Transcript

Speakers:

Alejandro Plater

Thomas Arnoldner

Sonja Wallner

Susanne Aglas-Reindl

Susanne Aglas-Reindl: Thank you, and good morning, everybody. Thanks for joining our results call on the second quarter and first half of 2026. I'm here with our CEO, Alejandro Plater; our Deputy CEO, Thomas Arnoldner; and our CFO, Sonja Wallner. They will lead you through the presentation now, and we are happy to take your questions afterwards. Thank you.

Alejandro Plater: Thank you. Good morning to everyone, and thank you for joining our call for the results of Q2. As you can see in the slide, we presented a solid set of numbers in the first half year of 2026. Our revenues grew 4.1%, EBITDA a little bit faster, 4.2%. CAPEX, we were slightly below previous year with a 3.6% decline in CAPEX, but this is just a timing issue and nothing substantial. And Free Cash Flow went up 0.7%. Sonja later will give you more color on the performance of Free Cash Flow; it's related to some payments of spectrum.

On the highlights, we are pleased to see that all categories of service revenue are growing, except, of course, fixed voice in Austria, which, as you can imagine, is still a decline and will continue to decline.

Also, we are starting to see the impact of all the OPEX activities that have been in Austria and been executed since last year, where now you fully see the EBITDA impact on the Austrian numbers.

Also, we started to see – we presented this to you many times – how we are focusing on something that we call non-core services, which is beyond connectivity in the consumer segment, where in the first half of 2026 we grew close to 25%. So, we are very proud to see that. That's our target. That's what we want to see, these non-core revenues growing at that speed. So, we are very happy to see that development.

And we are putting more focus in our strategy to provide our customers with a cloud and AI stack in a sovereign environment. So, more to come there. We see a big opportunity. We see strong demand in GPU as a service today, but we think that in the future, there is going to be also a specific demand for more sovereign solutions around, you know, all the infrastructure needed for AI.

Based on our first six months, you know, with a 4.1% revenue, we feel confident to confirm our outlook for 2026 of 2% to 3% of revenue growth and the CAPEX excluding spectrum of around EUR 750 million.

If I move to the next slide, this is the most important slide for us, how customers are developing? And basically, you see on the left side that, internet at home, which includes the traditional broadband, plus what we call the cubes or fixed mobile substitution, in Austria, we have managed to compensate all the decline of DSL customers with cubes.

A lot of this is actually intentionally done by us, where we target bad DSL customers and we migrate them proactively into cubes. And the international business, the growth is still very solid. You see 246,000 new customers in the first half versus previous year when you combine cubes and broadband. So, very solid.

In the international markets, we have the strategy to focus on selling our fixed assets where we have a fixed network and to sell cubes where we don't have a fixed internet.

Postpaid also, we are very happy to see the development, the rate almost 16%. Austria with a nice performance of above 100,000 new postpaid customers, and the international business excluding IoT close to 500,000 – 465,000 – and the international business, what we do with A1 Digital, everything related to IoT, it's also growing really fast with additional close to 3.4 million new IoT devices that we are managing.

Now I will pass over to Sonja to give us more details on Q2 numbers.

Sonja Wallner

Thank you, Alejandro, and welcome also from my side. Now focusing really on Q2 results, and you see that total revenues and service revenues grew both, 4.2% and 3.5%, respectively.

You see the growth in the service revenues that is supported very much, and you see this later on the detailed revenue bridge, by the solution connectivity and ICT growth, and is supported of course by upselling in the core and by a strong RGU growth in CEE countries.

What you also see is that international remains the growth engine of our group with revenues in the total revenues up 9.1% and 9.5% in the service revenues growing. The strongest support in this growth came from Belarus, Bulgaria, and also Serbia.

What you also see is continued challenged market surroundings in Austria, but in the details, we see improving ICT revenues and also better fixed-line trends that soften and reduce a little bit the revenue decline that we were facing in Austria.

Coming to the EBITDA, EBITDA excluding restructuring grew by 4.3% in the group, with and without restructuring, and was heavily supported by a strict cost discipline of the

Austrian market, also supported by development of Q2 2025. The international EBITDA was increasing in all markets that we are reporting except Croatia.

Coming to the next page on the details of the service revenue, repeating that we were growing revenues to EUR1.185 billion. That represents a EUR40 million increase and 3.5% increase.

And you see that nearly all categories increased in the last quarter, but fixed line. And that the strongest growth came from solution and connectivity, where we see ICT, security and the value-added services.

Turning to mobile core, supported by the CEE markets, Cubes, as Alejandro mentioned before, is a substitute where our networks are not as good as fixed mobile substitutions that we show, and broadband and TV that is very much supported by strong RGU growth, especially in the CEE countries.

Then in the CEE market, we see a very, very strong growth, and as already said, in Belarus, Bulgaria, and Serbia, where we see the strongest growth. This differentiation shows the resilience – a stronger resilience – of the group as the market, the revenue share is distributed more evenly between Austria and the CEE countries.

Coming to the next page where we see the EBITDA growth. We were able to grow to EUR 562 million in EBITDA, in Q2. That represents a 4.3 percent growth in the last year. And also here you see supported by strong revenue growth in the first and also by a good OPEX development and investments and projects in the equipment margin, also contributed by mobiles and by ICT.

We see that the OPEX is showing the improved activities or the continued activities that we show on the restructuring, especially in Austria, that the OPEX development was able to compensate the increase in the CEE countries. Nevertheless, we will continue all these efforts also in the upcoming quarters and months.

Coming to the Free Cash Flow on the next page, where you see a positive development compared to the previous half year, and this is heavily driven by better operational performance as you've seen before. Positive development of the interest received, lower CAPEX, and lower social plan funding in the first half year.

You also see the increase of working capital needs that already was mentioned by Alejandro, with this majorly driven by the payment of the second tranche of the Serbian frequency that we auctioned, and we won in December last year.

Having said this, I would like to hand over to Thomas for the focus topics.

Thomas Arnoldner

Thank you very much, Sonja. We want to focus on two topics. Number one, digital sovereignty. As Alejandro already explained, it's a big topic here in the industry now, driven by geopolitical developments, the European dependency on non-European cloud providers, existing and upcoming regulation, but also commercial reasons with customers trying to reduce the commercial dependency on such large hyperscalers.

We believe that A1, we are excellently positioned to address this demand. Of course, for our customers, we are a known trusted service provider, but on top of that, we come with a strong cloud expertise and now also with a strong in-house AI expertise and capabilities, we address both domains, cloud and AI.

On cloud, with our existing private, but also especially public cloud offerings, I want to notice here Exoscale, our European sovereign cloud infrastructure, which ensures full data sovereignty, regulatory compliance, which is not subject to the US Cloud Act.

But on top of Exoscale, we also decided now to invest into AI as a service platform, initially focusing on internal use cases, which are relevant for our customers, such as an enterprise chatbot, for example. The platform runs entirely on our Exoscale, which will enable us to deploy and operate open-source LLMs – think of Mistral or Llama on our own infrastructure.

Additionally, this platform will also allow us to develop and operate more domain-specific AI models which target, for example, a particular industry, special use cases, functions, etc. And we believe based on this foundation on the cloud side and with our Sovereign AI as a service platform, we are perfectly positioned to build a wide range of AI solutions – think about knowledge-based chatbots, AI assistants, or autonomous AI agents.

This approach will ourselves give a more strategic independence, reduce our reliance on external AI providers, but also poses a great business opportunity for us providing these services to our customers.

And secondly, as it was also mentioned in the highlights, we want to address a question which we often get, where is our revenue growth coming from, especially in times of unlimited tariffs, more commoditization of the core business?

And here, consumer non-core services play an increasingly important role, not only to generate additional revenue but also stay relevant for our customers and expand our relationship to customers beyond the traditional connectivity.

When we talk non-core services, what are we talking about? It's basically around two main growth pillars. One we call the swappables – you see some examples here on the slide – where we give customers the flexibility and the choice within an existing plan to choose services which they like to have within their existing A1 ecosystem. And the second is partnering with attractive brands and digital services.

Some of the key non-core services which we already activated you see on the bottom right side of the slide. We're talking here security, insurance products for handsets or travel, Netflix, SkyShowtime, YouTube Premium, HBO Max, and others.

And in terms of numbers, we really see also already tangible benefits. Our customer penetration is already quite high. When we compare the countries where we offer similar services, so we exclude Belarus here, around 70% of households have already activated at least one non-core service. B2C non-core services contributed to actually 12% of the growth of group revenues in 2025.

And as it was already mentioned this year, in the first half of the year, the gross service revenues from non-core services increased by around 24% in the first half of the year, showing the strong commercial momentum. And our ambition is to continue on that. If we look in 2025, our non-core services accounted for around 5% of average revenue per household.

The ambition is to grow that to around 10% by 2030, which would imply a CAGR of around about 25% per annum in this domain. Again, very important to strengthen our customer engagement, increase household monetization, and diversify our consumer revenue beyond the traditional core business.

And lastly, again to the outlook, as Alejandro already mentioned it, we expect revenue growth – revenues to grow by 2% to 3% in 2026. Please bear in mind that last year we had a very strong result in the second half of the year, especially in the ICT equipment domain, if you do the comparisons. And on the CAPEX side, as it was mentioned, EUR 750 million excluding spectrum.

With that, thank you very much, and we are open to take your questions.

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on the telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode while asking the question. Anyone who has a question may press star and one at this time.

And the first question comes from Rohit Modi from Citi. Please go ahead.

Rohit Modi

Hi, thank you for taking my question. I have three, please. Firstly, you mentioned about the data centers and the sovereign data centers. If you can give a bit more color in terms of CAPEX allocation you're seeing into that side of business and what kind of return you could generate from that?

Second question is basically around the non-core services where you mentioned, you know, the kind of increase as a portion of service revenue by 2030. If you can give some color around the profitability of that side of, you know, that of non-core services, given that kind of you're reselling some of the services, so does the profitability will remain same as your core business or it's going to be lower, so should we expect, you know, the margins, EBITDA margins to decline over time?

And lastly, a question around your domestic market. In the release, you mentioned that the retail fixed service revenue was better – better than last quarter and sequentially it improved – but if I look at the subscriber RGU, RGU has declined. So, just want to understand, you know, how that's working, what's benefited you this time on the retail fixed service revenue side? Thank you.

Susanne Aglas-Reindl

Okay, Rohit, if I understood correctly, the first is on data centers and the CAPEX allocation for that. The second one is non-core services and how profitability for those services compares to our core business. And the third question was service revenues in Austria, given the subscriber RGU decline in the fixed-line business, what's driving the better trends in service revenues, especially when it comes to the fixed line? Is that correct?

Rohit Modi | Yes, yes, that's correct. Thank you, Susanne.

Alejandro Plater | Well, I mean, we answer as we go now. So, the first one related to data centers, we don't see a huge allocation of CAPEX to build new data centers, if that's what you're referring to.

We are focusing more now on GPUs. We see a strong demand of GPUs as a service in a GPU as a service scenario or in a token scenario, which we are discussing – I don't know when we will change the pricing from GPU as a service into tokens – that we are discussing with the team.

But now we're focusing on the GPU part of the data center, let's say. What we also are looking at is that I think there is a little bit of a hype on GPU consumption now, so we are monitoring this because we see a lot of demand for GPU.

So, we put a GPU and we sell it like in days, the capacity. I think so many people are experimenting with agents that most people are underestimating the impact of actually the cost of the tokens.

And as soon as we are experimenting and we see the cost – so as you see the cost, people will be more careful in this. So, we are being careful because of that. We are seeing that when we deploy, for example, Copilot internally, there is one topic that is the cost of the license of Copilot, but what we can see is how the amount of tokens that you consume for very trivial actions.

So, I think that we need to explore a little bit what is going to happen. But our focus is more on now adding GPU capacity than building new data centers. And this is not huge numbers.

Sonja Wallner | Okay, then answering the question on the profitability on non-core, there is not one single easy answer, but let me give you a framework about that. First of all, we differentiate between two biggest blocks, one on the consumer non-core and on the ICT business, on the especially on the enterprise and small-medium enterprises.

Consumer, there is a big range of value-added services that we add to the consumer portfolio that has a very wide range on margins, ranging from low single-digit but also to margins that are highly comparable with our core business at the moment and focusing a lot on having really good margins on the consumer.

Then coming to the already learned enterprise non-core/ICT margins that we face, of course the margins there are lower, but also here we differentiate between two: the hardware reselling business where you get, let's say, a foot into the door of the customer, and then the second is where we smartly combine the ICT services with partners, with software, with our core businesses, and there getting a very strategic advantage compared to our competitors there.

And while in the first time the margins of the pure hardware and software reselling are lower, in a combination with our core revenues, the margins come again closer to the margins that we know compared to slowly ICT.

Alejandro Plater: Yeah, the fixed, I mean, of course there is a decline in RGUs in fixed, part of this decline is generated by us, part is generated by the market when have a relatively bad DSL that is overbuilt by open access network fiber and then there is churn, of course.

So, that's basically the decline, on top of the normal competition, customer churns because of better conditions, the normal thing. And this is compensated by indexation, of course, of the base. There is also upselling of that existing base in terms of speed and non-core services.

So, you see, I don't remember now, but a big portion of the broadband base has security components now, for example, right? So, non-core, speed, and indexation is compensating partially the decline in RGUs.

Rohit Modi: Thank you.

Operator: The next question comes from Ajay Soni from J.P. Morgan. Please go ahead.

Ajay Soni: Hi guys. First question is just around the Austria EBITDA growth for this quarter. You called out some easier comps from advertising and customer acquisition. So, if we were to normalize for those costs for this quarter, what do you think the EBITDA growth would have been?

And second really quick one on your spectrum payments. Obviously, these impacted cash flows this quarter. Do you have visibility of any upcoming payments in 2026 and 2027 which would impact Free Cash Flow? Thank you.

Alejandro Plater: I'm going to start with the first one, then I will hand over to Sonja. I think you should not take it as a south one-off effect because this is up to an optimization of our distribution channel. So, we had a channel that was very – I cannot give you the details, of course now – but we had a channel that was very expensive and not very productive in terms of sales.

So, a couple of years ago was okay in terms of productivity, then productivity declined too much, so the cost per

	transaction was very high, and we agreed to basically terminate that engagement. So, but we have to replace that channel with alternatives.
	So, we open new shops, so it's not that it's a one-off effect. We have to increase expenses in other areas. So, for example, we open shops – I don't remember how many, but a couple of new shops, 10, 9, 10 shops – to compensate for that channel that was going to disappear.
	Also, there was more activities done with partners, opening partner networks. So, it was not a one-off effect; it was a change in the channel mix. And with that, I hand over to Sonja.
Sonja Wallner	And in addition to what Alejandro just explained, we changed a little bit in last year, Q2 2025, we changed our strategy how to address our advertisement, and we invested very much in the market.
	And this we optimized in the course of the last year and also this year, and therefore you won't see a repeated reduction of this expense in 2026. But Alejandro pointed out, not only advertisement is optimized, operations delivery, everything is to be reorganized to be better in the industry.
Alejandro Plater	Yeah, as we presented a couple of quarters ago, we established these competence delivery centers, where we are consolidating all operations into one organizational unit, and that's also bringing a lot of synergies, especially for Austria, that we are seeing the impact in now being materialized, because it's, of course, we are being able to run operations with a cheaper cost structure.
Sonja Wallner	Question to the spectrum also in 2026 and 2027, and there we don't have anything on the agenda yet.
Ajay Soni	Great. Just to get one follow-up on the tailwind you saw this quarter in EBITDA. Just to confirm, do you expect to see those tailwinds again then in Q3 because potentially if you built out shops last Q2, maybe you did something similar in Q3 and Q4? So, does that tailwind you saw this quarter repeat itself in Q3 and Q4 for this year or not?
Sonja Wallner	I think there won't be headwinds for the Q3 and Q4, but the positive development wouldn't be repeated as in Q2.
Ajay Soni	Great. Thank you very much.
Operator	As a reminder, if you wish to register for a question, please press star and one on the telephone. The next question comes from John Karidis from Deutsche Bank. Please go ahead.

John Karidis: Thank you. Good morning. Thank you for taking my questions. I have three, please. Thomas touched on it near the end of his presentation, but I wonder if you could sort of walk me through the detail of why you have not upgraded your revenue growth guidance? What are sort of the key things that we should be aware of?

Secondly, you continue to have a net cash, a very, very strong balance sheet, and I wonder whether during the quarter there are any developments or any progress that you can share with us regarding the deployment of this balance sheet on acquisitions.

Are some of them more sort of forthcoming than before? And then thirdly, just putting myself in your shoes, I would be sort of very frustrated by the challenge of repatriating cash from Belarus.

And I appreciate that this is a sensitive topic, so only if possible, can you sort of help us understand – you were confident that you would repatriate, you've been confident you'll repatriate for the last three or four quarters, but it hasn't really happened. So, what's the issue here, apart from changing the domicile, the base of the Belarus operation? Thank you.

Alejandro Plater: Thank you. So, I will go from question one and three and I leave number two to Thomas. So, the first one is why we did not upgraded our outlook on revenues. Two reasons why. One is that we had some tailwind on currency in Belarus, as you know, and we don't know if that's sustainable or not.

So, probably the second part of the year we will have headwind on currency. I think there are no fundamentals why the currency is revaluating so much – it's like 6% if I remember correctly or something around that. So, that was concern number one, very difficult to predict, but we prefer to be conservative on this.

And the second one is there is a little bit of volatility on ICT hardware and phones, price increases, supply topics, especially, we do a lot of ICT hardware now, and there is also some volatility in that market in terms of prices, in terms of supply.

So, we wanted to be a little bit conservative on that side. So, of course, we see that we had a very relatively strong start of the year versus the outlook, but due to those two reasons, we decided not to change the outlook.

Question number three, I mean, we have a strategy on how to get the dividends flowing again from Belarus that we

	shared with you guys before. That's why we finished now redomiciliation of the entity to Dubai.
	We should be ready to start seeing flows of dividends any moment, and we are confident that we will be able to execute from now until the end of the year. Yes, we need to finish. We are not frustrated, but we are trying to work on the solution. But I'm cautiously optimistic that we will manage to get it flow.
Thomas Arnoldner	On the second question, first of all, in a narrow sense regarding the cash position we have an upcoming maturing bond, but in more general terms regarding the leverage of the company, I can only repeat what we've been discussing quite often in the previous calls.
	We in principle like to have low leverage. We believe it gives us flexibility. We see some developments in the markets where we believe it's favorable to have that flexibility if inorganic growth opportunities arise.
	For obvious reasons, we cannot and we don't want to comment on specific opportunities, and I also want to reiterate that we don't feel pressured to do acquisitions, but still we want to keep that flexibility.
John Karidis	Thank you. If I could ask a couple of follow-ups. I mean, do you see any opportunities now? Are there sort of live projects? And then secondly on Belarus, in the past it's been said that you will start repatriating slowly. Is there anything you can help us with regarding the ramp or the increase in the repatriation once you start doing that? Could you sort of repatriate pretty fast after it starts, or could it sort of trickle back up for some period of time?
Alejandro Plater	No, we will be very careful. We will do this slowly. We are not in a rush. We want to execute this properly. So, we will go slowly. No big jumps.
Thomas Arnoldner	And on your first question, we're always working on smaller acquisitions. If your question refers to projects which really turn the needle in terms of capital allocation, nothing concrete at the moment, but again, we want to keep flexibility.
John Karidis	Thank you both very much.
Operator	Once again, to ask a question, please press star and one on your telephone. We have a next question from Bojan Djurickovic from Oddo BHF. Please go ahead.
Bojan Djurickovic	Good morning. Thank you. I have only one follow – up on the bond refinancing and your flexibility on the cash side.

	Would you prefer going into refinancing with the cash rather than going into any other loan options? Thank you.
Sonja Wallner	Very fast answer: yes, we finance it by cash.
Bojan Djurickovic	All right. Thank you. Clear.
Operator	There are no more questions at this time. I would now like to turn the conference back over to Susanne Aglas-Reindl for any closing remarks.
Susanne Aglas-Reindl	Yeah, thank you all for joining our conference call today. Thanks for the presentation and thank you for all your questions. Have a nice day.