Empowering digital life

Combined Annual Report 2022

A1 Group

Key financial data (in EUR million)

	2022	2021	Change
Total revenues	5,005	4,748	5.4%
Service revenues	4,164	3,957	5.2%
Equipment revenues	752	709	6.0%
Other operating income	89	82	8.0%
Wireless revenues	2,972	2,816	5.6%
Service revenues	2,339	2,181	7.2%
Equipment revenues	633	635	-0.2%
Wireline revenues	1,944	1,850	5.1%
Service revenues	1,825	1,775	2.8%
Equipment revenues	119	75	59.4%
EBITDA before restructuring	1,911	1,790	6.7%
EBITDA margin before restructuring	38.2%	37.7%	0.5pp
EBITDA	1,838	1,706	7.7%
EBITDA margin	36.7%	35.9%	0.8pp
Depreciation and amortization	963	953	1.1%
EBIT	871	753	15.6%
EBIT margin	17.4%	15.9%	1.5pp
Net result	635	455	39.5%
Net margin	12.7%	9.6%	3.1pp
Return on Equity (ROE) [1)]	18.9%	15.4%	3.5pp
Operating Return on Invested Capital (ROIC) [2)]	13.5%	11.9%	1.6pp
Capital expenditures	944	891	5.9%
Tangible	766	650	17.7%
Intangible	179	241	-25.8%
Free cash flow	603	487	23.8%

	Dec. 31, 2022	Dec. 31, 2022	
Net debt / EBITDA (12 M)	1.3x	1.7x	
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x	

Customer indicators (thousand)	**Dec. 31, 2022**	Dec. 31, 2022	
Mobile subscribers	23,897	22,766	5.0%
Postpaid	20,076	18,890	6.3%
Prepaid	3,822	3,875	-1.4%
RGUs [3)]	6,204	6,077	2.1%

	2022	2021	
ARPU (in EUR)	8.4	8.1	2.7%
Mobile churn	1.4%	1.3%	0.0pp

Employees (full-time equivalent)	**Dec. 31, 2022**	Dec. 31, 2022	
Total	17,906	17,856	0.3%
Share of female employees	40%	39%	1.0pp
Share of female executives	36%	36%	0.0pp

Environmental indicators/Sustainability indicators	**2022**	2021	
Total energy consumption (in MWh)	935,181	915,912	2%
Energy efficiency indicator (in MWh/terabyte)	0.10	0.11	-13%
Direct scope 1 CO_2 emissions (in tonnes) [4)]	24,048	23,732	1%
Indirect scope 2 CO_2 emissions market-based (in tonnes) [5)]	115,241	176,340	-35%
Share of renewable energy in electricity	71%	57%	14pp
Recycling rate [6)]	60%	67%	-7pp
Free training - Digital education	2,876	1,003	187%
Participation	86,115	37,509	130%

1) Ratio of net result to average equity employed. 2) Ratio of EBIT to average invested capital. 3) Revenue generating units. 4) Direct emissions from combustion of fossil fuels without cooling agents. CO_2 in CO_2 equivalents excluding compensation. 5) Indirect emissions from electric energy and district heating. CO_2 in CO_2 equivalents excluding compensation. Greenhouse gas emissions from refrigerants are included for the first time in 2022, so the Scope 1 indicators for 2021 and 2020 have also been adjusted. 6) Fractions sent for recycling (non-hazardous waste, electronics and batteries) as a percentage of total waste.

Promoting a more sustainable way of life through digitalization

- Leading telco in CEE
- System-critical infrastructure: fixed-line and mobile networks, data centers
- Leverage the potential provided by megatrend digitalization
- Excellent network quality, best-in-class customer service
- Strong growth performance, solid balance sheet
- Well-balanced performance: stability in Austria, growth in CEE
- Sustainable dividend policy, well covered by FCF
- Strong, uniform brand presence

5.0	1.8	27	18
EUR bn revenues 2022	EUR bn EBITDA 2022	million customers in 7 core markets	thousand employees

A1 Group

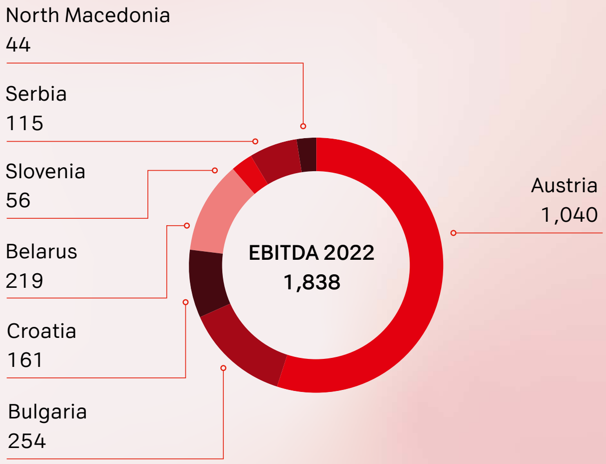
Revenues

in EUR mn / in 2022

Corporate & Other, eliminations: -39

EBITDA

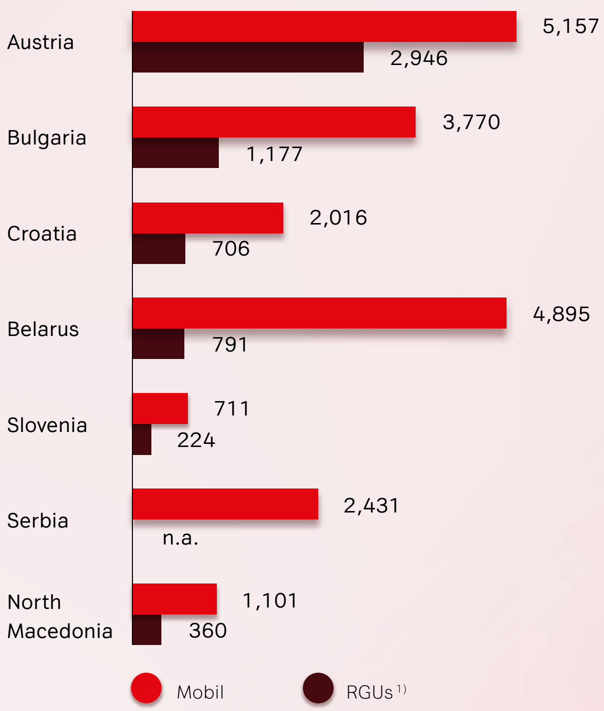
in EUR mn / in 2022



Corporate & Other, eliminations: -51

Customers

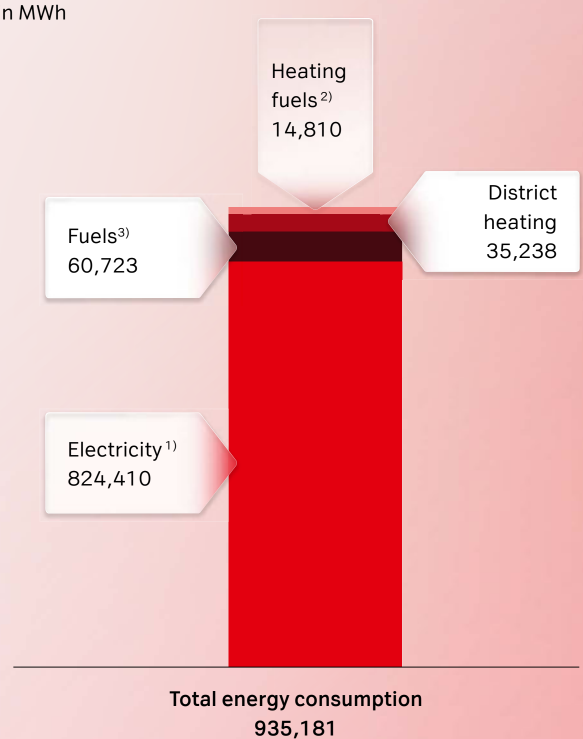
in '000 / as of December 31, 2022



1) RGU = Revenue Generating Unit

Total energy consumption by sources

in MWh



1) Purchased and in-house production as well as diesel for emergency generators
2) Includes oil and gas, not climate-adjusted
3) Includes diesel, petrol, CNG, LPG and natural gas without diesel for (emergency) generators

Data from the period November 1, 2021 to October 31, 2022

Contents

Growth path successfully continued

Under challenging macroeconomic and geopolitical conditions, A1 Group 2022 once again demonstrated strength and resilience.

Siegfried Mayrhofer, CFO | Thomas Arnoldner, CEO | Alejandro Plater, COO

The A1 Group passed the **EUR 5 billion revenue mark** in 2022. While revenues increased by more than 5%, **EBITDA** grew by around 8% to EUR 1.8 billion in a very challenging environment.

At the beginning of 2022, hopes prevailed that the worst of the COVID 19 pandemic was over and life would return to some kind of normality. Russia's invasion of Ukraine in February 2022 led to an abrupt deterioration of the economic environment. The conflict led to a sharp increase in energy prices and significantly higher inflation and interest rates.

Thanks to the efforts of our employees, the **number of mobile subscribers** increased by 5% to 23.9 million. Encouragingly, the shift from prepaid to contract customers continued in all markets. In the fixed-line business, the number of revenue-generating units **(RGUs)** increased by 2.1% to 6.2 million. We thank each and every one of our 17,906 **employees** for their commitment to A1. This also applies to the 238 colleagues from STEMO, Bulgaria, whom we warmly welcome to the A1 Group. This company has been fully consolidated since the third quarter of 2022 and has already contributed EUR 17 million to Group revenues and EUR 2 million to EBITDA in 2022.

Growth in 2022 continued a **long-term positive trend**. Since 2017, revenues have increased by an average of 2.7% per year and EBITDA by 5.6%. Compared to the previous year, the segments Serbia (+13.1%) and Bulgaria (+11.5%) recorded the strongest revenue growth rates. In absolute terms, the Austria segment showed the strongest growth with EUR +74 million.

Every year, the A1 Group invests hundreds of millions of euros in the maintenance and expansion of its fixed and mobile networks. These networks must reliably and securely handle the rapidly growing data and voice traffic. Between 2017 and 2022, i. e., in five years, the volume of data transferred has tripled.

In Austria alone, A1 has laid around 69,000 kilometers of **fiber optic cable** by the end of 2022, reaching around 96% of all municipalities. Around 79% of the Austrian population has access to the fast 5G network. 5G is included in all new tariff packages of A1 in Austria.

Despite a 6% increase in **capital expenditures** (**CAPEX**) to EUR 944 million, **free cash flow** increased by 24% to EUR 603 million. Most of the investments were made in the maintenance and expansion of our networks. In 2022, we spent EUR 10 million on spectrum.

Free cash flow led to a reduction in **net debt** to EBITDA to 1.3. Net debt excluding leases to EBITDA after leases decreased to 1.0.

A1 Group combines sustainable growth with a prudent financial policy. These were the reasons why Standard & Poor's (S&P) upgraded the Group's **credit rating** to A–. This is the best S&P rating in A1 Group's history.

Our **climate protection** strategy and measures have also been recognized externally: In December, the global not-for-profit charity CDP added A1 Group to its "A List" for its high level of transparency on climate targets and ambitions. Earlier in the year, Sustainalytics recognized us as "ESG Industry Top Rated".

A1 Group achieved a 30% reduction in CO_2 emissions (Scope 1 and Scope 2) in 2022, following a 20% reduction in the previous year. By the end of 2022, we had already surpassed our goal of 100,000 participants in digital education courses by 2023. Specifically, we reached approximately 134,000 participations in the period 2019-2022.

Outlook 2023

For financial year 2023, we expect **revenue growth of around 4%**. At the same time, we expect a further increase in costs. A1 Group will continue its commitment to the expansion of its fiber optic networks and its 5G networks, both in Austria and internationally. Therefore, we plan **CAPEX** (excluding spectrum investments and potential acquisitions) of **around EUR 950 million** in 2023.

Based on the strong results in 2022, we plan to propose a **dividend** of EUR 0.32 per share to the Annual General Meeting, subject to the approval of the Supervisory Board. Here, too, A1 Group is continuing its sustained positive development. The dividend policy from 2016 onwards foresees a basic dividend of EUR 0.20 per share. Based on the Group's operational and financial development, the dividend level will be maintained or sustainably increased. ▪

Resilience and sustainability

The A1 Group's high-performance and future-proof fixed-line and mobile networks as well as its data centers are part of the **system-critical digital infrastructure**. Together with the product and service portfolio based on them, they ensure digital communication, continuity, and interaction for companies and their employees, the public sector, and the private sector, even under significantly increased load. This goes hand in hand with our own high standards of stability, reliability, and trustworthiness.

The dynamic progress of **digitalization** opens up great development potential, both from an economic and an ecological point of view. The A1 Group not only provides the technological basis for this but also actively promotes digitalization. However, this must be done in a **sustainable** manner. The A1 Group is therefore committed to issues such as data protection, information security, measures against cybercrime, the development of digital skills as well as for climate protection.

A1 Group
The Regional Footprint

The A1 Group serves 27 million customers in 7 core markets.

Telekom Austria Aktiengesellschaft, Austria, is the parent company of the A1 Group and acts as a holding company.

As a leading communications provider in the CEE region, the A1 Group offers products and services in the areas of voice telephony, broadband Internet, mobile and home entertainment as well as smart home, data and IT solutions, wholesale, payment solutions and digital services.

The A1 Group's core markets, which are also reported as segments, are:

- Austria
- Bulgaria
- Croatia
- Belarus
- Serbia
- Slovenia
- North Macedonia

In addition, Group company A1 Digital advises companies in the core markets as well as in Germany and Switzerland on digital transformation issues. The focus is on industry-specific applications in the field of Internet of Things (IoT), cloud-based products for the modern workplace as well as security solutions.

As of December 31, 2022, the A1 Group had 17,906 employees (full-time equivalents):

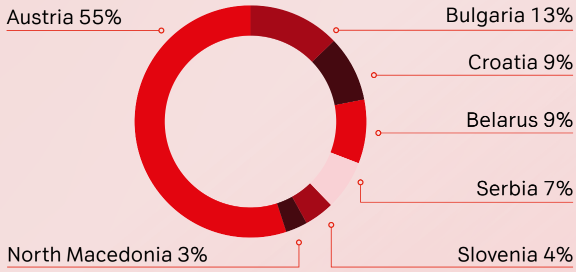
	2022
Austria	6,826
Bulgaria	3,602
Croatia	1,800
Belarus	2,351
Serbia	1,544
Slovenia	631
North Macedonia	756
Holding incl. A1 Digital	397
A1 Group	**17,906**

A1 Group as part of América Móvil

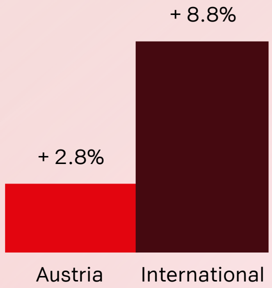
As part of América Móvil, the A1 Group can count on the strength of one of the world's largest telecommunications providers.

América Móvil has about 300 million mobile subscribers and 73 million fixed-line RGUs, as well as subsidiaries in more than 20 countries in North, Central, and South America and Europe. As part of América Móvil, the A1 Group benefits from economies of scale and the strength of a globally operating group of companies. This brings advantages and synergies, including in the areas of product development, technology and purchasing.

Revenues by segments
(Excluding Corporate & Other, eliminations)



Revenue growth year-on-year
(Excluding Corporate & Other, eliminations)



A1 in Austria

About A1 in Austria

A1 is Austria's leading mobile and fixed-line telecommunications operator with approximately 5.2 million mobile subscribers and 1.7 million fixed access lines as of year-end 2022.

Customers benefit from a comprehensive range of products and services from a single source: core telecommunications services, Internet access, digital cable television, information and communications technology (ICT), wholesale services, and mobile business and payment solutions. As a responsible company, A1 integrates socially relevant and environmental concerns into its core business.

In 2022, the segment Austria contributed 55% to the revenues and 57% to the EBITDA of the Group.

Business development in 2022

At the beginning of the year, a rather calm mobile communications market was characterized by low churn rates and fewer customer gross adds. This was partly due to the scarcity of available high-value handsets, but also to lower subsidies, which presumably boosted demand for SIM-only offerings. A1 Austria launched a new mobile portfolio in November 2022, changed its previous premium positioning of 5G, and introduced 5G offers in almost all new tariffs. In the fixed-line business, demand remained relatively unchanged year-on-year thanks to the advance of digitization and new forms of work requiring reliable Internet connections. Consequently, upselling to higher broadband products continued to be noticeable in the market. A new regulatory environment is enabling A1 Austria to accelerate its fiber roll-out.

Market position

Mobile
#1

Fixed line
#1

RGU (in '000)
2,946

Subscribers (in '000)
5,157

Convergent since
2007

Financials 2022

In EUR mn		Change	Share of Group
Revenues	2,752	2.8%	55%
ARPU (EUR)	16.8	3.7%	n.a.
ARPL (EUR)	33.9	1.8%	n.a.
EBITDA	1,040	4.9%	57%
EBIT	495	12.2%	57%
CAPEX	572	15.4%	61%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- Mobile broadband
- IP TV
- ICT
- Data center for customers

Quality certificates

- ISO 9001
- ISO 14001
- ISO 18295
- ISO 20000-1
- ISO 45001
- ISO 50001
- ISO 50518
- EMAS
- EN 50600
- BGF
- ECO Data-center 3.0

Employees (FTE)

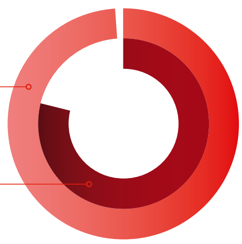
27%
Share female

Network coverage

Fiber 627,000
homes passed

4G 99%

5G 79%



Brands

A1
bob
yesss!
XOXO
Red Bull MOBILE distribution license

Key data: Austria

Population	GDP/capita, PPP	Member of the EU since	Currency
9.0 million	58,400 USD	1995	EUR euro

Market Overview

A1 in Bulgaria

About A1 in Bulgaria

In Bulgaria, A1 is the leading mobile network operator and number two in fixed line.

As a fully convergent provider, A1 offers the complete portfolio of core telecommunications services, information and communications technology (ICT), as well as satellite TV, an own interactive TV platform, and four sports channels.

The predecessor company of A1 Bulgaria was founded in 1994 and acquired by the Group in 2005. In 2022, STEMO, a local ICT company, became part of the A1 family. In 2022, business in Bulgaria contributed 13% to the revenues and 14% to the EBITDA of the Group, making it the largest A1 market after Austria.

Business development in 2022

In 2022, the business in Bulgaria delivered a consistently strong performance. This was supported by local market dynamics, the strong A1 brand and diligent strategy execution. In the mobile business, A1 Bulgaria managed to further utilize the 5G network and up-sell customers. In the fixed-line business, A1 Bulgaria continued to monetize the strong demand for high-bandwidth products and remained an exclusive provider of sports content. This was instrumental in executing the convergence strategy and attracting new customers. In addition, momentum was particularly strong in the Solution & Connectivity business, where the company operated with attractive security offerings and IT solutions.

Market position

Mobile
#1

Fixed line
#2

RGU (in '000)
1,177

Subscribers (in '000)
3,770

Convergent since
2011

Financials 2022

In EUR mn		Change	Share of Group
Revenues	640	11.5%	13%
ARPU (EUR)	7.0	7.7%	n.a.
ARPL (EUR)	15.7	6.3%	n.a.
EBITDA	254	16.5%	14%
EBIT	136	30.1%	16%
CAPEX	108	4.9%	11%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- Mobile broadband
- IP TV
- ICT
- Data center for customers

Quality certificates

- ISO 9001
- ISO 14001
- ISO 20000-1
- ISO 27001
- ISO 27701
- ISO 39001
- ISO 45001

Employees (FTE)

43%
share female

about
3,600

Network coverage

Fiber 1.3 million
homes passed

4G 99%

5G 69%

Brands

A1

Key data: Bulgaria

Population	GDP/capita, PPP	Member of the EU since	Currency
6.9 million	27,900 USD	2007	BGN Bulgarian lev

A1 in Croatia

About A1 in Croatia

In Croatia, A1 Hrvatska is the second-largest operator in both fixed line and mobile telecommunication.

A1's services include mobile and fixed-line telephony, TV services, comprehensive business solutions as well as information and communications technology (ICT). The broadband infrastructure comprises fiber and 5G.

"A1 Hrvatska" was founded by the Group in 1998 and started operations in 1999. In 2022, business in Croatia contributed 9% to the Group's revenues and EBITDA.

Business development in 2022

In 2022, the Croatian market remained competitive with dynamic promotional activities of all network operators. In the mobile business, A1 Croatia tackled this with a redesigned portfolio that included 5G propositions in all mobile tariffs. Unlimited data offers remained exclusive for the higher tariffs. In the fixed-line business, A1 Croatia increased its broadband coverage with new FTTH areas. On the TV content side, advanced broadband and TV products were very attractive and played an important role in successful customer acquisition throughout the year.

Market position

Mobile
#2

Fixed line
#2

RGU (in '000)
706

Subscribers (in '000)
2,016

Convergent since
2011

Financials 2022

In EUR mn		Change	Share of Group
Revenues	470	4.0%	9%
ARPU (EUR)	10.9	2.2%	n. a.
ARPL (EUR)	30.8	-3.7%	n. a.
EBITDA	161	3.3%	9%
EBIT	66	13.7%	8%
CAPEX	84	-12.4%	9%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- Mobile broadband
- IP TV
- ICT
- Data center for customers

Quality certificates

- ISO 9001
- ISO 14001
- ISO 18295
- ISO 27001
- ISO 45001
- ISO 50518
- EMAS
- EN 50600
- BGF
- ECO Data-center 3.0

Employees (FTE)

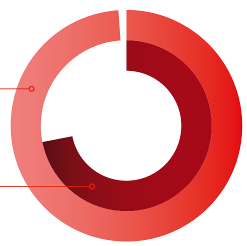
45%
share female

Network coverage

Fixed broadband
652,000
homes passed (FTTH & HFC)

4G 99%

5G 72%

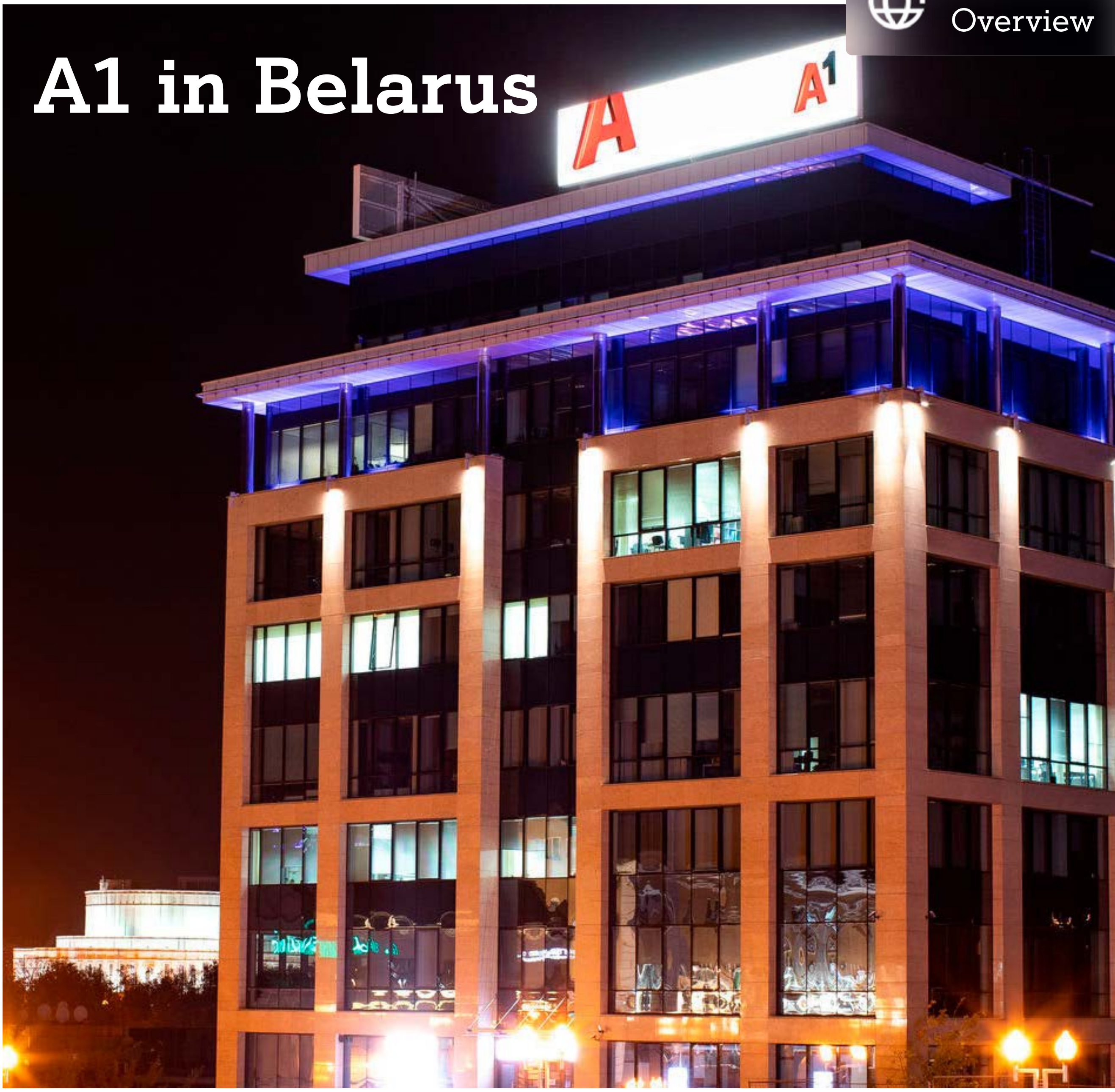


Brands

Key data: Croatia

Population	GDP/capita, PPP	Member of the EU since	Currency (Jan. 1, 2023)
3.9 million	34,300 USD	2013	EUR euro

A1 in Belarus



About A1 in Belarus

A1 Belarus is the second largest private telecommunications, ICT and content service provider in Belarus.

A1 Belarus offers the complete portfolio of core telecommunications services, IPTV, data storage and cloud services. The company's data center is one of the largest in the country. A1 Belarus' ICT portfolio includes the installation and technical maintenance of security alarm systems, access control systems, as well as multimedia, sound and video conferencing systems.

The predecessor company of A1 Belarus started operations in 1999 and became part of the Group in 2007. In 2022, business in Belarus contributed 9% to the Group's revenues and 12% to its EBITDA.

Business development in 2022

In 2022, the Belarusian market was characterized by focused activities from mobile network operators to retain and upsell existing customers. The mobile market was shaped by increased demand for higher data allowances. A1 Belarus was well positioned to meet customers demand with the more-for-more concept. In the fixed-line business, high-quality broadband Internet products and convergent offerings that included TV content were sought after and marketed well while demand for ICT business projects weakened somewhat. Geopolitical tensions have left a mark on the overall business environment.

Market position

Mobile
#2

Fixed line
#2

RGU (in '000)
791

Subscribers (in '000)
4,895

Convergent since
2016

Financials 2022

In EUR mn		Change	Share of Group
Revenues	461	9.8%	9%
ARPU (EUR)	4.8	18.3%	n.a.
ARPL (EUR)	7.8	25.9%	n.a.
EBITDA	219	21.2%	12%
EBIT	150	23.0%	17%
CAPEX	39	-4.5%	4%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- IP TV
- ICT
- Data center for customers

Quality certificates

- ISO 9001
- ISO 14001
- ISO 37001
- ISO 45001
- PCI DSS

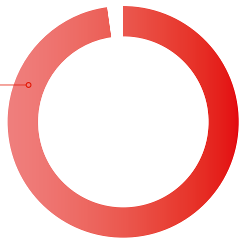
Employees (FTE)

52%
share female

Network coverage

Fiber 1.2 million
homes passed

4G 98%



Brands

A1, VOKA

Key data: Belarus

Population	GDP/capita, PPP	Independent since	Currency
9.3 million	21,700 USD	1991	BYN Belarusian ruble

A1 in Serbia

About A1 in Serbia

A1 Serbia is the third-largest mobile operator, but the one with the fastest mobile network in the country.

The company offers mobile telecommunications services such as telephony and broadband internet as well as digital entertainment services and information and communications technology (ICT). A1 Serbia also operates a data center in the country. As the first local company in its industry, A1 Serbia invested in solar electricity generation by installing to date about 4,800 solar panels with a capacity of more than 2.5 MW.

A1 Serbia was founded in 2006 as part of the Group and started operations in 2007. In 2022, business in Serbia contributed 7% to the Group's revenues and 6% to its EBITDA.

Business development in 2022

In 2022, the Serbian market continued to show signs of maturity. On the one hand, the proportion of contract offers in the portfolios increased, and on the other hand, demand for higher data quotas grew. A1 Serbia was again successful in customer upselling and acquisition. Since August 2022, the company has been on the market with new offers. Successful monetization of data volume add-ons in higher tariff plans supported double-digit revenue growth.

Market position

Mobile
#3

Subscribers (in '000)
2,431

Financials 2022

In EUR mn		Change	Share of Group
Revenues	357	13.1%	7%
ARPU (EUR)	8.4	5.2%	n. a.
ARPL (EUR)	n.a.	n. a.	n. a.
EBITDA	115	12.8%	6%
EBIT	58	17.1%	7%
CAPEX	52	6.8%	5%

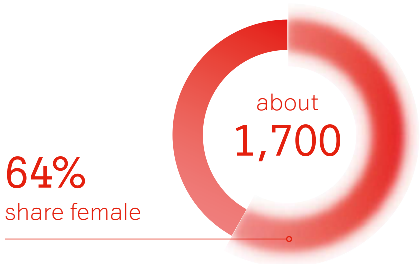
Offerings

- Mobile telephony
- Mobile broadband
- ICT
- Data center for customers

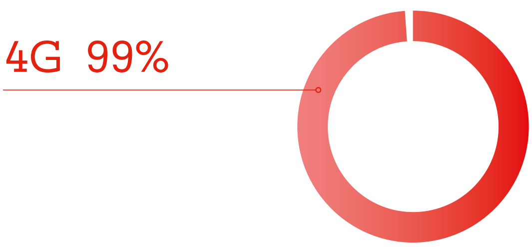
Quality certificates

- ✔ ISO 14001
- ✔ ISO 45001

Employees (FTE)



Network coverage



Brands

A1

Key data: Serbia

Population	GDP/capita, PPP	EU candidate since	Currency
6.8 million	21,500 USD	2012	RSD Serbian dinar

A1 in Slovenia

About A1 in Slovenia

A1 Slovenia is the leading private provider of integrated communications services in the country.

The company offers mobile and fixed-line services, high-speed broadband internet, cybersecurity, as well as information and communications technology (ICT). More than 630 employees are committed to creating solutions that enrich life in the digital age to more than 800,000 users.

The predecessor company of A1 Slovenia started operations in 1999 and became part of the Group in 2001. In 2022, business in Slovenia contributed 4% to the Group's revenues and 3% to its EBITDA.

Business development in 2022

In 2022, competitive intensity remained elevated in the Slovenian market. Mobile network operators offered 5G propositions in almost all tariffs. Therefore, positioning 5G as a premium was not feasible in the market. A1 Slovenia redesigned its mobile portfolio and included attractive hardware with lower subsidies. In the fixed-line business, A1 Slovenia was successful in customer acquisition and upselling to higher Internet speeds, but also in attracting customers to convergent offers with appealing TV content.

Market position

Mobile
#2

Fixed line
#4

RGU (in '000)
224

Subscribers (in '000)
711

Convergent since
2015

Financials 2022

In EUR mn		Change	Share of Group
Revenues	223	6.0%	4%
ARPU (EUR)	13.9	5.3%	n.a.
ARPL (EUR)	31.1	-2.4%	n.a.
EBITDA	56	-7.4%	3%
EBIT	4	-72.8%	0%
CAPEX	46	-41.9%	5%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- Mobile broadband
- IP TV
- ICT

Quality certificates

- ✔ ISO 14001
- ✔ ISO 27001
- ✔ ISO 45001
- ✔ EMAS

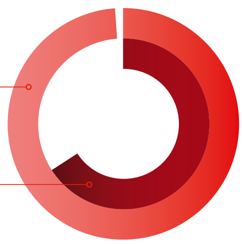
Employees (FTE)

about 700

45% share female

Network coverage

Fiber 29,000 homes passed



4G 99%

5G 66%

Brands

A1
bob
re:do

Key data: Slovenia

Population	GDP/capita, PPP	Member of the EU since	Currency
2.1 million	43,600 USD	2004	EUR euro

A1 in North Macedonia

About A1 in North Macedonia

A1 is the leading mobile network operator and number two in the fixed-line market in North Macedonia.

A1 offers the fastest mobile network in the country. On top of this, the mobile network is becoming even faster by launching 5G. Close to 1,000 employees working under the "A1 Makedonija" brand are constantly dedicated to providing the best user experience to more than 1.2 million customers.

"A1 Makedonija" was founded in 2007 as part of the Group. In 2022, business in North Macedonia contributed 3% to the Group's revenues and 2% to its EBITDA.

Business development in 2022

In 2022, market development in North Macedonia featured increased demand for high-bandwidth broadband and convergent products in the fixed-line business. The mobile business saw strong demand for unlimited data packages, high value tariffs and mobile WiFi routers. A1 in North Macedonia redesigned its mobile portfolio with 5G tariffs and successfully positioned itself with a more-for-more concept.

Market position

Mobile
#1

Fixed line
#2

RGU (in '000)
360

Subscribers (in '000)
1,101

Convergent since
2014

Financials 2022

In EUR mn		Change	Share of Group
Revenues	141	5.0%	3%
ARPU (EUR)	6.7	7.1%	n.a.
ARPL (EUR)	11.1	0.5%	n.a.
EBITDA	44	-4.0%	2%
EBIT	18	-3.0%	2%
CAPEX	38	56.2%	4%

Offerings

- Fixed-line telephony
- Fixed-line broadband
- Mobile telephony
- Mobile broadband
- IP TV
- ICT
- Data center for customers

Quality certificates

- ISO 9001
- ISO 14001
- ISO 20000-1
- ISO 22301
- ISO 27001
- ISO 27018
- ISO 45001

Employees (FTE)

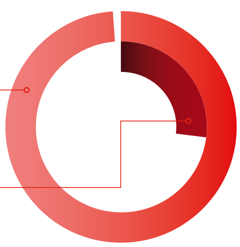
50%
Share female

Network coverage

Fiber 37,000
homes passed

4G 99%

5G 27%



Brands

A1

Key data: North Macedonia

Population	GDP/capita, PPP	EU candidate since	Currency
2.1 million	18,200 USD	2005	MKD Macedonian denar

Strategy

A1 empowers people to do what they love, what inspires them, what is of benefit to them. For companies, A1 creates solutions enabling them to be more productive and more innovative.

In a changing environment, the needs and expectations of customers and the society as a whole are evolving, too. This is why the A1 Group refreshed its corporate strategy at the end of 2022, guided by its current vision.

Vision of the A1 Group: Empowering digital life

This vision aims to deliver convincing benefits and a positive "experience" for customers and wider society. The A1 Group's digital infrastructure and services form the foundation for this. This includes, in particular, contributing to shape a sustainable future through technology – for employees, customers, business partners, and all other stakeholders along the value chain, for current and future generations. Thus, the A1 Group is actively facing up to its ecological and social responsibility. A1 is promoting efficient, resource-friendly and thus more sustainable ways of working and living as well as equitable and secure access to connectivity and digital services.

The refreshed corporate strategy addresses current industry trends, including the sharp rise in data traffic and the strong upturn in the significance of software as the basis for automation and digitalization. More information about industry trends can be found in the 2022 Group Management Report.

The corporate strategy covers the period from 2023 to 2027 and has two focus areas:

- ✔ Evolve the core to stay relevant for customers
- ✔ Explore the new to discover growth opportunities

The A1 Group is putting the human at the center of its activities. The A1 brand, sustainability (ESG) and security-related topics are enablers in this sense, making them an integral part of the corporate strategy.

Evolve the core

In a fast-paced environment, continuous evolution and improvement are essential. To meet increasing customer demands and exceed expectations, the company must evolve its core business. A1 strives to optimize its infrastructure to deliver best-in-class customer experience and maintain its reputation as a quality leader.

Telecommunication companies have become so much more than connectivity providers. The emphasis is rather on offering customers outstanding experiences. With this in mind, the A1 Group is steering its previously product-driven focus toward customer journeys. This means that customer needs are quickly identified and addressed at the various points of contact with the A1 Group.

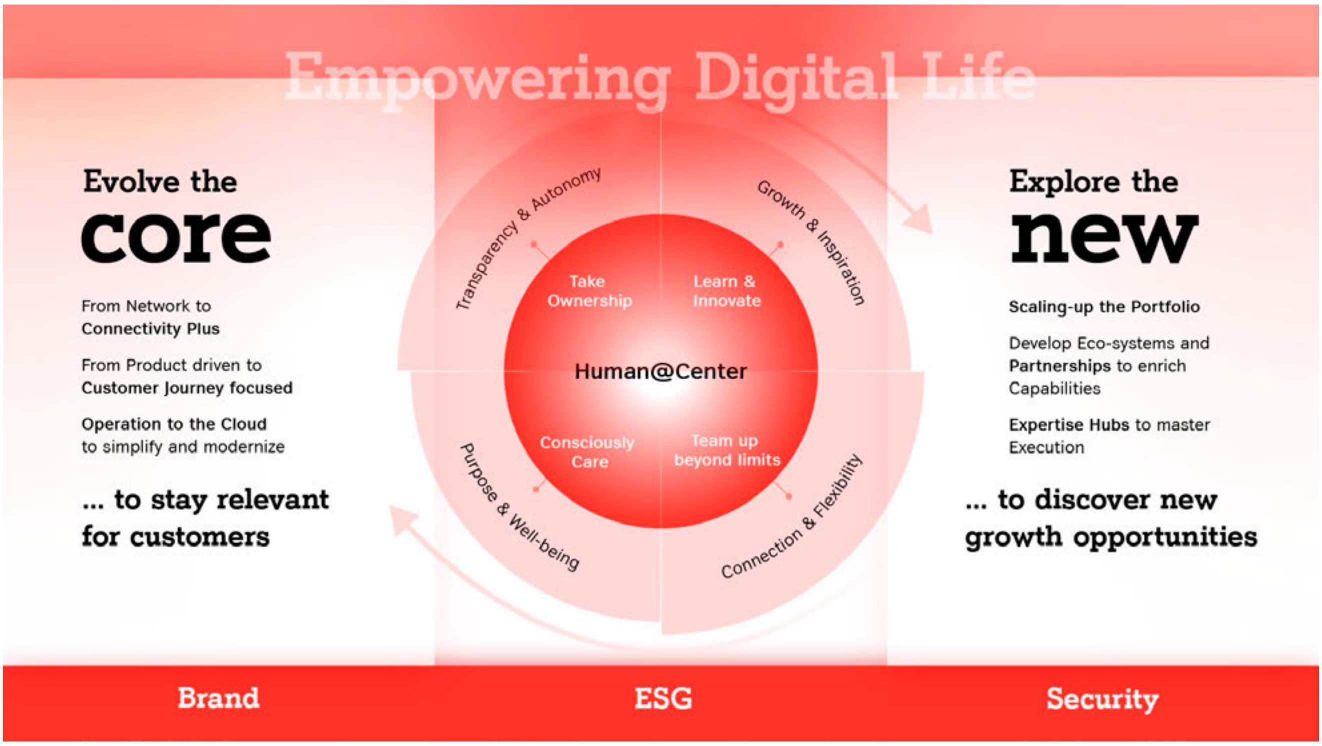
Intensifying the use of the cloud allows to simplify and modernize processes and the IT landscape. This in turn improves time to market, enables faster response to business opportunities, and drives digital transformation.

Explore the new

In order to take advantage of tomorrow's business opportunities, the A1 Group focuses on three pillars. The existing portfolio is being selectively enhanced, and, once selected, growth opportunities are boldly pursued. On top, the Group is looking to enrich its capabilities through partnerships. This will allow the A1 Group to act even quicker and give customers access to an extensive range of digital services from a single source. A1 is therefore positioning itself as partner of trust to its customers. Furthermore, pooling specialist knowledge within the Group in expertise hubs allows group-wide topics to be addressed more effectively and to benefit from synergies.

Human@Center

The aspiration to stay relevant for customers was a primary motivator for refreshing the corporate strategy. Humans (i.e., employees, customers, business partners and other stakeholders) are at the center of the revised corporate strategy. After all, it is the people who work at and with A1 that bring the strategy to life. For this to be successful, there needs to be a well-balanced interaction between employees exhibiting the desired behavior and the company providing a suitable working environment.



The Human@Center approach encompasses the following four components:

- A1 gives employees more responsibility and greater autonomy in their work. Internally, this goes hand in hand with a greater degree of transparency.
- Only through continuous learning and further training can people grow both personally and professionally. This opens up new perspectives and fosters the ability to innovate.
- Collaboration increasingly takes place in cross-functional and international teams. For this to work, there needs to be a framework in place that encourages flexibility and supports personal interaction.
- The A1 Group performs a number of important functions in society. As an employer, the A1 Group aims to create an environment in which employees are aware of this responsibility, are able to contribute, have a good sense of well-being and enjoy the work they do in shaping a sustainable future.

The brand: A1

The strong A1 brand connects all markets of the Group. It represents, on the one hand, the values and culture the Group stands for and, on the other, how the A1 Group is perceived. Brand performance and customer satisfaction are good indicators of whether the strategy is working in the target groups.

The consistent appearance of the A1 design allows joint initiatives to be launched across the borders. For employees, the A1 brand acts as a common basis representing the Group's values and attitudes.

Security

Customers' expectations, but also the legal requirements and consequences for missteps with regard to information security and safeguarding personal data, have increased dramatically in recent years. At the same time, an increasing number of companies all around the world have already experienced data breaches.

Security is essential for A1 . It gives business partners assurance that the A1 Group is handling data with due care and protecting it to an adequate standard. A1 also offers solutions to provide the best possible protection for customers' data, making the A1 Group a trustworthy business partner.

Sustainability (ESG)

In step with the vision "Empowering digital life", the company's work to help shape a sustainable and inclusive future through technology is taking on primary importance. The A1 Group actively faces up to its ecological and social responsibility by promoting more efficient, more resource-friendly and more sustainable ways of working and living.

Sustainability encompasses the dimensions of Environment, Social and Corporate Governance (ESG).

The A1 Group's ESG strategy is far-reaching and interdisciplinary. From energy efficiency right through to gender equality – virtually all areas of the company are being called upon to scrutinize and rethink their processes, products and services and make them more sustainable. Sustainability aspects must be taken into account in every decision that is made. ESG represents a transformation of the entire Group – an ambitious journey that has long since begun but still has some challenging legs ahead.

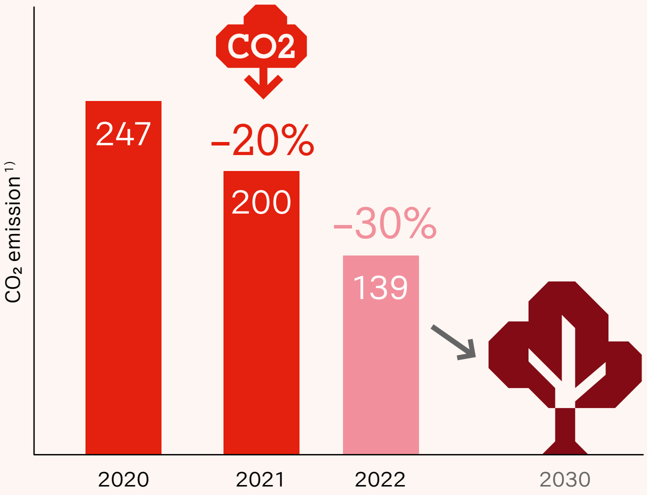
The ambitious ESG goals are based on three pillars. The first pillar is a clear commitment to combating climate change. The second pillar reflects A1 Group's sense of social responsibility: There is a clear focus on the promotion of women and diversity, as well as initiatives in the field of digital education - especially in the area of digital skills for the younger generation. After all, it will only be possible to exploit the full potential of digitalization for the good of society, the economy and the environment with the requisite know-how as well as equitable, widespread and high-quality access to digital media, services and business models. A strong corporate compliance culture is the third pillar of A1 Group's ESG strategy.

ESG goals

Clear goals for the ESG strategy

The A1 Group focuses its ESG activities on supporting the United Nations' Sustainable Development Goals (SDGs), which were adopted in 2015. The A1 sustainability strategy is derived from the most recent materiality analysis, which was updated in 2022. The strategy aims to leverage the potential of digitalization for the climate, people and society while simultaneously minimizing the company's own environmental footprint.

A1's contribution to climate protection



Action Plan

- Power purchasing agreements, green tariffs and guarantees of origin
- Increased on-site production, e.g. own photovoltaic parks and solar panels on base stations
- Speeding up of the fleet transition to hybrid and e-vehicles
- Free cooling
- Innovative logistics concepts and communication solutions
- Increased energy efficiency by legacy communications systems shutdowns

certified by SCIENCE BASED TARGETS

1) Direct and indirect greenhouse gas emissions (Scope 1 + Scope 2 market based), in thousand t CO_2-equivalents

Environmental, Social & Corporate Governance: Clear objectives in pursuing the ESG strategy [1)]

Environment [2)]

CO_2 emission 2030

- Reduction of CO_2 emissions to net zero [3)] by reducing the own footprint and gradually making the transition to energy from renewable sources.

Energy 2030

- Increasing energy efficiency by 80%

Circular economy by 2030

- To promote the circular economy at the company: recycling around 50,000 old devices a year.

1) The ESG targets have been expanded as part of the refresh of the corporate strategy and can be found on the esg.A1.group website.
2) Targets based on 2019 figures
3) Reduction of Scope 1 & Scope 2 (market-based) by 90%

Society [4)] & Governance

Digital education by 2023 (already met in 2022)

- To address 100,000 people—especially children and young people—as part of the focus on digital education. To give people the confidence and skills to actively shape digital worlds.

Diversity by 2023

- To increase the proportion of women in management positions to 40% and to raise and maintain the proportion of women at the company at 40%.

Employees 2024

- Offering 40 hours of training per full-time equivalent.

Compliance

- To maintain a best-practice and externally certified compliance management system to safeguard the A1 Group's integrity and trustworthiness.

4) In the period from 2020 to 2023

Sustainable Development Goals

"Agenda 2030 for Sustainable Development" was adopted at the United Nations summit in September 2015. All 193 member states of the United Nations have undertaken to work to implement Agenda 2030 and its 17 Sustainable Development Goals (SDGs) at a regional, national, and international level by 2030. The A1 Group supports the achievement of the SDGs through a wide range of activities.

4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	The A1 Group champions lifelong learning and the development of digital skills through the Group-wide education initiatives. Free training sessions are offered to teach digital skills and risks such as cyber criminality are explained.
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls.	The A1 Group promotes gender equality and non-discrimination and works on empowering women through a number of group-wide measures to increase diversity and inclusion so that women can reach their fullest potential.
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all.	The A1 Group encourages the purchase of electricity from renewable sources and the realization of in-house projects in this area with the aim of reducing its ecological footprint and preventing or lowering CO_2 emissions.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	The A1 Group offers its employees attractive, fair, and flexible working models and promotes their health. It is helping to decouple economic growth from resource consumption by driving digitalization.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	The A1 Group is continuously pressing ahead with digitalization, with a particular focus on the roll-out of new technologies like 5G and secure, high-performance infrastructure. Funding for start-ups helps to support and promote innovation.
10 REDUCED INEQUALITIES	Remove inequality within and among countries.	The A1 Group Code of Conduct contains a clear commitment on the part of the A1 Group to protect and respect human rights. The Group-wide Human Rights Policy, which was published in spring 2022, reaffirms and substantiates the company's commitment and efforts to protect human rights.
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable.	The A1 Group is continually expanding its range of sustainable services in areas including the Internet of Things (IoT) and Smart Home for customers.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	The A1 Group makes a contribution to responsible production by promoting the circular economy through measures such as systematic lifecycle management. Recycling and reuse initiatives like the cell phone recycling program promote responsible consumption.
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	The A1 Group contributes to climate action by taking steps to improve energy efficiency, offering products and services that lower CO_2 emissions and increasing the proportion of its energy supply derived from renewable energies.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	Acting with honesty, fairness and transparency is a core component of the A1 corporate culture. The company has a comprehensive compliance management system (CMS) to help it achieve its standard of integrity.

Technology, Services and Innovation

Resilience, sustainability and innovation as success factors in digitization.

In 2020, the COVID-19 pandemic suddenly brought into focus the enormous importance of reliable digital connectivity for the population. In 2021, the demand for secure and seamless connectivity continued to rise due to more and more industries requiring their employees to work from home. Looking back, the A1 Group can claim that its infrastructure was very well equipped to meet even these extraordinary challenges, thanks to continuous investments. In 2022, the trend of working from home continued, was however also expanded again by more demand for mobility.

Throughout those years, A1 continued to rise to the challenge and did this in many ways. Existing networks were upgraded to provide higher bandwidth. Fiber roll-out was substantially increased across the Group. In addition, 5G was used to provide broadband coverage to areas not yet covered by fiber. With its high-performance and future-proof infrastructure, A1 Group offers a reliable foundation for increasingly digital working and living environments. Furthermore, the Group supports the rapidly accelerating digital transformation and the associated rise in demand for secure, seamless connectivity.

One of the A1 Group's key focuses is to help shape a sustainable future through technological innovation. In the age of digital transformation, alongside the many advantages, there are also several challenges. Among other things, it means higher data traffic, a consequence of which is higher energy requirements. The Group assumes the associated tasks as well as its overall ecological and social responsibility. For example, by using innovative technologies to operate its infrastructure more efficiently and with less impact on resources.

Ecological network design

The A1 Group's greatest environmental impact comes from the electricity consumed in operating its networks, which accounts for around 90% of its total energy requirements. The mobile network plays the largest role, accounting for 60% of the Group's electricity consumption. It is therefore the most important lever for reducing the associated CO_2 emissions.

The steady increase in transmitted data volumes highlights the need for further technological innovations and more efficient solutions in network operation. For example, the new mobile communication standard 5G through its higher spectral efficiency achieves improved efficiency in energy utilization when compared with older generations of mobile networks. In terms of transmitted data volumes, it means that with 5G, the same amount of data is transferred even faster with greater bandwidths, while using less overall electricity. However, the demand for electricity is expected to rise with increasing 5G communication and the associated dynamic increase in transmitted data. To counteract this, A1 Group plans to switch off older generations of mobile communications in the coming years, in line with international market trends. This is intended to sustainably improve energy efficiency and provide a supporting building block on the way to decarbonizing the Group.

In general, the modernization of network components – for example with LTE and 5G – results in an increase in energy efficiency. In the case of power supply units, air conditioning systems, and ventilation systems, which are among the largest energy consumers, energy efficiency programs are specifically aimed at reducing those energy costs that are not primarily related to data transport. Most of A1 Group's base stations do not use air conditioning, but instead operate with passive cooling.

5G fact check

- 5G is a new transmission protocol, not a new technology.
- The form and medium of transmission (radio) have been in use for a long time and are very well understood.
- Existing earlier research findings on mobile telephony are therefore also applicable to 5G.
- The international human safety thresholds were reevaluated and confirmed in 2020.
- In Austria, these are set out in OVE Directive R 23-1 and include a 50-fold safety factor.
- International measurement results show that exposure levels would barely change under 5G.

At the same time, the use of more and more fiber in the fixed-line network is helping to reduce electricity consumption compared with old copper-based technologies.

In A1's data centers in Austria, cooling methods such as hot-spot suction, cold-aisle containment, and heat recovery systems lead to a reduction in energy requirements of up to 75% compared with conventional cooling systems. The increased use of cloud solutions also contributes to the improvement of energy efficiency. The optimization of hardware resources, more efficient energy use of newer hardware generations, and the reduction of physical space requirements in data centers play a key role here.

For years now, the A1 Group has been focusing on improving its energy efficiency through various initiatives in order to decouple rising data volumes and the associated energy consumption. For example, the use of the latest generation of RAN (Radio Access Network) components – in addition to the associated high quality of service – ensures improved energy efficiency.

One example of a software-based solution for intelligent network optimization that leads to higher energy efficiency is "Dynamic Cell Sleep". This involves putting frequency ranges that are needed for additional capacity during periods of high data traffic volumes into idle mode when traffic volumes are low.

State-of-the-art networks and infrastructure

A reliable and secure infrastructure is more relevant today than ever. Throughout the past years, forward-looking investments in future-proof networks ensured the stable handling of an unprecedented surge in data and voice traffic. A1 Group is investing several hundreds of million euros per year in its networks. This is a solid basis for the Group to continue to provide the best products and services to its customers and to meet the growing demand for data, more bandwidth and low latency.

Broadband expansion in Austria

In 2022, A1 in Austria focused on the roll-out of the 5G mobile network and on the expansion of the fiber network.

Fiber versus copper

- Fiber provides significantly higher data throughout, even over very long distances. It can be increased to well over 1 Gbps in the future.
- Fiber provides symmetric bandwidth and services.
- Fiber networks have fewer electrical components, so operators have fewer maintenance requirements and less need for on-site technicians. This results in lower operating costs.
- Fiber is much less sensitive to moisture than copper.
- Therefore, fiber represents the future of access.
- The biggest disadvantage of fiber is the high cost of roll-out.

With its fiber efforts, A1 in Austria is continuously extending the country's largest fiber network. By the end of 2022, 95.6% of municipalities already had an access point to this network. A total of about 69,000 km of fiber-optic cable has been laid. The fiber network has a strong foundation as it builds on the fiber backhaul network of the mobile base stations, 82% of which are already fiber connected. In this way, mobile communications and the fixed network go hand in hand.

In October 2022, the Austrian regulator furthermore deregulated the fiber broadband market in many aspects. A number of partnerships were concluded for the common use of the fiber infrastructure for offering Very High-Capacity Network (VHCN) services to their respective customers. This common use improves the business case of offering fiber-based services at new locations by increasing the average usage of such infrastructure. This will help to further speed up the roll-out of fiber infrastructure in Austria. With this approach, A1 Group underlines its determination to exploit the potential of the expanded infrastructure quickly and efficiently. In addition, A1 is presenting itself as a reliable partner in providing highly available services to its whole-sale customers.

In mobile communications, A1 Austria's 5G coverage was at around 79% of the population by the end of 2022, maintaining its leading position in the field of 5G networks. The Company continues to pursue the goal of providing the entire population (>95%) with 5G by year-end 2023.

Broadband expansion in CEE

In **Bulgaria**, A1 continued to pursue its strategy of being the leading mobile operator in 2022 by taking the following measures:

- Utilize the acquired spectrum at 3,600 MHz to its maximum by a broad roll-out of 5G macro sites and by activating MIMO (Multiple Input Multiple Output) features.
- Refarming of the whole acquired 2,100 MHz spectrum from 3G to 4G.
- Migration of voice traffic to 4G by increasing the VoLTE share to 30%.

A1 in Bulgaria is also committed to reducing electricity consumption wherever possible. By implementing energy efficiency initiatives, the Company achieved a 6% saving in electricity consumption in the radio access network.

Following the spectrum acquisition in 2021, A1 in **Croatia** started its 5G commercial roll-out. At the same time, the Company is further developing fixed infrastructure, with a focus on accelerating the fiber roll-out.

In 2022, the focus of A1 in **Slovenia** was on continuing the accelerated 5G network expansion that started in 2021. In May 2022, A1 Slovenia reached first place in the NET CHECK benchmark and was awarded "Best Mobile Network in Slovenia".

In **Serbia**, A1 is active as a mobile communications operator. In 2022, the Company increased its own fiber network by 75%, connecting 39% of its mobile network sites. A1 in Serbia is the winner of the Speedtest Award for the second year in a row and is certified by Ookla with "Serbia's Fastest Mobile Network 2022".

Innovative 5G applications

In 2022, A1 Group continued efforts in expanding its 5G presence. The advantages of 5G, such as short response times (latency) and fast data transfer rates, were once again demonstrated. These characteristics not only form the essential basis for mobility concepts of the future (autonomous driving, etc.) via the associated communication in real time, i.e., with virtually no perceptible time delay in data transmission. Moreover, they are an essential component of the Internet of Things (IoT), which enables the networking of an almost unlimited number of devices, sensors, etc. This in turn forms the basis for innovative solutions for companies and organizations in areas such as smart manufacturing, logistics, cities, farming, health, and automation as a whole. In addition to the associated efficiency gains, such applications also have the potential to make our lives more sustainable.

Austria

As part of a trial, A1 in Austria was the first in Europe to transmit 2 gigabit/s in a 5G network. Together with technology partner Nokia, three frequency blocks were bundled (carrier aggregation). This enabled the optimal use of the frequency spectrum and the full potential of 5G technology.

Bulgaria

A1 Bulgaria has collaborated with Ericsson for integrating the first 5G standalone (SA) network in Bulgaria, consisting of existing Nokia's 5G Radio Access Network (RAN) and Ericsson's dual-mode 5G Core.

Private 5G SA networks are a key component of Industry 4.0. They provide quick, secure, and customized solutions for enterprises. They will also offer benefits in several fields, including machine-to-machine automation with URLLC

Electromagnetic fields

Controversial comments about possible health effects of electromagnetic fields occasionally cause uncertainty. The A1 Group is aware of its responsibility in the discussion of health implications. The latest research findings are continuously analyzed by national and international institutions such as the WHO and the International Commission on Non-Ionizing Radiation Protection (ICNIRP) and form the comprehensive basis for assessing 5G technology and the defined thresholds. In Austria, the international threshold recommendations of the EU, WHO, and ICNIRP are implemented in the binding Directive R 23-1 of the Austrian Electrotechnical Association (OVE). It covers a broad frequency spectrum that also includes all 5G frequencies. The respective local statutory conditions and requirements are strictly complied with by all operating units. Thus, all of A1 Group's mobile communication systems and devices rigorously adhere to the relevant safety standards and statutory requirements.

In March 2020, the ICNIRP published its new "Guidelines on Limiting Exposure to Electromagnetic Fields" for protecting humans exposed to radio-frequency electromagnetic fields. After 20 years of research, the current thresholds for protecting humans were reassessed and confirmed. The ICNIRP concluded that no harmful health effects have been observed in people, including small children, as a result of consistent exposure to radio frequencies below ICNIRP thresholds on any day of the year. This applies to the entire frequency range from 100 kHz to 300 GHz and thus to all 5G frequencies.

(Ultra Reliable Low Latency Connectivity) for command-and-control messages from automated systems (such as robots and automated guided vehicles). These messages can be processed in real time to prevent stalling, thus enabling high productivity. Extensive IoT telemetry is another application of 5G SA with secure cloud connectivity for data collection from a high density and volume of IoT sensors and devices. In addition, private 5G SA networks can be used to provide enterprise customers with secure, reliable, and fast fixed wireless access.

5G SA solutions can leverage low latency with high security and bandwidth, which makes them ideal for industries such as manufacturing and production (analytics and warehouse automation with robots), energy and utilities (smart meters and network slicing/control), smart farming (connected equipment for farm operation), and many more.

Customer service and experience

A1 Group's technology and infrastructure form the solid basis for a broad and innovative portfolio that specifically addresses the needs of customers.

In order to identify current and future needs and to evaluate how its products and services are received by the market, the A1 Group uses various information channels, such as stores and service points, social media, and dedicated apps and forums set up specifically for customers.

Customer service and experience play a key role in this. More than 72% (November 2022) of customers in contact with one of the customer interfaces would "definitely recommend" A1 Group.

With more than 3.8 million active users (November 2022), the self-care app is an important service channel for many customers. They can use it to quickly and easily view their bills, change plans, view "free units", manage additional packages, and much more.

The best possible customer experience, enhanced with attractive digital features, is also the focus of A1 Group's new store design. In addition to benefits such as personal support and physical proximity, the innovative concept offers a perfect atmosphere for trying out products and discovering exciting digital solutions. With A1 Live Shop, customers also have the option of contacting A1 employees by video call if they require further information.

Product and customer value management

With loyalty programs such as "A1 Smile" in Austria, "A1 Club" in Bulgaria and "A1 Klub Plus" in Serbia, and initiatives such as "Connect Plus" in Austria, the A1 Group offers existing customers numerous benefits. For example, customers with convergence products in Austria can take advantage of additional data discounts, rebates, exclusive products, and TV content. Other positive incentives include discounts with third-party providers and invitations to exclusive events.

The Group's Internet portfolio comprises attractive solutions for every customer requirement, such as broadband products via fixed line or mobile Wi-Fi routers ("Net Cube"). In Austria, a hybrid solution combining mobile and fixed-line services is also available.

In the age of digitalization, lifestyles and usage habits are changing dynamically. The A1 Group is responding to this by continually expanding its product portfolio with innovations such as "A1 Xplore TV" and mobile payment solutions.

In Bulgaria, A1 was the first telecommunications company to introduce a mobile application that allows consumers to pay at POS terminals directly with their smartphone (via Apple Pay and NFC for Android). The "A1 Wallet" app also offers a complete portfolio of mobile payment services such as QR code payments or peer-to-peer transactions.

Entertainment

The digital entertainment market continues to grow and new customer-oriented solutions are developed with increasing speed, both globally and locally. Various video, audio, and gaming offerings are being launched by global players. In this context, the A1 Group remains open to new cooperations that can create value for A1 customers.

The TV platform "A1 Xplore TV" was launched several years ago and is available in five markets (Austria, Bulgaria, Croatia, Slovenia, and North Macedonia). Flexibility is an increasingly important consideration for consumers. Depending on their preferences, they use different mobile devices to consume content at a time of their choosing (streaming solutions). To best meet the needs of customers, A1 Xplore TV was connected with Amazon Fire TV, Samsung Smart TV, LG Smart TV, Hisense Smart TV, and most recently Android TV, the fastest growing big-screen platform.

A1 Xplore TV brings various offers with local and international content, allowing customers to watch what they want and how they want it. At the same time, user-friendliness has been further improved, for example by simplifying the content search. With the video-on-demand platform, customers can catch up on missed live broadcasts and receive individual recommendations based on their interests. In addition to the most popular local and international linear TV channels, YouTube, YouTube Kids, Prime Video and other services can be accessed through a dedicated set-top box.

In 2021, A1 in Austria entered into a cooperation with Canal+, a leading pay television provider in Europe. It produces and acquires world-renowned content while focusing on the specifics of each regional market. The aim of this partnership is to design a content offering optimized for the Austrian market and to offer it via the content channels of A1 and Canal+. In 2022, this cooperation brought the service with flavored European content to A1 customers, both via standalone subscription video-on-demand service and specialized linear TV channels.

In 2022, the CEE market witnessed the launch of new services and the expansion of existing ones such as HBO Max, SkyShowtime, Disney+, etc. Depending on the specific market conditions and requests, A1 has already entered into partnerships with some of these content providers and continues to work on new collaborations.

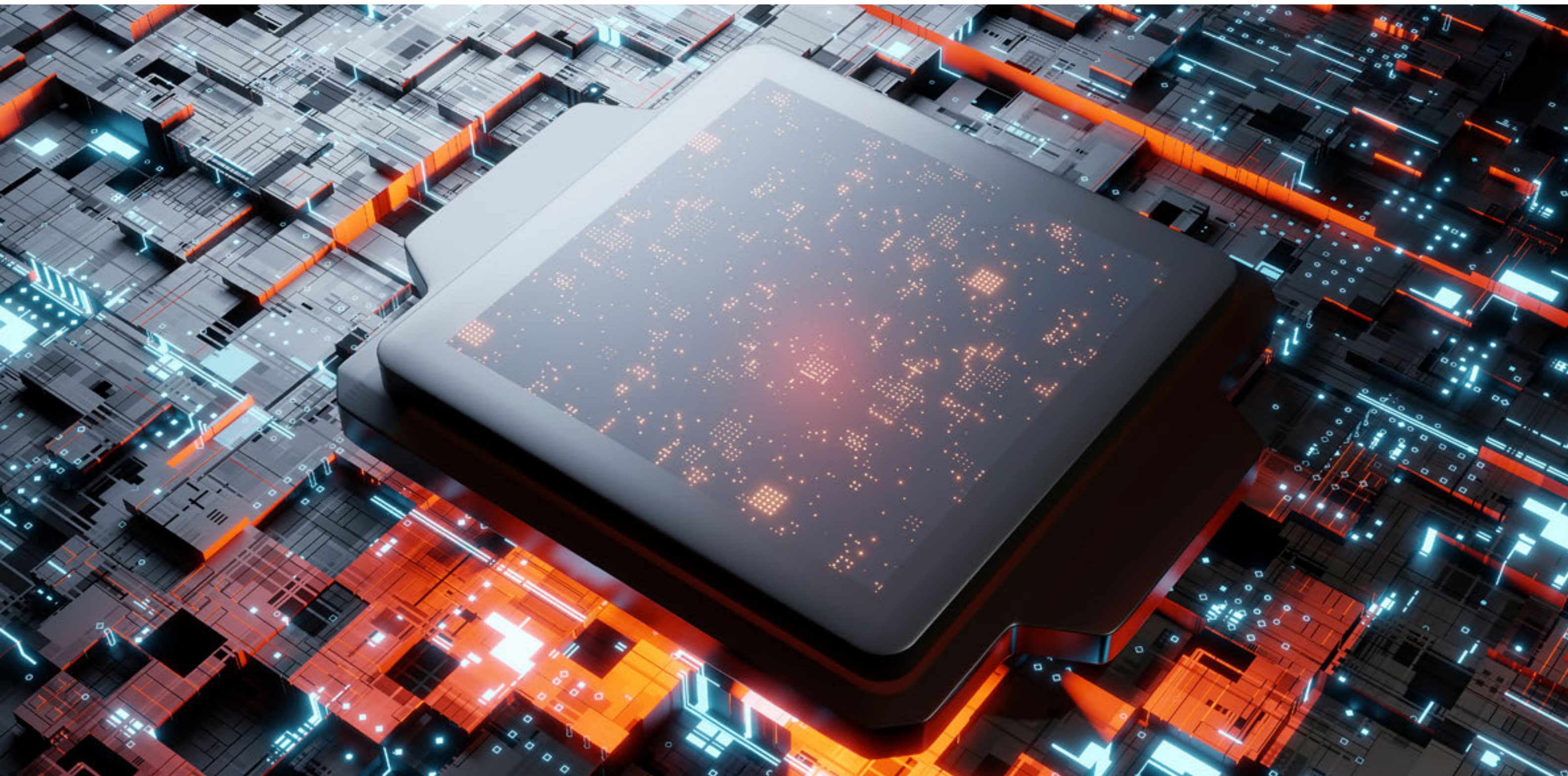
In addition to the development of the TV offering, A1 continues to work on existing and new services in the entertainment field, attracting new customers to "A1 Xplore Music by Deezer" and offering different gaming options in specific markets.

eSports

The A1 Group has been involved in eSports for more than five years and has established five local leagues that cover a total target audience of more than 141 million people in 15 countries. Thus, the A1 Group reaches eSports fans across the CEE region. In 2022, A1 eSports League Austria once again brought the finals to Vienna, including the release of the A1 Austrian eSports Festival. A1 Gaming League concluded its final in Sofia, and A1 Adria League did so in Zagreb, traditionally at the Reboot gaming festival. The A1 Group will continue working on the development of further gaming and eSports activities while bringing the best of connectivity to all gamers.

Marketing automation

The A1 Group pays special attention to marketing automation in order to optimize interactions with its customers. This is primarily aimed at creating a convincing customer experience and efficiency in customer contact as well as customer retention and acquisition. The overarching goal is to develop into a data-based company with an even stronger focus on individual customer orientation. Of course, the Group always acts strictly in accordance with the guidelines of the EU General Data Protection Regulation (EU GDPR).



A1 Digital

A1 Digital regularly makes important contributions to A1 Group’s range of innovative business solutions. The subsidiary combines the agility of a relatively young organization with the security and reliability of a large corporation. It focuses on the development of innovative, highly scalable platform- and software-based B2B products in the areas of cloud, IoT, and machine learning, as well as security products for the A1 Group. Establishing this portfolio in new locations with a focus on Germany, Switzerland, and Western Europe is another strategic goal.

For example, A1 Digital offers IoT solutions for smart assets. “Asset Insight”, e.g., is to record and manage location and condition as well as movement and measurement values of an asset based on IoT data. In this way, value creation processes are optimized, costs saved, and misuse or theft avoided. The solution is anchored in the A1 Digital IoT platform and uses secure data management in the European cloud Exoscale.

A1 Digital also supports business customers in implementing their IoT business cases. The company offers all the necessary components to connect and network products to the cloud more quickly, more efficiently, and more easily. The IoT Center brings together all the essential components – a chip with embedded software, connectivity to send data to the A1 Digital IoT Platform in the cloud, and an accompanying professional service portfolio. The networking of the chip with the cloud is the core of the innovation here.

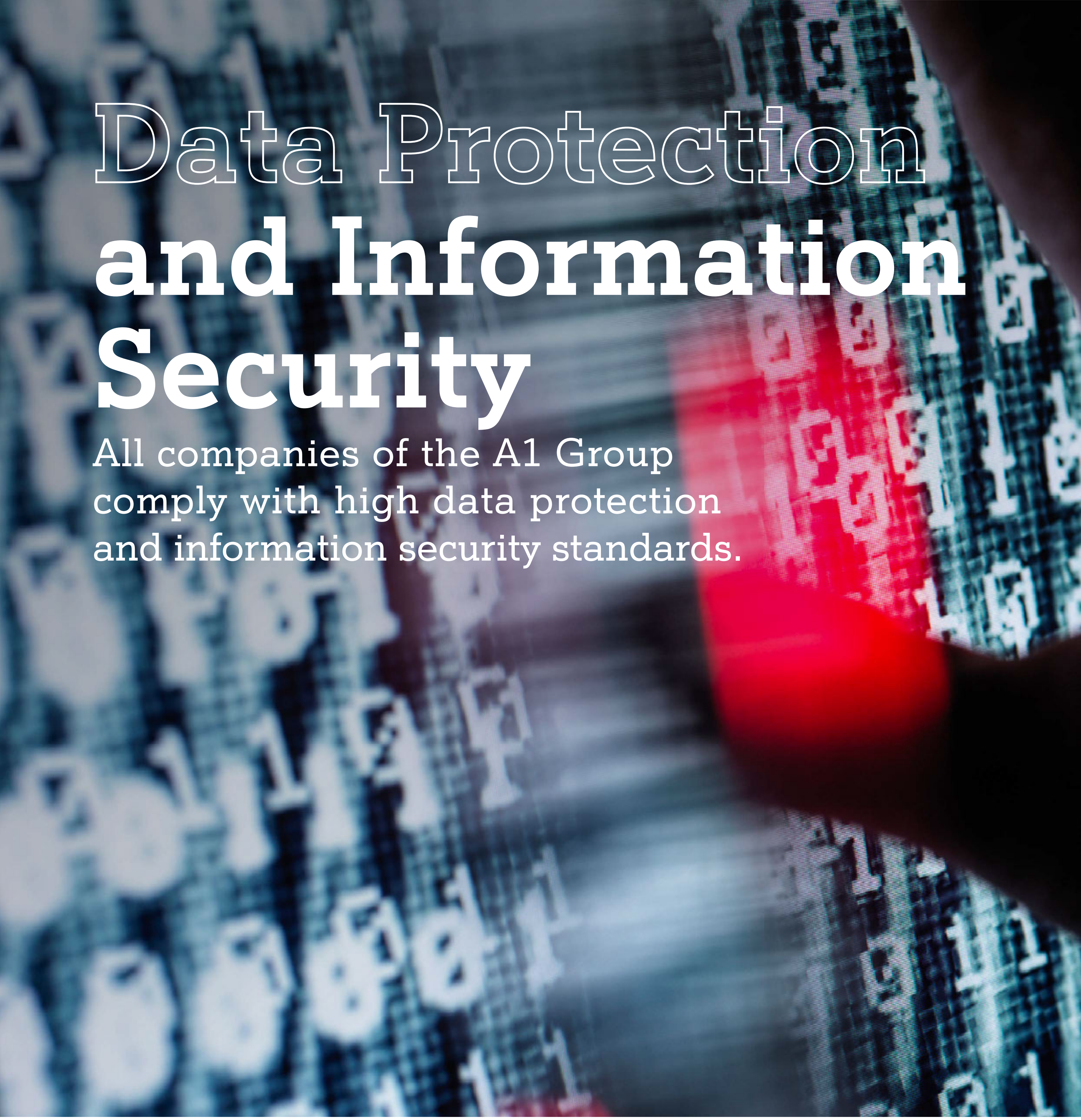
In 2022, A1 Group joined the European cloud infrastructure initiative Structura-X, founded to further enforce Gaia-X standards, with Exoscale. A1 Digital became part of the Intelligent Empowerment of Construction Industry (iECO) research project, also part of Gaia-X.

The services are rounded off by specific security solutions, primarily for three areas: Endpoint security, user security, and vulnerability analysis. In the area of security, A1 Digital was able to further expand its position as a trusted advisor for highly sensitive digital security issues in the DACH region and to gain well-known customers.

A1 Start Up Campus

The A1 Group focuses on research and development in a variety of ways and considers innovation to be a central component of this. As part of the "A1 Start Up Campus" initiative, A1 supports new companies in Austria in realizing innovations by providing expertise and infrastructure. In addition to free office space with state-of-the-art technology, the A1 Start Up Campus offers selected founders data center services and cloud space. Moreover, the young entrepreneurs are advised by A1 specialists on all relevant business topics such as marketing, sales, and controlling, and receive support in the area of media relations.

One successful example of an innovative start-up at the A1 Start Up Campus is “warrify”, a campus member since 2020. The three founders started with the idea of providing a central platform for all invoices, warranties, and other documents to reduce the chaos of paperwork in bricks-and-mortar retail. In 2022, with the implementation of this solution across the A1 Shops in Austria, long paper printouts that quickly fade, wallets overflowing with invoices, and confusing piles of paper at home are a thing of the past for all customers of the shops. Even the search for old invoices in the event of an exchange, complaint, or warranty question has come to an end. All invoices and purchase receipts are now available in digital form as a fully-fledged replacement for paper purchase receipts. A1 is the first telecommunications provider in Europe to digitalize the entire in-store payment process on demand, eliminating the need for printed bills.



Data Protection and Information Security

All companies of the A1 Group comply with high data protection and information security standards.

They take comprehensive and wide-ranging measures to safeguard the security of customer data.

At A1 Group, data is only used when there is a legal basis for doing so. In addition to the statutory requirements in the respective countries, all companies are required to obey the information security standards created for this purpose and other country-specific guidelines on data security.

Intensified security initiatives

As an operator of critical infrastructure, A1 is aware of the responsibility this entails. For this reason, the Group is involved in initiatives to constantly improve security (including cyber security) and availability beyond the extent required by law. In 2022, A1 Austria took part in the "Schutzschild 2022" exercise in Salzburg and the pan-European exercise “Cyber Europe 2022”. In November 2021, A1 Croatia opened a new data center in Zagreb. It is the most modern in the region, meeting Tier III requirements and capable of withstanding a magnitude 9 earthquake on the Richter scale. A1 North Macedonia was certified by the national regulatory authority as a “CyberSec responsible company”.

On the A1 digital.campus, parents, educators and students are trained in what security means on the internet. The A1 Seniors' Academy (“A1 Seniorenakademie”) is aimed at the 60+ generation to teach them how to use the internet safely. The BMSGPK (Austria’s Federal Ministry of Social Affairs, Health, Care and Customer Protection) awarded this initiative the seal of quality for "Digitale Senior:innenbildung" (digital training for senior citizens). Both initiatives by A1 Austria are a contribution to the cyber security strategy in Austria and can be found in the Federal Chancellery's catalog of measures.

Further information on data protection and information security can be found in the consolidated Non-Financial Report 2022.

Proactively addressing increasing cyber crime

DDoS (distributed denial of service) attacks

In 2022, A1 Group recorded a decrease in so-called DDoS attacks, which aim to overload servers through malicious network traffic. A1’s automatic DDoS defense counteracts almost all such attacks. Across the A1 footprint, the local A1 companies offer automatic DDoS protection to their customers.

Ransomware

It is well known that malware, also referred to as viruses, can attack a computer and thus cause damage. One increasing trend is ransomware – malware that encrypts files on the infected computer and the connected cloud storage systems. Anonymous extortionists then promise to reveal the decryption code in exchange for a ransom, usually payable in Bitcoins. A lack of protection against malware on one's computer can facilitate such attacks by cybercriminals.

A1 offers professional ICT services to business customers that reduce the business impact of a ransomware attack effectively. Secure configurations and operations of ICT infrastructure reduce

the likelihood of ransomware attacks. A consistently implemented backup service and incident response plan will help the customer to recover as quickly as possible after a ransomware attack.

FluBot

Malware called "FluBot" compromises cell phones in order to obtain the victims‘ personal data. From the compromised cell phone, the malware sends text messages to unaffected participants. A1 imposes a “cyber-lock” if it notices that an unusually large number of text messages is being sent from a cell phone number.

A1 offers a security service to protect mobile customers from accessing known malicious websites. This service protects customers from loading FluBot code from the internet accidentally. Europol shut down the FluBot network in May 2022.

Strict compliance with data protection requirements

The A1 Group naturally respects the fundamental rights and freedoms of everyone, including the fundamental right to the protection of personal data. It attaches particular importance to systematic compliance with and implementation of high data protection requirements and standards, serving to safeguard customers’ trust in the A1 Group.

The secure and sensitive handling of customer and employee data, and the data of all its contractual and business partners, is always a top priority for the A1 Group. The Group adheres to the applicable legal frameworks. The A1 Group has a governance model for the management of data protection aimed at ensuring effective and efficient privacy management, aligned with the A1 Group strategy and approved by the Management Board.

The A1 Group stands for the digitalization of processes, believing that a positive and people-centered digital future requires constructive collaboration between stakeholders. Governments, industry and international organizations all have a stake in the digital future. A1 Group has set forth its vision of the digital future, identifying the common set of outcomes where the privacy of data subjects is respected and their data is handled in a responsible, secure and transparent manner by all participants. This also includes providing consumers with opportunities to exercise choice and control over their data, while enabling innovation and other societal benefits.

The principles of data protection law comprise

- lawfulness and purpose limitation of data processing
- data minimization
- the accuracy of data
- storage limitation and the confidentiality/integrity of data and accountability

Adherence to these principles forms the foundation of data protection management at the A1 Group. These principles are an essential component of A1 Group's internal regulations, which are in turn cascaded to the operating companies and implemented on a local level, aligned with national regulations. Comprehensive information about the use and processing of the personal data and about data protection in general is available to our customers, employees, shareholders and suppliers at all times. All A1 Group companies have undertaken the obligation to collect, use, process and store the personal data in accordance with leading data protection standards and in compliance with local regulations, limited to the purpose for which this is necessary.

The A1 Group naturally follows the statutory procedures in the event of a personal data breach. These include notifying the data protection authorities and informing the data subjects of this event in line with data protection law. To ensure adherence to already established data privacy guidelines, the A1 Group has implemented different technical and organizational measures for protection of personal data.

Organization

The respective Management Board of a company is responsible for living up to data protection requirements. At A1 Austria, the Data Privacy unit and in the other A1 companies the Data Protection Officer assist the management hand in hand with the Legal department. A Data Protection Officer has duties in accordance with national legislation, including but not limited to notifying and advising the management and employees with regard to their duties under data protection provisions and monitoring their compliance.

At A1 Austria, every division must appoint a Data Protection Coordinator to ensure the operational implementation of data protection requirements. This coordinator is the point of contact with regard to all issues related to data protection and information security in the division. This person reports any vulnerabilities or breaches to the Data Privacy and Security units. Other companies have adopted similar approach for handling the data privacy process. Data Protection Officers meet regularly at A1 Group level to exchange information and experiences.

The A1 Group via its subsidiaries demonstrates continuous efforts to promote and follow the best data privacy practices. A1 companies are subject to privacy risk assessments or audits on the companies' technologies and practices affecting user data, such as ISO audits, internal data protection controls in accordance with local regulations, etc., and thus conduct such controls and audits on a regular basis.

Data protection in the Code of Conduct

In the Code of Conduct, which applies to the entire A1 Group, data protection and information security are a key principle for the actions of employees. The protection of privacy, and thus respecting the human rights of customers, employees, shareholders, suppliers and sales partners, is a guiding principle anchored in the Code of Conduct of the A1 Group.

The Group's contractual partners are required to comply with the principles governed by the Code of Conduct of the A1 Group and to respect human rights and data protection. The Code of

Conduct is an integral component of the relationship with contractual partners and is further enhanced with respective agreements regulating data protection areas.

Regular assessments are performed to ensure the best possible protection of rights and liberties as well as respect for human rights. This applies in connection with whistleblowing, for example, thereby ensuring the confidentiality of information and any personal data while also avoiding any negative consequences for the informant.

Data privacy governance

The A1 Group has adopted a Group Data Governance Policy, which is approved by the Management Board of the Group. It is the combined result of requirements and interpretations regarding the successful EU-wide implementation of the GDPR, as well as various other regulations related to data protection. The Group Data Governance Policy is binding with regard to the processing of personal data for all A1 companies. This document provides for the harmonization of the obligations binding for A1 companies. The Group Data Governance Policy provides A1 Group with a self-regulatory tool. When A1 companies act as either data controllers or data processors, it serves as proof of compliance. This applies in particular to the identification of risks associated with the processing, the assessment of the cause, nature, likelihood and severity of the risks. Corresponding measures are to be reviewed regularly and updated based on new information.

The proper adoption by A1 Group companies of the contents and best practices set out in the Group Data Governance Policy (and in the accompanying manual) supports the fulfillment of the implementation requirements and demonstrates compliance with the GDPR.

It is important to note that the legal system in the international footprint is dynamic and subject to constant change. However, by incorporating the Group Data Governance Policy, A1 Group companies are complying with their fiduciary

duty of care. In addition, in accordance with the objectives of the Group Data Governance Policy (awareness, individual responsibility, structure and minimizing risks), the A1 Group implements corresponding changes to the Group Data Privacy Governance Manual in a good faith effort to reflect the respective regulations.

Data subject rights

All data subjects (including employees, customers, etc.) are duly notified, via the privacy notice of each A1 Group company published on their web site, regarding the details about the processing of their personal data and the possibility of addressing any data privacy questions, concerns or requests concerning the assertion of the respective data subject's rights to the respective company.

Privacy regulation and third-party relations

Each A1 Group company has implemented data protection policies that regulate the processing of personal data in accordance with the law and the technical and organizational measures for protection of personal data. Furthermore, taking into consideration local regulatory obligations, A1 companies are obliged to impose such technical and organizational measures on third parties (contractors) that process personal data (acting as data processors) by executing Data Processing Agreements. This ensures that third parties that process personal data on behalf of A1 Group companies pursuant to the given instructions follow the stringent technical, organizational and contractual safeguards for the protection of the personal data.

Employee awareness and training

All employees of the A1 Group are made aware of the importance of data protection and information security and are trained accordingly when they join the company. All A1 Group companies have prepared respective training materials, conduct training at regular intervals, offer in-house e-learning courses and regularly publish awareness posts on an in-house social interaction tool used by all employees. These range from company-wide e-learning and more in-depth sessions for the individual divisions and Data Protection Coordinators through to current information in internal communication media or events. All employees are required to maintain trade and business secrets. Such confidential information must be kept secure and may only be disclosed, including internally, to persons who require such confidential information for their professional work (need-to-know principle). ▪

Employees

“People Sustainability” as a basis for Human@Center

Challenging times reveal people’s profound need for security, stability, well-being and sustainability. This naturally also has an impact on the world of work. Employers must respond swiftly and flexibly to new challenges.

The A1 Group employs around 18,000 people in seven Central and Eastern European core markets. As a significant company in the various employment markets, it is constantly on the lookout for innovative approaches and solutions in HR management. The Group aims to remain an attractive employer.

At the A1 Group, “People Sustainability” is the umbrella term for sustainability with respect to employees, forms the basis of the Human@Center strategy and combines five topic areas: “basic working conditions”, “health, safety and well-being”, “remuneration”, “learning and development” and “diversity, equity and inclusion”.

All these endeavors and measures are the expression of the A1 Group’s clear commitment to equal income and opportunity. The objective of “People Sustainability” at A1 is the strategic creation of structural conditions that allow employees’ diversity and potential to be fully appreciated and to put the human at the center.

Basic working conditions

At the A1 Group, employment relationships are based on the relevant labor laws, collective agreements (where applicable), an employment contract and various internal guidelines. A legally binding and fair relationship between employer and employee is thus guaranteed. In 2022, A1 also drafted and published its Human Rights Policy. The A1 Group is committed to complying with the United Nations' international human rights guidelines and sees its particular role in the provision of digitalization, in data protection and in supply chain management.

In 2022, another focus was on further developing the framework conditions for location-flexible working, be it from home office or at the physical office. For example, meeting room equipment was updated accordingly and training was offered to support the switch to hybrid working.

Health, safety and well-being

The A1 Group is aware of its responsibility for the health, safety and well-being of its employees, visitors, suppliers and people in the vicinity of A1 Group locations. Therefore, ISO 45001 certificates (requirements for an occupational health and safety management system) are now in place in all of the Group's countries.

Employees' awareness of safety at work in all areas of the company is reinforced with regular information, instructions and diverse training courses.

Annual internal and external inspections ensure compliance with employee protection standards.

The A1 Group regularly surveys the opinions of employees and customers. The implementation of the findings, particularly in the form of preventive measures, not only results in greater protection but also contributes to a working environment that is seen as pleasant and safe.

For example, A1 Bulgaria follows a "Healthy Lifestyle" program for the well-being of its employees. It comprises medical check-ups, additional dental insurance, free fruit and tea for all employees as well as free tonic water and food on night shifts plus and an annual "health week".

Remuneration

Fair remuneration is a sign of respect and gives employees a foundation for financial stability. Salary bands based on a standardized job architecture are regularly checked against market data and adjusted accordingly.

In addition to the base salary (and any variable salary components), the A1 Group offers a range of social benefits that vary from country to country. At A1 Austria, employees can choose between personal pension and insurance models (e.g., provident fund, life insurance), entitlement to food vouchers and access to A1 products at attractive discounts. At A1 Bulgaria, the "Funky Monkey" preschool has been looking after employees' children since 2009. It is located right next to the A1 headquarters in Sofia. A1 Serbia offers parents childcare in a nearby preschool at a discounted price. The children's groups are smaller than usual and offer an exciting program.

A central goal for fair remuneration is to close the gender pay gap. A1 therefore analyzes the gender pay gap throughout the Group. It has found that existing pay differences are mainly caused by structural factors, such as fewer women in technical jobs and management functions. Since 2012, A1 Austria has compiled an annual pay report that all employees can read. Moreover, an annual gender pay gap workshop has been held since 2019.

Learning and development

According to the motto "Learning is in our DNA", the A1 Group aims to actively develop the learning culture and to create a framework for customized and self-managed learning. This framework comprises a wide range of courses, both digital and in person.

"ROAD" is the company-wide performance management process, in which employees and their managers agree professional targets and personal development goals.

An internal A1 platform gives employees the opportunity to compile a profile of their skills. This profile can then be compared with target profiles for internal vacancies, for example. In addition, appropriate learning opportunities can be identified on the basis of the profile.

In 2022, leadership was the focal topic of a "New Work Initiative". Following the "New Work Festival" in December 2021, a one-week event with numerous presentations and workshops on the topic of "New Work", the A1 Group offered a series of six virtual events with external speakers throughout 2022. Topics ranged from conflict management in (hybrid) teams to mindset change. Corresponding key topics were also offered in the leadership development program.

The correct and value-adding use of data and artificial intelligence (AI) is of great importance for a telecommunications company. The Group-wide "Data4Business" program is aimed at internal experts from different business units whose core tasks relate to data analysis and interpretation. A total of nearly 700 experts took part in the three modules. In addition, 26 people participated in a special program for managers.

The Group-wide digital event series "Exploration Roundtables" was continued. It deals with innovative future issues such as "The Future of Supply Chain", "From Waste to Wealth" and "Resilience as a Prerequisite in a Dynamic World". These formats are freely accessible within the Group.

At A1 Austria, internal mobility is highly relevant for employee retention. To this end, every job vacancy is first published internally. Job profiles are presented in "Job Talks", which are subsequently also available on an internal online platform.

In the "A1 QA LAB", A1 Belarus gives internal experts the opportunity to qualify for an IT job and to subsequently take on roles in the company's IT department. Moreover, "A1 Hire" is aimed at talented employees who wish to improve themselves and expand their experience within the company. These applications are given priority. External candidates are only considered if there are no suitable internal applications.

Diversity, equity and inclusion

Diversity within the international A1 Group opens up enormous potential. For years, employees in different functions have been working together in seven countries with different languages. The A1 Group has clear views on diversity, equity and inclusion:

Diversity: The A1 Group believes that talent should not be constrained by convention and that diversity makes the Group stronger. It brings

Exploration Roundtables

people together and provides a framework for them to make their best contribution regardless of their personal circumstances.

Equity: For the A1 Group, equity means distributing the available resources to employees such that they can all make their best possible contribution in line with their work.

Inclusion: For the A1 Group, inclusion means creating a working environment in which everyone, regardless of their individual differences, feels welcome, respected, supported and appreciated.

Various initiatives are aimed primarily at identifying, revealing and breaking down unconscious bias. This relates not only to gender and sexual orientation, but also religion, background, ethnicity, skin color, age, disability, etc.

The A1 Group does not tolerate discrimination or any other insulting or demeaning behaviors. These include intimidation, name-calling, threats, bullying, sexual harassment and false accusations.

Promoting women

In 2022, the share of women in management positions was 36%, with women accounting for 40% of the company's workforce. Increasing the share of women in management positions was a variable remuneration target for both the Management Board of the A1 Group and the top managers in all A1 countries.

The fact that the telecommunications industry is strongly shaped by technology is a major obstacle to increasing the proportion of women and the proportion of female managers. There are also social patterns that can only be dismantled slowly and with great effort.

This challenge affects many sectors and countries and at A1 especially Austria, where 38% of the total workforce are employed. Networks and education programs such as "Women@A1", the "Female Empowerment" program and the A1 Job Talk with a focus on female managers are intended to help here. Flexible time models, home office, part-time working, shared leadership and maternity leave programs have been implemented to make it easier to balance work and family life.

Internal networks at A1 Austria

Women@A1: In 2022, the A1 women's network "Women Matter" was re-established under the name "Women@A1". It intends to notify and invite all women to collaborate on initiatives, opportunities and information.

LGBT+: The A1 Austria LGBT+ network provides relevant information online and at events and encourages open discussion and interaction.

Part-time community: Around 90 employees are already part of a self-organized part-time community. At regular meetings, they discuss and debate ideas and questions and share their experiences.

Recruiting

At Group level, the A1 diversity job page has been revised. Since unconscious bias and unequal pay must be rooted out already in the recruiting process, the A1 Group revised its processes in this area in 2022 with a view to fairness and transparency. In a pilot project at A1 North Macedonia, applicants are instructed by the inclusive job posting not to send any personal information, and all interviews are offered online.

Targeted recruiting helps to break down barriers in the application process. Job advertisements at A1 Austria have been made clearer and more concise, with gender-neutral language. In addition, all positions are advertised internally both as full-time and part-time positions.

E-learning

The A1 Group has offered the "Unconscious Bias" course since 2020. It is available in seven languages and was completed by more than 8,500 employees in 2022.

Since 2021, the "Diversity Basics" course has taught employees the basics about the key categories of diversity at the company and their social conduct.

In 2022, A1 Austria introduced a mandatory course on prevention of sexual harassment for all managers and employees.

Empowering Ideas: ESG

The internal "Empowering Ideas" competition, set up as an intrapreneurship program, has been held in the A1 Group since 2017. In 2022, employees were invited to come up with specific ideas to support the ESG strategy. 63 teams from all A1 countries, some of them transnational, presented their ideas to the judging panel of CEOs and national ESG officers. Ten teams went on to the "Innovation Camp", where ideas became projects. At the final pitch, six projects won out to be designated "A1 ESG Champion 2022".

STEM

Increasing the proportion of women in STEM (science, technology, engineering and mathematics) careers and management roles is a major challenge.

In A1 Austria's STEM program "MINTChanger:in", motivated colleagues work to get women excited about STEM careers – particularly at the A1 Group. As a first step, the participants discussed issues and questions and developed some ideas.

A1 Croatia put one of the winning projects of Empowering Ideas – "A1 STEMfemme"– into practice. In a three-month mentoring program, talented women in mathematical or technical university courses in Croatia were given an insight into the A1 business world.

International Women's Day

On International Women's Day in March 2022, A1 launched a Group-wide social media campaign on diversity, equity, and inclusion, which spanned 24 weeks. Every week, facts and figures were published on four topics: women in management positions, women at the workplace, women in STEM and parenthood.

Diversity Week and diversity highlights 2022

During A1 Austria Diversity Week (May 30 to June 8, 2022) various events relating to gender, LGBT+, culture, generations and people with disabilities were organized at the A1 headquarters. Employees of the A1 Group can find current information on the dimensions of diversity on internal diversity platforms.

A1 Female Empowerment Program, Austria

This program offers participants suggestions for personal development, for establishing clarity of goals and priorities, and input on issues such as potential, brave decisions, communication and presentation. Increasing the proportion of women in management positions is a major step toward gender pay equality, which is why another round of the A1 Female Empowerment Program is planned for 2023.

A1 parental leave management, Austria

The previous parental leave model was overhauled together with parents from the A1 team and is now tailored to their specific needs. The program includes "Family Canvas" seminars for returners while they are still on parental leave, which deal with issues such as self-reflection and development of strengths. There are also "Business@ Breakfast" events for networking and sharing experience. The internal "Karenz@A1" platform likewise facilitates communication between parents on leave. The establishment of dedicated parental leave mentors, a guidance meeting six months before the planned return to work, and a meeting two months after the return round of the program.

Awards in 2022

A1 Austria has received the Top Employers Award for the second time. This is a certification awarded to companies with excellent working conditions.

In addition, **A1 Austria** received the special prize for innovative measures for the in-house promotion of women and the equalitA seal of approval for the A1 parental leave management program.

A1 North Macedonia received the "New Normal" award for socially responsible work processes.

Policies and awards

At the A1 Group, diversity, equity and inclusion are not only enshrined in the Code of Conduct, but also in the Group-wide Policy for Diversity, Equity and Inclusion (DE & I). The Human Rights Policy was also published in 2022, which again emphasizes the significance of diversity, equity and inclusion as basic human rights. These policies have been published on the A1 Group's website and signed by the Management Board.

In Austria, a plan for the promotion of women ("Frauenförderungsplan") supports the company's gender equality efforts with clearly defined targets and initiatives.

The Diversity Charter is a voluntary European initiative. It motivates the signatory companies to engage in the promotion of diversity, freedom from discrimination and equal opportunities in the workplace. The Telekom Austria AG has been a signatory of this charter since 2014. ▪

Environmental and Climate Protection

Considerable progress in climate protection and significant reduction in direct CO_2 emissions.

An intact environment is essential to health and a good quality of life. The A1 Group is aware of the correlations between the environment and business activity. It therefore takes responsibility and adheres to strict, clearly defined ecological sustainability criteria. Environmental, social and corporate governance (ESG) is an important lever for successfully implementing the corporate strategy.

In 2022, the A1 Group again made considerable progress in lowering its direct carbon emissions. CO_2 emissions (Scope 1 and Scope 2) were reduced by 30 % between 2021 and 2022, meaning the Group took another big step toward its target of "net zero by 2030". Relevant key figures can be found in the 2022 consolidated non-financial report and the ESG annex of this Combined Report.

Energy efficiency and green electricity as important levers for climate protection

Human-induced emissions of greenhouse gases, and of carbon dioxide in particular, are the main driver of climate change and global warming. Digitalization can reduce these emissions and conserve resources.

On the other hand, the expansion of an increasingly powerful infrastructure and the use of digital technologies can lead to growing demand for energy — especially electricity — and resources. This is why it is important to take action to ensure that increased data volumes are not accompanied by a corresponding increase in energy requirements and carbon emissions.

At the A1 Group, carbon emissions primarily result from the electricity that is required to operate its network infrastructure and, to a lesser extent, from its vehicle fleet and air conditioning at its offices. To manage carbon emissions, the Group focuses in particular on improving energy efficiency and increasing the proportion of its total energy consumption attributable to renewable energy.

The considerable importance of energy efficiency for the A1 Group is underlined by the inclusion of the energy efficiency indicator (electricity required per terabyte transferred) in the long-term incentives (LTI) for the Management Board members of the A1 Group and the CEOs of the subsidiaries. This means the achievement of this environmental goal has a direct influence on management remuneration.

Certified environmental management systems

Austria
- EMAS (since 2013)
- ISO 50001 for energy management (since 2008)
- ISO 14001 for environmental management (since 2004)

Bulgaria
- ISO 14001 for environmental management (since 2018)

Croatia
- ISO 14001 for environmental management (since 2019)

Belarus
- ISO 14001 for environmental management (since 2021)

Slovenia
- EMAS (since 2014)
- ISO 14001 for environmental management (since 2009)

Serbia
- ISO 14001 for environmental management (since 2015)

North Macedonia
- ISO 14001 for environmental management (since 2016)

Circular economy and resource optimization

Electronic devices, and mobile devices in particular, are being replaced at increasingly short intervals. To make better use of the resources contained in these devices, the A1 Group takes various measures to prevent waste and protect resources. Systematic product lifecycle management also helps to ensure that valuable raw materials are kept in circulation for as long as possible.

In Austria and Bulgaria, A1 reuses pre-owned devices that are still functional and technologically current (e. g., Mediaboxes and modems). Devices that can no longer be used are systematically broken down into components such as circuit boards, copper, iron and tin, and properly recycled. Between 70 % and 80 % of the components are recycled by specialist companies. Customers can return mobile devices free of charge in all A1 countries, in some cases since 2004. In Austria, all the proceeds from cell phone recycling go towards climate protection projects. The A1 Group has set itself the goal of promoting the circular economy throughout the Group and recycling around 50,000 old devices every year by 2030.

The A1 Group has also taken further measures to optimize the use of paper and plastics. In Bulgaria, for example, halving the size of SIM cards has led to a 56 % reduction in the amount of packaging used.

CDP rating 2022

Once a year, companies voluntarily disclose data and information for stakeholders on CO_2 emissions, climate risks, reduction targets and strategies to CDP. More than 15,000 companies worldwide submitted this data in 2022, with 2 % of them receiving the highest score of “Performance A”. This included the A1 Group, which was placed on the “A List” by CDP in recognition of the high degree of transparency regarding its climate targets and its ambitions to combat climate change.

Digital Education

Initiatives such as the "A1 digital.campus" provide positive guidance in the digital world.

Advances in digitalization are reaching more and more areas of our lives. But although this is fundamentally a positive change, it also comes with challenges: new skills need to be acquired and new risks considered.

The A1 Group is aware of its social responsibility here and has also enshrined this in its ESG strategy. The Group is committed to facilitating digital literacy and teaching about risks such as cyber crime.

The "A1 digital.campus" in Austria and similar initiatives in other Group countries offer a wide range of digital teaching concepts and workshops.

Skills for life in an increasingly digital world

Since 2011, the A1 Group has taught skills as part of projects and initiatives such as the "A1 digital.campus" in Austria, "Internet for all" in Bulgaria, the "A1 Academy" in North Macedonia, "Spletne brihte" in Slovenia, "The world you dream of" in Serbia and "Škola budućnosti" in Croatia.

The digital learning concepts and workshops focus on creativity and the safe, skilled use of media. Online formats are also available such as live online workshops, videos followed by a quiz and on-demand videos. This takes a fun approach to teaching the basic of topics such as online risks, cyber bullying, digital footprints and artificial intelligence.

As part of its focus on digital education, the A1 Group's target is to reach 100,000 people between 2020 and 2023, with particular emphasis here on children and young people. This goal was already exceeded in 2022, with more than 134,500 people attending the various workshops.

Spark interest and creativity, identify risks

Workshops offered at the "A1 digital.campus" in Austria range from robotics, coding and design&media labs for schoolchildren to information evenings for parents to workshops for elementary school teachers. Further information can be found in the A1 Group's 2022 consolidated non-financial report.

Austria

"A1 digital.campus"

One real highlight of the "A1 digital.campus" in Austria was the vacation camps run in the Easter and summer breaks. This was the first time that the campus opened to children and young people in the summer for a full five weeks.

The "A1 digital.campus" team also organized "start up talents" for almost 50 teenagers between the ages of 13 and 17 for the first time. In 16 teams, participants developed app prototypes to solve current social challenges. As well as programming an app, they also worked with design thinking, social business modeling and successfully pitching an idea to the jury.

Bulgaria

"Internet for all"

Children and young people in particular tend to listen to influencers without sufficiently reflecting on what they are saying. A1 Bulgaria took on this issue and produced its own learning videos with a well-known Bulgarian YouTuber, where children and young people between the ages of six and 16 could learn all about topics such as IoT, 5G, NFC and digital payment options in a fun environment.

North Macedonia

"A1 Academy"

A1 North Macedonia launched its own "A1 Academy" for students aged 18 to 25 with a focus on marketing automation, digital marketing, agile working, IoT and 5G. Up to 50 young people had the opportunity to improve their digital knowledge in three-week-long modules. The modules were run by A1 employees and external experts at the A1 headquarters in Skopje.

Digital products for social inclusion and in healthcare

The A1 Group believes it has a social responsibility to ensure that as many people as possible can enjoy the benefits of digitalization. Of course, this also applies to people with special needs and those from marginalized groups. Further information can be found in the A1 Group's consolidated non-financial report 2022. ▪

Selected collaborations

- Acodemy (Austria)
- Vienna University Children's Office (Austria)
- Saferinternet.at (Austria)
- Innovative Community Centers Association (Bulgaria)
- Key Academy (Bulgaria)
- Centar za sigurniji Internet ("Safer Internet Center") (Croatia)
- STEMI (Croatia)
- Inkubator Pismo (Croatia)
- UNFPA (Belarus)
- Digital Communications Institute (Serbia)
- Zavod Varni internet (Slovenia)
- Bureau for Development of Education (North Macedonia)

Investor Relations

Transparency creates trust.

For the A1 Group, good capital market communication means providing timely, correct as well as transparent and understandable information. The range of tasks includes reporting, publications required by law, and direct dialogue with investors. The latter takes places at conferences, roadshows and other capital market events as well as via communication platforms (such as MS Teams), by telephone, and by e-mail.

Share and shareholder structure

Telekom Austria AG has been listed on the Vienna Stock Exchange since November 2000. A U.S. American Depositary Receipt (ADR) program established in connection with the IPO has become significantly less relevant over the years and has therefore been given notice to terminate. The ADR program will end in spring 2023.

ISIN	Ticker symbol	Reuters	Bloomberg	Listing
AT0000720008	TKA	TELA.VI	TKA AV	Vienna Stock Exchange, segment prime market

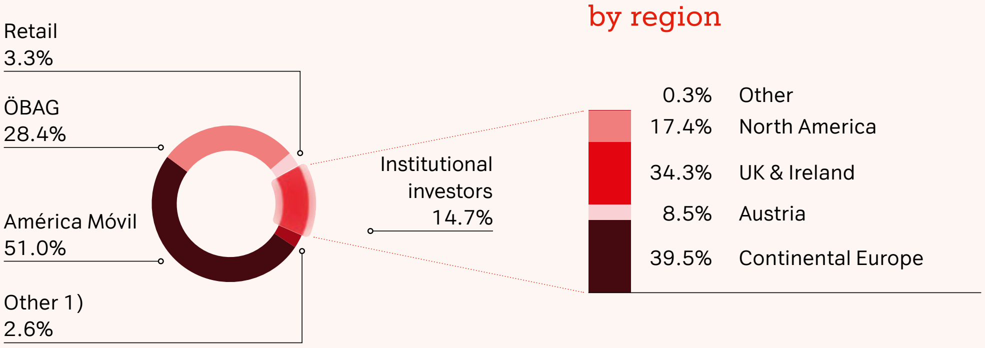
At the end of 2022, a 51.0% stake (or 338,895,000 shares) was held by América Móvil. The Republic of Austria held 28.4% (or 188,876,602) of the shares via Österreichische Beteiligungs AG ("ÖBAG"). In addition, Telekom Austria AG held 415,159 treasury shares, and there were 572,850 employee shares in a collective custody account.

Share price performance

Following the outbreak of the conflict in Ukraine, the price of the Telekom Austria share dropped less than the market as a whole (STOXX Europe 600). However, the share moved downwards until mid-October, then sideways until the end of the year. Over the year as a whole, the overall market performed better than the Telekom Austria share thanks to a recovery in the fourth quarter. European telecommunications stocks (STOXX Europe 600 Telecommunications) had already recovered from the Ukraine shock in the first half of the year when they significantly outperformed the market as a whole. However, their prices dropped sharply in the second half of the year. This was primarily due to increased energy costs, which had a negative impact on profitability. Higher interest rates and credit spreads particularly affected companies with higher levels of debt. However, the STOXX Europe 600 Telecommunications index remained ahead of the Telekom Austria share until the end of the year.

Shareholder structure

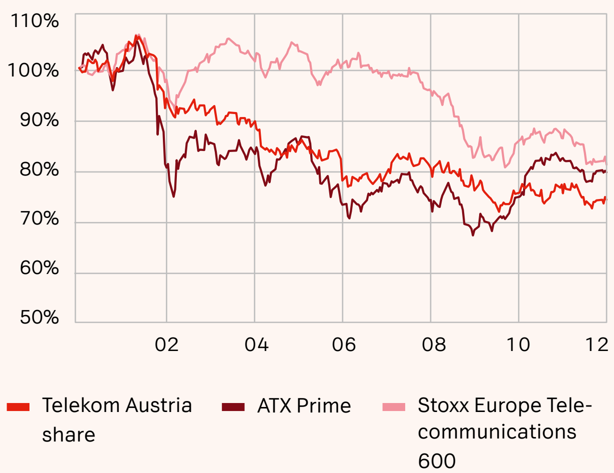
Institutional shareholders by region



1) Unidentified, employee shares, treasury shares

Development of Telekom Austria share price

Indexed as of January 1, 2022



Share price data (in EUR, unless otherwise stated)	2022	2021
Share price high (intraday)	8.20	7.78
Share price low (intraday)	5.57	6.25
Closing price on December 31	5.78	7.62
Share development	-24.1%	20.4%
Market capitalization on December 31 (in EUR mn)	3,841	5,063
Average trading volume (number of shares)	125,402	123,148
Number of shares issued	664,500,000	664,500,000
Number of shares	664,084,841	664,084,841

Analysts and recommendations

As of the end of 2022, analysts from ten financial institutions covered the Telekom Austria share:

- AlphaValue/Baader Europe
- Bank Pekao
- Barclays
- Citigroup
- Erste Group Bank
- HSBC
- JP Morgan
- Kepler Cheuvreux
- Landesbank Baden-Württemberg
- Raiffeisen Bank International

As of December 31, 2022, five analysts recommended buying Telekom Austria shares and five recommended holding them. There were no recommendations to sell.

Dividend

The current dividend policy from 2016 is to pay a dividend of EUR 0.20 per share. It is intended to grow on a sustainable basis in line with the operational and financial development of the A1 Group. For the financial year 2022, the Management Board plans to propose a dividend of EUR 0.32 per share to the Annual General Meeting 2023.

Debt and ratings

The A1 Group actively makes use of the international and local debt capital markets to obtain broadly diversified financing, both regionally and in terms of investor base.

Bonds

Since its first bond in 2003, the A1 Group has issued a total of nine benchmark bonds, including the first hybrid bond in the European telecommunications sector.

On April 4, 2022, a bond in the amount of EUR 750 million with a coupon of 4.0% matured. The bond was repaid as scheduled from existing cash and proceeds from bank loans.

Ratings

Telekom Austria AG is regularly rated by Moody's Investors Service ("Moody's") and Standard & Poor's Global Ratings ("S&P").

In October 2022, Standard & Poor's (S&P) upgraded A1 Group's credit rating to A–. This is the best S&P rating in the history of the A1 Group. The improved rating reflects the Group's strong operating performance and prudent financial policies. In December 2022, Moody's confirmed its Baa1 rating (outlook: stable).

Dividend

Year	Dividend per share (paid in payout year)	Earnings per share (in reference year)	FCF per share (in reference year)	Payout ratio (in %)
2023	0.32 [1]	0.95	0.90	33.5
2022	0.28	0.68	0.73	40.9
2021	0.25	0.58	0.76	42.7
2020	0.23	0.49	0.51	46.7
2019	0.21	0.36	0.58	57.8
2018	0.20	0.48	0.58	41.6
2017	0.20	0.58	0.35	34.3
2016	0.05	0.55	0.53	9.0

1) Proposal to the Annual General Meeting

Bonds

As of December 31, 2022 (issuer: Telekom Finanzmanagement GmbH)

ISIN	Date of launch	Maturity	Volume (in EUR million)	Coupon
XS0950055359	June 27, 2013	July 4, 2023	300	3.5%
XS1405762805	November 30, 2016	December 7, 2026	750	1.5%

Summary of the resolutions of the Annual General Meeting 2022

The following resolutions were adopted at the Annual General Meeting on June 27, 2022:

	Approved (in %)	Presence (in %)
Distribution of a dividend of EUR 0.28 per share	99.9	84.3
Discharge of the members of the Management Board	100.0	84.3
Discharge of the members of the Supervisory Board	100.0	84.3
Compensation for the members of the Supervisory Board for fiscal year 2021	100.0	84.3
Elections to the Supervisory Board		
Christine Catasta	94.5	84.3
Daniela Lecuona Torras	95.7	84.3
Carlos M. Jarque	94.5	84.3
Election of the auditor and Group auditor	100.0	84.3
Resolution on the Remuneration Report	99.6	84.3

ESG ratings

The A1 Group has its sustainable activities evaluated annually by international rating agencies. In addition, the Telekom Austria share is listed in sustainability indices, such as the FTSE4Good index series, where it has been listed since 2001, or the Austrian Sustainability Index (VÖNIX), where it has been listed since 2005. VÖNIX is a capitalization-weighted price index consisting of those listed Austrian companies that are leaders in terms of social and environmental performance. ▪

	Rating 2022	Percentile	Category
CDP	A	Top 2%	Leadership
Sustainalytics	15.2	Top 4%	Low Risk
ISS ESG	C+	Top 20%	Prime
EcoVadis	61	Top 17%	Silver

Compliance

Integrity as a guarantee of trustworthiness—especially in challenging times.

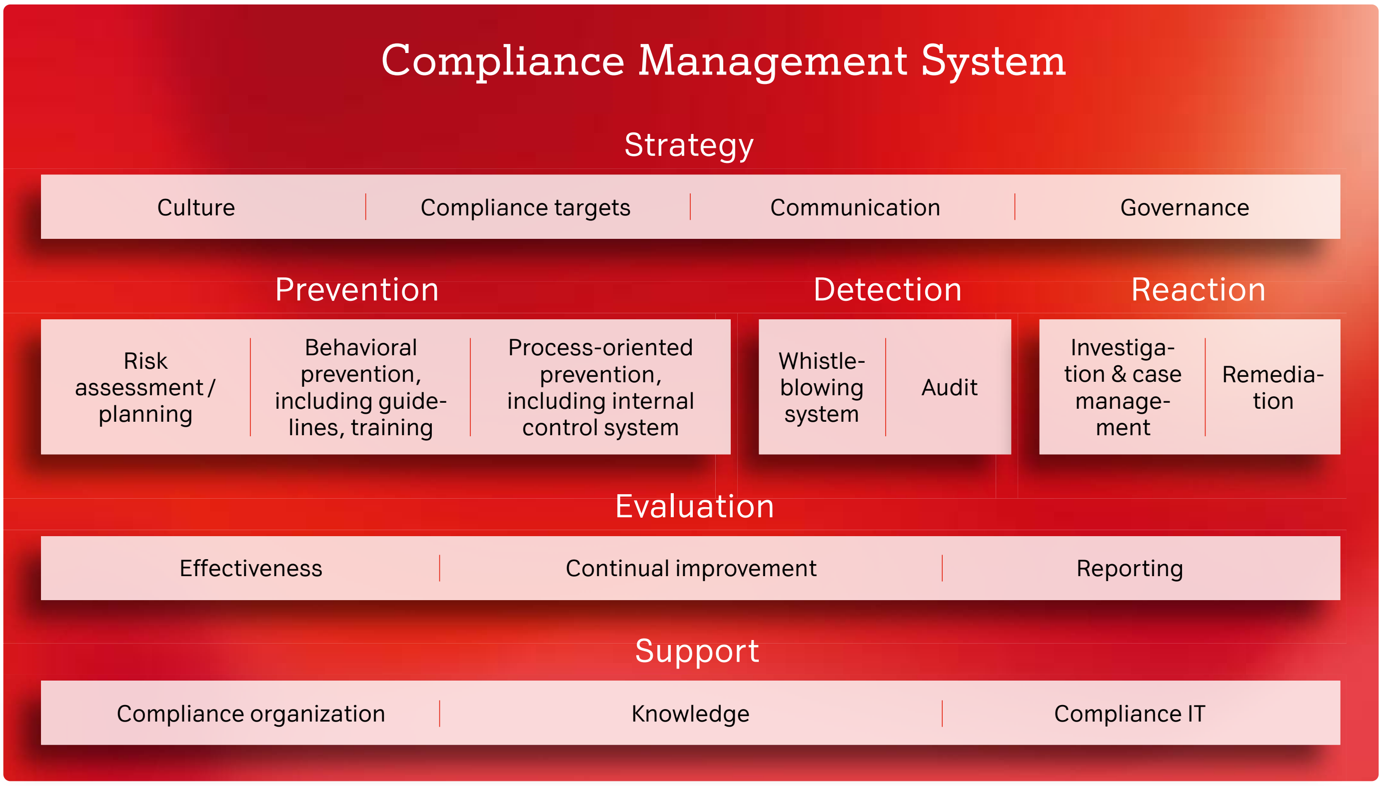
For the A1 Group, it goes without saying that the only way to pursue and achieve the company's goals is through ethical conduct. This is particularly true in a challenging environment such as the financial year 2022. In view of the war in Ukraine, processes for monitoring and management of EU and US sanctions were integrated into compliance management.

Compliance is firmly established at the A1 Group. Clearly communicated values, guidelines and rules determine how managers and employees conduct themselves. Managers, especially top management, lead by example. Targeted measures to promote good conduct support practical implementation.

Compliance: key to putting good corporate governance into practice

Ongoing development of the externally certified compliance management system (CMS) in line with best practice considerations is a key aspect of the ESG strategy. Ultimately, ethical and legal behavior is critical to ensuring trust in the A1 Group.

By regularly checking the appropriateness and effectiveness of the CMS, the Group aims to determine whether the current compliance



requirements are suitable and where there may be potential for improvement. The A1 Group had its CMS audited by PwC for the first time in 2012/2013 and again in 2018/2019 by KPMG. It received an unqualified audit opinion on both occasions. The next external audit will take place in 2023.

Fair business performance that is successful in the long term

The A1 Group's Code of Conduct includes vital ESG aspects such as responsibility for people, society and the environment, a commitment to diversity and inclusion as well as human rights, environmental initiatives and the Group's commitment to digital education. Regulations on integrity, fair conduct with stakeholders,protection of personal and confidential data, reporting and avoiding conflicts of interest, gifts, invitations and personal advantages, protection of corporate assets, communication of the contents of the Code of Conduct, and the Group's whistleblower principles help promote ethical and legal behavior in the many decisions that have to be made every day. The Code of Conduct addresses all employees and managers throughout the Group and constitutes a contractually agreed guiding principle for the A1 Group's business partners.

Group-wide guidelines also provide detailed assistance on specific compliance issues such as anti-corruption, conflicts of interest, data protection, antitrust law and capital market compliance. The guidelines on anti-corruption and conflicts of interest contain a strict ban on all forms of bribery and corruption. The prohibition of donations and placing ads in the media of political parties and organizations with close ties to political parties, and a commitment to responsible advertising are clearly regulated.

To ensure compliance with all relevant sanctions, sanctions management was amended in 2022 to account for increased requirements, primarily in connection with the war in Ukraine.

Optimized compliance training for the respective target group is held each year to embed the concept of integrity in the A1 Group in the long term.

The "tell.me" whistleblowing platform can be used by employees and third parties as well to report observed or suspected misconduct, and can be used anonymously if so desired.

Further information on compliance at the A1 Group can be found in the 2022 consolidated non-financial report. ▪

Consolidated Corporate Governance Report 2022

A1 Group

Consolidated Corporate Governance Report 2022

Commitment of the A1 Group to the Corporate Governance Code

The shares of Telekom Austria AG (in the following also "A1 Group") have been listed on the Vienna Stock Exchange since November 2000, where the Austrian Corporate Governance Code (ACGC) is generally accepted. The current version of this Code (January 2023) can be viewed at www.corporate-governance.at and www.a1.group.

The Corporate Governance Code pursues the goal of responsible management and control of companies geared towards a sustainable and long-term creation of enterprise value. It aims to ensure a high degree of transparency for all stakeholders and to serve as an important guideline for investors. The Code is based on the provisions of Austrian stock company-, stock exchange- and capital market law, EU recommendations and the OECD Principles of Corporate Governance. The A1 Group has been committed to voluntary compliance with the ACGC since 2003. The Group complies with all the legal requirements set out by the ACGC in what are referred to as the "L" rules.

To explain the deviations from the ACGC's "C" rules, the A1 Group has made the following statement regarding Rule 36, Rule 42 and Rule 54 of the ACGC:

- Ad C Rule 36: Given the culture of open discussion within the Supervisory Board, the annual self-assessment of the Supervisory Board as stipulated in Rule 36 of the ACGC is performed every two years. The Supervisory Board in its current form last conducted the self-assessment in the 2021 financial year.
- Ad C Rule 42: The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and Österreichische Beteiligungs AG (ÖBAG). The Nomination Committee or the entire Supervisory Board submit nomination proposals to the Annual General Meeting as stipulated by these terms, where required by law.
- Ad C Rule 54: The free float of the company (including treasury shares) is 20.58 %. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG.

In accordance with Rule 62 of the ACGC, the A1 Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The last evaluation was performed by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. for the financial year 2019. This evaluation found that the Consolidated Corporate Governance Report of the company for the 2019 financial year ended December 31, 2019 satisfies the legal provisions of section 243b UGB and section 267a UGB in addition to the requirements of the ACGC and the statements made therein. The next evaluation is planned for the financial year 2022, which will be carried out in the first half of 2023.

Composition of executive bodies

The Management Board

The members of the Management Board of Telekom Austria AG as of the end of 2022 were Thomas Arnoldner, Chief Executive Officer (CEO), Alejandro Plater, Chief Operating Officer (COO), and Siegfried Mayrhofer, Chief Financial Officer (CFO).

Thomas Arnoldner
Chief Executive Officer (CEO):

Thomas Arnoldner became the Chief Executive Officer of the A1 Group on September 1, 2018. His contract runs until August 31, 2023.

Allocation of business areas: Branding (Group), General Secretariat, Human Resources (Group), Investor Relations, Communications (Group), International Business Development / Group Strategy, Legal / General Counsel, Mergers & Acquisitions, Regulatory Affairs & European Affairs.

Thomas Arnoldner was born in 1977. He studied business administration at the Vienna University of Economics and Business and at the Stockholm School of Economics. Thomas Arnoldner's professional career began at Alcatel Austria in 2003. After holding various positions within the company, he was made the CEO of Alcatel-Lucent Austria AG in 2013. From 2015 to 2016, he was part of the integration team for Nokia's acquisition of Alcatel-Lucent and developed the combined company's European market strategy. From 2016 to 2017, he was in charge of Nokia's European growth strategy in its Smart City, National Broadband Program, and Public Safety areas and responsible for the country strategies of its key growth markets. He was the Managing Director of T-Systems Austria G.m.b.H. from 2017 to 2018.

Thomas Arnoldner holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), A1 Srbija (Serbia), A1 Makedonija (North Macedonia). Thomas Arnoldner is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Thomas Arnoldner does not hold any supervisory board mandates outside the A1 Group.

Alejandro Plater

Chief Operating Officer (COO):

Alejandro Plater was appointed as the Chief Operating Officer (COO) of the A1 Group on March 6, 2015. In the period from August 1, 2015, to August 31, 2018, Alejandro Plater was also the Chief Executive Officer (CEO) in addition to being the COO. His contract runs until August 31, 2023.

Allocation of business areas: Access & Transport (Group), Marketing (Group), Purchasing (Group), Operation (Group), Service Network & IT (Group), Technology & Strategy (Group).

Alejandro Plater, born in 1967, has had a long international career in the telecommunications industry. He started at Ericsson in 1997 as Sales Director for Argentina and shortly thereafter took on the responsibility of Head of Business Development. In 2004, he moved to the group's global headquarters in Stockholm, Sweden, to take up the position of Sales Director for the Latin America region. Two years later, Plater was appointed Sales Director for Mexico and, in the following year, he was appointed Vice President and Key Account Manager. Alejandro Plater studied Business Administration at the University of Buenos Aires and has completed several post-graduate management studies at Columbia University and the Wharton School in the USA and at the London Business School in the UK.

Alejandro Plater holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), A1 Srbija (Serbia), A1 Makedonija (North Macedonia). Alejandro Plater is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Alejandro Plater has been a member of the Supervisory Board of the Dutch telecommunications group KPN, in which América Móvil holds a stake, since September 2020.

Siegfried Mayrhofer

Chief Financial Officer (CFO):

Member of the Management Board since June 1, 2014. His contract runs until August 31, 2023.

Allocation of business areas: Accounting (Group), Compliance (Group), Controlling (Group), Internal Audit (Group), Treasury (Group).

Siegfried Mayrhofer, born in 1967, studied Industrial and Mechanical Engineering at the Graz University of Technology.

He began his professional career in 1994 at Voest Alpine Eisenbahnsysteme in the international division for the acquisition of investments. From 1998 to 2000, he served as a consultant to Constantia Corporate Finance for mergers and acquisitions in various industries.

Siegfried Mayrhofer joined Telekom Austria AG in March 2000. After holding various management positions (including Head of Corporate Planning and Group Controlling, Fixed-Line Controlling, Fixed-Line Accounting), he became CFO of Telekom Austria TA AG in July 2009. Siegfried Mayrhofer was the Chief Financial Officer of A1 Telekom Austria AG from July 8, 2010, to May 31, 2015.

Siegfried Mayrhofer holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), A1 Srbija (Serbia), A1 Makedonija (North Macedonia). Siegfried Mayrhofer is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Siegfried Mayrhofer does not hold any supervisory board mandates outside the A1 Group.

Supervisory Board

The Supervisory Board of Telekom Austria AG comprises ten members, elected by the Annual General Meeting. The Central Works Council of A1 Telekom Austria AG delegates four members and one member is delegated by the Staff Council of Telekom Austria AG. Employee co-determination on the Supervisory Board is a legally regulated aspect of the corporate governance system in Austria.

At the Annual General Meeting on June 27, 2022, the Supervisory Board mandates of Christine Catasta, Daniela Lecuona Torras and Carlos Jarque were extended.

Werner Luksch resigned from the Supervisory Board as of December 31, 2022. Franz Valsky was delegated to the Supervisory Board by the Staff Committee as of January 1, 2023.

Members of the Supervisory Board of Telekom Austria AG

as of December 31, 2022

Name (year of birth)	Nationality	Profession	First appointed	End of current term of office
Edith Hlawati, Chairperson (1957) 1)	Austria	CEO Österreichische Beteiligungs AG (ÖBAG)	30.05.2018 Chairperson; 28.06.2001 – 29.05.2013 Member of the Supervisory Board	2023 3)
Carlos García Moreno Elizondo, Deputy Chairperson (1957)	Mexico	CFO América Móvil, S.A.B. de C.V. (Mexico)	14.08.2014	2023 3)
Alejandro Cantú Jiménez (1972)	Mexico	General Counsel América Móvil, S.A.B. de C.V. (Mexico)	14.08.2014	2023 3)
Christine Catasta (1958) 2)	Austria	Certified auditor and tax consultant	06.09.2021	2023 3)
Karin Exner-Wöhrer (1971)	Austria	CEO Salzburger Aluminium AG	27.05.2015	2023 3)
Peter Hagen (1959)	Austria	Business Consultant	25.05.2016	2024 4)
Carlos M. Jarque (1954)	Mexico	Executive Director of International Affairs, Government Relations and Corporate Affairs, América Móvil, S.A.B. de C.V. (Mexico)	14.08.2014	2025 5)
Peter F. Kollmann (1962)	Austria	CFO Verbund AG	20.09.2017	2024 4)
Daniela Lecuona Torras (1982)	Mexico, Spain	Investor Relations Officer and Sustainability Officer, América Móvil, S.A.B. de C.V.	30.05.2018	2025 5)
Oscar Von Hauske Solís (1957)	Mexico	CEO Telmex Internacional (Mexico), Chief Fixed-Line Operations Officer América Móvil, S.A.B. de C.V. (Mexico)	23.10.2012	2023 3)
Members of the Supervisory Board delegated by the Staff Council				
Gerhard Bayer (1967)	Austria	Deputy Chairperson of the Central Works Council of A1 Telekom Austria AG	07.10.2020	
Gottfried Kehrer (1962)	Austria	Member of the Central Works Council of A1 Telekom Austria AG	27.10.2010	
Werner Luksch (1967)	Austria	Chairperson of the Central Works Council of A1 Telekom Austria AG Member of the European Works Council of A1 Group	03.08.2007 to 20.10.2010, Re-delegated on 11.01.2011	31.12.2022
Renate Richter (1972)	Austria	Member of the Central Works Council of A1 Telekom Austria AG	12.10.2018	
Alexander Sollak (1978)	Austria	Chairperson of the Staff Council Committee of Telekom Austria AG Secretary-General of the European Works Council of A1 Group	03.11.2010	

1) Other Supervisory Board mandates and similar functions at other listed companies (as per the ACGC): Österreichische Post AG (Chairperson); OMV AG (deputy Chairperson); Verbund AG (1st deputy Chairperson).
2) Other Supervisory Board mandates and similar functions at other listed companies (as per the ACGC): Erste Group Bank AG; Verbund AG (2nd deputy Chairperson).
3) Term of office ends at the Annual General Meeting dealing with the 2022 financial year (provisionally May/June 2023).
4) Term of office ends at the Annual General Meeting dealing with the 2023 financial year (provisionally May/June 2024).
5) Term of office ends at the Annual General Meeting dealing with the 2024 financial year (provisionally May/June 2025).

Independence and diversity within the Supervisory Board

The guidelines set out by the Supervisory Board in 2006 to determine the independence of its members were adjusted in 2009 to comply with the modified provisions of the Austrian Corporate Governance Code and are consistent with Annex 1 of the current version of the Code. According to these provisions, the members of the Supervisory Board are deemed to be independent if they have no business or personal relations with the company or its Management Board that could result in a material conflict of interest and thus influence the members' behavior.

The free float of the company (including treasury shares) is 20.58%. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG.

Pursuant to section 95 (5) no. 12 AktG, the Supervisory Board approves contracts between the company and members of the Supervisory Board. In this context, the Supervisory Board approved contracts in connection with communication services between A1 and members of the Supervisory Board and their companies, as well as contracts relating to energy supply and a sales partnership with Verbund AG. All contracts and the sales partnership are based on market standards.

In accordance with section 86 (7) AktG, the Supervisory Board must consist of at least 30% women and at least 30% men (gender quota). Based on the declarations by members of the Supervisory Board in accordance with section 86 (9) AktG, singular fulfillment of the gender quota in the Supervisory Board is required. Consequently, at least three of the ten members of the Supervisory Board elected by the Annual General Meeting or Supervisory Board mandates must be women. As of the end of 2020, three of the ten members of the Supervisory Board elected by the Annual General Meeting are women. The "Arbeitsverfassungsgesetz" (Austrian Labor Constitutional Act) imposes special regulations for the fulfillment of the gender ratio among employee representatives, namely that the gender ratio does not apply to employee representatives if there is no group works council.

Five of the 15 members of the Supervisory Board of Telekom Austria AG are women, which corresponds to a share of 33%. Four of the ten shareholder representatives on the Supervisory Board are women, which corresponds to a share of 40%. This means that the gender quota of 30%, which has been mandatory since January 1, 2018, has been met.

The members of the Supervisory Board have a balanced age structure, ranging from 40 to 68 years. Ten of the fifteen members are Austrian nationals and five are Mexican nationals. The Supervisory Board as a whole covers the full spectrum of expertise important to the Company, including telecommunications, finance, digitization and ESG. All shareholder representatives are independent within the meaning of Rule 53 of the Austrian Corporate Governance Code.

Information concerning the working methods of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board complie with established principles to ensure sustainable, value-enhancing corporate development and is committed to the principles of transparency and a policy of open communication. The group-wide areas of competence and responsibility are clearly regulated by the Articles of Association of Telekom Austria AG and the relevant statutory provisions. In addition, the duties, responsibilities and working methods are also described in greater detail in the Rules of Procedure for the Management Board and the Supervisory Board.

The Management Board is the Group's governing body. The Rules of Procedure for the Management Board govern the allocation of responsibilities and the cooperation within the Management Board. They also contain the information and reporting duties of the Management Board as well as a catalogue of measures requiring the approval of the Supervisory Board. The Management Board meets at least every 14 days to discuss current business developments as well as strategic and operational issues. At these meetings, decisions are made that require the approval of the full Management Board. In addition, there is an ongoing mutual exchange of information on relevant activities and events.

The Management Board is supported in its management activities by the "Leadership Team". It consists of the six CEOs of the operating subsidiaries and the Group HR Director. The Leadership Team provides advice and support in operational and strategic matters of the A1 Group.

To guarantee uniform management of the Group, members of the Management Board of Telekom Austria AG hold Supervisory Board mandates at the following main subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), A1 Srbija (Serbia) and A1 Makedonija (North Macedonia); they are also members of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus).

The Management Board defines the strategic focus of the Group in consultation with the Supervisory Board and provides the latter with regular reports on the implementation of the strategy as well as on the company's current situation, including its risk situation. Furthermore, the Supervisory Board is authorized to demand reports from the Management Board at any time on matters concerning the A1 Group. In the interest of good corporate governance, there is also ongoing coordination between the Chairperson of the Supervisory Board and the Chairman of the Management Board with respect to matters that fall within the purview of the Supervisory Board.

The Supervisory Board has set up three committees, which provide effective support by carrying out preparatory work on selected tasks and issues on behalf of the Supervisory Board. The intensive committee work supports the Supervisory Board with regard to a focused discussion and efficient decision-making:

- In the 2022 reporting year, the **Remuneration Committee** consisted of Edith Hlawati (Chair), Carlos García Moreno Elizondo (Deputy) and Oscar Von Hauske Solís. This committee is responsible for regulating relationships between the company and the members of the Management Board and thus for structuring and implementing Management Board remuneration based on the remuneration policy. Resolutions concerning the appointment of Management Board members (or revocation thereof) and granting share-based remuneration elements are resolved by the Supervisory Board as a whole.

  In 2022, the Remuneration Committee held six meetings and focused, among other things, on the increased integration of ESG objectives into the remuneration system.

- In line with the statutory provisions, at five committee meetings in 2022 the **Audit Committee** dealt primarily with the audit of and preparation for the adoption of the Annual Financial Statements, the audit of the Consolidated Financial Statements, the proposal for the distribution of profit, the Management Report, the Group Management Report, and the consolidated Corporate Governance Report and the consolidated non-financial report. High priority was also given to monitoring the accounting process, the effectiveness of the internal control system, the internal audit system, and the risk management system as well as the implementation of EU taxonomy. Furthermore, the Audit Committee prepared the appointment of the auditor and verified the independence of the auditor of the Annual and Consolidated Financial Statements, particularly with regard to the performance of additional services.

  As of the end of 2022, the Audit Committee consisted of Carlos García Moreno Elizondo as its Chairman and financial expert (in accordance with section 92 (4a) AktG), Christine Catasta, Oscar Von Hauske Solís, Carlos M. Jarque, Peter Hagen, Peter Kollmann and Gerhard Bayer, Werner Luksch and Alexander Sollak as the employee representatives.

- The **Staff and Nomination Committee** submits proposals to the Supervisory Board for appointments to positions on the Management Board and Supervisory Board [1] that have become vacant, and also deals with questions of succession planning. Its members are Oscar Von Hauske Solís (Chairman), Edith Hlawati, Carlos García Moreno Elizondo, Carlos M. Jarque, Alejandro Cantú Jiménez and Peter Kollmann in addition to Gerhard Bayer Werner Luksch and Alexander Sollak. The Staff and Nomination Committee did not hold any meetings in the 2022 financial year.

In the 2022 financial year, the Supervisory Board addressed the strategic orientation of the A1 Group and its business performance in detail at six meetings of the Supervisory Board and twelve committee meetings. The main activities of the Supervisory Board in 2022 are compiled in the Supervisory Board's report to the Annual General Meeting.

The following table shows the attendance of the members of the Supervisory Board in 2022:

Meeting attendance 2022

	Supervisory Board	Audit Committee	Remuneration Committee
Edith Hlawati	6/6		6/6
Carlos García Moreno Elizondo	6/6	5/5	6/6
Christine Catasta	6/6	4/5	
Carlos M. Jarque	6/6	5/5	
Alejandro Cantú	5/6		
Karin Exner-Wöhrer	5/6		
Oscar Von Hauske Solís	6/6	5/5	6/6
Daniela Lecuona Torras	6/6		
Peter F. Kollmann	5/6	4/5	
Peter Hagen	5/6	4/5	
Gerhard Bayer	5/6	5/5	
Werner Luksch	5/6	4/5	
Alexander Sollak	6/6	5/5	
Gottfried Kehrer	6/6		
Renate Richter	4/6		

Details of the remuneration of the Management Board and the Supervisory Board are published in the Remuneration Report and in the Remuneration Policy on the Company's website respectively. [2]

1) See also information on C Rule 42
2) See https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Management_Board.pdf or https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Supervisory_Board.pdf and https://cdn1.a1.group/final/en/media/pdf/agm2021_Remuneration%20Report.pdf

Measures to promote Women and Diversity in the A1 Group (Diversity Concept)

Women account for four of the ten shareholder representatives and one of the five employee representatives on the Telekom Austria AG Supervisory Board. There is no female representation on the Management Board of Telekom Austria AG. At the subsidiaries of the A1 Group, eleven management positions (out of a total of 30) and ten Supervisory Board positions are held by women.

The A1 Group has set itself the goal of increasing the share of women in management positions to 40 % by 2023, while also raising and keeping the overall share of women in the company at above 40 %. In 2022, the share of women in management positions was 36 % (2021 : 36 %), with women accounting for 40 % (2021 : 39 %) of the company's workforce.

Diversity, inclusion and equity are key components of the A1 Group's ESG strategy. Different skills, perspectives and experiences offer a wide range of options for learning together and from each other, and thereby arriving at better solutions for customers, for employees and for the company. Embedding diversity, inclusion and equity in the A1 Group's ESG strategy sets and systematically operationalizes clear and communicated goals.

For A1 Group, diversity, inclusion and equity are not only embedded in the A1 Group Code of Conduct, but also in the Group-wide DE & I Policy. This policy has been published on the A1 Group's ESG website and signed by the Management Board. Management is demonstrating a clear responsibility to this objective by including a diversity target (share of women in management) in its variable remuneration.

Comprehensive information on the promotion of women and diversity can be found in the consolidated non-financial report.

The above principles also apply to the Company's governing bodies. In addition, the Management Board and the Supervisory Board shall be composed of persons who have the necessary knowledge, skills and personal qualifications.

When selecting and appointing members of the company's Management Board, the Supervisory Board places emphasis on the skills and expertise necessary to manage a telecommunications company. Decisions are also based on other criteria such as educational background and career history, age, gender, and general personality traits.

When appointing members to the Supervisory Board, care is taken to ensure that the composition of the Supervisory Board is balanced both professionally and personally, taking into account the aspects of diversity of the Supervisory Board in terms of gender, a balanced age structure and the internationality of its members.

The shareholder representatives on the Supervisory Board and the members of the company's Management Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG. [3)]

Vienna, February 3, 2023
The Management Board of Telekom Austria AG

Thomas Arnoldner, CEO

Alejandro Plater, COO

Siegfried Mayrhofer, CFO

3) See also information on C Rule 42

Group Report 2022

A1 Group

Key financial data of A1 Group

in EUR million	2022	2021	
Total revenues (incl. other operating income)	5,005	4,748	5.4%
Service revenues	4,164	3,957	5.2%
Equipment revenues	752	709	6.0%
Other operating income	89	82	8.0%
Wireless revenues	2,972	2,816	5.6%
Service revenues	2,339	2,181	7.2%
Equipment revenues	633	635	-0.2%
Wireline revenues	1,944	1,850	5.1%
Service revenues	1,825	1,775	2.8%
Equipment revenues	119	75	59.4%
EBITDA	1,838	1,706	7.7%
EBITDA margin	36.7%	35.9%	0.8pp
Depreciation and amortisation	963	953	1.1%
EBIT	871	753	15.6%
EBIT margin	17.4%	15.9%	1.5pp
Net result	635	455	39.5%
Net margin	12.7%	9.6%	3.1pp
Capital expenditures	944	891	5.9%
Tangible	766	650	17.7%
Intangible	179	241	-25.8%
Free cash flow	603	487	23.8%

	Dec 31, 2022	Dec 31, 2021
Net debt / EBITDA (12 M)	1.3x	1.7x
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	23,897	22,766	5.0%
Postpaid	20,076	18,890	6.3%
Prepaid	3,822	3,875	-1.4%
RGUs (thousands)	6,204	6,077	2.1%

	2022	2021	
ARPU (in EUR)	8.4	8.1	2.7%
Mobile churn	1.4%	1.3%	0.0pp

	Dec 31, 2022	Dec 31, 2021	
Employees (full-time equivalent)	17,906	17,856	0.3%

Group Management Report

Business environment

In early 2022, there was a feeling in Europe that the worst of the COVID-19 pandemic was over and life was returning to some sort of normalcy. The tense situation in the supply chains was easing more and more but still noticeable. After all, the Chinese economy, which is important for the electronics industry, was still subject to strict COVID restrictions. The availability of individual goods was therefore still limited and prices were above pre-COVID levels. In the telecommunications sector, supply chain challenges were reflected in limited availability of high-value handsets, shortages and long delivery times of certain equipment for customers, and delays in the delivery of network equipment. The significantly improved mood was abruptly interrupted when Russia invaded Ukraine in February. This resulted in a terrible conflict that was still ongoing at the end of the financial year, with no end in sight any time soon. The conflict led to a sharp rise in energy prices and subsequently to significantly higher inflation rates. These in turn prompted the European Central Bank (ECB) and the Federal Reserve (FED) in the USA to raise interest rates markedly.

The U.S. Federal Reserve raised its key short-term interest rate in seven consecutive steps from 0.25% in March 2022 to between 4.5% and 4.75%. The European Central Bank raised its key interest rates - the rate on main refinancing operations, the rates on the marginal lending facility, and the deposit facility - in four steps to 2.5%, 2.75%, and 2.0%, respectively. The ECB also announced that the asset purchase program portfolio will decrease from the beginning of March 2023, as the Eurosystem will not reinvest all principal payments from maturing securities.

The invasion of Ukraine was met with repeatedly tightened sanctions against Russia by the European Union, the U.S., and other countries. Sanctions were also imposed on Belarus for its involvement in the conflict. These had a negative impact on the availability of high-quality cell phones and network components in that country. The national currency, the Belarusian ruble, depreciated sharply as a result of the conflict, but was able to recover its losses over the course of the year and even appreciate against the euro for long periods.

On January 1, 2023, Croatia adopted the euro as its currency, making it the twentieth member of the Eurozone. Croatia also joined the passport-free Schengen area, which allows freedom of travel and movement between participating countries. Joining the borderless Schengen area is expected to give a boost to Croatia's important tourism industry, which accounts for 20 percent of its gross domestic product.

According to the *World Economic Outlook* published in January 2023 by the IMF, the global economy was projected to grow by 3.4% in 2022 and 2.9% in 2023. In the same publication, economic growth in the European Union was projected to be 3.7% in 2022 and 0.7% in 2023, each measured in real GDP terms.[1)]

GDP growth and inflation in the markets of A1 Group (in %)[2)]

	2021		2022e		2023e	
	GDP	Inflation	GDP	Inflation	GDP	Inflation
Austria	4.6	2.8	4.7	7.7	1.0	5.1
Bulgaria	4.2	2.8	3.9	12.4	3.0	5.2
Croatia	10.2	2.6	5.9	9.8	3.5	5.5
Belarus	2.3	9.5	- 7.0	16.5	0.2	13.1
Slovenia	8.2	1.9	5.7	8.9	1.7	5.1
Serbia	7.4	4.1	3.5	11.5	2.7	8.3
North Macedonia	4.0	3.2	2.7	10.6	3.0	4.5

[1] Source: IMF, https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx (February 2, 2023), page 6
[2] Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022 (February 2, 2023), page 42. Forecast data at the country level are from October 2022.

Industry trends and competition

As part of the most recent strategy process, A1 Group identified the following trends:

Artificial intelligence (AI) and the analytical use of data are advancing at a tremendous pace. Real-time analytics-based decisions will be standard in the not-too-distant future.

Data traffic is growing strongly. The progress of digitalization as well as the popularity of over-the-top (OTT) content drive the increase of data volumes.

Broadband rollout (fiber and 5G) is progressing in order to be able to provide customers with a nationwide infrastructure.

The end-to-end customer experience is becoming a key differentiator. At the heart of this are personalized offers at any time and at any touch point.

Ecosystems are the future drivers of the economy. Telecommunications companies must therefore increasingly redefine their roles in them and actively shape their platforms and partnerships.

The importance of software is soaring. Software is the basis for automation and digitalization to make one's own business more efficient and can also represent a business opportunity for telecommunications companies.

Cyber security requires specially trained employees, investments in the company's hardware and software, and developed risk management. In addition, it also offers a business opportunity to telecommunications companies because customer demand is growing, especially in the business customer segment

Environmental, social, and governance (ESG) aspects have become a mandatory requirement to compete in the market. Sustainability is becoming a factor in decision making.

The competitive landscape is expanding while taking OTT providers and companies offering satellite-based Internet into account.

Separating business areas, such as the tower business, that have the potential to be attractive to other investors as well. The sum of the different valuations of the core business and the separated business may exceed that of the original company.

Telecommunication infrastructure providers enable access to the metaverse and can offer their customers additional services there.

Competitive landscape

A1 Group is active primarily in seven regional markets in Central and Eastern Europe[3]:

	Inhabitants in million	GDP/capita in USD	Mobile subscribers in million	Mobile subscribers market position	RGUs in million	RGUs market position
Austria	9.0	58,400	5.2	#1	2.9	#1
Bulgaria	6.9	27,900	3.8	#1	1.2	#2
Croatia	3.9	34,300	2.0	#2	0.7	#2
Belarus	9.3	21,700	4.9	#2	0.8	#2
Slovenia	2.1	43,600	0.7	#2	0.2	#4
Serbia	6.8	21,500	2.4	#3	n.a.	n.a.
North Macedonia	2.1	18,200	1.1	#1	0.4	#2

[3] Source for inhabitants as well as GDP/capita (PPP, current international USD): https://data.worldbank.org (February 2, 2023), data for most recent year: 2021, figures rounded

Regulation

A1 Group is subject to various legal and regulatory frameworks in its markets. A1 Austria, representing the largest Group segment in terms of revenues and EBITDA, is classified as a provider with significant market power in the wholesale market for Ethernet and dark fiber, so the company is subject to corresponding regulatory measures including on network access and price regulations.

The international subsidiaries of A1 Group are also subject to far-reaching regulatory provisions on their respective national markets. In addition, Group companies in countries that are part of the European Union (i.e., Austria, Bulgaria, Croatia, and Slovenia) must comply with European regulations, for instance guaranteeing harmonized conditions within the EU. This applies especially to the EU-level roaming and net neutrality regulations as well as the harmonization of mobile and fixed-line termination rates as a result of the European Electronic Communications Code (EECC) and apply equally to all EU Member States.

Fixed-line regulation

Market analysis in Austria

In line with legal requirements, the Austrian regulator began the sixth round of the market analysis procedure in March 2020. The regulator first focused on the two wholesale markets for local and central access as well as on the market for certain stand-alone business tariffs at retail level.

On October 11, 2022, the Austrian regulator fully deregulated the wholesale markets for broadband access. The regulator's experts and European Commission appreciated the presented new voluntary contracts for Virtual Unbundling of Local Access (VULA 2.0) and Very High-Capacity Networks (VHCN). By the end of 2022, a large number of wholesale partners have signed such contracts with A1 Austria, including its largest competitors.

This deregulation paves the way to additional investment and thus further accelerates large-scale broadband and fiber-optic infrastructure roll-outs throughout Austria. The Austrian regulator and the Federal Competition Authority will closely monitor the wholesale markets for local and central access.

According to a draft decision by the regulator, the market for certain stand-alone business tariffs at retail level will also be deregulated. The relevant procedure is expected to be finalized in the first quarter of 2023.

In April 2021, the market analysis procedure for the wholesale market for high-quality access (wholesale markets both for Ethernet services and dark fiber) was initiated. So far, the regulator has carried out an extensive data collection and published two expert opinions. A1 Austria expects the regulator to make a draft decision early in the first quarter of 2023 and a final decision in the second quarter of 2023.

Fixed-line termination rates[4)]

The European Commission set the fixed-network termination charge for all operators in the European Economic Area (EEA) to a uniform EUR 0.0007 per minute as of January 1, 2022. Following this measure, the Austrian regulator has deregulated the fixed termination market on a national level.

Mobile communication regulation

Roaming

The European Union regulation on roaming in its current form has been in force since 2016. A revised roaming regulation is likely to extend the current "Roam Like at Home" regulation and further reduce wholesale roaming rates in the coming years. The markets of Belarus, Serbia and North Macedonia are regulated to a varying degree.

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4) The term termination rate refers to the amount that a telecommunications provider must pay during network interconnection for the termination (call delivery, call completion) of a telephone call to a third-party network or for the receipt of such a call from a third-party network.

Roaming agreements in the Western-Balkans

Retail roaming charges within the region have been reduced following the introduction of a roaming agreement for the Western Balkans in 2019. In addition to that, A1 and other mobile operators have recently signed a voluntary agreement to lower rates also between European Union and Western Balkan countries (Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia).

European Union wholesale caps

Voice (outgoing), in eurocents/minute	July 1, 2022 – December 31, 2024; 2.20 January 1, 2025 – June 30, 2032: 1.90
SMS, in eurocents/SMS	July 1, 2022 – December 31, 2024: 0.40 January 1, 2025 – June 30, 2032: 0.30
Data, in EUR/GB	July 1 – December 31, 2022: 2.00 From January 1, 2023: 1.80 2024: 1.55 2025: 1.30 2026: 1.10 January 1, 2027 – June 30, 2032: 1.00

Mobile termination

The European Commission has set mobile termination charges for all operators in the European Economic Area to a uniform EUR 0.002 per minute as of January 1, 2024. This value will be achieved by means of a glide path that provides for annual reduction steps. The Austrian regulator has deregulated the mobile termination market on a national level.

Mobile termination rates

	January 1, 2022	January 1, 2023	January 1, 2024
EU-wide maximum (EUR)	0.0055	0.0040	0.0020
Serbia (RSD)	1.43	1.43	not yet determined
North Macedonia (MKD)	0.63	0.63	not yet determined
Belarus (BYN)	operator MTS 0.025/0.0125 operator BeST 0.018/0.009	operator MTS 0.025/0.0125 operator BeST 0.018/0.009	not yet determined

Net neutrality

The EU regulation on net neutrality has been in force since 2016. According to this regulation, providers of Internet access service must treat all data traffic equally. Furthermore, specialized services can also be offered in addition to Internet access services, but these are subject to certain limitations.

The European Commission must review the EU net neutrality provisions by April 30, 2023. However, the Body of European Regulators for Electronic Communications (BEREC) published an opinion, stating that the current regulation is suitable and does not need to be amended.

Impact of the COVID-19 pandemic

In 2022, the COVID-19 pandemic has had a significantly lower impact on A1 Group's business than in the previous years. While general precautionary measures were maintained at all facilities, pandemic-related work from home abated and occupancy rate in offices increased. Footfall in our shops rose slightly and there were no shops closed in 2022 due to the pandemic.

Impact of the Ukraine crisis

On February 24, 2022, troops of the Russian Federation invaded Ukraine, which led to sanctions imposed on Russia and Belarus by the European Union, the United States of America, and other countries. While sanctions did not have material impact on the business of A1, it did impose certain challenges in the supply chain in the Belarus segment. That was reflected in the limited availability of high-value handsets, but also other network equipment. However, A1 Belarus focused on re-establishing deliveries that comply with the current sanction framework and exception rules for telecommunication companies. Following the onset of the conflict, the Belarussian ruble recorded a dramatic depreciation. However, the currency recovered shortly after, made up the losses and temporarily appreciated against the euro. As of the end of December 2022, the Belarusian ruble depreciated against the euro by 1.1% (period average: +8.5%).

Business performance in financial year 2022

A1 Group successfully navigated through financial year 2022, delivering both revenue and EBITDA growth in a difficult macroeconomic environment. Positive trends prevailed in most markets and while the population at large was increasingly concerned about increasing inflation, demand for core mobile and fixed-line services remained intact, leading to increasing service revenues in all regions.

The gradual upselling of mobile customers to attractive 5G offers continued, not only in Austria where outstanding network quality was instrumental in customer acquisition, but also in other CEE markets. A1 operations also benefitted from solid demand for high-bandwidth products and continued to focus on convergence strategies while remaining a reliable partner of choice for growing ICT businesses.

In an environment of rising OPEX, in particular surging energy costs, management was diligently focused on implementing efficiency measures. In addition, contractual opportunities were taken in most markets to increase prices in line with the consumer price index. Both the improved roaming results and the positive development of Belarusian ruble provided a tailwind for A1 Group's results in 2022.

During 2022, A1 Group acquired spectrum for the deployment of 5G networks. In North Macedonia, these were in the frequency bands of 700 MHz and 3.6 GHz for a total of EUR 8 mn, and in Bulgaria in the bands of 1800 MHz, 3600 MHz and 26 GHz for EUR 1 mn.

In financial year 2022, A1 Group made progress in the internal separation of the tower business. This separation was completed in all markets except Belarus, which is not the focus, and Austria.

The following factors should be considered in the analysis of A1 Group's 2022 operating results:

- A positive roaming impact on Group total revenues and EBITDA of 0.7% and 1.7% respectively due more travelling activity versus previous year.
- Positive FX effects amounted to EUR 36 mn in total revenues, EUR 27 mn in service revenues, and EUR 17 mn in EBITDA, coming almost entirely from Belarus.
- There were no one-off effects in total revenues or EBITDA while there was a minor positive one-off effect of EUR 0.6 mn in EBITDA in the comparison period.
- Restructuring charges in Austria amounted to EUR 73 mn (2021: EUR 84 mn).

In mobile communications, the number of subscribers rose by 5.0% to a total of 24 million in the reporting year. Growth was largely driven by the strong increase in M2M business. Excluding M2M customers, the number of subscribers remained stable (-0.2%). Continued strong demand for mobile WiFi routers across the market footprint almost compensated for the slightly lower number of mobile customers in the Belarusian segment. The number of contract customers increased in Austria, Croatia, Serbia, and North Macedonia, while remaining at the prior-year level or slightly below in other markets. A shift from prepaid to contract offerings continued in all markets.

In the fixed-line business, the number of revenue generating units (RGUs) increased by 2.1% year-on-year. Growth in international operations, especially in Belarus and Bulgaria, more than compensated for the decline in Austria. The latter was the result of a decrease in the number of basic broadband and voice RGUs and could not be offset by the continued strong demand for advanced broadband products.

Key financial data

in EUR million	2022	2021	
Total revenues (incl. other operating income)	5,005	4,748	5.4%
Service revenues	4,164	3,957	5.2%
Equipment revenues	752	709	6.0%
Other operating income	89	82	8.0%
Wireless revenues	2,972	2,816	5.6%
Service revenues	2,339	2,181	7.2%
Equipment revenues	633	635	-0.2%
Wireline revenues	1,944	1,850	5.1%
Service revenues	1,825	1,775	2.8%
Equipment revenues	119	75	59.4%
EBITDA	1,838	1,706	7.7%
EBITDA margin	36.7%	35.9%	0.8pp
Depreciation and amortisation	963	953	1.1%
EBIT	871	753	15.6%
EBIT margin	17.4%	15.9%	1.5pp
Net result	635	455	39.5%
Net margin	12.7%	9.6%	3.1pp
Capital expenditures	944	891	5.9%
Tangible	766	650	17.7%
Intangible	179	241	-25.8%
Free cash flow	603	487	23.8%

	Dec 31, 2022	Dec 31, 2021
Net debt / EBITDA (12 M)	1.3x	1.7x
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	23,897	22,766	5.0%
Postpaid	20,076	18,890	6.3%
Prepaid	3,822	3,875	-1.4%
RGUs (thousands)	6,204	6,077	2.1%

	2022	2021	
ARPU (in EUR)	8.4	8.1	2.7%
Mobile churn	1.4%	1.3%	0.0pp

	Dec 31, 2022	Dec 31, 2021	
Employees (full-time equivalent)	17,906	17,856	0.3%

In financial year 2022, Group total revenues rose by 5.4%, driven mainly by service revenue growth in all segments. Equipment revenues also increased, in particular because of higher sales in Austria, Serbia, and Bulgaria and despite a decline in Belarus and North Macedonia. Mobile service revenues rose by 7.2% on the back of strong mobile core business in all markets, continued solid demand for mobile WiFi routers as well as higher customer roaming traffic. Fixed-line service increased by 2.8% as growing solution and connectivity business more than outweighed regulation-induced decline in interconnection revenues, while retail fixed-line service revenues rose only slightly. Additionally, revenues benefited from indexation-linked price increases implemented in several markets throughout the year.

Total costs and expenses increased by 4.1% in the reporting period. Almost half of the increase is attributable to higher electricity costs due to rising prices and slightly higher consumption. The remaining portion of the cost increase relates to content and products, the corporate network, and to a lesser extent personnel and advertising. Content and product-related costs increased following solid performance of solution and connectivity business but also due to increased content prices. On the other hand, bad debt as well as network maintenance costs declined in 2022.

EBITDA rose by 7.7% to EUR 1.838 mn as solid growth in service revenues in all markets more than compensated for rising core OPEX. The contribution from Austria, Belarus, and Bulgaria was particularly strong, while growth was also recorded in the other markets except for Slovenia and North Macedonia. Restructuring charges in Austria in financial year 2022 amounted to EUR 73 mn (2021: EUR 84 mn).

In 2022, A1 Group recorded a financial result of EUR -55 mn (previous year: EUR -101 mn), an improvement driven mainly by the redemption of an EUR 750 mn 3.125% bond in December 2021 and an EUR 750 mn 4.0% bond in April 2022. In addition, lower net debt and a short-term financing helped reduce net interest expense.

Income tax expenses amounted to EUR 181 mn in financial year 2022 (previous year: EUR 198 mn). In the comparative period, the reversal of impairment of investments in affiliated companies in particular raised tax expense to a high level. This level was not reached in the reporting period despite a clear improvement in pre-tax earnings and an increase in withholding tax in Belarus. Improved operating and financial result coupled with lower income tax expenses resulted in 39.5% increase of the Group net result which amounted to EUR 635 mn.

Further key ratios	2022	2021	
Earnings per share (in EUR)	0.95	0.68	39.5%
Dividend per share, paid (in EUR)	0.28	0.25	12.0%
Free cash flow per share (in EUR)	0.90	0.73	23.0%
ROE	18.9%	15.4%	3.5pp
Operating ROIC	13.5%	11.9%	1.6pp

Net assets and financial position

As of December 31, 2022, the balance sheet total was 2.7% below the level as of December 31, 2021. A main driver was the balance sheet-reducing effect from the use of cash and cash equivalents to repay a bond in April 2022. As a consequence, cash and cash equivalents decreased. Non-current assets increased, mainly on the back of higher property, plant and equipment following increased CAPEX. Right-of-use assets and frequency amortization mitigated that increase.

Current liabilities declined largely due to the redemption of the above-mentioned 4.0% bond. This bond was classified as a current financial liability as of December 31, 2021 as remaining term to maturity was less than one year. Accounts payable climbed mainly due to higher CAPEX in Austria. Income tax liabilities increased due to the full utilization of tax loss carryforwards in the Austrian tax group in 2021.

Non-current liabilities declined, driven by repayment of lease liabilities but also reduced asset retirement and employee benefits obligations, both of which were valued lower because of increased interest rates (i.e., discount rates).

Balance sheet structure

in EUR million	Dec 31, 2022	As % of the balance sheet total	Dec 31, 2021	As % of the balance sheet total
Current assets	1,439	17.2%	1,786	20.8%
Property, plant and equipment	3,054	36.6%	2,876	33.5%
Goodwill	1,300	15.6%	1,286	15.0%
Intangible assets, net	1,608	19.3%	1,670	19.5%
Other assets	945	11.3%	955	11.1%
Total assets	**8,345**	**100.0%**	**8,573**	**100.0%**
Current liabilities	-2,411	28.9%	-2,940	34.3%
Long-term debt	-1,047	12.5%	-1,046	12.2%
Lease liabilities long-term	-522	6.3%	-606	7.1%
Employee benefit obligation	-172	2.1%	-223	2.6%
Non-current provisions	-518	6.2%	-574	6.7%
Other long-term liabilities	-84	1.0%	-68	0.8%
Stockholders' equity	-3,593	43.0%	-3,115	36.3%
Liabilities and stockholders' equity	**-8,345**	**100.0%**	**-8,573**	**100.0%**

Cash flow

in EUR million	2022	2021	
Net cash flow from operating activities	1,718	1,586	8.3%
Net cash flow from investing activities	-953	-902	-5.7%
Net cash flow from financing activities	-1,149	-361	-218.1%
Adjustment to cash flows due to exchange rate fluctuations, net	0	1	n.m.
Net change in cash and cash equivalents	**-385**	324	**n.m.**

In financial year 2022, the cash flow from operating activities increased to EUR 1,718 mn (previous year: EUR 1,586 mn), driven by better operational performance and a positive development of working capital. The latter improved due to higher accounts payable, which more than outweighed increase in accounts receivables and inventories. Cash flow from investing activities reflected primarily compared to the previous year higher capital expenditures paid. Cash flow from financing activities decreased strongly versus last year due to increased dividends paid and and the repayment of a EUR 750 mn bond. The repayment was made to a large extent from cash and short and long-term financings.

Key performance indicators

Net debt

in EUR million	Dec 31, 2022	Dec 31, 2021	
Long-term debt	1,047	1,046	0.1%
Lease liability long-term	522	606	-13.9%
Short-term debt	822	1,553	-47.1%
Lease liability short-term	159	161	-1.1%
Cash and cash equivalents	-150	-534	-72.0%
Net debt (incl. leases)	2,400	2,832	-15.3%
Net debt (incl. leases) / EBITDA (12 months)	1.3x	1.7x	
Net debt (excl. leases)	1,719	2,065	-16.8%
Net debt (excl. leases) / EBITDA after leases (12 M)	1.0x	1.3x	

Net debt declined by 15.3% due to the strong free cash flow. In April 2022, a EUR 750 mn bond was repaid, reducing short-term debt. Net debt / EBITDA decreased to 1.3x from 1.7x as of December 31, 2021.

Net debt (excl. leases) declined by 16.8%. The ratio net debt (excl. leases) / EBITDA after leases decreased to 1.0x from 1.3x as of December 31, 2021.

Free cash flow

in EUR million	2022	2021	
EBITDA	1,838	1,706	7.7%
Restructuring charges and cost of labor obligations	74	92	-19.5%
Lease paid (principal, interest and prepayments)	-182	-171	6.3%
Income taxes paid	-137	-106	28.7%
Net interest paid	-47	-78	-39.2%
Change working capital and other changes	91	31	191.4%
Capital expenditures	-944	-891	5.9%
Free Cash Flow (FCF) before social plans	692	582	18.9%
Social plans new funded*	-88	-94	-6.4%
FCF after social plans new	603	487	23.8%

Free cash flow increased by 23.8% in financial year 2022, as improved operational performance and positive development of working capital more than compensated for higher capital expenditures paid and higher income taxes paid.

Capital expenditures ("CAPEX")

In financial year 2022, total capital expenditures increased by 5.9% to EUR 944 mn. Excluding investments in the frequency spectrum of EUR 10 mn (previous year: EUR 65 mn), capital expenditures increased by 13.2%, driven mainly by higher investments in fiber network infrastructure in Austria and continued deployment of the 5G mobile network in Austria, Slovenia, Bulgaria, and North Macedonia.

Segment development

A1 Group reports on seven business segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia, and North Macedonia. "Corporate & other, elimination" comprises mainly holding companies, the Group financing company, A1 Digital (whose business activities are focused on the core markets of A1 Group in addition to Germany and Switzerland) and consolidation effects.

Total revenues (incl. other operating income)

in EUR million	2022	2021	
Austria	2,752	2,678	2.8%
Bulgaria	640	574	11.5%
Croatia	470	452	4.0%
Belarus	461	420	9.8%
Slovenia	223	210	6.0%
Serbia	357	315	13.1%
North Macedonia	141	135	5.0%
Corporate & other, eliminations	-39	-35	n.m.
Total revenues (incl. other operating income)	**5,005**	4,748	**5.4%**

EBITDA

in EUR million	2022	2021	
Austria	1,040	991	4.9%
Bulgaria	254	218	16.5%
Croatia	161	156	3.3%
Belarus	219	181	21.2%
Slovenia	56	61	-7.4%
Serbia	115	102	12.8%
North Macedonia	44	46	-4.0%
Corporate & other, eliminations	-51	-48	n.m.
Total EBITDA	**1,838**	1,706	**7.7%**
EBITDA before Restructuring	1,911	1,790	6.7%

EBIT

in EUR million	2022	2021	
Austria	495	441	12.2%
Bulgaria	136	104	30.1%
Croatia	66	58	13.7%
Belarus	150	122	23.0%
Slovenia	4	13	-72.8%
Serbia	58	49	17.1%
North Macedonia	18	18	-3.0%
Corporate & other, eliminations	-55	-53	-3.0%
EBIT	**871**	753	**15.6%**

Capital expenditures (CAPEX)

in EUR million	2022	2021	
Austria	572	496	15.4%
Bulgaria	108	103	4.9%
Croatia	84	96	- 12.4%
Belarus	39	40	- 4.5%
Slovenia	46	79	- 41.9%
Serbia	52	48	6.8%
North Macedonia	38	24	56.2%
Corporate & other, eliminations	6	5	28.2%
Capital expenditures	**944**	891	**5.9%**

ARPU

in EUR	2022	2021	
Austria	16.8	16.2	3.7%
Bulgaria	7.0	6.5	7.7%
Croatia	10.9	10.6	2.2%
Belarus	4.8	4.1	18.3%
Slovenia	13.9	13.2	5.3%
Serbia	8.4	8.0	5.2%
North Macedonia	6.7	6.3	7.1%
Group ARPU	**8.4**	8.1	**2.7%**

ARPL

in EUR	2022	2021	
Austria	33.9	33.3	1.8%
Bulgaria	15.7	14.8	6.3%
Croatia	30.9	32.0	-3.6%
Belarus	7.8	6.2	25.9%
Slovenia	31.1	31.9	-2.4%
Serbia	n.a.	n.a.	n.a.
North Macedonia	11.1	11.1	0.5%
Group ARPL	**25.8**	25.8	**0.0%**

ARPL-relevant revenues (in EUR million)	2022	2021	
Austria	709	735	-3.5%
Bulgaria	110	98	12.1%
Croatia	108	107	1.0%
Belarus	41	29	40.1%
Slovenia	37	35	4.5%
Serbia	n.a.	n.a.	n.a.
North Macedonia	21	21	2.7%

Segment Austria

in EUR million	2022	2021	
Total revenues (incl. other operating income)	2,752	2,678	2.8%
Service revenues	2,414	2,369	1.9%
Equipment revenues	286	258	11.2%
Other operating income	52	51	2.2%
Wireless revenues	1,248	1,198	4.2%
Service revenues	1,032	980	5.3%
Equipment revenues	217	218	-0.6%
Wireline revenues	1,452	1,430	1.6%
Service revenues	1,382	1,389	-0.5%
Equipment revenues	70	40	74.9%
EBITDA before restructuring	1,113	1,075	3.5%
EBITDA margin before restructuring	40.4%	40.2%	0.3pp
EBITDA	1,040	991	4.9%
EBITDA margin	37.8%	37.0%	0.8pp
EBIT	495	441	12.2%
EBIT margin	18.0%	16.5%	1.5pp

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	5,157	5,072	1.7%
RGUs	2,946	3,051	-3.4%

	2,022	2,021	
ARPU	16.8	16.2	3.7%
Mobile churn	1.1%	1.3%	-0.2pp

The segment Austria accounted for 55% of Group revenues.

In 2022, market dynamics in Austria were influenced by several trends that simultaneously shaped demand in both mobile and fixed-network business. At the beginning of the year, a rather quiet mobile communications market was characterized by low churn rates and fewer customer gross adds. This was partly due to the scarcity of available high-value handsets, but also to lower subsidies, which presumably boosted demand for SIM-only offerings. In line with the strategy to further monetize the 5G network and remain competitive, A1 Austria launched a new mobile portfolio in November 2022. In doing so, the company changed its previous premium positioning of 5G and introduced 5G offers in almost all tariffs.

In the fixed-line business, demand remained relatively unchanged year-on-year thanks to the advance of digitization and new forms of work requiring reliable Internet connections. Consequently, upselling to higher broadband products continued to be noticeable in the market. A new regulatory environment is enabling A1 Austria to accelerate its fiber roll-out. The company launched a new Fiber to the Home (FTTH)/Fiber to the Building (FTTB) portfolio to meet customer demand for higher bandwidths and monetize fiber infrastructure. The Solution and Connectivity business continued its growth trajectory and benefited from a favorable development in the installation of private branch exchanges. The Internet@Home business, comprising pure fixed-line broadband, hybrid modems, and mobile WiFi routers, continued to grow in 2022 and was again driven by solid demand for mobile WiFi routers. Total revenues increased by 2.8% in the year under review, in large part driven by higher service revenues and to a slightly lower extent higher equipment revenues. While service revenues rose due to solid performance of the mobile business as well as the growing solution and connectivity business, equipment revenues rose mainly due to sizable projects in the public sector.

Fixed-line service revenues declined slightly (-0.5%), as growth in solution and connectivity revenues could not fully compensate for the decline in retail fixed-line service revenues and lower regulation-driven interconnection revenues. The lower retail fixed-line service revenues stem from losses in low-bandwidth RGUs and voice RGUs and could not be compensated by upselling efforts to high-bandwidth products, voice price measures from March 2022, and price indexation implemented in April 2022. At the same time, the above-mentioned upselling, indexation, and price measures were the main drivers of the ARPL increase.

Mobile service revenues rose by 5.3% year-on-year, owing to strong performance of the mobile core business, increased customer and visitor roaming traffic as well as solid performance in the area of WiFi routers. Supportive to growth were inflation-linked price adjustments, which overall also resulted in higher ARPU.

EBITDA improved and rose by 4.9% year-on-year, due to higher service revenues, despite lower equipment margin and increased core OPEX. The rise in latter was driven mainly by increased electricity costs, higher corporate network costs as well as higher product-related costs. The increase in core OPEX was mitigated only to a limited extent by lower workforce costs and lower bad debt. Depreciation and amortization expenses decreased slightly, resulting in an increase in operating profit increase of 12.2% in financial year 2022.

International segments

in EUR million	2022	2021	
Total revenues (incl. other operating income)	2,286	2,102	8.8%
Service revenues	1,778	1,616	10.0%
Equipment revenues	465	451	3.1%
Other operating income	43	35	23.9%
Wireless revenues	1,732	1,627	6.5%
Service revenues	1,315	1,210	8.7%
Equipment revenues	417	417	0.0%
Wireline revenues	511	440	16.1%
Service revenues	463	406	14.1%
Equipment revenues	48	34	40.7%
EBITDA	849	763	11.3%
EBITDA margin	37.2%	36.3%	0.8pp
EBIT	432	366	17.9%
EBIT margin	18.9%	17.4%	1.5pp

Customer indicators (thousand)	Dec 31, 2022	Dec 31, 2021	
Mobile subscribers	14,924	14,922	0.0%
RGUs	3,258	3,026	7.7%

In financial year 2022, the revenue-wise largest international segment was Bulgaria accounting for 13% of Group revenues, followed by Belarus and Croatia both representing a 10% share. All international segments posted revenue growth with the highest growth rates in Serbia, Bulgaria and Belarus.

Segment Bulgaria

In 2022, the Bulgaria segment delivered a strong performance across the board, in spite of a challenging macroeconomic environment. Supportive local market dynamics, a strong A1 brand and diligent strategy execution all led to a double-digit growth in service revenues and EBITDA. In the mobile business, A1 Bulgaria managed to further utilize the 5G network and upsell customers to upper-tier tariffs both in the mobile core and mobile broadband business. In the fixed-line business, A1 Bulgaria continued to monetize the strong demand for high-bandwidth products and remained an exclusive provider of sports content. This was instrumental in the execution of the convergence strategy and the acquisition of new customers during the year. In addition, momentum was particularly strong in the solution and connectivity business, where the company operated with attractive security offerings and IT solutions. In financial year 2022, A1 Bulgaria acquired STEMO, one of the largest ICT companies in the country. STEMO contributed EUR 17 mn to Group revenues (service revenues: EUR 9 mn, equipment revenues: 8 mn) and EUR 2 mn to the Group's EBITDA.

Revenues increased by 11.5% (excluding STEMO: 8.7%) in financial year 2022, driven almost entirely by service revenue growth both from both the mobile and the fixed-line business. Equipment revenues (excluding STEMO) remained at last year's level, which did, however, include a sizeable transaction in the public sector.

Fixed-line service revenues rose due to the above-mentioned strong demand for higher Internet speeds, attractive TV content as well as successful solution and connectivity business. Additionally, the first-time inflation-linked price increases were beneficial to the fixed-line segment, thus ARPL increased.

Mobile service revenues also increased. This was driven by solid demand for upper-value tariffs, which were sold at a premium for most of 2022, as well as continued momentum and stable demand for mobile WiFi routers that A1 successfully monetized. In addition, inflation-linked price increases together with higher roaming revenues contributed to growth. As a result, ARPU increased year-on-year.

EBITDA increased by 16.5% (excluding STEMO: 15.7%). Strong service revenue growth and the positive development of the equipment margin more than offset higher costs and expenses. The increase in core OPEX was due to the higher workforce costs, higher electricity costs, as well as increased content and product-related costs. Depreciation and amortization increased slightly, and the operating income showed strong growth of 30.1%.

Segment Croatia

In 2022, both the mobile and the fixed-line markets in Croatia remained competitive with dynamic promotional activities by all network operators. In the mobile business, A1 Croatia tackled this with a redesigned portfolio that included 5G propositions in all mobile tariffs. Unlimited data offers remained exclusive for the higher tariffs. In the fixed-line business, A1 Croatia increased its broadband coverage with new FTTH areas as a result of significant investments in fixed-line infrastructure. On the TV content side, advanced broadband and TV products were very attractive and played an important role in successful customer acquisition throughout the year.

Total revenues rose by 4.0% in the year under review, driven by growing mobile and fixed-line subscriber base. Equipment revenues also grew. In addition, roaming revenues and ICT business increased.

Fixed-line service revenues increased due to the customer base effect and upselling of existing customers to higher speeds. At the same time, ARPL came under pressure due to increased promotional activities and a more intense competitive environment.

Growth in mobile service revenues was based on mobile core business, performance in the area of mobile WiFi routers, and increased customer roaming post-COVID. At the same time, ARPU rose slightly.

EBITDA increased by 3.3% in the year under review, benefited from the performance of the service revenues, which more than compensated for higher costs and expenses. Core OPEX increase was attributable to higher workforce, corporate network and content and product related costs as well as costs in connection to a litigation case. On the other hand, advertising expenses and bad debt came in lower. Depreciation and amortization expenses declined in the period under review and together with EBITDA growth led to 13.7% increase in operating result year-on-year.

Segment Belarus

In 2022, the Belarusian market was characterized by focused activities from mobile network operators to retain and upsell existing customers as customer acquisition had become more challenging, especially at the beginning of the year. The mobile market was shaped by increased demand for higher data allowances and A1 Belarus was well positioned to meet customers demand with a more-for-more concept. In the fixed-line business, high-broadband Internet products and convergent offers that included TV content were sought after and well promoted while demand for ICT business projects somewhat dwindled. Geopolitical tensions have left a mark on the overall business environment, and A1 Belarus was confronted with several challenges. While imposed sanctions did not have an immediate threat to the business continuity, supply chain with key vendors was interrupted and A1 Belarus focused to re-establish deliveries under the new sanction framework and telco exception rules. In May 2022, government imposed several industry-wide regulatory measures such as an additional advertising tax, a state-broadcast channel fee increase and a reduced renewable energy sales multiplier. All these measures had put an additional pressure on telco operators, weighing on their operating expenses. The total impact on A1 Belarus' revenues and EBITDA (in local currency) stemming from those measures were 0.7% and 3.2% of total revenues and EBITDA respectively, in local currency. Nevertheless, A1 Belarus continued its growing path and demonstrated an excellent operative performance throughout the year.

Total revenues increased by 9.8% (in local currency: +1.2%), driven by growth in service revenues while equipment revenues declined substantially. The latter was a consequence of lower availability and demand for high-value handsets compared to the previous year. Service revenue growth was in large part driven by the mobile business, while inflation-linked price increases on non-regulated tariffs have additionally supported the organic growth.

Fixed-line service revenues were higher due to customer upselling to higher speed broadband products and convergent offers, but also due to improved performance in solution and connectivity business compared to the same period last year. Price adjustments also contributed to growth while ARPL also increased.

Mobile service revenues increased due to solid performance of the postpaid segment and moving customers to the upper tariffs. Additionally, the improved roaming result as well as the above-mentioned pricing measures led to increased revenues in this category. As a result, ARPU increased in the year under review.

EBITDA rose strongly in euro terms by +21.2% (in local currency: +11.7%) as increased core OPEX was more than compensated by growing service revenues and the positive equipment margin. Higher core OPEX was spurred on mainly by increased workforce costs, capacity-driven increased corporate network costs as well as higher electricity and content costs. Equipment margin improved mainly due to less subsidy provided in the environment with reduced sales of high-value devices. Depreciation and amortization expenses rose slightly, but the operating result still increased by 23.0% in the reporting period.

Belarus: Key Financials in EUR and BYN

in EUR million	2022	2021	
Total revenues (incl. other operating income)	461	420	9.8%
Total costs and expenses	-242	-239	1.2%
EBITDA	219	181	21.2%

in BYN million	2022	2021	
Total revenues (incl. other operating income)	1,276	1,261	1.2%
Total costs and expenses	-670	-718	-6.7%
EBITDA	606	542	11.7%

Segment Slovenia

In 2022, competitive intensity remained elevated in the Slovenian market. Mobile network operators offered 5G propositions in almost all tariffs. For this reason, positioning 5G as a premium was not feasible in the market. A1 Slovenia redesigned its mobile portfolio and included attractive hardware with lower subsidies. In the fixed-line business, A1 Slovenia was successful in customer acquisition and upselling to higher Internet speeds, but also in attracting customers to convergent offers with appealing TV content. Total revenues rose by 6.0% thanks to growing service revenues and to a lesser extent higher equipment revenues. Service revenues rose, driven mainly by the mobile business, in particular the improved roaming result as well as better solution and connectivity business. Fixed-line service revenues also showed solid traction and was supported by the good performance of the solution & connectivity business. Despite solid revenue growth, EBITDA declined by 7.4% in the period under review. Rising electricity and workforce costs as well as higher content and product related costs had a negative impact and could not be compensated for by the above-mentioned top line growth. Depreciation and amortization expenses increased, mainly due to amortization of acquired frequencies, which put additional pressure on the operating result in the year under review.

Segment Serbia

In 2022, the Serbian market continued to show signs of maturity with a rising share of mobile contract offers in portfolios and increased demand for higher data allowances. A1 Serbia was again successful in customer upselling and acquisition. Since August 2022, the company has been on the market with new offers. Total revenues increased by 13.1% on the back of solid service revenue growth and much stronger equipment sales compared to the last year. Mobile service revenues rose following customer acquisitions, upselling to upper-level tariffs as well as the improved roaming result. Supporting growth was the successful monetization of data volume add-ons in higher tariff plans. Compared to the same period last year, ARPU also rose. On the cost side, the increase came amid rising workforce costs as well as electricity costs, while savings were made in advertising expenses and bad debt. As strong service revenue growth and improved equipment margin more than compensated for the above-mentioned higher core OPEX, EBITDA grew strongly by 12.8% in the period under review. Depreciation and amortization expenses increased following higher capital expenditures, but operating results also rose by 17.1% year-on-year.

Segment North Macedonia

In 2022, market development in North Macedonia featured increased demand for high-bandwidth broadband and convergent products in the fixed-line business, while the mobile business saw strong demand for unlimited data packages, high-value tariffs and mobile WiFi routers. A1 in North Macedonia redesigned its mobile portfolio with 5G-ready plans and successfully positioned itself with a more-for-more concept. Total revenues increased by 5.0% with growth recorded both in the mobile and fixed-line business, while equipment revenues declined. Fixed-line service revenues grew due to successful customer upselling to higher Internet speeds, but also due to improved solution and connectivity business. Mobile service revenues rose on the back of a solid core business, the improved roaming result as well as a good performance of mobile WiFi routers. Total costs and expenses also increased, with electricity costs being substantially higher compared to the same period last year (more than 100%) which could not be outweighed by rising total revenues. As a result, EBITDA declined by 4.0% and EBIT by 3.0% in the reporting period.

Outlook for financial year 2023

A1 Group expects to achieve **revenue growth of around 4%** in the 2023 financial year. The main growth drivers are price increases due to higher inflation, upselling in the retail business, and a strong development of the solutions business. A further decline in voice business and international wholesale business in Austria as well as lower interconnection revenues due to regulatory cuts of termination rates will have a dampening effect on growth. Management also expects roaming revenues to grow at a significantly lower rate than in the strong financial year 2022. While the Belarusian ruble appreciated on average in 2022, supporting revenue growth, the currency is expected to depreciate against the euro in 2023.

At the same time, electricity costs are forecasted to increase strongly and management assumes that workforce costs will increase by around 5% at the Group level. To counter cost increases, A1 Group will implement efficiency projects and transformational initiatives. For this reason, A1 Group expects **further EBITDA growth**, albeit at a lower rate than revenue growth.

Management expects **CAPEX** before investments in spectrum to be **around EUR 950 mn**. A1 Group will continue its commitment to fiber roll-out in Austria as well as to further expansion of its 5G networks both in Austria and internationally. In terms of spectrum, tenders are expected in Croatia (renewal of spectrum: 800 MHz, 900 MHz, 1.8 GHz, 2.1 GHz, and 2.6 GHz), Bulgaria (700 MHz, 800 MHz) and Serbia (700 MHz, 3.6 GHz). This list of tenders neither claims to be exhaustive nor does it allow any conclusions to be drawn regarding the actual implementation of these auctions or A1's intention to participate in the tenders listed. A1 Group does not comment on this matter.

The Management Board plans to propose a dividend of EUR 0.32 (2021: EUR 0.28) per share to the Annual General Meeting, subject to the approval of the Supervisory Board.

Risk and opportunity management

Principles and methods

A1 Group's risk management system systematically analyzes risk areas, assesses potential impact and improves risk avoidance and risk remediation measures. In doing so, A1 Group relies on close cooperation between Group managers and local risk managers. The risk management system is divided into four risk categories: (1) macroeconomic, competitive and strategic risks, (2) ESG risks, (3) financial risks, and (4) technological risks. The Executive Board reports relevant developments to the Supervisory Board.

The starting point for A1 Group's Enterprise Risk Management (ERM) is strategic discussions with the Supervisory Board. In these discussions, the Management Board presents business risks and their relevance to A1 Group as well as mitigating activities. It also presents planning assumptions (strategic orientation for the coming business plan period, priority setting, and planned measures for realizing opportunities).

Subsequently, the business plan maps out the expectations for business success (and necessary costs and investments) and also evaluates assumed risks of higher-level goals (growth-related but also expenditure-related).

For risk management, the development of effective risk awareness and risk reduction measures is critical. Updates are made, among other things, on the basis of monthly performance calls or leadership meetings of the extended Management Board and following analysis of critical deviations from the targets set or the effectiveness of countermeasures taken. The overall risk situation for each risk category is derived from the totality of individual risks.

A1 Group is active in Austria and six other countries as a top telecommunications company. This means a geographical diversification. The risks in the respective markets vary, which is why risk management (and above all the mitigation of risks) is the responsibility of the local operating units. Risk management is controlled by the holding company. In addition to regular management meetings and strategic discussions, A1 Group has a multi-year plan. The close integration of the multi-year plan with risk management ensures adequate risk management. The risk management of A1 Group is monitored by the Audit Committee of the Supervisory Board.

Risks in connection with the COVID-19 pandemic

In 2022, no relevant negative impacts resulted from the COVID-19 pandemic. On the one hand, possible implications (expiry of state aid, short-time work) on companies are being observed, while on the other the transformation of daily life through increased digitization of work and learning has already become firmly established.

Risks in connection with the conflict in Ukraine

As a disruptive event, the focus in 2022 was on the conflict in Ukraine and its impact on risks and opportunities. In the course of this, a comprehensive risk assessment was carried out. This took into account both the short-term cash flow impact of the conflict and the impact of sanctions. Risks and supply and demand effects that have already occurred with an impact on cash flow include sharply increased electricity and energy costs and supply chain disruptions.

In response to the conflict, numerous sanctions were imposed and implemented, in some cases at very short notice. Therefore, A1 Group has swiftly adapted and implemented the procedure for monitoring sanctions concerning Russia and Belarus. The Group Compliance and Legal team monitors the sanctions and works closely with the affected units within A1 Group to ensure compliance. No A1 Group company - with the exception of A1 Belarus - was found to have direct business relationships with legal entities sanctioned by the EU. Export sanctions led to short-term delays in the delivery of hardware, software, and services to Belarus, but without jeopardizing operations - and thus our service to non-sanctioned individuals and companies. Sanctions management in A1 Group ensures the supply of goods and services exempt from sanctions. Risk management also places a special focus on the impact of sanctions on A1 Belarus' cash flow and ability to pay dividends. The established procedures are applied for the duration of the conflict.

Risks and opportunities

From the totality of risks identified for A1 Group, the most important risk categories and single risks that could have a significant impact on the net assets, financial position, and results of operations are explained below:

(1) Risks and opportunities at the macroeconomic, competitive and strategic levels

Macroeconomic risks and opportunities

Macroeconomic risks and opportunities arise, on the one hand, from economic developments in the markets in which A1 Group operates and their knock-on effects (for example, a sharp rise in inflation affects interest rate levels, exchange rates, demand, etc.). On the other, economic policy conflicts (e.g., punitive tariffs, supply stops, and production bottlenecks) can have direct or indirect effects. While macroeconomic developments are easier to forecast and assess, trade policy decisions are more difficult to predict. In this context, A1 Group mitigates potential supply bottlenecks wherever possible by using a multi-vendor strategy and geo-redundant sourcing. In the case of scarce goods, A1 Group improves its attractiveness with suppliers through long-term purchase guarantees or increases inventories to bridge delivery shortfalls.

During the reporting period, inflation increased significantly, which entails a number of risks. Price increases due to inflation-related indexation of tariffs on the one hand and lower real income and wealth on the other may lead to a decline in demand. In addition, A1 Group faces the risk that new technologies will be marketed without a premium and that sustainable volume growth (for example, due to changes in forms of work and learning) will not lead to an adequate increase in revenue. Cost items such as energy are specifically affected in the current planning horizon. The shortage of energy supply combined with the way prices are set has led to excessive price increases here, which even telecommunications companies cannot compensate for without stepping up countermeasures.

Competition

In recent years, competition in the provision of infrastructure by OAN (Open Access Network) providers has increased. This trend could intensify further in view of the entry of new market players. In addition, competition from MVNOs (Mobile Virtual Network Operators) remains a risk. MVNOs can offer their services without their own infrastructure and the associated high level of investment and can therefore act flexible in the market. At the same time, this offers A1 Group business opportunities in the wholesale market and enables it to better utilize its own networks.

New growth areas

One challenge in the telecommunications industry is the ever-shorter intervals at which companies have to adapt their offerings to include new services and products. Cloud services, over-the-top services and machine-to-machine communications are just a few examples of growth potential in new business areas that A1 Group is striving to tap. However, shorter innovation cycles are also associated with innovation risks. The biggest challenge is the scaling of services, different levels of maturity, and demand in A1 Group's markets. As part of the América Móvil Group, A1 Group is involved in the exchange and discourse on innovation.

Regulatory risks

In the current reporting period, regulatory risks (focused on telecommunications) are only region-specific. They relate to the roaming regulation in the Western Balkans.

Net neutrality: Although the Body of European Regulators for Electronic Communications (BEREC) has issued guidelines on net neutrality to implement the Net Neutrality Regulation, uncertainties remain that could have a financial impact.

Budget and business plan risks

The business plan reflects the assessment of the planning assumptions and incorporates external effects as much as possible. High inflation and its economic impact on companies and households represent a risk for 2023 and subsequent years. This was discussed with the country organizations in the planning process and mapped in risk management in the macroeconomic risks category. Budgetary risks primarily relate to internal targets for further increasing cost, investment and human resource efficiency that have not yet been consistently backed up with measures. Opportunities in 2023 include the mitigation of energy costs. This is mainly manageable through reduction of energy consumption. for example through the modernization of equipment (e.g., Radio Access Network [RAN]) and infrastructure or through the increased use of electricity from renewable sources.

Public image

Risks in connection with the public image arise from ordinary business activities (throughout the life cycle of the customer relationship) and from social discussions or topics raised by opinion leaders (influencers). A standard procedure does not go far enough here. Absolutely professional communication and corresponding expertise are essential prerequisites for avoiding negative effects.

(2) ESG risks and opportunities

ESG (Environmental, Social, Governance) risks represent another category of ERM. It is necessary to comply with the relevant legal requirements and to survey and assess the corporate risks in relation to the sustainability strategy. A1 Group updated its climate scenario analysis in 2022. This involved reassessing the impact of more extreme scenarios (outlier scenarios) on the business model using current energy prices. Other topics already considered on an ongoing basis include digitalization, diversity, labor shortages, compliance, and legal risks. The company addresses relevant topics in terms of risk potential and avoidance from both an internal and external perspective.

Environmental (E) - Environmental risks and opportunities

Climate change can pose risks to A1 Group's network infrastructure (rising average temperatures, heavy rainfall, and natural events such as floods and mudslides). For this reason, A1 Group has carried out a climate scenario analysis. One scenario assumed a global warming of < 2 °C and a comparative scenario that calculated a temperature increase of 4 °C. At the same time, different time periods were analyzed in both scenarios. While no significant differences were found in the short-term five-year assessment, the long-term comparison (up to 30 years) revealed larger differences in financial impact as expected. The year 2020 was used as the base year in each case. By their nature, differences over a long period of time are subject to greater uncertainty. It can be assumed, given the increasing attention on this issue, that mitigation measures will be initiated depending on actual development. Regardless, A1 Group is actively engaged in climate protection and is monitoring regional developments in order to be able to initiate measures to protect its infrastructure if necessary. The impact on finances and service availability of this risk category has been marginal in recent years. The scenario analysis does not result in any changes relevant to the valuation.

Social (S) - Social risks and opportunities

The Social category includes risks and opportunities related to social, employee, and human rights issues. This includes risks and opportunities such as the social impact of Internet use and media consumption or high-performance and sustainable networks.

Social impact of Internet use and media consumption: Progressive digitization in all areas of life is fundamentally changing people's everyday lives. Whether it is work, education and training, administrative procedures or everyday shopping, analog activities are being replaced by digital and virtual steps. Fast access to information and education at any time and from any location is becoming increasingly important. However, increasing digitization not only brings benefits, but also poses risks such as excessive use, cyber-bullying, and cyber-crime.

A1 Group is actively committed to offering people the opportunity to learn new digital skills on the one hand and to educating them about risks such as cyber-crime on the other. Numerous initiatives such as workshops, online information and training courses, are offered for this purpose.

High-performance and future-proof networks: Advancing digitalization and ever-growing data volumes are increasing the pressure on A1 Group to provide secure and stable connectivity everywhere and at all times. In recent years, this infrastructure had undergone a strong and rapid expansion due to the COVID-19 pandemic. Home office, home schooling and more agile forms of virtual collaboration further reinforce this trend. With its high-performance and future-proof networks, A1 Group offers a reliable basis for increasingly digitized working and learning and living environments.

A1 Group sees an opportunity to cover the further increase in speed and data volume requirements in the future. To this end, the Group is investing heavily in broadband expansion (fiber-optic network and 5G). These new technologies can be operated more energy-efficiently and thus have the potential to reduce energy consumption. Less efficient technologies, such as 2G, 3G, or communication via copper cable, may be replaced in the future.

Governance (G) - risks and opportunities

Governance risks and opportunities include topics such as compliance, corruption prevention, data protection as well as legal risks and opportunities.

Compliance risks: The annual compliance risk assessment process is a key element of A1 Group's compliance management system. As part of this process, relevant compliance risks are identified on the basis of structured management interviews and workshops, and risk-minimizing measures are defined. A1 Group relies on prevention through training, uncompromising application of internal and external guidelines (for example in the area of capital market compliance) as well as a compliance focus at management level (clear commitment to compliance by the management). In addition, the compliance management system (CMS) is regularly reviewed internally and externally.

Data protection risks: A1 Group's products and services are subject to data protection and data security risks. This relates in particular to access by unauthorized persons to data belonging to customers, employees and corporate partners. Possible violations of the EU General Data Protection Regulation (GDPR), which has been in force since May 2018, can result in significant legal and financial risks. To minimize risks, A1 Group has been implementing the EU General Data Protection Regulation in interdisciplinary projects since the beginning of 2016. Furthermore, technical and organizational measures were implemented on the basis of risk assessments. All A1 Group companies are committed to complying with the highest data protection and data security standards.

Legal risks: A1 Group companies are parties to several court and out-of-court proceedings with authorities, competitors, and other parties. Dialog with the stakeholders involved and an ongoing exchange of information on issues that could pose a risk to the company enable problems to be identified at an early stage and countermeasures developed.

Monitoring legal risks facilitates the assessment of potential payments in connection with legal proceedings. This position is updated quarterly and is based on the ongoing assessment of the success of the proceedings.

(3) Financial risks and opportunities

A1 Group is exposed to risks in terms of liquidity, credit, foreign exchange and interest rates. These risks are further discussed in Chapter 33 “Financial instruments” of the Notes of the consolidated financial statements. Tax risks are also part of the risk assessment.

Liquidity risk: Due to the business model, this risk is increased only in investment-intensive periods (e.g. spectrum acquisition), but it can be mitigated by precise planning, cash pooling and the possibility of intercompany financing.

Credit risk: As in 2021, one focus in the reporting year was on invoice and receivables management. Against the background of the expiry of government support payments for companies in 2022, open invoices will continue to be monitored with increased attention. If customers change their payment behavior, A1 Group anticipates customer liquidity so that effective and efficient countermeasures can be taken if necessary.

Exchange rate risks: The Belarus segment contributed approximately 9% to total revenue and approximately 12% to EBITDA of A1 Group in the financial year 2022. Changes in the exchange rate of the Belarusian ruble against the euro are even more difficult to forecast than before due to the Ukraine conflict. They can have positive and negative effects on A1 Group.

Interest rate risk: Inflation-driven interest rate increases maintain interest rate risk for 2023 due to continued unstable macroeconomic environment.

Tax risks: In order to identify tax risks and take the necessary action, the Group Tax department conducts a quarterly internal tax review with all national companies. In the fourth quarter, an external review is performed and reported to Group Tax. No significant tax risk issues were reported in 2022.

Financial reporting: A tight network of SOX (U.S. Sarbanes-Oxley Act) controls, results analysis, and monthly top management review of results as well as a CFO results review leave no room for the risk of material misreporting.

(4) Technological risks and opportunities

This category covers the following focus areas:

Availability and continuity

Maintaining the availability of and access to telecommunications services and other services offered is one of the focal points of operational risk management. Various threats such as natural disasters, major technical disruptions, third-party influences from construction activity, hidden defects or criminal acts can impair availability and even lead to a business interruption. Long-term planning takes technical developments into account. The redundant design of critical components ensures a high level of fail-safety. Efficient organizational structures for operations and security serve to safeguard high-quality standards. A Group policy also ensures a uniform methodology for identifying and managing key risks. The ongoing identification and assessment of risks culminates in a decision as to whether measures are taken to minimize the risk or whether the potential risk is borne by A1 Group. In the event of any major disruption, the causes are clarified, and it is determined how a recurrence can be avoided. A centralized approach to insurance against physical damage minimizes the financial impact.

IT changes and digital transformation

In the area of BSS (Business Support Systems) and OSS (Operations Support Systems), modernization and complexity reduction are shaping up as a long-term task. The renewal of older infrastructure and software enables sustainable risk reduction. The overarching integration of platforms reduces complexity and is intended to ensure openness for new services and partners. Associated risks are analyzed in terms of IT security, flexibility in service delivery, and the associated medium-term costs.

Cyber security risks

A1 Group places particular emphasis on the implementation of data security standards. A number of internal guidelines and processes are in place for this purpose. In critical situations, these are controlled by specific responsibilities, implemented and monitored for their effectiveness. A special focus is placed on risk prevention in the area of critical and important network elements as well as in BSS and OSS. A1 Group follows the international IT standards for security techniques (ISO 27001) and has established uniform state-of-the-art information security standards and guidelines.

An essential element in the management of cyber risks are continuous checks and software updates of the infrastructure to be protected as well as training courses for employees. The A1 Telekom Austria Security Committee is made up of highly qualified security experts from all countries of the A1 Group and regularly exchanges information on current local, regional and global cyber risks and cyber-attacks. In addition, this working group also informs and coordinates cross-country protective measures in acute cases of need.

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for financial reporting in accordance with applicable legal requirements. The ICS is designed to provide reasonable assurance regarding the reliability and accuracy of external financial reporting in accordance with international and national standards. Regular internal reporting to management as well as audits of the ICS by Internal Audit also ensure that weaknesses are identified in good time and communicated and remedied accordingly. The most important contents and principles apply to all companies of the A1 Group. The effectiveness of the ICS system is analyzed and evaluated at periodic intervals. At the end of each year, an evaluation of the ICS is carried out by management for relevant Group companies with the involvement of the responsible specialist departments. Based on the findings of this assessment and the defined criteria, management has assessed the internal control system over financial reporting as effective as of December 31, 2022.

The listing of the (indirect) majority owner América Móvil on the New York Stock Exchange (NYSE) requires compliance with the Sarbanes-Oxley Act (SOX). The internal control system includes the relevant requirements of this U.S. law.

Other information

Disclosure in accordance with Section 243a of the Austrian Commercial Code (UGB): Shareholder structure and capital disclosures

At the end of 2022, a total of 51.00% or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands ("América Móvil B.V."), a wholly owned subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil"). The Republic of Austria held 28.42% via Österreichische Beteiligungs AG ("ÖBAG"), while the remaining 20.58% of the shares were in free float. This includes 415,159 treasury shares as well as 572,850 employee shares that are held in a collective custody account. The voting rights associated with employee shares are exercised by a custodian (notary).

The total number of no-par value shares remains at 664,500,000. As of December 31, 2022, 92,966 shares were underlying an American Depositary Receipts (ADR) program. An ADR is a security that represents securities of foreign companies in the U.S., can be traded on stock exchanges, is denominated in U.S. dollars, and pays dividends in U.S. dollars. The program was set up for Telekom Austria as part of the IPO in order to appeal to U.S. investors. The relevance of ADRs declined for European issuers with the increasing establishment of the euro on the world market and for Telekom Austria also due to significant decrease in ADR volume. Therefore, the Management Board has decided to end the ADR program as of March 31, 2023.

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2022 financial year or up to the date this report was prepared.

The following information concerning the shareholders' agreement is based solely on publicly available information. The company does not have any additional information. The shareholders' agreement between ÖBAG, América Móvil, and América Móvil B.V. came into force on June 27, 2014. Under the terms of the shareholders' agreement, the parties have undertaken to jointly pursue a long-term policy with regard to the management of Telekom Austria Aktiengesellschaft by exercising their voting rights on a concerted basis. The shareholders' agreement also contains provisions on the joint exercise of voting rights in the committees of the company for the election of Supervisory Board and Management Board members and restrictions on the sale of shares. The Supervisory Board of the company consists of ten shareholder representatives, of which eight members are nominated by América Móvil B.V. and two by ÖBAG. ÖBAG has the right to nominate the Chairman of the Supervisory Board. América Móvil B.V. has the right to nominate the Deputy Chairman. The Management Board of the company consists of three members. Two members are nominated by América Móvil B.V., while one member of the Management Board, namely the Chief Executive Officer (CEO), is nominated by ÖBAG. The Extraordinary General Meeting on August 14, 2014, also amended the Articles of Association to state that, as long as the Republic of Austria directly or indirectly holds at least 25% plus one share of the share capital of the company, resolutions on capital increases and the issue of instruments containing a conversion right or a conversion obligation for shares of the company and amendments to the provisions of the Articles of Association relating to capital increases and such instruments shall require a majority of at least three quarters of the share capital represented at the vote on the respective resolution.

ÖBAG and América Móvil B.V. have agreed that at least 24% of the shares of the company should be held in free float while the shareholders' agreement is in place. This minimum free float requirement is based on ÖBAG's maximum equity interest of 25% plus one share. If ÖBAG holds an equity interest in the company of more than 25% plus one share, the minimum free float requirement is reduced accordingly so that América Móvil can retain an equity interest in the company of 51%. If the number of shares in free float falls below the minimum while the shareholders' agreement is in place, (i) América Móvil B.V. undertakes to sell shares within the next 24 months and (ii) América Móvil undertakes to ensure that neither it nor its subsidiaries purchase any additional shares until the minimum free float requirement is restored.

As long as ÖBAG holds 25% plus one share or more of the share capital of Telekom Austria Aktiengesellschaft, ÖBAG shall have the following rights of codetermination in accordance with the voting rights agreement: the right to veto capital increases of Telekom Austria Aktiengesellschaft and its subsidiaries, the issue of certain convertible instruments, the appointment of the auditor of the financial statements, the conclusion of related party transactions, the relocation of the registered office of the company and material business functions, including research and development, the disposal of the company's core business, and changes to the name of Telekom Austria Aktiengesellschaft and the brands of Telekom Austria Aktiengesellschaft, among other things. ÖBAG shall also be granted the blocking minority rights accruing by law to a minority shareholder with an equity interest of 25% plus one share. ÖBAG's veto rights in connection with capital increases and the issue of certain convertible instruments are also set out in the Articles of Association of the company. If ÖBAG's equity interest falls below 20% but remains above 10%, ÖBAG shall retain certain veto rights. The voting rights agreement shall expire automatically if the equity interest held by one of the parties falls below 10%.

Consolidated non-financial statement

Please refer to the separate consolidated non-financial report in accordance with Section 267a (6) UGB.

Corporate governance report

According to C-rule 61 of the Austrian Corporate Governance Code, please note that the Consolidated Corporate Governance Report can be accessed on the Internet at https://www.a1.group/en/group/corporate-governance

Research and development

In the reporting period, no research and development projects were carried out on a scale that is material for the A1 Group.

Glossary of alternative performance measures

ARPL (Average Revenue Per Line)	ARPL-relevant revenues / average fixed access lines ARPL-relevant revenues = fixed retail revenues + fixed interconnection revenues Average fixed access lines = average of the average monthly fixed access lines in a financial year
ARPU (Average Revenue Per User)	ARPU-relevant revenues / average number of subscribers ARPU-relevant revenues are wireless service revenues, i.e., mobile retail revenues (including customer roaming) and mobile interconnection as well as visitor roaming and national roaming revenues. Average number of subscribers = average of the average monthly subscribers in a financial year
CAPEX (Capital Expenditures)	Total additions to intangible assets + total additions to property, plant and equipment (excluding right of use additions according to IFRS 16)
Core OPEX	OPEX - equipment costs - interconnection costs - roaming costs
EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)	EBIT + depreciation + amortization
EBITDA margin	EBITDA / total revenues
EBITDA aL	EBITDA - depreciation of lease assets according to IFRS 16 - interest expenses pursuant (EBITDA after Leases) to IFRS 16
EBITDA aL margin	EBITDA aL / total revenues
EBIT (Earnings Before Interest and Tax)	EBIT equals the operating income according to IFRS.
EBIT margin	EBIT / total revenues
Free cash flow	EBITDA + restructuring charges and cost of labor obligations - lease paid (principal, interest and prepayments) - income taxes paid - net interest paid +/- change working capital and other charges - capital expenditures - cost for social plans granted after January 1, 2019
Net debt	Debt (long-term and short-term) + lease liability (long-term and short-term) - cash and cash equivalents
Operating ROIC (Operating Return On Invested Capital)	EBIT / average invested capital Invested capital = total stockholders' equity + debt (long-term and short-term) - cash and cash equivalents - short-term investments + income taxes payable + non-current employee benefit obligations + deferred tax liabilities - deferred tax assets + loss allowances for accounts receivable + total lease liability Average invested capital is calculated as half of the sum of invested capital at the end of the financial year and of the previous financial year.

OPEX (Operating Expenses)	Revenues - EBITDA
RGU (Revenue Generating Unit)	One or more services included in a subscription which generates recurring revenue. These services are commonly used in fixed-line business and comprise TV (including streaming services), broadband, and voice. Each additional service that a customer subscribes to, is counted as an RGU.
ROE (Return On Equity)	Net result / average equity employed The average equity employed is calculated as half of the sum of total stockholders' equity at the end of the financial year and of the previous financial year.
Subscriber	Customer with a basic mobile or fixed-mobile substitution product, counted at the end of the reporting period.

Vienna, February 3, 2023

The Management Board of Telekom Austria AG

Thomas Arnoldner Chief Executive Officer	Alejandro Plater Chief Operating Officer	Siegfried Mayrhofer Chief Financial Officer

TELEKOM AUSTRIA AG – Consolidated Statement of Comprehensive Income

in TEUR	Notes	2022	2021
Service revenues		4,163,796	3,956,530
Equipment revenues		752,222	709,453
Other operating income		88,978	82,354
Total revenues (incl. other operating income)	**(5)**	**5,004,996**	**4,748,338**
Cost of service		-1,413,780	-1,343,144
Cost of equipment		-730,780	-698,063
Selling, general & administrative expenses		-1,010,552	-988,163
Other expenses		-11,962	-12,840
Total cost and expenses	**(6)**	**-3,167,074**	**-3,042,211**
Earnings before interest, tax, depreciation and amortization - EBITDA		**1,837,922**	**1,706,127**
Depreciation and amortization	(15) (16)	-794,562	-789,499
Depreciation of right-of-use assets	(30)	-168,313	-163,181
Impairment	(15)	-3,851	0
Operating income - EBIT		**871,196**	**753,446**
Interest income		10,986	4,845
Interest expense		-59,982	-100,691
Interest on employee benefits and restructuring and other financial items, net		-5,032	-7,843
Foreign currency exchange differences, net		645	2,923
Equity interest in net income of associated companies	(18)	-1,809	-74
Financial result	**(7)**	**-55,191**	**-100,839**
Earnings before income tax - EBT		**816,005**	**652,607**
Income tax	(29)	-181,419	-197,577
Net result		**634,585**	**455,030**
Attributable to:			
Equity holders of the parent		633,877	454,458
Non-controlling interests	(34)	708	572
Basic and diluted earnings per share attributable to equity holders of the parent in euro	**(8)**	**0.95**	**0.68**
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	-3,943	23,756
Realized result on hedging activities, net of tax	(33)	4,380	4,380
Unrealized result on debt instruments at fair value, net of tax	(19)	-2,277	112
Realized result on debt instruments at fair value, net of tax	(7)	14	0
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	31,129	4,954
Total other comprehensive income (loss)		**29,302**	**33,202**
Total comprehensive income (loss)		**663,887**	**488,232**
Attributable to:			
Equity holders of the parent		663,178	487,660
Non-controlling interests	(34)	708	572

For impairment losses of accounts receivable: subscribers, distributors and other, see Note (6).
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statement of Financial Position

in TEUR	Notes	December 31, 2022	December 31, 2021
Current assets			
Cash and cash equivalents	(9)	149,816	534,443
Short-term investments	(19)	60,514	87,353
Accounts receivable: Subscribers, distributors and other, net	(10)	839,627	782,355
Receivables due from related parties	(11)	1,092	4,086
Inventories, net	(12)	104,922	92,817
Income tax receivable	(29)	2,379	2,080
Other current assets, net	(13)	183,267	179,118
Contract assets	(14)	97,334	103,559
Total current assets		**1,438,952**	**1,785,811**
Non-current assets			
Property, plant and equipment, net	(15)	3,054,110	2,875,792
Right-of-use assets, net	(30)	677,935	762,309
Intangibles, net	(16)	1,607,961	1,670,163
Goodwill	(17)	1,299,803	1,285,801
Investments in associated companies	(18)	99	0
Long-term investments	(19)	205,714	141,512
Deferred income tax assets	(29)	41,919	27,657
Other non-current assets, net	(20)	18,856	23,588
Total non-current assets		**6,906,396**	**6,786,822**
TOTAL ASSETS		**8,345,348**	**8,572,633**
Current liabilities			
Short-term debt	(21)	821,529	1,553,212
Lease liabilities short-term	(30)	159,272	161,037
Accounts payable	(22)	863,878	736,885
Accrued liabilities and current provisions	(23)	264,395	253,292
Income tax payable	(29)	81,215	29,771
Payables due to related parties	(11)	835	604
Contract liabilities	(24)	219,703	205,648
Total current liabilities		**2,410,826**	**2,940,450**
Non-current liabilities			
Long-term debt	(25)	1,047,211	1,046,120
Lease liabilities long-term	(30)	521,637	606,061
Deferred income tax liabilities	(29)	44,444	24,560
Other non-current liabilities	(26)	39,073	43,272
Asset retirement obligation and restructuring	(23)	517,875	573,576
Employee benefits	(27)	171,654	223,237
Total non-current liabilities		**2,341,895**	**2,516,826**
Stockholders' equity			
Common stock		1,449,275	1,449,275
Treasury shares		-7,803	-7,803
Additional paid-in capital		1,100,148	1,100,148
Retained earnings		1,763,252	1,315,311
Other comprehensive income (loss) items		-714,373	-743,675
Equity attributable to equity holders of the parent	**(28)**	**3,590,498**	**3,113,256**
Non-controlling interests		2,128	2,102
Total stockholders' equity		**3,592,626**	**3,115,357**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,345,348**	**8,572,633**

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

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2022	2021
Earnings before income tax - EBT		**816,005**	652,607
Depreciation	(15)	539,112	532,772
Amortization of intangible assets	(16)	255,450	256,727
Depreciation of right-of-use assets	(30)	168,313	163,181
Impairment	(15)	3,851	0
Equity interest in net income of associated companies	(18)	1,809	74
Result on sale/measurement of investments	(7)	3,268	495
Result on sale of property, plant and equipment	(5) (6)	4,796	7,439
Net period cost of labor obligations and restructuring	(7) (23) (27)	77,198	94,741
Foreign currency exchange differences, net	(7)	-645	-2,923
Interest income	(7)	-10,986	-4,845
Interest expense	(7)	58,614	105,291
Other adjustments	(32)	-4,040	-4,530
Non-cash and other reconciliation items		**1,096,740**	1,148,423
Accounts receivable: Subscribers, distributors and other, net	(10)	-58,252	2,653
Prepaid expenses	(13)	-4,491	-7,847
Due from related parties	(11)	2,994	4,355
Inventories	(12)	-10,495	-966
Other assets	(13) (20)	-8,673	-3,335
Contract assets	(14)	6,296	3,326
Accounts payable and accrued liabilities	(22) (23)	98,336	-20,372
Due to related parties	(11)	241	423
Contract liabilities	(24)	12,646	16,706
Working capital changes		**38,601**	-5,056
Employee benefits and restructuring paid	(23) (27)	-108,950	-110,204
Interest received	(7)	12,452	6,288
Income taxes paid	(29)	-137,013	-106,499
Net cash flow from operating activities		**1,717,834**	1,585,558
Capital expenditures paid	(32)	-895,923	-853,254
Proceeds from sale of plant, property and equipment	(15)	5,224	3,668
Purchase of investments	(19)	-173,283	-426,563
Proceeds from sale of investments	(19)	128,087	374,125
Acquisition of businesses, net of cash acquired	(34)	-15,261	0
Investments in associated companies	(18)	-1,982	0
Net cash flow from investing activities		**-953,138**	-902,025
Long-term debt obtained	(25) (32)	300,000	0
Repayments of long-term debt	(25) (32)	-750,000	-750,000
Interest paid	(7)	-71,593	-96,286
Repayments of short-term debt	(21) (32)	-1,808,000	0
Issuance of short-term debt	(21) (32)	1,527,408	806,568
Dividends paid	(28)	-186,521	-166,632
Acquisition of non-controlling interests	(34)	-97	0
Deferred consideration paid for business combinations	(34)	-1,313	0
Lease principal paid	(30)	-158,949	-154,826
Net cash flow from financing activities		**-1,149,066**	-361,175
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	-257	1,205
Net change in cash and cash equivalents		**-384,627**	323,564
Cash and cash equivalents beginning of period	(9)	534,443	210,879
Cash and cash equivalents end of period	(9)	149,816	534,443

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

TELEKOM AUSTRIA AG – Consolidated Statement of Changes in Stockholders' Equity

in TEUR	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	IAS 19 reserve	FVOCI reserve	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
At January 1, 2021	1,449,275	-7,803	1,100,148	1,026,869	-53,374	-18	-10,949	-712,535	2,791,611	2,146	2,793,757
Net result	0	0	0	454,458	0	0	0	0	454,458	572	455,030
Other comprehensive income (loss)	0	0	0	0	4,954	112	4,380	23,756	33,202	0	33,202
Total comprehensive income	0	0	0	454,458	4,954	112	4,380	23,756	487,660	572	488,232
Distribution of dividends	0	0	0	-166,021	0	0	0	0	-166,021	-610	-166,632
Acquisition of non-controlling interests	0	0	0	6	0	0	0	0	6	-6	0
At December 31, 2021	1,449,275	-7,803	1,100,148	1,315,311	-48,420	94	-6,570	-688,779	3,113,256	2,102	3,115,357
Net result	0	0	0	633,877	0	0	0	0	633,877	708	634,585
Other comprehensive income (loss)	0	0	0	0	31,129	-2,264	4,380	-3,943	29,302	0	29,302
Total comprehensive income	0	0	0	633,877	31,129	-2,264	4,380	-3,943	663,178	708	663,887
Distribution of dividends	0	0	0	-185,944	0	0	0	0	-185,944	-577	-186,521
Acquisition of non-controlling interests	0	0	0	8	0	0	0	0	8	-105	-97
At December 31, 2022	1,449,275	-7,803	1,100,148	1,763,252	-17,291	-2,170	-2,190	-692,722	3,590,498	2,128	3,592,626

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

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment reporting

2022 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia
External revenues	2,730,083	630,836	461,748	460,820	219,865
Intersegmental revenues	22,001	9,533	8,481	9	2,675
Total revenues (incl. other operating income)	**2,752,084**	**640,369**	**470,229**	**460,829**	**222,540**
Segment expenses	-1,712,091	-386,006	-309,420	-242,065	-166,513
EBITDA	**1,039,993**	**254,364**	**160,809**	**218,764**	**56,027**
Depreciation and amortization	-544,786	-118,826	-94,665	-64,452	-52,371
Impairment	0	0	0	-3,851	0
Operating income - EBIT	**495,207**	**135,537**	**66,144**	**150,461**	**3,656**
Interest income	4,406	1,157	974	293	144
Interest expense	-11,051	-2,903	-7,623	-5,561	-1,539
Other financial result	-7,699	3,310	-867	343	-59
Equity interest in net income of associated companies	-1,809	0	0	0	0
Earnings before income tax - EBT	**479,054**	**137,101**	**58,627**	**145,537**	**2,202**
Income taxes	-134,843	-13,036	-10,949	-32,707	-648
Net result	**344,212**	**124,065**	**47,678**	**112,830**	**1,555**
EBITDA margin	37.8%	39.7%	34.2%	47.5%	25.2%
Capital expenditures - intangible	100,854	20,912	15,193	9,391	8,644
Capital expenditures - tangible	471,547	87,104	69,011	29,198	37,100
Total capital expenditures	**572,401**	**108,017**	**84,205**	**38,590**	**45,744**
Addition to right-of-use assets	45,829	34,736	15,455	8,747	6,225
Assets by segment	5,783,595	1,302,923	660,135	363,793	498,014
Property, plant and equipment	2,091,114	254,625	259,389	142,193	92,247
Right-of-use assets, net	370,016	121,821	44,902	26,026	39,774
Goodwill	708,212	256,629	125,693	11,635	150,723
Brand names and patents	158,351	4,389	0	0	2,114
Licenses and other rights	725,917	11,592	32,866	30,176	87,717
Other intangible assets	283,601	45,649	43,212	12,042	22,078
Liabilities by segment	3,378,328	293,948	338,690	106,628	125,913

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia
External revenues	2,656,415	566,216	445,849	419,544	207,285
Intersegmental revenues	21,213	7,857	6,179	60	2,618
Total revenues (incl. other operating income)	**2,677,628**	**574,072**	**452,027**	**419,603**	**209,904**
Segment expenses	-1,686,514	-355,795	-296,305	-239,080	-149,399
EBITDA	**991,113**	**218,277**	**155,723**	**180,524**	**60,505**
Depreciation and amortization	-549,740	-114,133	-97,541	-58,153	-47,053
Operating income - EBIT	**441,374**	**104,144**	**58,181**	**122,371**	**13,452**
Interest income	2,052	433	1,283	368	153
Interest expense	-22,621	-2,471	-8,373	-5,641	-1,315
Other financial result	-3,852	-2,664	-239	2,136	-20
Equity interest in net income of associated companies	-74	0	0	0	0
Earnings before income tax - EBT	**416,879**	**99,442**	**50,853**	**119,234**	**12,270**
Income taxes	-117,259	-2,954	-9,809	-32,984	-875
Net result	**299,620**	**96,488**	**41,044**	**86,250**	**11,395**
EBITDA margin	37.0%	38.0%	34.4%	43.0%	28.8%
Capital expenditures - intangible	108,654	26,864	28,704	12,264	48,774
Capital expenditures - tangible	387,340	76,082	67,385	28,137	30,020
Total capital expenditures	**495,994**	**102,946**	**96,088**	**40,400**	**78,794**
Addition to right-of-use assets	36,417	35,656	6,651	12,382	2,784
Assets by segment	5,733,933	1,130,789	653,243	399,148	501,903
Property, plant and equipment	1,977,192	234,286	245,218	153,406	77,059
Right-of-use assets, net	421,597	131,740	45,452	30,450	54,006
Goodwill	708,212	242,691	125,983	11,767	150,723
Brand names and patents	158,351	3,608	0	0	1,333
Licenses and other rights	797,729	14,759	43,921	41,099	96,484
Other intangible assets	246,959	40,613	44,839	14,455	19,327
Liabilities by segment	3,393,309	247,071	378,828	128,043	131,480

2022 (in TEUR)	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
External revenues	350,036	137,159	14,449	0	5,004,996
Intersegmental revenues	6,488	4,161	20,503	-73,853	0
Total revenues (incl. other operating income)	**356,524**	**141,320**	**34,951**	**-73,853**	**5,004,996**
Segment expenses	-241,359	-97,056	-84,903	72,339	-3,167,074
EBITDA	**115,166**	**44,265**	**-49,952**	**-1,514**	**1,837,922**
Depreciation and amortization	-57,501	-26,724	-4,368	819	-962,875
Impairment	0	0	0	0	-3,851
Operating income - EBIT	**57,664**	**17,540**	**-54,320**	**-694**	**871,196**
Interest income	1,175	329	13,349	-10,841	10,986
Interest expense	-2,097	-1,102	-38,988	10,883	-59,982
Other financial result	-51	49	290,538	-289,952	-4,387
Equity interest in net income of associated companies	0	0	0	0	-1,809
Earnings before income tax - EBT	**56,691**	**16,817**	**210,579**	**-290,604**	**816,005**
Income taxes	-9,895	-1,935	22,236	357	-181,419
Net result	**46,796**	**14,881**	**232,815**	**-290,247**	**634,585**
EBITDA margin	32.3%	31.3%	n.a.	n.a.	36.7%
Capital expenditures - intangible	9,801	10,606	3,368	0	178,771
Capital expenditures - tangible	41,704	27,404	2,606	0	765,675
Total capital expenditures	**51,505**	**38,010**	**5,975**	**0**	**944,446**
Addition to right-of-use assets	11,912	3,965	1,473	0	128,340
Assets by segment	476,766	255,869	8,605,699	-9,601,446	8,345,348
Property, plant and equipment	124,139	87,365	3,847	-811	3,054,110
Right-of-use assets, net	51,971	22,086	1,339	0	677,935
Goodwill	0	30,061	16,850	0	1,299,803
Brand names and patents	4,846	0	2,726	0	172,426
Licenses and other rights	72,327	24,755	121	-956	984,515
Other intangible assets	28,341	8,164	7,791	142	451,020
Liabilities by segment	126,065	69,819	3,021,538	-2,708,206	4,752,722

2021 (in TEUR)	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
External revenues	309,463	132,543	11,025	0	4,748,338
Intersegmental revenues	5,807	2,075	12,911	-58,720	0
Total revenues (incl. other operating income)	315,270	134,618	23,936	-58,720	4,748,338
Segment expenses	-213,163	-88,492	-70,661	57,198	-3,042,211
EBITDA	102,106	46,126	-46,726	-1,522	1,706,127
Depreciation and amortization	-52,872	-28,049	-4,438	-701	-952,681
Operating income - EBIT	49,235	18,077	-51,164	-2,223	753,446
Interest income	466	354	25,668	-25,932	4,845
Interest expense	-2,432	-1,122	-82,734	26,017	-100,691
Other financial result	-131	23	1,243,244	-1,243,416	-4,920
Equity interest in net income of associated companies	0	0	0	0	-74
Earnings before income tax - EBT	47,138	17,332	1,135,014	-1,245,554	652,607
Income taxes	-6,790	-2,055	-25,680	830	-197,577
Net result	40,347	15,276	1,109,333	-1,244,724	455,030
EBITDA margin	32.4%	34.3%	n.a.	n.a.	35.9%
Capital expenditures - intangible	6,513	7,102	2,331	-200	241,006
Capital expenditures - tangible	41,724	17,239	2,531	0	650,458
Total capital expenditures	48,237	24,342	4,862	-200	891,465
Addition to right-of-use assets	5,325	2,795	2	0	102,012
Assets by segment	462,554	233,594	9,190,102	-9,732,634	8,572,633
Property, plant and equipment	111,365	75,093	2,455	-284	2,875,792
Right-of-use assets, net	54,813	23,892	359	0	762,309
Goodwill	0	29,996	16,429	0	1,285,801
Brand names and patents	3,600	0	2,619	0	169,512
Licenses and other rights	86,256	19,369	170	-2,106	1,097,682
Other intangible assets	20,555	8,967	7,313	-58	402,970
Liabilities by segment	119,735	62,827	3,664,446	-2,668,462	5,457,276

A1 Group has aligned its management structure and the resulting segment reporting on geographical markets and based on these reports its seven operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia. The segments offer the services and products disclosed in Note (5) and operate in their local markets under the common brand name "A1".

The Management Board of A1 Group, which regularly meets in Management Board meetings, acts as the chief operating decision maker. Members of the Management Board are the Group CEO, the Group COO and the Group CFO (see Note (36)). The Management Board focuses on revenue, EBITDA and capital expenditures (CAPEX).

The accounting policies of the segments are the same as those of A1 Group. With the exception of the tower business (see Note (34)), intercompany lease transactions are not recognized as right-of-use assets and lease liabilities according to IFRS 16, but are recognized as expense and revenue and eliminated such as other intercompany transactions. Right-of-use assets and lease liabilities relating to the tower business are recognized on single company level and eliminated in consolidation.

Segment revenues, segment expenses and segment results include deliveries and services between operating segments. Such deliveries and services are accounted for at transfer prices that are constantly monitored and documented to ensure that pricing is at arm's length. These intersegmental transactions are eliminated in consolidation. The column Corporate & Other comprises mainly holding companies, the Group financing company as well as A1 Digital, which focuses its business activities on core markets of A1 Group in addition to Germany and Switzerland.

Other financial result reported in the column Corporate & Other relates mostly to dividend income as well as to reversals of impairment and impairments of investments in fully consolidated subsidiaries that have no impact on the Consolidated Financial Statements and are therefore consolidated in the Eliminations column. The column Corporate & Other is reported in addition to the column Eliminations for reasons of clarity.

The Eliminations column contains intersegment consolidation entries and the reconciliation of segment assets and liabilities to consolidated total assets and liabilities.

None of the segments recognizes revenues from transactions with a single external customer amounting to at least 10% or more of A1 Group's revenues.

Depreciation and amortization relate to property, plant and equipment, other intangible assets and right-of-use assets (see Notes (15), (16) and (30)). The item "other financial result" in the segment reporting includes interest on employee benefits and restructuring, the other financial result as well as foreign exchange differences (see Note (7)).

EBITDA is defined as net income excluding income taxes, financial result, depreciation and amortization as well as, if applicable, impairment charges and reversal of impairment charges. The EBITDA margin is calculated by dividing EBITDA by total revenues (including other operating income).

Capital expenditures include additions to intangible and tangible assets (see Notes (15) and (16)), but do neither include additions related to asset retirement obligations nor additions to right-of-use assets according to IFRS 16 (see Notes (23) and (30)).

(2) The company

Telekom Austria Aktiengesellschaft ("Telekom Austria AG") is headquartered in Austria at Lassallestrasse 9, 1020 Vienna and is a registered stock corporation within the meaning of the Austrian Stock Corporation Act. Telekom Austria AG and its subsidiaries ("A1 Group") provide the services and products listed in revenues (Note (5)) in Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia under the common brand name "A1".

The ultimate parent company of A1 Group is América Móvil, S.A.B. de C.V. ("América Móvil"), which is located in Mexico. The Federal Republic of Austria, through Österreichische Beteiligungs AG ("ÖBAG"), is the second significant shareholder of A1 Group. América Móvil's and ÖBAG's stakes in A1 Group are disclosed in Note (28).

In addition to the related party transactions disclosed in Note (11), the Federal Republic of Austria regulates certain activities of A1 Group in Austria via the Rundfunk und Telekom Regulierungs-GmbH (RTR, the Austrian Regulatory Authority for Broadcasting and Telecommunications). In addition, the government holds the taxing authority for the Austrian operations of A1 Group and imposes taxes such as corporate income tax and value-added taxes.

(3) Basis of presentation

Functional currency

The Consolidated Financial Statements of A1 Group are prepared in euro. Unless indicated otherwise, all amounts are reported in thousand euro (TEUR). The use of automated calculation systems may give rise to rounding differences.

Financial statements of subsidiaries where the functional currency is a currency other than the euro are translated using the functional currency principle. For these entities, assets and liabilities are translated using the year-end exchange rates, while revenues and expenses are translated using the average exchange rates prevailing during the year. The resulting foreign currency translation is recognized in other comprehensive income (OCI) and until the disposal of the respective subsidiary presented in the translation reserve in stockholders' equity.

The following table provides the exchange rates for the currencies in which A1 Group mainly conducts its transactions:

	Exchange rates at December 31,		Average exchange rates for the year	
	2022	2021	2022	2021
Belarusian ruble (BYN)	2.9156	2.8826	2.7699	3.0050
Bosnian convertible mark (BAM)	1.9558	1.9558	1.9558	1.9558
Great Britain pound (GBP)	0.8869	0.8403	0.8527	0.8599
Bulgarian lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian kuna (HRK) *	7.5345	7.5172	7.5316	7.5241
Macedonian denar (MKD)	61.4932	61.6270	61.6219	61.6275
Polish zloty (PLN)	4.6808	4.5969	4.6854	4.5656
Romanian leu (RON)	4.9495	4.9490	4.9315	4.9209
Swiss franc (CHF)	0.9847	1.0331	1.0047	1.0814
Serbian dinar (RSD)	117.3224	117.5821	117.4641	117.5736
Czech koruna (CZK)	24.1160	24.8580	24.5624	25.6490
Turkish lira (TRY)	19.9649	15.2335	17.3982	10.4891
Hungarian forint (HUF)	400.8700	369.1900	391.0956	358.5481
US dollar (USD)	1.0666	1.1326	1.0537	1.1830

* On January 1, 2023, the euro will be introduced in Croatia. The exchange rate was set at 7.53450 Croatian kuna (see Note (38)).

Accounting

A1 Group prepared the Consolidated Financial Statements as of December 31, 2022 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2022 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

Significant accounting policies

The general accounting policies are presented in the respective Notes to the Statement of Comprehensive Income and the Statement of Financial Position.

Changes in accounting policies

The following amendments are effective as of January 1, 2022.

IAS 37	Amendments: Onerous Contracts - Cost to Fulfilling a Contract
IFRS 3	Amendments: Reference to the Conceptual Framework
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements 2018-2020
IAS 16	Amendments: Proceeds before Intended Use

The initial application of the amendments to the standards (IAS, IFRS) mentioned above had an insignificant impact on the Consolidated Financial Statements since the amendments were only partially applicable.

The following standards and interpretations were issued by the IASB, but were not effective at the reporting date:

		Effective*	Effective**
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	January 1, 2024	not yet endorsed
IAS 1 and IFRS PS 2	Amendments: Disclosure of Accounting Policies	January 1, 2023	January 1, 2023
IAS 8	Amendments: Definition of Accounting Estimates	January 1, 2023	January 1, 2023
IAS 12	Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	January 1, 2023
IFRS 16	Amendments: Lease Liability in a Sale and Leaseback	January 1, 2024	not yet endorsed
IFRS 17	Insurance Contracts	January 1, 2023	January 1, 2023

* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB).
** This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with EU endorsement).

A1 Group has not early adopted these standards and interpretations and is evaluating the impact of these standards and interpretations on the Consolidated Financial Statements.

(4) Use of estimates and judgements

The preparation of the Consolidated Financial Statements requires the Management Board to make estimates and assumptions in the course of applying A1 Group's accounting policies that affect assets and liabilities recognized and contingent liabilities reported at the end of any given period, and revenues and expenses for that reported period. Actual results may differ from these estimates.

Additionally, at the reporting date, the Management Board has to make key assumptions and judgements concerning the future and has to identify other key sources of estimation uncertainty that are subject to the risk of a material change in the carrying amounts of assets and liabilities in the next financial year. For all sensitivity analyses, the remaining parameters of the original calculation remain unchanged, thus no possible correlation effects are taken into account.

a) Revenues: Changes in the allocation of the transaction prices of multi-element arrangements for goods and services as well as changes in the expected average contractual term may lead to a shift in timing of revenue recognized (see Note (5)).

b) Employee benefit plans: The measurement of pension plans as well as severance and service awards is based on a method that uses various parameters, such as the expected discount rate, salary and pension increases, mortality rate and rate of employee turnover. Changes in these parameters could result in higher or lower expenses (see Note (27)).

c) Impairments: The impairment test for goodwill, other intangible assets, right-of-use assets and property, plant and equipment is generally based upon discounted estimated future net cash flows from the continuing use and ultimate disposal of the assets. Changes in the discount rates used, in the development of revenues, in cost drivers as well as in capital expenditures could lead to impairments or, to the extent permitted, to reversals of impairments (see Note (17)). For more information on the carrying amounts of goodwill, other intangible assets, right-of-use assets and property, plant and equipment, see Notes (17), (16), (30) and (15).

d) The estimated useful lives of property, plant and equipment and intangible assets subject to depreciation and amortization represent the estimated periods during which the assets will be in use. With respect to changes in depreciation and amortization resulting from changes in the useful lives, see Notes (15) and (16).

e) Income tax: In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets can be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences will become deductible. If A1 Group does not generate sufficient taxable income, deferred tax assets cannot be recognized (see Note (29)).

f) Restructuring: The provision is based on various parameters such as discount rate and salary increase. Changes in these parameters could result in higher or lower expenses (see Note (23)).

g) Loss allowances for financial assets and contract assets are based on the estimated probability of default. Deviation of actual customer behavior may result in higher or lower expenses (see Note (33)).

h) Asset retirement obligation: The calculation of the provision is based on parameters such as estimated decommissioning costs, estimated term until dismantling, discount rate and inflation rate. Changes in these parameters may result in higher or lower provisions (see Note (23)).

i) Leases: IFRS 16 requires estimates that affect the measurement of right-of-use assets as well as lease liabilities. These include mainly the effects on the term of the leases from any options to extend or to terminate a lease contract and the incremental borrowing rate applied to discount the future payment obligations (see Note (30)).

(5) Revenues

Operating revenues include all revenues resulting from the ordinary operations of A1 Group. Operating revenues are stated net of value-added tax and any other taxes and fees, collected from the customer on behalf of tax and other relevant authorities.

A1 Group generates revenues from the sale of end-user terminal equipment as well as fixed-line services and mobile communication services to individuals, commercial and non-commercial organizations and other national and foreign carriers. Furthermore, A1 Group offers innovative digital products, cloud, security and IoT services as well as mobile payment services.

Fixed-line services include access fees, domestic and long-distance services including Internet services, fixed-to-mobile calls, international traffic, voice value-added services, interconnection, call center services, data and ICT solutions, television services, IPTV and smart home services.

Mobile communications services comprise digital mobile communications services including value-added services, such as text and multimedia messaging, m-commerce, information and entertainment services (for example mobile television, streaming of music, etc.).

The following table shows the disaggregated revenues per product line and segment:

2022 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	1,031,585	318,072	263,796	284,545	117,226	246,941	89,087	-12,148	2,339,103
Fixed-line service revenues	1,382,292	180,027	127,628	69,807	46,527	13,179	25,968	-20,735	1,824,693
Service revenues	**2,413,877**	**498,099**	**391,424**	**354,352**	**163,753**	**260,120**	**115,055**	**-32,883**	**4,163,796**
Mobile equipment revenues	216,508	95,460	67,874	86,665	52,612	90,754	24,059	-596	633,335
Fixed-line equipment revenues	69,980	36,744	4,349	5,406	477	0	1,239	692	118,887
Equipment revenues	**286,488**	**132,203**	**72,223**	**92,071**	**53,090**	**90,754**	**25,297**	**95**	**752,222**
Other operating income	**51,719**	**10,067**	**6,582**	**14,406**	**5,698**	**5,651**	**968**	**-6,114**	**88,978**
Total revenues (incl. OOI)	**2,752,084**	**640,369**	**470,229**	**460,829**	**222,540**	**356,524**	**141,320**	**-38,901**	**5,004,996**

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	979,794	293,719	253,727	242,262	111,785	229,142	82,280	-11,588	2,181,121
Fixed-line service revenues	1,389,489	150,176	125,663	51,845	43,063	10,403	24,869	-20,098	1,775,409
Service revenues	2,369,283	443,895	379,390	294,107	154,848	239,545	107,148	-31,686	3,956,530
Mobile equipment revenues	217,706	115,793	64,274	95,875	44,190	71,609	25,523	-78	634,891
Fixed-line equipment revenues	40,015	8,317	3,089	15,423	6,259	0	1,186	273	74,562
Equipment revenues	257,721	124,110	67,362	111,298	50,449	71,609	26,709	195	709,453
Other operating income	50,624	6,068	5,275	14,198	4,607	4,115	761	-3,293	82,354
Total revenues (incl. OOI)	2,677,628	574,072	452,027	419,603	209,904	315,270	134,618	-34,784	4,748,338

*Other includes Corporate & Other and Eliminations

The following table shows revenues from customer contracts and from other sources:

in TEUR	2022	2021
Service revenues	4,146,457	3,941,328
Equipment revenues	751,398	707,272
Total customer contract revenues	**4,897,855**	**4,648,601**
Other service revenues	17,339	15,202
Other equipment revenues	824	2,181
Other operating income	88,978	82,354
Total revenues from other sources	**107,141**	**99,737**
Total revenues (incl. other operating income)	**5,004,996**	**4,748,338**

Other service revenues include essentially income from the rental of private automatic branch exchange equipment ("PABX"), set-top boxes, routers, servers, mobile devices and equipment for fixed-line customers as well as telecommunication circuits (see Note (30)).

Other equipment revenues include mainly revenues from finance lease (see Note (30)).

Other operating income comprises income from the rental of radio towers and buildings amounting to TEUR 21,086 (2021: TEUR 17,983), see Note (30). For income from collections of impaired receivables, included in other operating income, (see "Credit risk" in Note (33)). In 2022, other operating income includes tax exempted research bonuses amounting to TEUR 1,119 (2021: TEUR 1,020). The remaining part of other operating income comprises mainly collection fees, damages, income from the sale of solar energy and gains on disposal of tangible assets.

Accounting principles

Service revenues are recognized upon providing the service and are generally billed on a monthly basis. Certain SIM card services, access fees, monthly base fees, maintenance contracts, services and leased line revenues for business customers are to some extent billed in advance. These fees and revenues are deferred in contract liabilities (see Note (24)) and recognized as income over the period or at the time the service is provided.

In accordance with contract terms, equipment revenues are recognized upon delivery and acceptance by the customers. For sales that are neither part of multiple-element arrangements nor installment sales, customers pay at the time of sale. For sales that are part of multiple-element arrangements, customers pay the amount recognized in contract assets as part of the monthly fees invoiced over the term of the contract. In case of installment sales, customers pay equal installments over the term of the contract.

Receivables and revenues from installment sales are not discounted if the period between the provision of goods and services and the payment is less than one year or if the discounting effect is insignificant. The materiality of the discounting effect of receivables with remaining terms of more than one year is assessed on an individual contract level. In 2022 and 2021, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 5,524 and TEUR 4,890, respectively, is recognized in equipment revenues.

When equipment is sold through dealers, these distributors are considered agents, i.e., the revenue is recognized once the mobile devices are sold to end customers. At the same time, dealer subsidies are treated as a reduction in revenue.

Certain arrangements require A1 Group to supply multiple deliverables. For mobile communication, the transaction price for these multiple-element arrangements typically includes the sale of a handset, the activation fee, the service contract and, in Austria, the yearly SIM card fee. For fixed-line, these arrangements typically include Internet and fixed-line services including installation, a yearly Internet service fee in Austria and optional TV and mobile communication services.

If the requirements of IFRS 15 are met, A1 Group generally determines that such arrangements are divided into separate "units of account" based on a determination of a separable benefit for the end customer for each deliverable on a standalone basis, thus constituting separate performance obligations.

Transaction prices are allocated to the individual performance obligations by reference to the relative stand-alone selling prices of the underlying products and services. The stand-alone selling prices of products are based on the market prices of alternative providers whereas the stand-alone selling prices of services are available separately, as services are also offered on a stand-alone basis, i.e. without hardware.

Customer loyalty programs, which lead to claims for the acquisition of new mobile handsets or accessories on the basis of sales generated and which are settled with customers in the form of bonus points, are included in the calculation of multiple deliverables as well. Revenue is reduced at the time of the granting of the award credits taking into account an estimated expiration rate, while revenue is recognized once the bonus points are redeemed. The stand-alone selling prices of bonus points are determined based on the stand-alone selling prices of the future services. The performance obligation is adjusted for the probability of usage.

For the majority of the contracts, A1 Group applies the practical expedient according to IFRS 15 to pool similar contracts into portfolios, based on contract characteristics and duration. Only for a small number of more complex contracts with major clients IFRS 15 deferrals are determined on an individual contract basis.

A1 Group recognizes revenue from connection and roaming services to its customers based upon calling minutes or data volume used as income at the time that the service is provided, as long as connection and roaming services are not covered by contractually agreed fee schedules.

Revenues due from other national and foreign carriers for incoming calls from outside A1 Group's network (interconnection) and roaming revenues are recognized in the period the call occurs or the data volume is used.

For certain contracts for mobile value-added services and partly for (digital) services, such as cloud software, A1 Group acts as an agent and thus records its revenues on a net basis, i.e. deducting supplier costs.

Cash discounts and discounts granted retrospectively are accounted for as a reduction in revenue when granted. The discounts are calculated on an individual customer basis depending on the service revenue generated.

Discounts (standardized multiple-element subsidies) are generally included in the multiple-element calculation leading, in the case of pure service contracts, to an equal reduction of revenue over the term of the contract. In multiple-element contracts, discounts are usually allocated to separate performance obligations according to the method of relative stand-alone prices, whereby a part of the revenue for equipment is reduced at a certain point in time and the other part of the revenue from services is reduced over a period of time.

Due to the volumes they purchase, certain customers are granted also discounts on hardware and sometimes on services during the term of the service contract in addition to standardized multiple-element subsidies. These discounts are included in the multiple-element calculation as well ("discounts granted for hardware").

There are neither substantial warranties exceeding legal warranty obligations nor significant obligations for returns.

At December 31, 2022, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 722,264 (2021: TEUR 798,244), and will be realized as a general rule over a contract term of twelve to 24 months respectively up to 36 months for business customers. For performance obligations recognized at the amount to which A1 Group has a right to invoice, the transaction price of unfulfilled performance obligations and timing of revenue recognition are not disclosed. These disclosures refer to transactions within the scope of IFRS 15 only. Thus, they do not include those parts of the transaction price relating to performance obligations that are not within the scope of this standard, such as leasing.

(6) Cost and expenses

The following table shows cost and expenses according to their nature:

in TEUR	2022	2021
Cost of equipment	730,780	698,063
Employee expenses, including benefits and taxes	929,247	923,814
Other operating expenses	1,507,047	1,420,334
Total cost and expenses	**3,167,074**	3,042,211

The cost of equipment corresponds to material expense. Employee expenses, including social benefits and taxes, comprise all benefits to employees net of own work capitalized.

in TEUR	2022	2021
Own work capitalized	78,537	66,415

Own work capitalized represents the work performed for own purposes consisting mainly of employee costs and direct overheads capitalized primarily as part of property, plant and equipment. For the capitalization of internally developed software, see Note (16).

Impairment losses of accounts receivable: subscribers, distributors and other, classified at amortized cost, are reported in bad debt expense in the line item "selling, general and administrative expenses" and amount to (see Note (33)):

in TEUR	2022	2021
Impairment losses	37,914	41,217

The line item "depreciation and amortization" in the Consolidated Statement of Comprehensive Income is allocated as follows:

in TEUR	2022	2021
Cost of service	828,116	815,930
Cost of equipment	16,879	16,615
Selling, general & administrative expenses	117,880	120,135
Depreciation and amortization	**962,875**	**952,681**

Group auditor's fees

At the Annual General Meeting, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (EY) was appointed as group auditor for Telekom Austria AG. The fees related to the group auditor amount to:

in TEUR	2022	2021
Audit fees	1,099	1,043
Other reviews	142	102
Other services	122	78
Fees EY	**1,363**	**1,223**

Audit fees neither contain expenses nor value added tax.

Other reviews and other services relate to expenses for extended disclosures in the report of sustainability according to the EU taxonomy directive and to the publication of the annual financial report in the European single electronic format ("ESEF format") as well as ISAE certifications.

Relief and support measures related to COVID-19

In 2022, A1 Group recognized government grants in the amount of TEUR 3,932 (2021: TEUR 1,879) in employee expenses. These government grants relate mainly to refunds for specified employees who were unable to work from home in Austria as well as to reimbursements in Slovenia and, in 2021, to subsidies in Serbia.

(7) Financial result

in TEUR	2022	2021
Interest income on financial assets at amortized cost	9,537	4,380
Interest income on investments at fair value through profit or loss	885	206
Interest income on investments at fair value through other comprehensive income	400	63
Interest income on finance lease	165	196
Interest income	**10,986**	**4,845**

in TEUR	2022	2021
Interest expense on financial liabilities at amortized cost	43,838	89,084
Interest expense on lease liabilities	13,067	12,022
Interest capitalized	-1,805	-2,430
Interest expense on asset retirement obligations	4,881	1,976
Interest expense on deferred consideration	0	39
Interest expense	59,982	100,691

Interest is recognized using the effective interest method, except for equity instruments at fair value through profit or loss. Interest expense on financial liabilities at amortized cost is primarily due to issued bonds and the recycling of the hedging reserve (see Notes (21), (25) and (33)). The decrease relates to the redemption of two bonds in April 2022 and December 2021 (see Note (25)). For interest expense on lease liabilities and on asset retirement obligations, see Notes (30) and (23). For interest expense on deferred consideration, see Notes (22) and (26).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is an asset that requires a substantial period of time to be prepared for its intended use. In 2022, interest capitalized on internally developed software as well as on qualifying assets of property, plant and equipment (see Notes (15) and (16)) was based on an interest rate of 2.3% (2021: 3.0%).

in TEUR	2022	2021
Interest expense on employee benefit obligations	2,607	2,250
Interest expense on restructuring provisions	945	971
Fees for unused credit lines	2,122	2,178
Dividends received	-422	-474
Income on disposal of debt instruments at fair value through other comprehensive income	-18	0
Loss on disposal of debt instruments at fair value through other comprehensive income	37	0
Change of expected credit loss	-31	687
Interest on taxes	-3,489	2,422
Income from measurement of instruments at fair value through profit or loss	-2,118	-726
Loss from measurement of instruments at fair value through profit or loss	5,399	534
Interest on employee benefits and restructuring and other financial items, net	5,032	7,843

Restructuring provisions contain onerous contracts in accordance with IAS 37 as well as provisions for social plans in accordance with IAS 19.

For information on the interest rate for restructuring provisions and employee benefit obligations, see Notes (23) and (27). The expected credit loss relates to financial investments (see Note (19)). In 2022 and 2021, the gain and/or expense from interest on taxes mainly relate to tax audits in Bulgaria (see Note (29)). Net gains or net losses of financial instruments at fair value through profit or loss include neither dividends nor interest.

in TEUR	2022	2021
Foreign exchange gains	16,118	11,732
Foreign exchange losses	-15,473	-8,809
Foreign exchange differences	645	2,923

Foreign exchange gains and losses arise from exchange rate fluctuations between the recognition of the transaction and payment date respectively from the valuation of receivables and payables at the reporting date. The foreign exchange losses are mainly due to the development of the Belarusian ruble. The foreign exchange rates are disclosed in Note (3).

(8) Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income or loss by the weighted average number of common shares outstanding for the year:

	2022	2021
Net result attributable to owners of the parent in TEUR	633,877	454,458
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	**0.95**	0.68

For the number of shares, see Note (28).

Due to the Supervisory Board's decision to settle all share-based compensation plans in cash, no related dilutive effect occurred as of December 31, 2022 and 2021.

(9) Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and financial investments with remaining maturities of up to three months from the date of acquisition. The financial resource fund in the Consolidated Statement of Cash Flows is equal to cash and cash equivalents reported in the Consolidated Statement of Financial Position.

A1 Group invests its cash with various financial institutions with impeccable credit ratings. Therefore the calculation of expected credit losses for cash and cash equivalents resulted in an insignificant amount, which was not recognized (see also "Credit risk" in Note 33).

(10) Accounts receivable: subscribers, distributors and other, net

in TEUR, at December 31	2022	2021
Accounts receivable, gross	1,124,757	1,061,396
Loss allowances	-285,130	-279,041
Accounts receivable, net	**839,627**	782,355
Thereof remaining term of more than one year	69,817	67,554

At December 31, 2022 and 2021, accounts receivable: subscribers, distributors and other with a remaining term of more than one year relate to installment sales of essentially mobile handsets and tablets in all segments.

The development of the loss allowance for accounts receivable: subscribers, distributors and other as well as their age structure is disclosed in "Credit risk" in Note (33).

(11) Related party transactions

The shareholders América Móvil and ÖBAG are considered related parties due to their stake in Telekom Austria AG allowing them to exercise control or significant influence, respectively. Through América Móvil, A1 Group is also a related party to its subsidiaries. Through ÖBAG, A1 Group is a related party to the Republic of Austria and its subsidiaries (mainly ÖBB Group, ASFINAG Group, OMV Group and Post Group as well as Rundfunk und Telekom Regulierungs-GmbH (RTR, the Austrian Regulatory Authority for Broadcasting and Telecommunications) and Verbund). Members of the Supervisory Board of Telekom Austria AG qualify as related parties.

All business transactions with related parties are continually monitored and documented to ensure that pricing is at arm's length. With the exception of fully consolidated subsidiaries, whose transactions are eliminated in consolidation, there are no financing activities with related parties.

The revenues from and expenses charged to related parties are the following:

in TEUR	2022	2021
Revenues (incl. other operating income)	135,388	115,703
Expenses	93,588	78,970

In the years reported, revenues generated with Austrian related parties comprise the entire service portfolio of A1 Group. The increase in revenues is mainly due to the digitalization in the public sector. Services received from Austrian related parties include mainly energy, expenses for cable rights and rights of use, postage fees, transportation, commissions and fees to RTR. The increase is substantially due to higher energy costs as well as expenses from Canal+ as disclosed below.

In 2022, transactions with related parties include revenues of TEUR 2,541 and expenses of TEUR 4,224 with Canal+, which is accounted for using the equity method (2021: no transactions as Canal+ had not started its operation at that time). The expenses relate to TV and video content, the revenues relate mainly to the sale of TV rights from A1 now TV GmbH to Canal+ (see "intercompany elimination" in Note 0).

A1 Group is obligated to provide communication services for low-income households and other entitled individuals at reduced tariffs for which it is compensated by the Republic of Austria on a contractual basis. The contract with the Republic of Austria dated June 2021 specifies the reimbursement of EUR 10.00 per customer per month for customers having a valid official notice. In 2022, the total reimbursement recorded as revenue in the service period was TEUR 7,008 (2021: TEUR 9,077).

See Note (23) regarding the transfer of civil servants, who cannot be laid off, to the federal government and the related expenses and provisions.

For government grants for assets received from the Republic of Austria, see Note (15)). Tax exempted research bonuses are disclosed in Note (5) and relief and support measures related to COVID-19 in Note (6).

At December 31, 2022 and 2021, accounts receivable due from related parties and accounts payable due to related parties, as recognized in the Consolidated Statement of Financial Position, relate primarily to subsidiaries of América Móvil. Furthermore accounts payable include TEUR 159 (2021: TEUR 17) due to Canal+, which is accounting for using the equity method (see Note 0). The receivables and payables relate to operating business activities, notably to interconnection and roaming.

The following table shows the compensation of key management personnel as well as the expenses for pensions and severance for other employees. Key management personnel is defined as the members of the management boards and the managing directors of all significant operating companies of A1 Group registered in the Company Register as well as the members of the Management Board of Telekom Austria AG (see Note (36)).

in TEUR	2022	2021
Short-term employee benefits	12,226	10,713
Pensions	518	513
Other long-term benefits	0	0
Termination benefits	166	164
Share-based payments	935	1,176
Compensation of key management	**13,844**	**12,566**
Expenses for pensions and severance for other employees	19,412	19,748
Expenses for pensions and severance for Management Board	413	395

Expenses for pensions and severance consist of statutory and voluntary severance expenses, contributions to pension plans and other pension payments.

(12) Inventories

Inventories consist of merchandise sold in the shops of A1 Group or by distributors and are measured at the lower of cost or net realizable value, with cost being determined on the basis of weighted average cost less allowance based on the turnover rate of the last twelve months. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expense.

The net amount related to impairment loss and reversal of impairment loss of inventory that is recognized in cost of equipment consists of:

in TEUR	2022	2021
Write-down/reversals of write-down of inventories	-9,729	-1,168

Impairment loss: negative values; reversal of impairment loss: positive values

(13) Other current assets, net

Other current assets are broken down as follows:

in TEUR, at December 31	2022	2021
Prepaid expenses	65,571	61,186
Other current assets	75,178	76,357
Contract costs	42,518	41,575
Total	**183,267**	**179,118**

Prepaid expenses

in TEUR, at December 31	2022	2021
Advances to employees	18,044	14,769
Concession fees	14,367	14,883
Other	33,160	31,534
Prepaid expenses	**65,571**	**61,186**

Other current assets

in TEUR, at December 31	2022	2021
Finance lease receivables	1,362	1,636
Accrued interest	2,491	1,824
Other financial assets	9,067	11,494
Financial assets	**12,920**	**14,953**
Fiscal authorities	1,306	1,513
Advance payments	12,951	3,963
Government grants	36,865	50,877
Other non-financial assets	17,113	11,708
Non-financial assets	**68,234**	**68,061**
Other current assets, gross	**81,154**	**83,014**
Less loss allowance for financial assets	-3,273	-4,458
Less loss allowance for non-financial assets	-2,703	-2,199
Other current assets	**75,178**	**76,357**

For finance lease receivables as well as the loss allowance recognized thereon that is included in the loss allowance for financial assets, see Note (30). Accrued interest included interest on financial investments (see Note (19)). Other financial assets relate mainly to the reimbursement of frequency fees in Croatia (see Note (20)).

The government grants are mainly attributable to the expansion of the broadband network in Austria (see Note (15)). Other current non-financial assets consist mainly of services not yet billed, indemnification claims due from insurance companies and receivables due from employees.

Contract costs

Commissions paid to third parties and to employees are deferred if they qualify as customer acquisition costs and are expected to be recoverable. As contract costs are expected to be realized as part of A1 Group's normal operating cycle, they are classified as current. A1 Group applies the practical expedient not to capitalize incremental costs of obtaining a contract with an amortization period of one year or less.

in TEUR, at December 31	2022	2021
Contract costs, gross	43,491	42,553
Loss allowance contract costs	-973	-978
Contract costs, net	**42,518**	**41,575**
Thereof remaining term of more than one year	16,233	14,948

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2022, the amortization of TEUR 34,483 (2021: TEUR 36,528) was recognized in selling expenses.

Impairment losses are recognized in selling expenses if the related customer receivable or contract asset has to be impaired according to IFRS 9. The following table shows the development of the loss allowance for contract costs:

in TEUR	2022	2021
At January 1	978	1,001
Foreign currency adjustment	0	2
Reversed	-831	-895
Charged to expenses	827	871
At December 31	**973**	978

(14) Contract assets

A1 Group recognizes contract assets for contractual rights to consideration for goods transferred or services performed. Contract assets include mainly deferrals for relevant multiple-element arrangements for mobile communication services and for performance obligations for fixed-line services as well as deferrals for customer loyalty programs, discounts granted for hardware and installation fees (see Note (5)).

As contract assets are expected to be realized as part of A1 Group's normal operating cycle, they are classified as current. Contract assets are reclassified to receivables when the right to the consideration becomes unconditional. At December 31, 2022, contract liabilities from customer loyalty programs and discounts granted for hardware amounting to TEUR 89,277 (2021: TEUR 82,438) are included in the multiple-element calculation and are therefore presented net in contract assets.

The following table shows the development of gross contract assets as well as a reconciliation to net contract assets and its portion with a remaining term of more than one year:

in TEUR	2022	2021
At January 1	**106,518**	109,800
Increases	202,818	219,562
Transfers to receivables	-209,232	-222,890
Foreign currency adjustments	76	45
At December 31	**100,178**	106,518
Loss allowances	-2,844	-2,958
Contract assets, net	**97,334**	103,559
Thereof remaining term of more than one year	43,810	44,619

The development of the loss allowance regarding contract assets is disclosed in "Credit risk" in Note (33).

(15) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes certain costs that are capitalized during the installation and expansion of the assets, for example material, payroll, direct overhead and interest costs as well as the present value of estimated decommissioning and restoration obligations (see Note (23)). Value-added tax (VAT), which is charged by suppliers and refunded by the tax authorities, is not included in cost.

Maintenance and repairs are expensed as incurred, while replacements and improvements are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and any resulting gain or loss is recognized in other operating expenses or other operating income.

Inventories for the operation of the plant (network) are used primarily for A1 Group's network expansion. In accordance with IAS 16.8, they are reported in property, plant and equipment as A1 Group expects to use these items during more than one period.

At December 31, 2022, the carrying amount of land amounted to TEUR 60,100 (2021: TEUR 60,112).

in TEUR	Telephonic plant in operation and equipment	Land and buildings & leasehold improvements	Other assets	Construction in progress	Inventories for operation of the plant	Total
Cost						
At January 1, 2021	10,848,397	921,256	412,812	215,263	104,282	12,502,010
Additions	275,628	7,687	26,704	163,527	199,740	673,286
Disposals	-268,829	-4,569	-27,429	-811	-2,483	-304,122
Transfers	340,739	11,072	-43,139	-142,920	-165,721	31
Translation adjustment	24,265	2,619	5,727	1,622	277	34,510
At December 31, 2021	11,220,199	938,065	374,676	236,681	136,094	12,905,715
Additions	259,711	7,704	27,376	215,281	263,648	773,720
Disposals	-282,155	-7,900	-31,677	-661	-3,863	-326,256
Transfers	307,653	8,413	8,057	-104,048	-227,316	-7,242
Translation adjustment	-5,333	-454	-5	-63	-100	-5,956
Changes in reporting entities	52	5	2,624	0	0	2,681
At December 31, 2022	**11,500,127**	**945,833**	**381,051**	**347,189**	**168,462**	**13,342,662**
Accumulated depreciation and impairment						
At January 1, 2021	-8,680,424	-707,677	-326,546	0	-34,218	-9,748,865
Additions	-476,973	-18,545	-38,729	0	1,475	-532,772
Disposals	244,362	2,175	26,897	0	552	273,987
Transfers	-35,659	0	33,641	0	0	-2,018
Translation adjustment	-15,230	-812	-4,141	0	-72	-20,254
At December 31, 2021	-8,963,923	-724,859	-308,878	0	-32,263	-10,029,923
Additions	-480,544	-19,067	-37,900	0	-1,600	-539,112
Impairment	0	-53	-3,799	0	0	-3,851
Disposals	245,429	3,871	31,159	0	892	281,352
Transfers	599	-695	99	0	0	3
Translation adjustment	3,891	219	353	0	7	4,470
Changes in reporting entities	-43	-5	-1,444	0	0	-1,491
At December 31, 2022	**-9,194,591**	**-740,588**	**-320,409**	**0**	**-32,964**	**-10,288,552**
Carrying amount at						
December 31, 2022	2,305,536	205,245	60,642	347,189	135,498	3,054,110
December 31, 2021	2,256,276	213,206	65,798	236,681	103,831	2,875,792

For possible changes in reporting entities, see Note (34).
Other assets include mainly office and business equipment as well as motor vehicles.

Depreciation on property, plant and equipment is calculated using the straight-line method. If an event or circumstance indicates that the assets may be impaired, they are tested for impairment (see Impairment test in Note (16)). Leasehold improvements are amortized using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter. The useful lives in years are:

	2022	2021
Telephonic plant in operation and equipment	2-25	2-20
Buildings and leasehold improvements	3-50	3-50
Other assets	2-10	2-10

The impairment of other assets is due to the company Solar Invest in the segment Belarus. In June 2022, the state-regulated prices for solar power were reduced in Belarus, which led to a sharp decline in revenues from solar power. The value in use of the solar plant was determined on the basis of an external expert opinion, cash flows were discounted at a rate of 21.6%.

Sensitivity analysis

The estimated useful lives of property, plant and equipment represent the periods in which the assets are estimated to be used by A1 Group. A change in the useful lives by one year would lead to the following changes in depreciation.

in TEUR	2022	2021
Decrease due to extension by one year	94,383	98,760
Increase due to reduction by one year	157,371	175,304

In 2022, the useful lives of the passive infrastructure of base stations was extended to up to 25 years based on the estimations of technical experts, which resulted in a decline in depreciation of "telephonic plant in operation and equipment" of TEUR 7,217. In 2021, the useful lives of certain assets were reduced essentially due to the deployment of new television technologies, which led to an increase in depreciation of TEUR 4,422 in the asset class "telephonic plant in operation and equipment".

Government grants and contractual commitments

In 2022, government grants for assets amounting to TEUR 24,822 (2021: TEUR 38,375) were deducted from acquisition cost. Of this amount TEUR 180 (2021: TEUR 6,820) relate to the COVID-19 investment grant, which was introduced as an incentive for capital expenditures in Austria in 2020 as a result of the COVID-19 crisis. The other grants relate essentially to the expansion of the broadband network in Austria.

At December 31, 2022, contractual commitments for the acquisition of property, plant and equipment amounted to TEUR 208,760 (2021: TEUR 153,736).

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Construction in progress	Total
Cost						
At January 1, 2021	2,300,166	556,992	1,195,872	1,015,014	110,911	5,178,955
Additions	72,981	393	57,188	9,587	100,857	241,006
Disposals	-221,120	-3,514	-145,298	0	-36	-369,968
Transfers	-1,943	494	53,029	70	-51,681	-31
Translation adjustment	9,900	4,846	5,876	17,520	807	38,949
At December 31, 2021	2,159,984	559,210	1,166,667	1,042,191	160,859	5,088,911
Additions	15,823	1,895	57,889	831	102,332	178,771
Disposals	-4,431	0	-46,318	0	-757	-51,506
Transfers	-230	2,627	104,447	245	-99,848	7,242
Translation adjustment	-1,145	-489	-622	-2,369	227	-4,398
Changes in reporting entities	0	2,010	1,064	5,567	0	8,642
At December 31, 2022	**2,170,002**	**565,254**	**1,283,126**	**1,046,466**	**162,814**	**5,227,662**
Accumulated amortization and impairment						
At January 1, 2021	-1,152,695	-385,663	-993,353	-969,221	0	-3,500,932
Additions	-127,058	-2,824	-112,219	-14,626	0	-256,727
Disposals	221,119	3,514	145,202	0	0	369,835
Transfers	2,017	26	-26	0	0	2,018
Translation adjustment	-5,687	-4,752	-5,168	-17,335	0	-32,941
At December 31, 2021	-1,062,302	-389,698	-965,565	-1,001,182	0	-3,418,747
Additions	-128,499	-3,734	-110,839	-12,377	0	-255,450
Disposals	3,986	0	46,001	0	0	49,988
Transfers	0	0	-3	0	0	-3
Translation adjustment	1,328	605	609	2,327	0	4,869
Changes in reporting entities	0	0	-357	0	0	-357
At December 31, 2022	**-1,185,488**	**-392,828**	**-1,030,154**	**-1,011,232**	**0**	**-3,619,701**
Carrying amount at						
December 31, 2022	984,515	172,426	252,972	35,234	162,814	1,607,961
December 31, 2021	1,097,682	169,512	201,102	41,009	160,859	1,670,163

For possible changes in reporting entities, see Note (34).
Licenses not yet put into operation are included in licenses and rights of use.

Intangible assets with finite useful lives are recognized at acquisition cost and amortized over their respective useful lives. If there is an indication of impairment, intangible assets are tested for impairment (see Impairment test). Amortization using the straight-line method is based on the following useful lives in years:

	2022	2021
Mobile communications and fixed net licenses	5-24	5-24
Other rights	2-30	2-30
Patents	5-7	5-7
Software	2-10	2-10
Customer base	5-14	5-14

The following table shows expected amortization expense related to intangible assets with a finite useful life for each of the following periods:

in TEUR	2022	2021
2022	n.a.*	269,771
2023	271,131	229,472
2024	229,813	194,665
2025	186,089	153,075
2026	163,337	106,008
2027	98,036	n.a.*
Thereafter	496,468	556,202
Total	1,444,874	1,509,193

*n.a. as not applicable for the respective period

Sensitivity analysis

The estimated useful lives for amortizable intangible assets represent the periods in which the assets are estimated to be used. A change in the useful lives by one year would lead to the following changes in amortization:

in TEUR	2022	2021
Decrease due to extension by one year	45,066	46,993
Increase due to reduction by one year	62,294	81,217

Licenses and other rights

Other rights with useful lives of more than 20 years relate to indefeasible rights to fiber optic cable or wavelengths that are used over a fixed period of time. These rights are amortized over the term of the contract.

A1 Group holds mobile telecommunication licenses (GSM, UMTS, LTE and 5G) provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and North Macedonia. Licenses are recorded at cost and amortized on a straight-line basis. At December 31, 2022, the total cost incurred for the major license agreements, which will expire between 2024 and 2044 (2021: 2024 and 2044), amounted to TEUR 1,968,557 (2021: TEUR 1,959,189).

In 2022, A1 Group acquired frequencies in North Macedonia for TEUR 8,158 (700 MHz band, 2x10 MHz band spectrum and 3.6 GHz band, 100 MHz band spectrum) and in Bulgaria for TEUR 1,358 (1.8 GHz band, 2x5 MHz band spectrum, 26 GHz band, 400 MHz band spectrum and 3.6 GHz band, 20 MHz band spectrum). In 2021, A1 Group acquired frequencies in Bulgaria for TEUR 5,644 (2.1 GHz, 2.6 GHz and 3.6 GHz), in Slovenia for TEUR 43,609 (700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz and 26 GHz) and in Croatia for TEUR 14,010 (700 MHz, 3.6 GHz and 26 GHz). In North Macedonia, TEUR 2,002 were paid for the prolongation of the operator's license in the 2,100 MHz band as well as for a capacity expansion from 2x10 MHz to 2x20 MHz.

Brand names

The following table shows the changes in the carrying amounts of brand names by segment:

in TEUR	Austria	Bulgaria	Corporate & Other	Total
At January 1, 2021	158,351	0	2,525	160,876
Translation adjustment	0	0	94	94
At December 31, 2021	158,351	0	2,619	160,970
Translation adjustment	0	0	106	106
Changes in reporting entities	0	2,010	0	2,010
At December 31, 2022	**158,351**	**2,010**	**2,726**	**163,087**

Regarding the changes in reporting entities, see Note (34).

Brand names are classified as intangible assets with an indefinite useful life based on an analysis of product life cycles, contractual and legal control of the asset and other pertinent factors. In the course of business combinations, brand names are recognized at fair value based on the “relief of royalty” method.

If a brand name is intended for discontinuation in the foreseeable future, its carrying amount is amortized over its remaining estimated useful life.

The following table shows the recognized brand names, which all have an indefinite useful life:

in TEUR, at December 31	2022	2021
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	**158,351**	158,351
Stemo	2,010	0
Total Bulgaria	**2,010**	0
Exoscale	2,267	2,160
Invenium	459	459
Total Corporate & Other	**2,726**	2,619
Total brand names	**163,087**	160,970

Software

Certain direct and indirect development costs associated with internally developed software are capitalized once the project has reached the development phase. Development costs are generally amortized using the straight-line method over a period that does not exceed four years from the time when the asset is essentially ready for use. Development costs requiring capitalization include direct costs of materials and purchased services as well as payroll costs and interest costs. Costs incurred during the preliminary project stage, maintenance and training costs as well as research and development costs (with the exception of the above-mentioned capitalizable development costs) are expensed as incurred.

The following table shows internally developed software included in the line item “software”:

in TEUR, at December 31	2022	2021
Cost of production	90,232	71,100
Accumulated amortization	-62,972	-55,811
Carrying amount	27,260	15,289
Additions	5,123	1,796

Customer base

The addition in 2022 relates to the acquisition of the Bulgarian company Stemo (see Note (34)). On April 1, 2021, the Austrian subsidiary A1 Telekom Austria AG acquired the assets and liabilities of the Alcatel Lucent Voice Division from NTT Austria GmbH, which consists of active customer contracts for the maintenance of PABX systems ("NTT customers"). These were reported as additions to the customer base in 2021.

Construction in progress

In 2022 and 2021, transfers include reclassifications of construction in progress to tangible and intangible assets.

Contractual commitments

At December 31, 2022, contractual commitments for the acquisition of intangible assets amounted to TEUR 46,912 (2021: TEUR 57,023).

Impairment test

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if facts or changes in circumstances indicate that the carrying amount of an asset could be above its recoverable amount. The impairment test is performed for all property, plant and equipment, right-of-use assets and intangible assets, regardless of whether they are intended for sale or not. In accordance with IAS 36, an impairment loss is recognized when an asset's carrying amount exceeds the higher of its fair value less costs to sell or its value in use. Fair value is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is based on the discounted cash flows expected to arise from the continued use of the asset and from its disposal at the end of its useful life. Impairment charges are recorded separately in the Consolidated Statement of Comprehensive Income. If there is any indication that the impairment recognized in prior periods no longer exists, A1 Group considers the need to reverse all or a portion of the impairment charge.

Brand names classified as intangible assets with indefinite useful lives have to be tested for impairment in accordance with IAS 36, as described in Note (17). If an event or circumstance indicates that an asset may be impaired, impairment tests are carried out. Since brand names do not generate cash inflows that are largely independent of those from other assets, the value in use can be determined only for the asset's cash-generating unit, where an impairment loss is recognized, if applicable.

(17) Goodwill

Goodwill is recognized in the course of business combinations and is measured as the difference between the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest in the acquired company less the fair value of the identifiable assets acquired and the liabilities assumed.

The following table illustrates the changes in the carrying amounts of goodwill allocated to the individual cash-generating units that are expected to benefit from the synergies of the business combination:

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	North Macedonia	Corporate & Other	Total
At January 1, 2021	708,212	242,691	125,653	10,713	150,723	29,963	16,055	1,284,010
Translation adjustment	0	0	330	1,054	0	33	373	1,791
At December 31, 2021	708,212	242,691	125,983	11,767	150,723	29,996	16,429	1,285,801
Translation adjustment	0	0	-290	-132	0	65	421	64
Acquisitions	0	13,938	0	0	0	0	0	13,938
At December 31, 2022	**708,212**	**256,629**	**125,693**	**11,635**	**150,723**	**30,061**	**16,850**	**1,299,803**

For details of acquisitions, see Note (34).

The acquisition cost of goodwill as well as cumulative impairment charges and amortization amounted to:

in TEUR, at December 31	2022	2021
Segment Austria	712,232	712,232
Segment Bulgaria	656,629	642,691
Segment Croatia	130,716	131,018
Segment Belarus	371,311	375,561
Segment Slovenia	178,647	178,647
Segment North Macedonia	35,172	35,095
Corporate & Other	16,850	16,429
Total cost	2,101,558	2,091,673

in TEUR, at December 31	2022	2021
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,024	5,035
Segment Belarus	359,677	363,794
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,111	5,100
Accumulated impairment	801,755	805,873

Impairment test

Goodwill and other intangible assets with indefinite useful lives and other intangible assets that are not yet available for use are not amortized, but are tested for impairment in accordance with IAS 36 at least once a year in the fourth quarter, irrespective of whether there is any indication of impairment, by comparing their carrying amounts with their recoverable amounts. If an event or circumstance indicates that an asset may be impaired, impairment tests are also carried out.

For the purpose of impairment testing, assets are summarized in cash-generating units, which are the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units, starting from the acquisition date. Each unit or group of units to which goodwill is allocated shall: (a) represent the lowest level within the entity at which goodwill is monitored for internal management purposes; and (b) not be larger than an operating segment. Cash-generating units to which goodwill has been allocated shall be tested for impairment annually by comparing the carrying amount of the unit, including its assigned goodwill, with the recoverable amount of the cash-generating unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

A1 Group performs these impairment tests by calculating the value in use based on capital-market-oriented valuation methodology which is based on detailed planning of future cash flows of revenue and costs less capital expenditure for maintenance and replacement of assets as well as working capital changes for a planning period of five years and a perpetual annuity for the years following the detailed planning period. The detailed planning is based on business plans approved by the management and is also used for internal management purposes. Significant planning assumptions comprise the development of revenues, the profit margin in the detailed planning period as well as the growth in the perpetual annuity for the years following the detailed planning period.

Significant assumptions to determine the value in use comprise the development of revenues, cost drivers, working capital changes, capital expenditure for maintenance and replacement of assets, growth rate and discount rate.

- Assumptions regarding development of revenues are based on historical performance, industry forecasts and external market data such as the development of gross domestic product (GDP), inflation rates, currency rates, population and other parameters.
- Cost drivers and capital expenditure for maintenance and replacement of assets are based on past experience and internal expectations.

- Growth rates applied to the perpetual annuity consider country-specific growth rates as well as company-specific revenue growth rates of prior periods and those used in detailed planning, respectively.
- Detailed planning is based on developments of the past and expectations regarding future market developments. The resulting cash flows are discounted at the weighted average cost of capital, which is determined separately for each cash-generating unit, to determine the value in use of the cash-generating units. The cost of equity used for discounting the cash flows is determined based on the "capital asset pricing model" and corresponds to the weighted average interest rate of equity and debt capital of the peer group. The determination of the cost of equity is based on a risk-free borrowing rate, adjusted for market and country-specific risks. The cost of debt is based on a risk-free borrowing rate, adjusted for risk. The cost of debt as well as beta factors and capital structure of the peer group are derived from publicly available market data. The beta factor used on the reporting date is the average of the 2-year beta of the last twelve months.

The analysis of climate scenarios has been a part of risk management since 2021 and was updated in 2022, analyzing the determined impacts in the field of flood risk, carbon taxation and electricity costs. The analysis of risks in the first two fields did not lead to significant impacts on the results. Due to this fact, no explicit adjustments were made in the impairment testing. Price and consumption increases were taken into account as far as possible in the planning of energy costs. While short-term price increases have already been included in the business plan and were already part of the impairment test, no new effects from transitional risks (e.g. CO2 taxation) come from the scenario analysis, and thus no valuation-relevant changes.

The outbreak of the conflict in Ukraine in February 2022 led to an increase in prices for goods, services and energy. This demanding macroeconomic situation characterized by a high inflation did not have a significant impact on the operative business of A1 Group. For further information on the impact, see "Risks in connection with the conflict in Ukraine" in the Management Report. Effects of external sources such as market capitalization and market yields are reflected in the weighted average cost of capital, as disclosed in the following table.

The following parameters were used to calculate the value in use:

	Growth rates perpetual annuity		Pre-tax discount rates	
	2022	2021	2022	2021
Segment Austria	1.5%	1.2%	6.6%	4.1%
Segment Bulgaria	2.7%	2.0%	8.0%	5.2%
Segment Croatia	3.3%	2.3%	8.8%	6.2%
Segment Belarus	5.7%	7.2%	35.2%	13.5%
Segment Slovenia	3.3%	2.4%	7.5%	4.5%
Segment North Macedonia	2.6%	3.0%	10.5%	6.8%
Corporate & Other	1.5%	1.2%	6.4%	4.0%

If the value in use of the cash-generating unit exceeds its carrying amount, the cash-generating unit and the goodwill allocated to that cash-generating unit shall be regarded as not impaired. Rather, A1 Group examines if impairment losses recognized in the past (with the exception of goodwill) must be reversed.

If the value in use is lower than the carrying amount of the cash-generating unit, an impairment charge is recognized in profit or loss. The impairment loss shall first be allocated to the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit, provided that the recoverable amount is less than the carrying amount of the cash-generating unit. These reductions in the carrying amounts represent impairment losses on individual assets.

At both December 31, 2022 and 2021, the values in use of all cash-generating units exceeded the carrying amounts. Thus, no impairment charges had to be recognized.

(18) Investments in associates

The following table shows the development of the investment in Canal+ Austria GmbH („Canal+"), a joint venture which was established in 2021 to expand the TV business in Austria and that is accounted for using the equity method (see Note (34)).

in TEUR	2022	2021
At January 1	**0**	0
Recognized income	-1,866	-17
Changes in reporting entities	0	17
Shareholders' contribution	1,965	0
At December 31	**99**	0

The recognized income 2022 also includes the intercompany profit eliminations subsequently explained.

The difference between the investment in associates and its proportionate equity is disclosed in the following table:

in TEUR, at December 31	2022	2021
Proportionate equity	881	-57
Intercompany elimination	-782	
Recognized liability	0	57
Investments in associates	**99**	0

The intercompany elimination in 2022 relates to the sale of TV rights of A1 now TV GmbH to Canal+.
At acquisition on September 17, 2021, A1 Group committed itself to make a contribution in 2022. Thus, according to IAS 28.39, a short-term financial liability for the loss not covered by the investment was recognized at December 31, 2021 (see Note 0).

For outstanding balances respectively revenues and expenses of A1 Group and Canal+, see Note (11).

(19) Investments

in TEUR, at December 31	2022	2021
Investments at amortized cost	193,748	164,444
Debt instruments at fair value through other comprehensive income*	38,515	30,363
Debt instruments at fair value through profit or loss*	31,275	30,145
Equity instruments at fair value through profit or loss*	2,691	3,914
Short- and long-term investments	**266,228**	228,866
Thereof		
Short-term investments	60,514	87,353
Long-term investments	205,714	141,512

*Mandatory. For the classification of financial instruments, see also Note (33).

In order for a financial asset to be classified and measured at amortized cost or at fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level. The business models of A1 Group are "hold to collect" and "hold to collect and sell", respectively, and no derivative financial instruments are held.

At December 31, 2022, financial assets at amortized cost (business model "hold to collect") include quoted bonds with investment grade ratings of TEUR 185,345 (2021: TEUR 139,363), which are held to generate contractual cash flows as well as fixed-term deposits of TEUR 8,403 (2021: TEUR 25,081).

"Debt instruments at fair value through other comprehensive income" include quoted bonds, which are held for generating contractual cash flows as well as for sale (business model "hold to collect and sell"). Interest income is recognized in profit or loss and calculated the same way as interest income on financial assets at amortized cost, i.e. the premium is recognized in profit or loss over the remaining term according to the effective interest method (see Note (7)). The remaining changes in fair value are recognized in other comprehensive income (OCI), net of income tax. At December 31, 2022, the subsidiary paybox Bank AG is obliged to hold bonds in the amount of TEUR 3,309 (2021: TEUR 2,487) due to the Capital Requirements Regulation.

The recognized 12 months' expected credit loss relating to investments at amortized cost and to debt instruments at fair value through other comprehensive income is disclosed in Note (7), (see also "Credit risk" in Note 13).

"Debt instruments at fair value through profit or loss" include other long-term financial investments under the business model "hold to collect" that do not meet the SPPI criterion. At December 31, 2022, TEUR 1,092 (2021: TEUR 1,495) serve as coverage for the provision for pension obligations in Austria.

All equity instruments held are classified as "at fair value through profit or loss" and comprise both quoted and unquoted equity instruments.

(20) Other non-current assets, net

in TEUR, at December 31	2022	2021
Finance lease receivables	1,831	2,460
Other financial assets	6,520	10,190
Financial assets	**8,351**	**12,650**
Other non-financial assets	**14,125**	**14,605**
Other non-current assets, gross	**22,476**	**27,256**
Less loss allowance for financial assets	-3,620	-3,668
Other non-current assets, net	**18,856**	**23,588**

For finance lease receivables as well as the loss allowance recognized that is included in the loss allowance for financial assets, see Note (30). Other financial assets (less loss allowance) relate mainly to deferred receivables from a distributor and to receivables from the reimbursement of frequency fees as a result of the reduction in fees in Croatia (see also Note (13)).

Other non-financial assets include essentially prepayments for maintenance agreements and license fees.

(21) Short-term debt

in TEUR, at December 31	2022	2021
Current portion of long-term debt	299,871	749,702
Short-term bank debt	521,658	803,510
Short-term debt	**821,529**	**1,553,212**

For further information regarding long-term financial debt, see Note (25). The average fixed interest rate of short-term bank debt at December 31, 2022 amounts to 2.15%. Bank debt has a maximum term until January 10, 2023. At December 31, 2021, the average fixed interest rate amounted to -0.4%. For further funding sources, see Note (33).

(22) Accounts payable

Accounts payable consist of the following items:

in TEUR, at December 31	2022	2021
Fiscal authorities	74,548	67,503
Social security	12,807	12,101
Other non-financial liabilities	4,980	3,118
Current non-financial liabilities	**92,335**	**82,722**
Suppliers	674,361	543,250
Deferred consideration from business combinations	0	1,312
Accrued interest	6,403	31,324
Cash deposits received	13,805	12,229
Employees	37,409	34,719
Long-term incentive program	900	1,150
Other current financial liabilities	38,666	30,179
Current financial liabilities	**771,543**	**654,163**
Accounts payable	**863,878**	**736,885**

Liabilities due to fiscal authorities include mainly value-added taxes and payroll taxes. Liabilities regarding social security relate to statutory contributions to the social security system.

At December 31, 2022, accounts payable - trade amounting to TEUR 8,508 (2021: TEUR 13,953) have a maturity of more than twelve months. The increase in accounts payable due to suppliers is due essentially to the increase in capital expenditures (see table "Reconciliation of capital expenditures paid to capital expenditures" in Note 32). At December 31, 2021, the deferred consideration from business combinations relating to the acquisition of Akenes in 2017 was paid in 2022 (see Note (32)). Accrued interest includes mainly interest on bonds. The reduction is due to the redemption of a bond in April 2022 (see Note (25)). Liabilities due to employees relate mainly to salaries payable (including overtime and travel allowances), unused vacation days as well as liabilities for one-time termination benefits and service awards. For information on the long-term incentive program, see Note (31). In 2022 and 2021, other current financial liabilities include mainly customer deposits related to vouchers for shopping and parking.

(23) Accrued liabilities and provisions, asset retirement obligation and restructuring

in TEUR	Restructuring	Employees	Asset retirement obligation	Legal	Other	Total
At January 1, 2022	388,695	116,337	279,618	24,496	17,722	826,868
Additions	107,092	54,302	2,551	9,332	5,939	179,216
Changes in estimate	-19,179	0	-32,618	0	0	-51,797
Used	-95,116	-51,947	-3,723	-6,524	-2,896	-160,206
Released	-15,202	-13,895	-1,849	-724	-1,086	-32,757
Accretion expense	945	980	4,881	0	0	6,807
Reclassifications*	0	14,211	0	0	0	14,211
Translation adjustment	0	-29	-34	-12	4	-71
At December 31, 2022	**367,236**	**119,959**	**248,825**	**26,567**	**19,683**	**782,270**
Thereof long-term						
December 31, 2022	269,051	0	248,825	0	0	517,875
December 31, 2021	293,958	0	279,618	0	0	573,576

* Reclassifications to current liabilities and short-term portion of employee benefit obligations.

In measuring provisions, the Management Board must assess if there are obligations to third parties that will probably lead to a cash outflow for A1 Group and that can be estimated reliably. Provisions are recognized in the amount of the probable utilization.

Even though the provision is not expected to be paid in the following financial year, provisions are reported under short-term provisions, with the exception of the asset retirement obligation and the provision for restructuring, since A1 Group has no influence on the timing of the utilization.

Restructuring

In 2008, a comprehensive restructuring program was initiated in the segment Austria. The restructuring program includes social plans for employees whose employment was terminated in a socially responsible way such as early retirement, special severance packages and golden handshake options. Due to their nature as termination benefits, these social plans are accounted for according to IAS 19. The provision for restructuring includes future compensation of employees who will no longer provide services for A1 Group but who cannot be laid off due to their status as civil servants. These employment contracts are onerous contracts under IAS 37, as the unavoidable cost related to the contractual obligation exceeds the future economic benefit. At December 31, 2022, the corresponding liability amounts to TEUR 361,949 (2021: TEUR 381,739) and includes 1,833 (2021: 1,856) employees.

Provisions for restructuring are recorded at their present value. The following table presents the parameters used for calculating the provisions:

	2022	2021
Discount rate	3.75%	0.25%
Rate of compensation increase	4.00%-5.10%	3.40%

For the basis of the discount rate respectively the determination of the rate of compensation increase, see "Actuarial assumptions" in Note 0.

Changes in the provision are recognized in employee expense and reported in the line item "selling, general and administrative expenses", while the accretion expense is reported in the financial result in the line item "interest expense on restructuring provision" (see Note (7)).

Based on the general agreement for the transfer of personnel, which was concluded with the Austrian government in 2013, civil servants transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, A1 Group bears the salary expense. In case of a permanent transfer, A1 Group must compensate the government for any excess expense arising due to differing professional classifications of workplaces. Furthermore, compensation payments (or one-off payments) must be made to civil servants up to the age of 62. At December 31, 2022, the provision for the transfer of civil servants to the government amounts to TEUR 5,287 (2021: TEUR 6,956) and comprises 105 (2021: 107) employees.

Duration

The weighted average duration of the restructuring obligations is as follows in years:

	2022	2021
Employees permanently leaving the service process	6.2	5.6
Social plans	3.2	3.2
Civil servants transferred to the government	4.6	5.0

Sensitivity analysis

A change of one percentage point in the applied discount rate or in the rate of compensation would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2022		
Change in discount rate	-8,954	9,425
Change in rate of compensation	10,994	-10,632

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2021		
Change in discount rate	-11,302	11,978
Change in rate of compensation	9,223	-8,900

Employees

The provisions for employees contain mainly bonuses and the short-term portion of employee benefit obligations for severance, service awards and pensions (see also Note (27)).

In its judgement of November 11, 2014, the European Court of Justice (ECJ) ruled that the Austrian law determining the reference date for salary increments for Austrian civil servants (this date determines the length of service and thus the date for advancing to the next salary level) conflicted with European Union law. In its judgement of May 8, 2019, the European Court of Justice (ECJ) once again ruled that the adapted Austrian law determining the reference date for salary increments for civil servants was still in conflict with European Union law. On July 8, 2019, a further change in the Austrian law was published in the Austrian Federal Law Gazette (No. 58/2019). A1 Group recognized a provision of TEUR 22,437 at December 31, 2021 (2021: TEUR 28,502), for impending back payments of salaries to the civil servants assigned to it.

Asset retirement obligation

Liabilities for asset retirement obligations are measured at their net present value in accordance with IAS 37, the increase in the liability that reflects the passage of time is recognized in profit or loss (see Note (7)). The effects of changes in the measurement from existing provisions are accounted for in accordance with IFRIC 1.

A1 Group records obligations for the retirement and decommissioning of wooden masts treated with tar or salt, base stations, payphones as well as land and buildings including rented premises.

For the assessment of obligations in connection with the retirement of wooden masts treated with tar or salt that are in operation, A1 Group uses the expected settlement dates and future expected cash flows.

A1 Group operates base stations on land, rooftops and on other premises under various types of rental contracts. In estimating the fair value of the retirement obligation for its base stations, A1 Group has made a number of assumptions such as the time of retirement or an early cancellation, the development of technology and the cost of remediating the sites.

Based on the new telecommunication law 2021 (“TKG 2021”) A1 was no longer obliged to operate public telephone booths in Austria, which resulted in an increase in the asset retirement obligation for telephone booths of TEUR 10,439 in 2021.

Additionally, A1 Group records obligations in connection with the disposal of hazardous substances as well as the decontamination of land when decommissioning a building. Obligations to return the premises to their original condition upon expiration of the lease contracts are reported for buildings and office premises that A1 Group has rented as part of lease agreements.

The following table provides the parameters used for the measurement of the obligation:

	2022	2021
Discount rate	2.8%-22.0%	0.6%-9.7%
Inflation rate	2.6%-8.5%	1.9%-5.8%

The range is due to different market situations in the respective segments.

The discount rate applied to the calculation reflects current market expectations with regard to interest effects as well as specific risks of the obligation. The discount rate in the non-eurozone is based on the interest rate of German federal bonds with a term of 30 years, adjusted by a risk premium for each country. For those countries whose currencies are not tied to the euro, the respective inflation delta according to the OECD is taken into account as well. In the eurozone, the discount rate is based on government bonds with matching maturities, as the specific risks were considered in the estimated cash flows. The inflation rates applied to the calculation reflect the general development in the individual countries.

In essence, the change in the specified parameters as well as the change in the estimated outflow of resources resulted in a change in the provision with no impact on income due to an adjustment in the book value of the related item of property, plant and equipment (see change in estimates in the table of provisions). In 2022, TEUR 1,710 (2021: TEUR 1,442) were recognized in other operating income as the related tangible assets were already fully depreciated.

Sensitivity analysis

A change of one percentage point in the discount rate or in the inflation rate would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR at December 31	1 percentage point increase	1 percentage point decrease
2022		
Change in discount rate	-21,904	23,287
Change in inflation rate	23,466	-21,068

in TEUR at December 31		
2021		
Change in discount rate	-26,568	32,707
Change in inflation rate	32,552	-27,030

Legal

Provisions relate mainly to expenses for legal advice and litigation.

Other provisions

Other provisions relate mainly to taxes (excluding income taxes), guarantees, rents and penalties.

(24) Contract liabilities

A contract liability is recognized where a customer has paid an amount of consideration prior to goods or services being transferred by A1 Group. Contract liabilities include prepaid fees, prepaid vouchers, fees for leased lines and site sharing, and discounts granted as well as one-time fees, activation fees and installation fees. As contract liabilities are expected to be realized as part of A1 Group's normal operating cycle, they are classified as current.

The following table shows the development of contract liabilities:

in TEUR	2022	2021
At January 1	**205,648**	188,658
Increases due to payments received	1,351,343	1,255,814
Revenues recognized in the current period from:		
Amounts included in the contract liability at beginning of the period	-172,797	-162,438
Increases due to payments received in current period	-1,165,956	-1,076,703
Change in reporting entities	1,450	0
Foreign currency adjustments	15	318
At December 31	**219,703**	205,648
Thereof remaining term of more than one year	27,126	22,812

At December 31, 2022 and 2021, contract liabilities with a remaining term of more than one year relate mainly to deferred rental income from base stations and data circuits as well as one-time fees, activation fees, and installation fees.

(25) Long-term debt

The terms and conditions of long-term debt and its current portion are summarized in the following table:

		At December 31, 2022				At December 31, 2021			
Currency	Maturity	Nominal interest rate		Face value	Carrying amount	Nominal interest rate		Face value	Carrying amount
Bonds									
TEUR	2022	fixed	4.00%	0	0	fixed	4.00%	750,000	749,702
TEUR	2023	fixed	3.50%	300,000	299,871	fixed	3.50%	300,000	299,617
TEUR	2026	fixed	1.50%	750,000	747,211	fixed	1.50%	750,000	746,502
Total bonds				1,050,000	1,047,082			1,800,000	1,795,822
Bank debt									
TEUR	2024	variable	2.49%	300,000	300,000			0	0
Total bank debt				300,000	300,000			0	0
Financial debt				1,350,000	1,347,082			1,800,000	1,795,822
Current portion of long-term debt				-300,000	-299,871			-750,000	-749,702
Long-term debt				1,050,000	1,047,211			1,050,000	1,046,120

Bonds

Bonds are recognized at the actual amount received. Discount and issue costs are amortized over the related term using the effective interest rate method.

On April 4, 2022, A1 Group redeemed a 4% bond and on December 3, 2021 it redeemed a 3.125% bond with a face value of TEUR 750,000 each.

On July 4, 2013, A1 Group issued a bond with a face value of TEUR 300,000, discount and issue costs of TEUR 2,574, a maturity of ten years and a coupon of 3.5%.

On December 7, 2016, A1 Group issued a bond with a face value of TEUR 500,000, a maturity of ten years and a coupon of 1.5%. On July 14, 2017, a tap issuance with a volume of TEUR 250,000 was settled. In August 2017, the outstanding bond and the tap were consolidated and have the same terms in all respects. Discount and issue costs amount to TEUR 6,990.

Bank debt

The variable interest rate of the bank debt is linked to the 1 month Euribor with a fixed margin of 0.80%.

(26) Other non-current liabilities

in TEUR, at December 31	2022	2021
Cash deposits received	202	203
Deferred consideration from business combinations	12,134	5,837
Sundry other non-current financial liabilities	26,737	36,894
Other non-current financial liabilities	**39,073**	42,934
Other non-current non-financial liabilities	**0**	338
Other non-current liabilities	39,073	43,272

At December 31, 2022 and 2021, the deferred consideration from business combinations relates to a put option for the withdrawal of non-controlling shareholders of Invenium, which was acquired in 2020, and additionally, at December 31, 2022, the purchase price not yet paid for the acquisition of Stemo in Bulgaria (see Note (34) and table "Development of total liabilities from financing activities" in Note (32)). Sundry other financial liabilities primarily include liabilities from the acquisition of rights and licenses (see Note (16)), which correspond to the discounted cash flows of the future payments. These are disclosed in the maturity analysis in Note 33.

(27) Employee benefits

A1 Group records employee benefit obligations under defined contribution and defined benefit plans.

In the case of defined contribution plans, A1 Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Other than payment contributions, which are recognized in employee expenses in the respective functional area in the respective period, there are no further obligations.

All other obligations are unfunded defined benefit plans and are measured using the projected unit credit method in accordance with IAS 19.

in TEUR, at December 31	2022	2021
Service awards	38,182	49,118
Severance	128,529	166,329
Pensions	2,635	4,763
Long-term incentive program	1,015	1,165
Other	1,293	1,862
Long-term employee benefit obligations	171,654	223,237

According to IAS 19.133, A1 Group chooses to distinguish between current and non-current liabilities arising from employee benefit obligations (see also Note (23)).

For severance and pensions, A1 Group recognizes remeasurement gains and losses in other comprehensive income (OCI), whereas remeasurement gains and losses for service awards are immediately recognized in profit or loss. The remeasurement of defined benefit plans relates to actuarial gains and losses only, as A1 Group holds no plan assets. Accrued interest on employee benefit obligations is reported in the financial result, while service cost is reported in employee expenses in the respective functional area.

Actuarial assumptions

The key actuarial assumptions used to measure the obligations for service awards, severance and pensions are as follows:

	2022	2021
Discount rate service awards	3.75%	0.25%
Discount rate severance	3.75%	1.00%
Discount rate pensions	3.75%	0.75%
Rate of compensation increase – civil servants	4.50%-5.30%	4.00%
Rate of compensation increase – employees	3.40%-4.60%	3.00%
Rate of increase of pensions	1.90%	1.60%
Employee turnover rate*	0.0%-1.03%	0.0%-1.12%

* Depending on years of service.

The discount rates are determined on the basis of the yields of senior, fixed-interest industry bonds and a duration corresponding to the expected maturities of the defined benefit obligations.

When determining the compensation increase to be applied in 2022, expected future increases in salaries were included because of the current economic situation. Based on the current high inflation, higher compensation increases are expected in the short term, which will in the long term develop into average amounts of the past. Due to the different durations of the provisions, the rates of compensation increase were determined individually for each provision. In 2021, the rate of compensation increase was determined based on historical increases only.

Life expectancy in Austria is based on "AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler". The obligations related to the international subsidiaries were measured on the same actuarial basis due to their insignificant proportion.

Duration

The weighted average duration of the obligations is as follows in years:

	2022	2021
Service awards	3.8	4.3
Severance	11.2	12.6
Pensions	7.2	11.2

Service awards

Civil servants and certain employees (in the following "employees") are eligible to receive service awards. In accordance with the legal regulations, eligible employees receive a cash bonus of two months' salary after 25 years of service and four months' salary after 40 years of service. Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on specific legal regulations are also eligible to receive the service award of four monthly salaries. The obligation is accrued over the period of service, taking into account the employee turnover rate for employees who leave employment prematurely. The main risk that A1 Group is exposed to is the risk of development of salary increases and changes of interest rates.

The following table provides the components and a reconciliation of the changes in the obligation for service awards:

in TEUR	2022	2021
At January 1	**56,665**	62,719
Service cost	1,542	1,739
Interest cost	135	150
Actuarial gain/loss from experience adjustment	-1,406	-960
Actuarial gain/loss from changes in demographic assumptions	-3	-2
Actuarial gain/loss from changes in financial assumptions	-4,192	-288
Recognized in profit or loss	**-3,924**	639
Benefits paid	-7,367	-6,693
Obligation at December 31	**45,374**	56,665
Less short-term portion	-7,191	-7,547
Non-current obligation	**38,182**	49,118

At December 31, 2022 and 2021, less than 1% of the non-current defined benefit obligation for service awards relate to foreign subsidiaries.

Severance

Defined contribution plans

Employees who started work for A1 Group in Austria on or after January 1, 2003 are covered by a defined contribution plan. In 2022, A1 Group paid TEUR 3,142 (2021: TEUR 2,853), 1.53% of the salary or wage, into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG).

Defined benefit plans

Severance benefit obligations for employees whose employment commenced before January 1, 2003, excluding civil servants, are covered by defined benefit plans. Upon termination of employment by A1 Group or upon retirement, eligible employees receive severance payments. Depending on their time in service, their severance amounts to a multiple of their monthly basic compensation plus variable components such as overtime or bonuses, up to a maximum of twelve monthly salaries. In case of death, the heirs of eligible employees receive 50% of the severance benefits. The primary risks to A1 Group are salary increases and changes of interest rates.

The following table shows the components and a reconciliation of the changes in the obligation for severance:

in TEUR	2022	2021
At January 1	170,871	173,636
Service cost	4,151	4,634
Interest cost	1,692	1,295
Curtailment loss/settlement	–648	0
Recognized in profit or loss	5,195	5,929
Actuarial gain/loss from experience adjustment	1,358	–289
Actuarial gain/loss from changes in demographic assumptions	–89	–249
Actuarial gain/loss from changes in financial assumptions	–40,919	–5,469
Recognized in other comprehensive income	–39,650	–6,007
Benefits paid	–2,425	–2,688
Change in reporting entities	587	0
Foreign currency adjustments	2	0
Obligation at December 31	134,580	170,871
Less short-term portion	–6,051	–4,542
Non-current obligation	128,529	166,329

At December 31, 2022, approximately 5% (2021: 4%) of the non-current defined benefit obligation for severance relate to foreign subsidiaries.

Pensions

Defined contribution pension plans

In Austria, pension benefits are generally provided by the social security system for employees, and by the government for civil servants. The contributions of 12.55% of gross salaries that A1 Group made in 2022 to the social security system and the government in Austria amount to TEUR 59,935 (2021: TEUR 59,899). In 2022, contributions of the foreign subsidiaries into the respective systems range between 7% and 29% of gross salaries and amount to TEUR 28,156 (2021: TEUR 25,085).

Additionally, A1 Group offers a defined contribution plan for employees of some of its Austrian subsidiaries. A1 Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. In 2022, the annual expenses for this plan amounted to TEUR 11,917 (2021: TEUR 11,933).

Defined benefit pension plans

A1 Group provides defined benefits for certain former employees in Austria. All eligible employees are retired and were employed prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. A1 Group is exposed primarily to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits. Furthermore, pension obligations for active employees of the company Akenes in Lausanne are included.

The following table shows the components and a reconciliation of the changes in the obligation for pensions:

in TEUR	2022	2021
At January 1	**5,101**	5,851
Service cost	43	80
Interest cost	37	28
Past service cost	-28	-92
Recognized in profit or loss	**52**	15
Actuarial gain/loss from experience adjustment	276	-399
Actuarial gain/loss from changes in demographic assumptions	-22	0
Actuarial gain/loss from changes in financial assumptions	-2,122	-82
Recognized in other comprehensive income	**-1,868**	-481
Benefits paid	-338	-335
Foreign currency adjustments	33	50
Obligation at December 31	**2,979**	5,101
Less short-term portion	-344	-337
Non-current obligation	**2,635**	4,763

Sensitivity analysis

The following table summarizes the short and long-term obligations recorded:

in TEUR, at December 31	2022	2021
Service awards	45,374	56,665
Severance	134,580	170,871
Pensions	2,979	5,101

A change in the discount rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2022		
Service awards	856	-830
Severance	7,542	-7,008
Pensions	344	-307
in TEUR, at December 31		
2021		
Service awards	1,250	-1,206
Severance	11,182	-10,307
Pensions	555	-484

A change in the rate of compensation of one percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	1 percentage point decrease	1 percentage point increase
2022		
Service awards	-1,606	1,675
Severance	-13,571	15,421
Pensions	-267	300
in TEUR, at December 31		
2021		
Service awards	-2,275	2,389
Severance	-19,474	22,406
Pensions	-404	463

A change in the employee turnover rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2022		
Service awards	12	-865
Severance	2,150	-3,271
Pensions	3	-3
in TEUR, at December 31		
2021		
Service awards	17	-1,215
Severance	4,346	-5,642
Pensions	3	-3

For pensions, the fluctuation is only applied to beneficiaries not yet retired. The calculation of a 0.5% decrease is limited to a maximum of 0.0% of the employee turnover rate.

Long-term incentive program

For the long-term incentive program, see Note (31).

(28) Stockholders' equity

Capital management

The equity attributable to the equity holders of the parent company, which is disclosed in the Consolidated Statement of Changes in Stockholders' Equity, comprises common stock, treasury shares, additional paid-in capital, retained earnings and other comprehensive income (loss) items.

The capital management of A1 Group focuses primarily on maintaining the capital basis. This shall continue to be documented by solid investment grade ratings from renowned rating agencies. At the same time A1 pursues a sustainable and transparent dividend policy. Management pays attention to a solid balance between shareholder remuneration, the debt level and financial flexibility for strategic projects.

Share capital

At December 31, 2022 and 2021, the common stock of Telekom Austria AG amounts to TEUR 1,449,275, and is divided into 664.5 million bearer shares. At December 31, 2022 and 2021, América Móvil indirectly holds a stake of 51.00% through its 100% subsidiary América Móvil B.V., Netherlands, while ÖBAG holds a stake of 28.42% and free floated shares including treasury shares amount to 20.58%. The shares have no par value.

According to the Austrian Banking Act and the Capital Requirements Regulation, a regulation for banks by the European Union, the subsidiary paybox Bank AG must fulfil regulatory minimum equity requirements regarding bank-related risks, notably credit risk and operative risks as well as liquidity coverage requirements. On December 31, 2022 and 2021, these requirements were fulfilled.

The number of authorized, issued and outstanding shares and treasury shares is presented below:

At December 31	2022	2021
Shares authorized	664,500,000	664,500,000
Shares issued	664,500,000	664,500,000
Treasury shares	-415,159	-415,159
Shares outstanding	664,084,841	664,084,841

The shares issued are fully paid.

Dividend payments

The following dividends were declared by the shareholders at the Annual General Meeting and distributed by Telekom Austria AG:

	2022	2021
Date of Annual General Meeting	June 27, 2022	May 14, 2021
Dividend per share in euro	0.28	0.25
Total dividend paid in TEUR	185,944	166,021
Date of payment	July 5, 2022	May 25, 2021

The net income of Telekom Austria AG according to Austrian GAAP amounts to:

in TEUR	2022	2021
Net income	114,356	1,183,153
Release of reserves reported in retained earnings	251,143	0
Allocation to reserves reported in retained earnings	0	–950,925
Profit carried forward from prior year	269,086	222,803
Unappropriated retained earnings	634,585	455,030

The unappropriated retained earnings of Telekom Austria AG according to Austrian GAAP are not subject to a dividend limitation as the restrictions of Section 235 UGB do not apply. The Management Board plans, after approval from the Supervisory Board, to propose to the shareholders at the Annual General Meeting to distribute a dividend of euro 0.32 (2021: euro 0.28) per share from unappropriated retained earnings.

Treasury shares

At the Annual General Meeting of Telekom Austria AG held on May 29, 2013, the Management Board was empowered to:
(a) use these treasury shares to settle obligations under the share-based compensation plans disclosed in Note (31) and/or to transfer them for or without a consideration to employees, leading managers and members of the Management Board/management of Telekom Austria AG and of its affiliated companies;
(b) use them as consideration for acquisitions, or
(c) sell treasury shares at any time via the stock exchange or by public offer.

Treasury shares held at December 31	2022	2021
Number of treasury shares	415,159	415,159
Average price per share in euro	18.80	18.80
Deduction in equity in TEUR	7,803	7,803

Additional paid-in capital

The additional paid-in capital results from the incorporation of A1 Group as well as the subsequent capital increase and reorganization measures. Furthermore, effects related to employee participation plans and the retirement of treasury shares are reported in additional paid-in capital.

Other comprehensive income (loss) items (OCI)

The IAS 19 reserve contains the remeasurement of severance and pension obligations (see Note (27)). The FVOCI reserve includes the measurement of debt instruments at fair value through other comprehensive income (see Note (19)). For the hedging reserve, see Note (33). The translation reserve relates mainly to the consolidation of subsidiaries in Belarus and in the Republic of Serbia (see Note (3)). The development of the individual OCI items is presented in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Stockholders' Equity.

(29) Income taxes

Income taxes are calculated for each taxable entity based on the expected actual income tax rate applicable. For the purpose of calculating deferred tax assets and liabilities, A1 Group uses the tax rates that have been enacted or substantively enacted at the reporting date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period the tax rate is effectively enacted. The distribution of dividends by Telekom Austria AG has no effect on the tax rate. Investment tax credits are recognized as a reduction in income taxes in the period in which these credits are granted.

In accordance with IFRIC 23, management regularly reviews certain tax issues for uncertainties regarding the treatment under effective tax regulations by the relevant tax authorities. Correspondingly, income tax liabilities were recognized for possibly existing tax risks based on all information available including interpretations of tax law and experience.

Income tax attributable to income before income taxes consists of the following (negative values indicate an income tax benefit):

in TEUR	2022	2021
Current income tax	188,130	111,164
Deferred income tax	-6,711	86,413
Income tax	**181,419**	**197,577**

The decrease in deferred income tax is due to the complete usage of loss carry-forwards in the Austrian tax group in 2021.

The table below provides information about the allocation of total income tax in the Consolidated Financial Statements:

in TEUR	2022	2021
Continuing operations	181,419	197,577
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	-679	37
Income tax on remeasurement of defined benefit obligations*	10,430	1,534
Total income tax	**192,630**	**200,608**

* Recognized in other comprehensive income (OCI).

The following table shows the major reconciling items between the reported income taxes and the amount of income taxes that would have resulted by applying the Austrian statutory income tax rate of 25% to earnings before income tax:

in TEUR	2022	2021
Income tax expense at statutory rate	204,001	163,152
Foreign tax rate differential	-25,010	-25,451
Non-tax-deductible expenses	22,788	9,289
Tax incentives and tax-exempted income	-18,816	-7,829
Tax-free income (loss) from investments	-99	-117
Change in tax rate	-3,888	-1,083
Tax benefit/expense previous years	1,431	-3,005
Changes in deferred tax assets not recognized	1,888	1,856
Impairments (reversals of impairments) of investments in subsidiaries	44	61,807
Other	-917	-1,042
Income tax	**181,419**	**197,577**
Effective income tax rate	22.23%	30.28%

In 2022 and 2021, non-deductible expenses consist mainly of non-deductible withholding taxes on dividends as well as various non-deductible expenses in the individual countries. The rise relates mainly to the increase in withholding taxes.

In 2022 and 2021, tax incentives and tax-exempted income relate mainly to investment and other tax incentives in the individual countries. The increase relates to a tax-privileged revaluation of assets in Belarus. Furthermore, in both years reported the tax-free income on the fictitious amortization of tax goodwill related to the Austrian tax group is included. Amortization of tax goodwill according to Section 9 (7) KStG is treated as temporary differences on investments in subsidiaries for tax purposes. According to IAS 12.39, no deferred tax liabilities are recorded in that case.

In 2022, the change in tax rate is due to the decrease of the Austrian corporate income tax rate from 25% to 24% for the year 2023 and to 23% starting 2024. At December 31, 2022 the calculation of deferred taxes is based on 23% as the material temporary differences will be reversed only as of 2024. In 2021, the change in tax rate was due to the increase of the corporate income tax rate from 1.6% to 15.0% in Serbia.

In 2021, the tax benefit for prior periods relates to a tax audit in Bulgaria covering the year 2017, which accepted the loss carry-forwards from a business combination.

The tax effect of impairments (reversals of impairments) of investments relates to taxable write-downs and reversals of write-downs of investments in affiliated companies in Austria.

In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. Furthermore, deferred taxes are recognized for current year tax losses and tax loss carry-forwards as well as certain impairment losses on investments for which recognition for tax purposes is deferred over a specified period.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are set out below:

in TEUR, at December 31	Deferred tax assets 2022	Deferred tax assets 2021	Deferred tax liabilities 2022	Deferred tax liabilities 2021
Loss carry-forwards	8,430	7,893	0	0
Property, plant and equipment	7,411	3,890	–29,813	–48,175
Right-of-use assets, net	0	0	–127,189	–148,843
Other intangible assets	1,143	1,240	–64,380	–68,086
Accounts receivable: Subscribers, distributors and other	12,350	11,863	–24	–24
Contract cost	0	0	–6,600	–6,935
Lease liabilities	130,600	151,305	0	0
Provisions, long-term	34,129	52,940	0	0
Employee benefit obligations	17,651	31,208	0	0
Accrued liabilities and accounts payable	12,755	14,813	–55	–49
Other	5,676	5,081	–4,609	–5,023
Total	**230,144**	280,233	**–232,670**	–277,135
Set off	–188,226	–252,575	188,226	252,575
Deferred tax assets/liabilities	**41,919**	27,657	**–44,444**	–24,560
Net deferred tax assets/liabilities	**–2,526**	3,097		

In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of sufficient future taxable income during the periods in which these temporary differences become deductible. These are based on business plans with a detailed planning period of five years. The Management Board considers the scheduled release of deferred tax liabilities and projected future taxable income when making this assessment.

In Austria, A1 Group established a tax group according to Section 9 of the Austrian Corporate Tax Act (KStG), with Telekom Austria AG as the head of the tax group. The head of the tax group and its members have agreed on tax compensation. Positive taxable results are subject to a tax rate of 23%. Negative taxable results are not reimbursed but netted with future positive results of the tax group members. Deferred tax assets and liabilities for the members of the tax group (currently all significant Austrian subsidiaries) are reported on a net basis since the tax group is treated as one taxable entity.

The loss carry-forwards relate mostly to Austrian companies. In Austria, the annual usage of loss carry-forwards, which can be carried forward indefinitely, is generally limited to 75% of the respective taxable income.

Deferred tax liabilities on property, plant and equipment are mostly due to differences in the carrying amounts of retirement obligations for assets as well as to interest capitalized, which may not be recognized for tax purposes (see Notes (7), (15) and (23)).

Right-of-use assets and lease liabilities according to IFRS 16 may not be recognized for tax purposes in some countries, resulting in deferred tax assets or liabilities.

Deferred tax liabilities on other intangible assets are mainly due to the recognition of assets according to IFRS 3 in the course of business combinations.

Contract costs may not be recognized for tax purposes in some countries, resulting in deferred tax liabilities.

Deferred tax assets on long-term provisions relate mostly to the provision for the asset retirement obligation, which may only be partly recognized for tax purposes, as well as to differences in the IFRS and tax value of the restructuring provision in Austria (see Note (23)).

Deferred tax assets on employee benefit obligations result from the difference between the amount recognized in accordance with Section 14 of the Austrian Income Tax Act (EStG) and the amount of the projected unit credit method in accordance with IAS 19 (see Note (27)).

The following deferred tax assets were not recognized as the realization in the near future is not probable according to tax planning.

in TEUR, at December 31	2022	2021
Net operating loss carry-forwards	355,397	383,471

The deferred tax assets not recognized relate essentially to Austrian investment companies and are due to tax impairments of investments in subsidiaries. As these investment companies do not generate operating results, no future taxable income is expected and thus a realization of the deferred tax assets in the detailed planning period and thereafter is unlikely, although the loss carry-forwards can be carried forward indefinitely.

At December 31, 2022, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 74,252 (2021: TEUR 68,928), since it is unlikely that these temporary differences will be reversed in the foreseeable future.

(30) Leases

Lessee

A1 Group essentially leases telecommunication sites for fixed-line and mobile telephony as well as other infrastructure and buildings.

According to IFRS 16, a lessee recognizes a right-of-use asset and a lease liability upon lease commencement.

The lease term is generally equal to the non-cancellable term of the contract. In addition, options to extend or terminate a contract are taken into account. For lease contracts containing options to extend or terminate a lease, A1 Group assesses at lease commencement date whether it is reasonably certain to exercise the options. A1 Group reassesses whether it is reasonably certain to exercise the option to extend or terminate the lease if there is a significant event or significant changes in circumstances within its control.

For cancellable contracts with an indefinite term, A1 Group determined a contract term of seven years which takes into account the planning period, technology, business strategy as well as probabilities. Within this period options to extend lease contracts are considered as exercised respectively options to terminate lease contracts are considered as not exercised. Apart from this A1 Group has no other lease contracts with significant options in its portfolio. For certain leases related to fixed infrastructure in Austria, 15 years was determined as the appropriate lease term.

Some lease contracts are subject to restrictions, as the approval of the lessor is needed to sublease the leased asset or to extend an existing lease asset. However, this has no impact on current business operations.

The following table provides a roll-forward of the right-of-use assets ("RoU") recognized, broken down into the respective asset classes:

in TEUR	RoU Land & buildings	RoU Telecommuni-cation sites	RoU Other facilities	RoU Leased lines	Total
Cost					
At January 1, 2021	407,035	553,795	32,793	160,478	1,154,101
Additions	35,432	42,038	10,986	13,555	102,012
Disposals	-27,084	-19,999	-2,574	-7,280	-56,937
Translation adjustment	935	3,626	175	170	4,906
At December 31, 2021	416,318	579,460	41,380	166,924	1,204,082
Additions	41,544	59,575	12,166	15,054	128,340
Disposals	-24,409	-30,394	-5,150	-7,359	-67,312
Translation adjustment	-51	-499	25	9	-516
Changes in reporting entities	15	0	255	0	270
At December 31, 2022	**433,418**	**608,142**	**48,677**	**174,628**	**1,264,864**
Accumulated amortization and impairment					
At January 1, 2021	-88,402	-155,414	-14,107	-43,100	-301,023
Additions	-45,735	-81,936	-8,958	-26,552	-163,181
Disposals	14,127	5,737	2,107	2,379	24,350
Translation adjustment	-432	-1,380	-91	-16	-1,919
At December 31, 2021	-120,442	-232,992	-21,050	-67,290	-441,773
Additions	-46,335	-84,434	-11,246	-26,297	-168,313
Disposals	6,738	9,753	4,639	1,555	22,684
Translation adjustment	102	400	-27	-3	473
At December 31, 2022	**-159,937**	**-307,273**	**-27,684**	**-92,035**	**-586,929**
Carrying amount at					
December 31, 2022	273,481	300,869	20,992	82,593	677,935
December 31, 2021	295,877	346,467	20,330	99,634	762,309

Other facilities contain mainly vehicles.

In addition to new contracts, additions to right-of-use assets contain modifications and renewals of contracts as well as index adjustments.

Total cash outflow for leases is disclosed in the following table (for the development of lease liabilities, see Note (32)).

in TEUR	2022	2021
Lease principal paid	158,949	154,826
Lease interest paid	11,845	12,205
Prepaid right-of-use assets	11,412	4,448
Operating lease expense	4,270	4,118
Total cash outflow for leases	**186,477**	175,597

The following table provides a maturity analysis of lease liabilities:

in TEUR at December 31	2022	2021
2022	n.a.*	166,602
2023	171,822	153,935
2024	150,059	135,171
2025	134,961	122,900
2026	64,144	54,290
2027	53,600	n.a.*
Thereafter	**170,639**	170,642
Total minimum lease payments	**745,224**	803,539
Less amount representing interest	-64,315	-36,441
Present value of lease payments	**680,909**	767,098
thereof short-term portion	159,272	161,037
thereof long-term portion	521,637	606,061

*Not applicable for the respective reporting period

A1 Group elected to apply the recognition exemptions for low-value assets and short-term leases for certain lease assets that are insignificant for its business operations. The recognition exemptions were not applied to base stations, technical sites and facilities as well as buildings and vehicles. Non-lease components in contracts such as electricity, maintenance, etc. are excluded from the right-of-use calculation. The following table discloses the expenses recognized for:

in TEUR	2022	2021
Short-term leases	1,142	1,244
Leases of low-value assets	42	29
Variable lease payments	3,086	2,845

Interest recognized is disclosed in Note (7).
COVID-19-related rent concessions are netted with variable lease payments.

COVID-19-related rent concessions

In the period from January 1, 2020 to June 30, 2022, the amendment to IFRS 16 "COVID-19-Related Rent Concessions" was applied to all rent concessions that meet these requirements. Lessees were exempted from assessing whether a COVID-19-related rent concession was a lease modification. Reductions in lease payments (such as forgiveness of payments) were reported as negative variable lease payments in the statement of comprehensive income in the period in which the event occurred and the lease liability was reduced correspondingly. Deferred lease payments affected only the timing of the individual payments. In 2022, operating lease expense was reduced due to COVID-19-related rent concessions by TEUR 90 (2021: TEUR 483) and related mainly to sites.

Lessor

Lessors shall classify each lease as an operating lease or a finance lease:

Operating leases

If substantially all the risks and rewards incidental to ownership are not attributable to the lessee, the leased asset is recognized by A1 Group. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. At December 31, 2022, the carrying amount of assets held exclusively under finance lease amounts to TEUR 48,077 (2021: TEUR 26,311). Furthermore, lease revenues are generated by renting out parts of buildings and telecommunication sites, e.g. mobile sites. The share in these leased items of property, plant and equipment is not reported separately. Thus their carrying amount is not included in the amounts disclosed above (see Note (15)).

Payments under operating leases are recognized as revenue on a straight-line basis over the terms of the contracts. Future lease payments amount to:

in TEUR at December 31	2022	2021
2022	n.a.*	25,444
2023	28,934	18,419
2024	20,597	15,627
2025	16,643	13,887
2026	13,654	7,175
2027	7,499	n.a.*
Thereafter	20,663	21,548
Total minimum lease payments	107,991	102,100

*not applicable for the respective reporting period

Finance leases

Since 2019, the lease of private automatic branch exchange equipment (PABX) is classified as finance lease. The following table sets forth a maturity analysis of the future lease payments as well as the recognized loss allowances on finance lease receivables (see Notes (13) and (20)):

in TEUR at December 31	2022	2021
2022	n.a.*	1,771
2023	1,485	1,288
2024	1,027	828
2025	547	363
2026	256	99
2027	91	n.a.*
Thereafter	44	32
Total minimum lease payments	**3,450**	**4,380**
Less amount representing interest	-256	-284
Present value of finance lease receivables	**3,194**	**4,096**
thereof short-term portion	1,362	1,636
thereof long-term portion	1,831	2,460
Loss allowances	90	90

*not applicable for the respective reporting period

Finance lease revenues are reported in equipment revenues (see Note (5)). Interest income on finance lease, which is recognized in the financial result, is disclosed in Note (7).

(31) Share-based compensation

Long-term incentive (LTI) program

A1 Group introduced a long-term incentive program (LTI) in 2010. In accordance with IFRS 2, share-based payments are measured at fair value at the grant date and at every balance sheet date. The expense is recognized over the vesting period. Due to the Supervisory Board's decision to settle bonus shares granted in the course of the long-term incentive program in cash (subsequently called fictitious bonus shares), the share-based payments are recorded as a liability.

The members of the Management Board of Telekom Austria AG (see Note (36)) are the participants of this program. They are required to invest an amount depending on the annual gross basic salaries in Telekom Austria shares and to hold these shares until the end of the holding period (at least three years). For each tranche, the number of fictitious bonus shares granted is calculated based on the average Telekom Austria stock price for a defined period. The performance period for meeting the performance targets was determined to be three years. The target values for these key indicators were determined by the Supervisory Board. At the vesting date (at the earliest three years after the grant date), fictitious bonus shares will be allocated to the participants and will be settled in cash. The right cannot be transferred. If the targets are fully met, fictitious bonus shares equal to the double personal investment will be allocated to the participants. If the targets are exceeded, proportionally additional fictitious bonus shares will be allocated up to a maximum of 350% of the personal investment in shares on a pro rata basis. This maximum amount of fictitious bonus shares is allocated if the targets are overachieved by 175% or more. In case of a significant underperformance, no bonus shares will be allocated.

For the 13th tranche (LTI 2022) the operating return on invested capital ("operating ROIC", weighted with 34%), the revenue market share of A1 Group (weighted with 33%) and two Environmental, Social & Corporate Governance goals ("ESG", increase of energy efficiency until 2024, weighted with 20%, and increase in the training hours per employee, weighed with 13%) were defined as key performance indicators. For the twelfth tranche (LTI 2021) and the eleventh tranche (LTI 2020) the operating return on invested capital ("operating ROIC", weighted with 34%), the revenue market share of A1 Group (weighted with 33%) and sustainable financing (long-term financing in the years 2021 to 2023 and 2020 to 2022, respectively, under a green bond or sustainable finance certificate, weighted with 33%) were defined as key performance indicators.

The following table summarizes the significant terms and conditions for each tranche not yet settled:

	LTI 2022	LTI 2021	LTI 2020
Grant date	June 1, 2022	June 1, 2021	August 1, 2020
Start of the program	January 1, 2022	January 1, 2021	January 1, 2020
End of vesting period	December 31, 2024	December 31, 2023	December 31, 2022
Vesting date	June 1, 2025	June 1, 2024	August 1, 2023
Personal investment at grant date	70,342	81,387	75,770
Personal investment at reporting date	70,342	81,387	75,770
Expected performance	110.00%	118.50%	102.70%
Expected bonus shares	154,750	192,887	155,630
Maximum bonus shares*	246,194	284,855	265,192
Fair value of program in TEUR	859	1,094	900

* Taking into account the allocation of fictitious bonus shares equal to the double personal investment.

For the tenth tranche (LTI 2019) and the ninth tranche (LTI 2018) return on invested capital (ROIC) and the revenue market share of A1 Group (weighted with 50% each) were defined as key performance indicators. The following table summarizes the significant terms and conditions for each tranche settled in cash:

	LTI 2019	LTI 2018
Grant date	August 1, 2019	September 1, 2018
Start of the program	January 1, 2019	January 1, 2018
End of vesting period	December 31, 2021	December 31, 2020
Vesting date	August 1, 2022	September 1, 2021
Personal investment at grant date	77,618	58,719
Personal investment at the end of the vesting period	77,618	58,719
Actual performance	112.80%	62.50%
Allocated bonus shares per share of personal investment	2.26	1.25
Allocated bonus shares	175,106	73,399
Average stock price at end of vesting period in euro	7.62	6.05
Share-based compensation in TEUR	1,334	444

As of the reporting date, a liability measured at fair value for the portion of the expected future expense of the LTI program that has already vested, has been recognized. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for modelling the share price. Expected dividends were also included in the calculation of the share price. The liability is recognized over the vesting period (see Notes (22) and 0). The following personnel expense is recognized in the Consolidated Statement of Comprehensive Income:

in TEUR	2022	2021
Personnel expense LTI	935	1,176

(32) Cash flow statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2022 and 2021 result mainly from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2022 and 2021 and recognized in the financial result (see Note (7)) had already been settled in cash as of December 31 and are reported in cash flow from operating activities. Dividends paid in 2022 and 2021 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2022, cash and cash equivalents of TEUR 104 were acquired in the course of business combinations (2021: TEUR 0) (see Note (34)).

The following table provides a reconciliation of capital expenditures paid to total capital expenditures:

in TEUR	2022	2021
Capital expenditures paid	**895,923**	853,254
Reconciliation of additions in accounts payable	45,924	56,670
Reconciliation of government grants	14,012	-14,011
Reconciliation of right-of-use assets paid	-11,412	-4,448
Total capital expenditures	**944,446**	891,465

For the definition of capital expenditures, see Note (1). At December 31, 2022, TEUR 192,152 (2021: TEUR 135,871) of the additions to intangible assets and property, plant and equipment in the current year have not yet been paid (see Notes (15) and (16)).

In accordance with IAS 7.43, the reconciliation of additions to accounts payable includes the adjustment of capital expenditures of the current period not yet paid as well as capital expenditures of prior periods paid in the current period. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures as well as grants of prior periods paid in the current period (see Notes (13) and (15)). The reconciliation of right-of-use assets paid contains prepayments and other direct costs, which are paid up to the commencement date of the lease and are reported in the cash flow from investing activities.

The following tables show the development of the total liabilities from financing activities (see Notes (21), (25) and (30)):

				Non-cash changes			
		Cash flow	Foreign exchange differences	Accretion expense	Lease*	Additions	
in TEUR	December 31, 2022						December 31, 2021
Debt	1,868,740	-730,592	0	0	0	0	2,599,332
Lease liabilities	680,909	-170,795	-555	13,067	71,818	275	767,098
Deferred consideration from business combinations	12,134	-1,313	1	0	0	6,297	7,149
Total liabilities from financing activities	**2,561,783**	**-902,700**	**-554**	**13,067**	**71,818**	**6,573**	**3,373,578**

in TEUR	December 31, 2021						December 31, 2020
Debt	2,599,332	56,568	0	0	0	0	2,542,764
Lease liabilities	767,098	-167,032	2,910	12,022	64,265	0	854,933
Deferred consideration from business combinations	7,149	0	57	39	0	0	7,053
Total liabilities from financing activities	3,373,578	-110,463	2,967	12,061	64,265	0	3,404,750

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts.
The cash flow from lease liabilities includes lease principal paid and interest, the latter being reported in the line item "interest paid".

Additions to lease liabilities and to deferred consideration from business combinations relate to the acquisition of the Bulgarian company Stemo in 2022 (see Note (34)).

(33) Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are classified at initial recognition.

Financial assets and financial liabilities are recognized when A1 Group becomes a party to a financial instrument. A1 Group uses the settlement date for recording regular purchases and sales of financial assets. Financial assets and financial liabilities are initially recognized at the fair value of the consideration paid or received. Transaction costs are included in the initial measurement, except for financial instruments, which are recognized at their fair value through profit or loss.

Financial assets include in particular cash and cash equivalents, investments, accounts receivable: subscribers, distributors and other, net as well as other receivables and receivables due from related parties, which are measured at the lower of cost or net realizable value. The contractual cash flows of non-derivative financial instruments consist mainly of principal and interest. Furthermore, financial assets include financial instruments that are measured at fair value (see Note (19)).

Financial liabilities include, in particular, accounts payable trade, issued bonds, other financial liabilities and payables due to related parties and are recognized initially in the amount corresponding to the financial inflow. Differences between the amount received and the amount to be repaid are recognized over the term of the liability in the financial result (amortized cost) using the effective interest rate method. For financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial liability is derecognized.

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position only when A1 Group has a contractual right to offset the recognized amounts and intends to settle on a net basis.

Fair value and fair value hierarchy of financial instruments

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy is to be applied. Level 1 contains financial assets and liabilities based on quoted prices in active markets for identical assets or liabilities. Financial assets and liabilities are allocated to level 2 if the input factors on which their fair value is based are observable, either directly or indirectly. Financial assets and liabilities are allocated to hierarchy level 3 if the fair value is not determined exclusively from observable input factors. When determining the fair value, the credit risk is taken into account as well.

The following tables show the classification as well as the carrying amounts and fair values of financial assets and financial liabilities (debt) including information on their hierarchy level. Fair values are not disclosed if the carrying amount is a reasonable approximation of the fair value:

Financial assets

in TEUR, at December 31	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Cash and cash equivalents	149,816	n.a.	534,443	n.a.
Accounts receivable: Subscribers, distributors and other	839,627	n.a.	782,355	n.a.
Receivables due from related parties	1,092	n.a.	4,086	n.a.
Other current financial assets	9,647	n.a.	10,496	n.a.
Other non-current financial assets	4,731	n.a.	8,983	n.a.
Investments at amortized cost	193,748	184,502	164,444	164,262
Financial assets at amortized cost	**1,198,661**	**n.a.**	**1,504,806**	**n.a.**
Equity instruments at fair value through profit or loss*	2,691	2,691	3,914	3,914
Debt instruments at fair value through other comprehensive income*	38,515	38,515	30,363	30,363
Debt instruments at fair value through profit or loss*	31,275	31,275	30,145	30,145
Financial assets at fair value	**72,480**	**72,480**	**64,422**	**64,422**

n.a. - not applicable as the practical expedient of IFRS 7.29 (a) was applied.
*mandatory
For further information on financial investments (at amortized cost and at fair value), see Note (19).

The fair values of investments at amortized cost include:

in TEUR, at December 31	2022	2021
Quoted bonds	176,099	139,181
Fixed-term deposits	8,403	25,081
Investments at amortized cost	**184,502**	**164,262**

The fair values of the quoted bonds 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. For fixed deposits the book value approximates the fair value.

The fair value hierarchy of financial investments measured at fair value reflects the market proximity of the inputs in such fair value measurements:

in TEUR	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
December 31, 2022	72,009	472	0	72,480
December 31, 2021	63,410	1,012	0	64,422

Financial liabilities

in TEUR, at December 31	Carrying amount 2022	Fair value 2022	Carrying amount 2021	Fair value 2021
Short-term bank debt	521,658	521,781	803,510	803,873
Bonds	1,047,082	993,561	1,795,822	1,873,794
Long-term bank debt	300,000	304,827	0	0
Payables due to related parties	835	n.a.	604	n.a.
Current financial liabilities	771,543	n.a.	654,163	n.a.
Other non-current financial liabilities	39,073	36,953	42,934	42,953
Financial liabilities at amortized cost	**2,680,191**	**n.a.**	3,297,033	n.a.
Lease liabilities	**680,909**	**n.a.**	767,098	n.a.

n.a. - not applicable as the practical expedients of IFRS 7.29 (a) respectively IFRS 7.29 (d) for lease obligations were applied.
For further information on short-term financial liabilities, see Note 0.

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.

The fair values of the bank liabilities are measured at the present values of the cash flows associated with the debt, based on the applicable yield curve. The fair values of other non-current financial liabilities are measured at the present value of their cash flows based on current discount rates. Thus, these financial liabilities are classified as Level 2 of the fair value hierarchy.

Financial risk management

Overview

A1 Group is exposed to various financial risks with respect to its financial assets, liabilities and anticipated transactions, including credit risk, liquidity risk and the market risk which comprises interest rate and foreign currency exchange rate risk.

The financial risk management is centrally organized. The guideline establishing policies, responsibilities and competences is valid for both the Group Treasury and the financial departments of the subsidiaries. The existing risks are regularly monitored and, if necessary, A1 Group responds to changes in market conditions. A1 Group neither holds nor issues derivative financial instruments for trading, hedging or speculative purposes.

At the reporting dates, A1 Group did not have any significant concentration of business transacted with a particular supplier or customer or creditor which could, if suddenly eliminated, significantly impact operations. Furthermore, A1 Group does not have any concentration of risk with respect to contractors, other services, franchises or other rights which could, if suddenly eliminated, severely impact operations.

A1 Group operates in markets in the Central Eastern European (CEE) region. Operations in the CEE region involve uncertainties, including transfer, currency and tax uncertainties that may affect business activities. The accompanying Consolidated Financial Statements reflect the Management Board's risk assessment of the impact on the operations and the financial position of A1 Group. The actual development of the future business environment may differ from this assessment.

Detailed explanations on further risks to which A1 Group is exposed as well as their risk management are disclosed in the Management Report in the chapter "Risk and Opportunity Management". Furthermore, the chapters "Segment development", "Impact of the Ukraine crisis" and "Risks in connection with the conflict in Ukraine" provide information on the macroeconomic uncertainties and risks in Belarus.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from accounts receivable trade and investment activities.

Financial investments and cash and cash equivalents

A1 Group holds cash with various financial institutions with appropriate credit standings. If no external rating is available, an internal rating is performed on the basis of quantitative ratios. Financial investments are entered into only with counterparties holding investment grade ratings. Therefore, neither was an exposure to a significant credit risk identified for financial investments and cash and cash equivalents nor has the risk of default increased significantly since the initial recognition. Accordingly, the expected 12 months' credit loss is recognized in profit or loss for debt instruments at fair value through other comprehensive income as well as for investments at amortized cost, as disclosed in Note (7). A1 Group applies external credit ratings to estimate expected credit losses and to determine if the credit risk for a debt instrument has significantly increased.

The carrying amount of financial investments and cash and cash equivalents represents the maximum credit risk exposure (see Notes (9) and (19)):

in TEUR, at December 31	2022	2021
Short- and long-term investments	266,228	228,866
Cash and cash equivalents	149,816	534,443
Carrying amount	**416,044**	763,308

Accounts receivable: Subscribers, distributors, contract assets and other financial assets

A1 Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or group of customers. Within the framework of the applicable legal regulations, each potential new customer is analyzed individually for creditworthiness when placing an order. Credit risk or the risk of late payment by contractual partners is monitored via credit checks, credit limits and routine controls. Due to the large number of customers and the high level of diversification of the portfolios, the default of any single customer would not have a significant impact (low concentration risk) on the Consolidated Financial Statements. Within A1 Group, operative credit risk management functions are performed at the operating company level.

The maximum exposure to credit risk for accounts receivable: subscribers, distributors and other, net, as well as financial assets and contract assets equals their carrying amounts (see Notes (10), (13), (20) and (14)):

in TEUR, at December 31	2022	2021
Accounts receivable: Subscribers, distributors and other	839,627	782,355
Financial assets	14,378	19,478
Contract assets	97,334	103,559
Carrying amount	**951,339**	905,392

Accounts receivable from related parties are not included as they are insignificant.

As a result of the low concentration of credit risk described above, A1 Group has no insurance for its accounts receivable. However, based on the credit assessment of retail and wholesale customers, A1 Group requires bank guarantees and cash deposits (see Notes (22) and (26)).

in TEUR, at December 31	2022	2021
Cash deposits	14,007	12,432
Bank guarantees	3,295	3,218

Impairment losses of contract assets and accounts receivable: subscribers, distributors and other are measured at the expected lifetime credit loss (see Note (6)). A1 Group uses an allowance matrix to determine the lifetime expected credit losses on accounts receivable: subscribers, distributors and other as well as contract assets.

The following table shows the total gross carrying amounts ("Gross") and the average expected credit losses ("ECL") for accounts receivable: subscribers, distributors and other measured by using the allowance matrix:

in TEUR, at December 31	Gross 2022	ECL 2022	Gross 2021	ECL 2021
Unbilled & billed, not yet due	766,047	20,394	719,986	23,039
Past due 0-30 days	57,249	4,929	49,743	5,484
Past due 31-60 days	15,932	5,891	16,068	5,330
Past due 61-90 days	10,271	4,345	8,911	4,325
More than 90 days	275,259	249,571	266,688	240,864
Total	**1,124,757**	**285,130**	1,061,396	279,041

A1 Group has grouped accounts receivable according to similar default patterns based on past experience (accounts receivable: subscribers, installment sales, distributors, interconnection and roaming) and the loss rates are based on days past due. The loss allowance matrix is based on A1 Telekom Austria's historically observed default rates, which are updated annually. Due to the large number of customers and the high degree of diversification of the portfolio the default risk of individual industries in which customers operate has less of an influence on the overall credit risk. Nevertheless, since the outbreak of the COVID-19 pandemic in 2020, forward-looking information has been taken into account in determining the general loss allowance for accounts receivable not yet due from subscribers and from installment sales. In the years 2020 to 2021, A1 Group estimated a rise in insolvencies, especially once government support had expired. This assumption has not been confirmed and the valuation allowance 2022 was reduced accordingly. However, in view of the difficult macroeconomic situation (significant increase in prices for goods, services and energy and the continuing forecasted increase in private and corporate insolvencies), credit losses for the year 2022 are expected to exceed the pre-pandemic level. The total effect of these new estimates led to an income of TEUR 2,912 (see "Reversed" in the following table presenting the development of the loss allowance as well as Note (6)).

The assessment of the correlation between historically observed default rates, forecast economic conditions and expected credit losses represents a significant estimate. Customers' actual default in the future may differ from these estimates due to changes in the circumstances.

The following table shows the development of the loss allowance for accounts receivable: subscribers, distributors and other, net (see Note (10)):

in TEUR	2022	2021
At January 1	279,041	274,267
Foreign currency adjustment	-270	1,447
Reversed	-8,016	-5,846
Charged to expenses	45,930	47,063
Amounts written-off	-31,555	-37,890
At December 31	**285,130**	279,041

The maximum credit risk of accounts receivable: subscribers, distributors and other, net broken down by geographic region and the breakdown of the loss allowance was:

in TEUR, at December 31	2022	2021
Domestic	1,066,476	1,012,540
Foreign	58,281	48,856
Loss allowances	-285,130	-279,041
Accounts receivable: Subscribers, distributors and other	**839,627**	782,355
Thereof		
Specific loss allowance	6,633	3,922
General loss allowance	278,498	275,119

If there is objective evidence that A1 Group will not be able to collect all amounts due according to the original terms, a default in payment is expected and an impairment is recorded (specific loss allowance). Serious financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered to be indicators that the receivable is impaired. A financial asset is impaired if the collection of contractual cash flows cannot be reasonably expected. In 2022, income from collections of impaired receivables subject to enforcement activity amounted to TEUR 2,705 (2021: TEUR 4,698) and was recognized in other operating income (see Note (5)).

At December 31, 2022, accounts receivable: subscribers, distributors and other from A1 Group's customer with the highest turnover amount to TEUR 6,742 (2021: TEUR 6,271). Thus, there is no major concentration of risk of default respectively credit risk.

The following table shows the development of the loss allowance of contract assets (see Note (14)):

in TEUR	2022	2021
At January 1	**2,958**	2,955
Foreign currency adjustment	0	3
Reversed	–5,168	–5,315
Charged to expenses	5,053	5,315
At December 31	**2,844**	2,958

Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate of the receivables "not yet billed & billed and not yet due". Upon reclassification to receivables, the impairment of contract assets is derecognized.

Impairment losses on financial assets are based on the expected credit loss for twelve months and are disclosed in Notes (13) and (20). Loss allowances for finance lease receivables are measured at the expected credit loss and are disclosed in Note (30).

Liquidity risk

Liquidity risk is the risk that A1 Group will not be able to meet its financial obligations as they fall due. A1 Group's approach to managing liquidity is to ensure that A1 Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. A monthly rolling consolidated liquidity planning is drawn up for this purpose and serves as the basis for determining the liquidity requirement. Furthermore, there is a liquidity reserve in the form of committed credit lines.

Funding sources

A1 Group's Treasury department is responsible for the financial management and makes optimum use of potential synergies in financing the operations of A1 Group's subsidiaries. Its primary objective is to secure liquidity in a cost-effective manner by pooling the cash flows and clearing group accounts. This ensures the management of short-term investments and loans at optimal interest rates with minimal administrative effort.

Cash flow from operations is the basis for securing sufficient liquidity of A1 Group. Principal sources of external funding are bank loans and capital markets. For details of outstanding long-term debt and a description of the different types of debt as of the reporting date, see Note (25).

At December 31, 2022, A1 Group disposes of unutilized committed credit lines of TEUR 1,227,000 (2021: TEUR 1,015,000).

- Credit lines of TEUR 1,000,000 have a term until July 2026 (2021: July 2026).
- TEUR 15,000 have a maximum term until September 2023 (2021: September 2022).
- TEUR 200,000 were concluded in 2022 and have a term until October 2024.
- From a further committed credit line of TEUR 500,000, which was concluded in 2022 and has a term until March 2025, TEUR 488,000 were drawn at December 31, 2022.

Furthermore, as at December 31, 2022, A1 Group has a Commercial Paper Program with a maximum volume of TEUR 1,000,000 (2021: TEUR 1,000,000). At December 31, 2022 and 2021, no Commercial Papers were issued.

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. Foreign currency amounts were translated at the rates valid on the reporting date.

in TEUR	Contractual cash flow	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
At December 31, 2022						
Bonds	1,105,500	0	321,750	11,250	772,500	0
Bank debt	837,043	525,667	3,778	307,598	0	0
Accounts payable - trade	674,560	663,548	1,738	2,893	6,348	32
Lease obligations	745,224	101,996	69,825	150,059	252,704	170,639
Other financial liabilities	135,113	95,132	1,215	15,906	16,894	5,966
At December 31, 2021						
Bonds	1,907,250	780,000	21,750	321,750	783,750	0
Bank debt	801,113	3,510	797,602	0	0	0
Accounts payable - trade	543,323	525,857	3,321	7,781	6,364	0
Lease obligations	803,539	96,840	69,762	153,935	312,360	170,642
Other financial liabilities	125,665	83,618	1,339	14,624	16,423	9,660

It is not expected that the cash flows of the financial liabilities included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risks

Market risk is the risk of changes in market prices. A1 Group faces the risk of market price changes in interest rates and foreign exchange rates.

Interest rate risk

Financial liabilities

TEUR 300,000 of the financial liabilities recognized at December 31, 2022 have a variable interest rate (see Note (25)). A change in the interest rate of 0.5 percentage points would increase the yearly net profit by TEUR 1,500. In 2021, all of A1 Group's long-term and the majority of its short-term debt had fixed interest rates. Hence there was no significant cash flow exposure due to fluctuating interest rates and no sensitivity analysis was provided (see Notes (21) and (25)).

Financial investments

Changes in interest rates have an impact on the fair value of financial investments held. As investments at amortized cost are not measured at fair value, changes in interest rates only have an impact on the carrying value of debt instruments held at fair value through other comprehensive income or through profit or loss (see Note (19)). A change in the interest rate of 0.5 percentage points would change other comprehensive income by TEUR 360 (2021: TEUR 371) and profit by TEUR 395 (2021: EUR 392), respectively.

Hedging reserve

The hedging reserve results from the three forward-starting interest rate swap contracts (pre-hedges) entered into in 2011 with a face value of TEUR 100,000 each. The related hedging reserve is released in the Consolidated Statement of Comprehensive Income in accordance with the recognition of interest expense on the bond, which was issued on July 4, 2013, as the interest rate risk on that bond was hedged. In 2022 and 2021, the release of the hedging reserve through other comprehensive income resulted in interest expense amounting to TEUR 5,840 and a tax benefit amounting to TEUR 1,460.

Exchange rate risk

At December 31, 2022 and 2021, of all accounts receivable: subscribers, distributors and other, net as well as accounts payable trade, only the following are denominated in a currency other than the functional currency of the reporting entities (for foreign exchange rates, see Note (3)):

in TEUR, at December 31		2022			2021	
Denominated in	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors, other	11,524	2,521	10,809	8,731	4,263	8,447
Accounts payable - trade	71,125	4,783	8,959	71,167	4,089	11,088

At December 31, 2022 and 2021, a change of 10% in the exchange rate for the monetary items listed above (see Note (3)) would increase/decrease foreign exchange rate differences as follows:

in TEUR	2022	2021
Croatian kuna (HRK) *	0	2,298
Serbian dinar (RSD)	1,264	1,241
Belarusian ruble (BYN)	268	412

*Due to the introduction of the euro in Croatia on January 1, 2023, there is no exchange rate risk at December 31, 2022 (see Notes (3) and (38)).

No sensitivity analysis was performed for other accounts receivable or for accounts payable denominated in foreign currencies, as there is no significant risk.

(34) Companies and business combinations

Name and company domicile	Share in capital at December 31, 2022 in %	Method of consolidation*	Share in capital at December 31, 2021 in %	Method of consolidation*
Segment Austria				
A1 Telekom Austria Aktiengesellschaft, Vienna	100.00	FC	100.00	FC
Telekom Austria Personalmanagement GmbH, Vienna	100.00	FC	100.00	FC
A1now TV GmbH in Liqu, Vienna	100.00	FC	100.00	FC
CableRunner GmbH, Vienna	76.00	FC	76.00	FC
CableRunner Austria GmbH & Co. KG, Vienna	76.00	FC	76.00	FC
World-Direct eBusiness solutions Gesellschaft m.b.H., Vienna	100.00	FC	100.00	FC
paybox Bank AG, Vienna	100.00	FC	100.00	FC
paybox Service GmbH, Vienna	100.00	FC	100.00	FC
wedify GmbH, Vienna	100.00	FC	100.00	FC
mk Logistik GmbH, Vienna	100.00	FC	100.00	FC
A1 Towers Austria GmbH, Vienna	100.00	FC	100.00	FC
A1 Open Fiber GmbH, Vienna	100.00	FC	-	-
Canal+ Austria GmbH, Vienna	49.00	EQ	49.00	EQ
JetStream Hungary Kft., Budapest	100.00	FC	100.00	FC
JetStream Slovakia s.r.o., Bratislava	100.00	FC	100.00	FC
JetStream RO s.r.l., Bucharest	100.00	FC	100.00	FC
JetStream TR Telekomünikasyon Hizmetleri Ve Ticaret Limited Sirketi, Istanbul	100.00	FC	100.00	FC
JetStream Switzerland GmbH, Zurich	100.00	FC	100.00	FC
JetStream Poland Spolka Z Ograniczona Odpowiedzialnoscia, Warsaw	100.00	FC	100.00	FC
JetStream Germany GmbH, Frankfurt on the Main	100.00	FC	100.00	FC
JetStream Italy S.r.l., Milan	100.00	FC	100.00	FC
TA CZ sítě s.r.o., Prague	100.00	FC	100.00	FC
JetStream BH d.o.o. drustvo za telekomunikacije, Sarajevo	100.00	FC	100.00	FC
JetStream England Limited, London	100.00	FC	100.00	FC

Segment Bulgaria				
A1 Bulgaria EAD, Sofia	100.00	FC	100.00	FC
Cabletel-Prima AD, Nessebar	51.00	FC	51.00	FC
Aprimis, Sofia	100.00	FC	100.00	FC
A1 Towers Bulgaria EOOD, Sofia	100.00	FC	100.00	FC
STEMO EOD, Gabrovo	100.00	FC	-	-
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC
A1 Towers d.o.o., Zagreb	100.00	FC	100.00	FC
Segment Belarus				
Unitary enterprise A1 , Minsk	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Unitary enterprise Solar Invest, Brahin	100.00	FC	100.00	FC
A1 ICT services, Minsk	100.00	FC	100.00	FC
Segment North Macedonia				
A1 Makedonija DOOEL, Skopje	100.00	FC	100.00	FC
Telemedia DOOEL, Skopje	100.00	FC	100.00	FC
A1 TOWERS DOOEL Skopje, Skopje	100.00	FC	100.00	FC
LEANWORX DOOEL, Skopje	100.00	FC	100.00	FC
Segment Serbia				
A1 Srbija d.o.o., Belgrade	100.00	FC	100.00	FC
A1 TOWERS INFRASTRUCTURE d.o.o., Belgrade	100.00	FC	100.00	FC
Segment Slovenia				
A1 Slovenija d.d., Ljubljana	100.00	FC	100.00	FC
Telekomunikacijski sistem Radvanje Pekre Limuš d.d., Maribor	-	ME	90.46	FC
STUDIO PROTEUS, d.o.o., Postojna	100.00	FC	100.00	FC
A1 Towers d.o.o., Ljubljana	100.00	FC	-	-
Corporate & Other				
Telekom Finanzmanagement GmbH, Vienna	100.00	FC	100.00	FC
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100.00	FC	-	-
mobilkom Mazedonien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
Kroatien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
SB Telecom Ltd., Limassol	100.00	FC	100.00	FC
A1 Digital International GmbH, Vienna	100.00	FC	100.00	FC
A1 Digital Deutschland GmbH, Munich	100.00	FC	100.00	FC
Akenes S.A., Lausanne	100.00	FC	88.83	FC
A1 Towers Holding GmbH, Vienna	100.00	FC	100.00	FC
A1 Towers Bulgaria Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Croatia Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Macedonia Holding GmbH, Vienna	100.00	FC	-	-
A1 Towers Serbia Holding GmbH, Vienna (2021: mobilkom CEE Beteiligungsverwaltung GmbH)	100.00	FC	100.00	FC
A1 Towers Slovenia Holding GmbH	100.00	FC	-	-
Invenium Data Insights GmbH, Graz	51.00	FC	51.00	FC

* FC – full consolidation, EQ – equity method, ME – merged, LIQ – liquidation
All affiliated companies have December 31 as their reporting date.

According to IFRS 3, business combinations are accounted for using the acquisition method at the acquisition date, which is the date when the acquirer obtains control over the acquiree. Goodwill is measured as the difference between the aggregate of the fair value of the consideration transferred as of the acquisition date, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree less the fair value of the identifiable assets acquired and the liabilities assumed. Non-controlling interests are not measured at fair value but at their share of the fair value of identified net assets of the acquiree. In accordance with IFRS 3.45, goodwill may be adjusted for subsequent changes in the estimated purchase price. If the fair value of the net assets acquired exceeds the consideration transferred, the gain resulting from a bargain purchase is immediately recognized in other operating income in profit or loss. Transaction costs are expensed as incurred. In case of an acquisition achieved in stages, the previously held interest is restated at fair value and any resulting difference is recognized in profit or loss. All transactions with non-controlling interest holders are recognized directly in stockholder's equity. No non-controlling interests are recognized for acquisitions where a put option is granted to the remaining non-controlling shareholders, as A1 Group applies the anticipated acquisition method. In the course of the allocation of the consideration transferred, fair values of assets and liabilities acquired are determined based on state-of-the-art discounted cash flow methods. The input factors used are categorized as Level 3 of the fair value hierarchy defined by IFRS 13.

Stemo

On August 15, 2022, A1 Group acquired 100% of STEMO EOD, Gabrovo ("Stemo") via its Bulgarian subsidiary A1 Bulgaria to further expand its ICT business. Stemo is a well-established Bulgarian ICT company selling integrated hardware solutions, producing and implementing information systems and software solutions and providing a full set of managed services.

The fair values of assets acquired and liabilities assumed on the acquisition date are disclosed in the following table:

Acquisition of Stemo in TEUR	Fair values on acquisition date
Property, plant and equipment	1,190
Intangible assets	8,284
Right-of-use assets	270
Other assets and receivables	1,742
Inventories	1,778
Cash and cash equivalents	104
Lease liabilities	-275
Deferred tax liabilities	-666
Accounts payable	-1,287
Contract liabilities	-1,450
Employee benefits	-587
Other liabilities	-1,380
Net assets acquired	**7,724**
Goodwill	13,938
Consideration transferred	**21,662**
Purchase price not yet paid	-6,297
Cash and cash equivalents acquired	-104
Net cash outflow	**15,261**

The tangible and intangible assets acquired are disclosed in the Notes (15) and (16) in "Changes in reporting entities". The factors contributing to goodwill are earnings expectations based on the future growth in the ICT business and synergies especially in SAP integration and digital projects.

The deferred consideration is conditional on Stemo being able to achieve the set targets as well as to preserve the workforce and customer base. The amount recognized at acquisition corresponds to the discounted value of the expected payment.

Since the acquisition date, Stemo has contributed revenues of TEUR 16,537 and a profit of TEUR 592. Acquisition-related costs, which are reported in the line item "selling, general & administrative expenses", amount to TEUR 127. Since the effect of the acquired entity on the Consolidated Financial Statements is not considered significant, no pro-forma information is presented. Stemo is reported in the segment Bulgaria.

Tower companies

In 2020, A1 Group began to develop scenarios in which the potential of its mobile communications sites can be better exploited through a targeted management focus on internal efficiencies and higher occupancy rates. In 2022 and 2021, the so-called "tower companies" respectively "tower holding companies" were founded in this context in some segments.

Parts of the passive infrastructure of the radio towers of the operative companies ("A1 companies") were transferred into the tower companies. This passive infrastructure of the radio towers comprises components that are not directly attributable to the mobile network, such as foundations and metal structures, containers, air-condition units, power supply and other support systems. In the segments Bulgaria and Croatia, the corresponding radio towers and the related provisions for asset retirement obligations as well as the right-of-use assets and lease liabilities were already transferred to the tower companies in 2021. In the segments Slovenia, Serbia and North Macedonia, the transfer was effected in 2022.

In all five segments, new lease contracts were concluded between the tower companies and the A1 companies and in accordance with IFRS 16, related right-of-use assets and lease liabilities were recognized in the A1 companies. As all other intercompany transactions, these are eliminated in consolidation and do not have an impact on the segment or group result.

(35) Contingent assets and liabilities

In the normal course of business, Telekom Austria AG and its subsidiaries are subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to network access. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty. Consequently, the Management Board is unable to ascertain the ultimate aggregate amount of the monetary liability or the impact on the financial position of A1 Group with respect to these matters at December 31, 2022. These matters could affect the results or cash flows of any quarter when resolved in future periods. However, the Management Board believes that, after final settlement, any monetary liability or financial impact on A1 Group, beyond such provided for at year-end, would not be material to its Consolidated Financial Statements.

In the course of a tax audit in Austria the provision related to the reference date for salary increments of Austrian civil servants was not accepted for tax purposes for the financial year 2015. A1 Group filed an appeal against the assessment which could result in an additional tax payment of TEUR 11,600. As the Austrian law regarding the reference date was repeatedly repealed later on by the European Court of Justice (see also Note (23)), A1 Group expects with a high degree of probability that the appeal will be successful. Thus, no tax liability was recognized.

In Serbia, a lawsuit regarding copyright infringement is pending. A1 Group filed a statement of defense in response to the lawsuit. In case the lawsuit is decided in favor of the plaintiff, A1 Group expects a maximum payment of TEUR 7,600. As A1 Group expects with a high degree of probability that the case will be dismissed, no provision was recognized.

Following a class action lawsuit against market leader Telekom Slovenije, an association of small shareholders is now also suing the Slovenian subsidiary of mobilkom CEE Beteiligungsverwaltung GmbH, A1 Slovenija (see Note (34)), for allegedly unjustified unilateral price increases for contract customers. Both lawsuits have so far only been announced via the media, but have not yet been delivered. The lawsuit against A1 Slovenija is said to amount to EUR 52.3 million. The plaintiff's chances of success are currently considered unlikely.

In its tax assessment the Austrian Tax Authority did not accept the treatment of value-added tax on expired prepaid telephone card credit respectively the change in the place of performance with regard to value-added tax on certain telecommunication services in A1 Group for the years 2010 to 2016. A1 Group filed an appeal against the Tax Authority's assessment at the Federal Finance Court and will file an appeal at the European Court of Justice if necessary. The possible subsequent payment of taxes relating to both circumstances would amount to TEUR 8,200 for the years 2010 to 2022. As A1 Group expects with a high probability that the appeal will be granted, no tax liability was recognized.

(36) Remuneration paid to the Management Board and Supervisory Board

At December 31, 2022 and 2021, the Management Board of Telekom Austria AG consists of three members: Thomas Arnoldner as Chief Executive Officer (CEO) took office on September 1, 2018. Alejandro Plater as Chief Operating Officer (COO) has been a member of the Management Board since March 6, 2015 and Siegfried Mayrhofer as Chief Financial Officer (CFO) since June 1, 2014.

The following table summarizes the remuneration of members of the Management Board and Supervisory Board:

in TEUR	2022	2021
Base salary (incl. remuneration in kind)	1,680	1,682
Variable yearly remuneration (Short Term Incentive - "STI")	2,428	2,131
Multi-year share-based remuneration (Long Term Incentive Program)*	1,334	444
Total	5,442	4,256
Compensation Supervisory Board	365	376

* In 2022, the remuneration relates to the payment of the tranche for LTI 2019 (2021: LTI 2018), see Note (31).

(37) Employees

The average number of employees during the year 2022 was 17,860 (2021: 17,944). At December 31, 2022, A1 Group employed 17,906 (2021: 17,856) employees (full-time equivalents).

(38) Subsequent events

On January 1, 2023, the euro was introduced in Croatia and thus replaces the Croatian kuna as the functional currency of the Croatian subsidiaries. The exchange rate for one euro was set at 7.53450 Croatian kuna. The translation reserve recognized in equity until December 31, 2022 remains unchanged.

Short-term bank debt of TEUR 521,648 was redeemed according to plan (see Note (21)). TEUR 507,000 was refinanced at an average fixed rate of 2.09%.

(39) Release for publication

On February 3, 2023, the Management Board of Telekom Austria AG approved the Consolidated Financial Statements for submission to the Supervisory Board. The Supervisory Board will review the Consolidated Financial Statements and report its decision on approval.

Vienna, February 3, 2023

CEO Thomas Arnoldner	COO Alejandro Plater	CFO Siegfried Mayrhofer

Declaration of the Management Board

We confirm to the best of our knowledge that the consolidated financial statements prepared according to the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the management report describes the development and performance of the business and the position of the Group in a way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the management report describes the principal risks and uncertainties of the Group.

Vienna, February 3, 2023

The Management Board of Telekom Austria

Thomas Arnoldner Chief Executive Officer	Alejandro Plater Chief Operating Officer	Siegfried Mayrhofer Chief Financial Officer

Auditor’s report*

Report on the Consolidated Financial Statements

Audit opinion

We have audited the consolidated financial statements of

Telekom Austria Aktiengesellschaft, Vienna,

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2022 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor’s report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. Valuation of property, plant and equipment and intangible assets, including goodwill
2. Revenues and related IT systems

* This report is a translation of the original report in German, which is solely valid.

1. Valuation of property, plant and equipment and intangible assets, including goodwill

Description

A1 Group shows significant amounts of goodwill (mEUR 1,299.9), intangible assets (mEUR 1,608.0), right of use assets (mEUR 677.9) and property, plant and equipment (mEUR 3,054.1) in its consolidated financial statements as of December 31, 2022.

Under IFRS, an entity is required to annually test the amount of goodwill and intangible assets with an indefinite life for impairment. For intangible assets with a definite life as well as property, plant and equipment, it is required to assess on each balance sheet date whether impairment indicators exist and if they exist, an impairment test is required for these assets.

A1 Group's disclosures about goodwill, intangibles assets and property, plant and equipment and related impairment testing are included in Note 4 (Estimations), Note 15 (Property, plant and equipment), Note 16 (Intangibles) and Note 17 (Goodwill) in the consolidated financial statements.

We considered the impairment testing of property, plant and equipment and intangible assets, including goodwill, as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and re-quires judgment. The impairment tests include assumptions that are affected by future market or economic conditions. We refer in particular to the developments in 2022 as a result of the Ukraine-crisis which may have significant impacts on the impairment testing. Especially the Belarusian subsidiary, which is active on a relevant market for A1 Group, can be affected by these developments.

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the design and implementation of the controls over the impairment testing process.

Furthermore, we evaluated the composition of cash generating units (CGU's) and the assets allocated to each CGU.

We compared forecasted revenues and EBITDA margins as well as capital expenditure and changes in working capital for all CGU's with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates. We took especially the current developments as a result of the Ukraine-crisis into consideration. EY valuation specialists as-sisted us in performing the audit procedures.

Furthermore, we analyzed possible risks in the context of the political development in Belarus respectively their impact on the business model and critically discussed with the group management, the local management as well as the component auditor in order to evaluate the appropriateness of the projections in the valuation model for the CGU Belarus.

We also evaluated the adequacy of disclosures made regarding impairment testing and related assumptions.

2. Revenues and related IT systems

Description

A1 Group's revenues in 2022 resulted from various revenue streams and IT systems processing millions of records per day.

A1 Group's disclosures about revenues are included in Note 5 (Revenues) in the consolidated financial statements.

Revenues and related IT systems were important for our audit as there is an industry inherent risk around the accuracy of revenues recorded given the complexity of systems and the large volume of data processed as well as the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the accounting policies relating to revenue recognition and the impact of new business models. In particular we evaluated the related accounting treatment of multiple element contracts (identification and separation of customer contracts in separate accounting units, identification of separate performance obligations, determination as well as allocation of the transaction price) in accordance with IFRS 15. In addition, we assessed the impact of custom-er loyalty programs on revenue recognition.

Furthermore, we assessed the design and operating effectiveness of the controls over the revenue processes including the revenue related IT systems (rating, billing and other support systems) and IT general controls with involvement of EY IT specialists.

We performed substantive audit procedures on revenues to corroborate the results of the design and implementation assessment of controls over revenue related processes and IT systems.

Finally, we also evaluated the adequacy of disclosures made regarding revenues.

Other information

The legal representatives are responsible for the other information. The other information comprises all information in the combined annual report, except for the consolidated financial statements, the group management report and the auditor's report.

We received the consolidated non-financial report and the consolidated Corporate Governance Report until the date of this audit opinion; the rest of the combined annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realis-tic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting on June 27, 2022. We were appointed by the Supervisory Board on December 14, 2022. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Severin Eisl, Austrian Certified Public Accountant.

Vienna, February 3, 2023

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. (FH) Severin Eisl mp
Wirtschaftsprüfer / Certified Public Accountant

ppa Mag. Marion Raninger mp
Wirtschaftsprüferin / Certified Public Accountant

Consolidated Non-Financial Report 2022

A1 Group

Consolidated Non-Financial Report 2022

Consolidated Non-Financial Report[1] of Telekom Austria Aktiengesellschaft in accordance with section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights and combating corruption and bribery

Telekom Austria AG, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with around 27 million customers in seven countries: Austria, Belarus, Bulgaria, Croatia, North Macedonia, Serbia and Slovenia. All equity investments have operated under the A1 brand since 2021. Through A1 Digital International GmbH (hereinafter referred to as A1 Digital), Telekom Austria AG offers industry-specific solutions for business clients on its core markets and in Germany and Switzerland. Information on business operations and the companies included can be found in the 2022 Group Management Report and Consolidated Financial Statements.

Information on business operations and the companies included in consolidation can be found in the 2022 Group Management Report and Consolidated Financial Statements. Sustainability aspects play a major role in the activities of Telekom Austria AG and its subsidiaries, referred to below as the A1 Group. The company is aware of its social responsibility, and attaches great importance to sustainably increasing its enterprise value while taking the relevant economic, ecological and social aspects into account. This goal is supported by the Group's commitment to the Austrian Corporate Governance Code and the application of all the requirements of the internal control system, the Code of Conduct, the compliance guidelines and Group-wide integrated sustainability management. Compliance with the principles of the UN Global Compact and respect for human rights ensure that these strategies and goals are sustainably implemented and achieved by all business units.

The Group ESG (Environmental, Social & Corporate Governance) unit is assigned directly to the CEO of the A1 Group. This unit is responsible for the sustainability agendas.

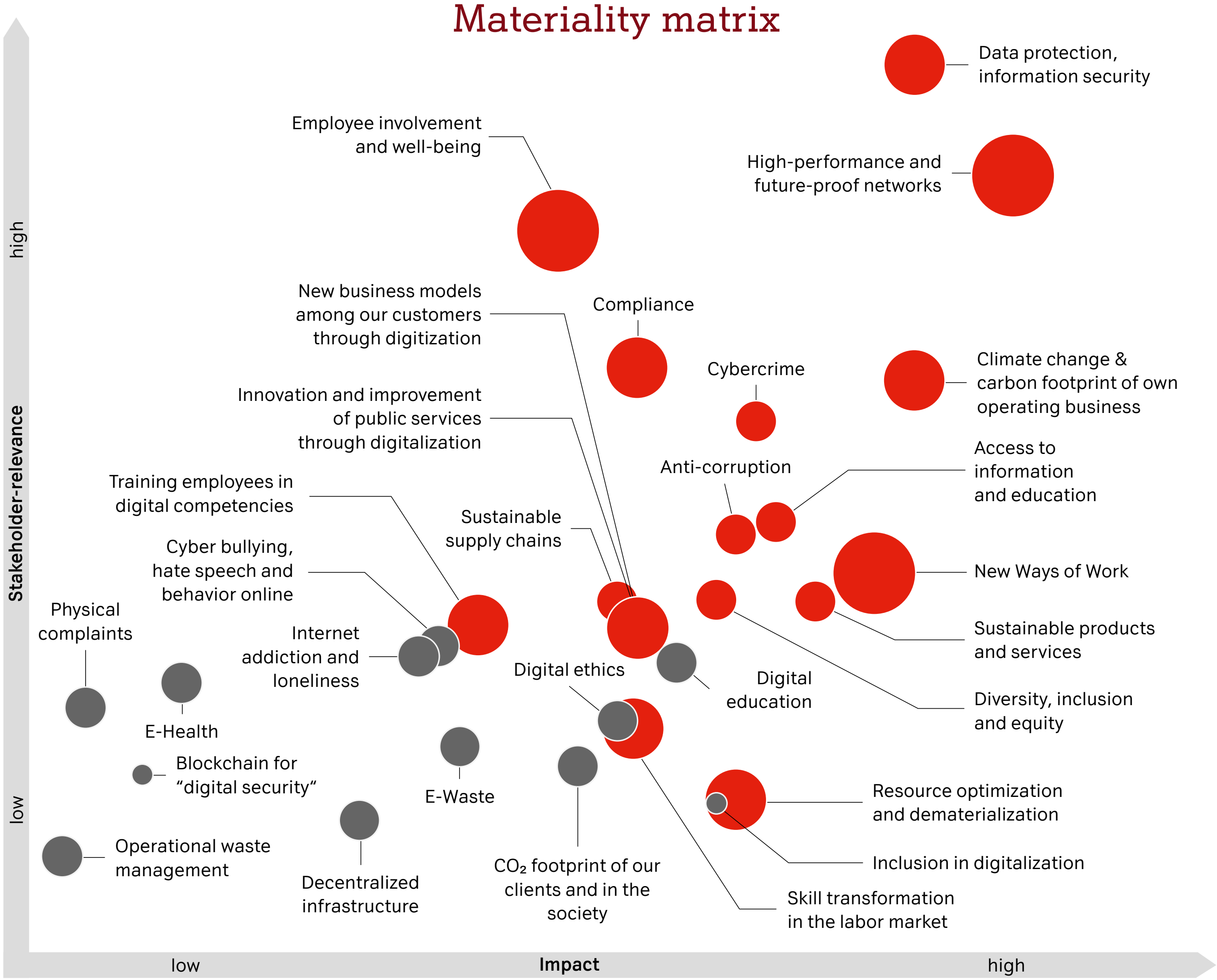
The Management Board defines the sustainability strategy in close coordination with Group ESG on the one hand and in an ongoing dialog with the Supervisory Board on the other. Group ESG defines and initiates Group-wide guidelines and policies such as the Green Electricity Policy, the Human Rights Policy, the Media Ethics Policy, the Conflict Mineral Policy, the Diversity, Equity & Inclusion Policy or the Sustainable Packaging Policy. The national companies are also closely involved. This is also illustrated by the inclusion of ESG targets in management remuneration since 2020. Steering meetings that discuss and report on the implementation of the Group-wide ESG strategy with local ESG officers are held at monthly intervals.

Rigor is ensured by close connections to corporate strategy. A materiality analysis was also conducted with the help of various interest groups to identify central sustainability issues and their material impact. The materiality analysis is performed regularly (every two to three years) – most recently in the 2022 reporting year, and in 2019 before that. The issues covered in this report were determined based on the results of this materiality analysis.

Social, legal and regulatory changes are taken into account in ESG action areas as well, such as the impact of the COVID-19 pandemic on the world of work and the service portfolio, or the legal developments in the field of data privacy and the constant evolution of the Code of Conduct.

1) The German text of the signed statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation.

Materiality matrix



The red circles represent the issues relevant to the A1 Group, which are reported on in the non-financial report. The size of the circles reflects their relevance for the company. An issue's materiality is based on its impact on the environment, society and the economy, and on how relevant it is to the A1 Group's stakeholders. Thus, the issues most important to the A1 Group are those that have the biggest impact and those that are most relevant to stakeholders. As an additional dimension, the issues were assessed with regard to their business relevance for the A1 Group. This allows an integrated perspective that takes into account the issues' sustainability context and their economic significance for the company.

1. Information on the issues derived for A1 Group from the 2022 materiality analysis

In order to identify the relevant issues, research was performed into the potential impact and risks in terms of environmental, social and employee matters. The issues were also compared against those from the materiality analysis published in 2019 and an industry analysis was performed. These issues have been analyzed, condensed and ultimately compiled into 28 relevant issues over several rounds of internal discussion. They have continuously evolved over time and, besides pre-existing issues like data protection and information security, also include new topics such as sustainable products and services. This ongoing development not only reflects the constantly changing challenges stemming from risks to the environment, social issues and employees, but also gives all internal and external stakeholders who take part in the survey the chance to express these changes in their assessments.

For the first time, an online survey was conducted in all of the Group's markets – with the exception of Belarus. This includes internal and external stakeholder groups in Austria, Bulgaria, Croatia, Slovenia, Serbia and North Macedonia. The issues were assessed by internal and external stakeholders in the online survey. A1 Group stakeholders from the fields of the media, politics and special interest groups, research, science and education, business, associations and NGOs as well as employees were invited to take part. A workshop was held with selected internal and external experts to evaluate the impact. The online survey was sent to the A1 Group's management to assess its business relevance. In total, more than 2,000 internal and external stakeholders and managers of the A1 Group took part in the online survey.

The highest rated topics were allocated to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) areas of social matters, employee matters, environmental matters, respect for human rights, combating corruption and bribery and, as an additional matter, business operations. Given the content overlap, the topics of "Cybercrime" and "Access to information and education" have been combined to form a single topic cluster that is discussed jointly under social matters. Moreover, "Training employees in digital competences" has been combined with "Skill transformation in the labor market", and can be found with the disclosures on "Diversity, inclusion and equity", as well as "New Ways of Work" and "Employee involvement and well-being" under employee matters. Within environmental matters, the issues "Resource optimization and dematerialization" and "Sustainable products and services" were also combined given their similarities, and supplemented by "Climate change and carbon footprint of own operating business". "Compliance" was likewise identified as a material issue. The A1 Group has combined it with "Anti-corruption" to form the "Combating corruption and bribery" cluster. The "Business activities" cluster, similarly formed because of overlaps, contains the key issues of "Data protection and information security", "High-performance and future-proof networks", "Sustainable supply chains", "Innovation and improvement of public services through digitalization" as well as "New business models among our customers through digitalization". These latter two issues were combined into one cluster.

Topics derived from the materiality analysis

- **Business operations matters:** Data protection and information security, High-performance and future-proof networks, New business models among our customers through digitalization & Innovation and improvement of public services through digitalization, Sustainable supply chains
- **Environmental matters**: Climate change and carbon footprint of own operating business, Resource optimization and dematerialization & Sustainable products and services
- **Social matters:** Cybercrime & access to information and education
- **Employee matters:** New Ways of Work, Training employees in digital competences & Skill transformation in the labor market, Employee involvement and well-being, Diversity, inclusion and equity
- **Respect for human rights**
- **Combating corruption and bribery:** Anti-corruption & compliance

2. Material business operations matters

Data protection and information security

Concept

Data protection

Compliance with high data protection standards is a fundamental requirement for the A1 Group and serves to safeguard customers' trust in the Group. The A1 Group strictly adheres to the current legal framework in the field of data protection and information security. Personal data are processed in accordance with the EU General Data Protection Regulation (GDPR), national data protection laws and the specific provisions of national telecommunications legislation. In the event of a breach of personal data protection, the data protection authorities are notified in line with statutory requirements and the data subjects are informed.

The data of the A1 Group's customers, employees, shareholders, suppliers and sales partners are shared with third parties only if there is a legal basis. Any requests for the transmission of data received from the courts, public prosecutors, the police or other authorities are analyzed to ensure their legality. Data are shared only in compliance with legal and regulatory requirements in response to a lawful inquiry. Data subjects will be informed of this, if appropriate, in accordance with the statutory provisions.

In addition to the statutory requirements, all subsidiaries of the A1 Group are required to comply with the information security standards created for this purpose and other country-specific guidelines on data security. All A1 Group network operators already satisfy the ISO 27001 standard, except Serbia.

The management systems are regularly evaluated. For example, ISO certification is reviewed annually. Adjustments are also made as necessary throughout the year.

The data privacy governance approved by the Management Board of the A1 Group provides for the harmonization of the obligations binding for the subsidiaries of the Group. This is based on an analysis of local data governance legislation.

The Management Board or management team of the individual subsidiaries is responsible for the processing of personal data in line with data protection requirements. At A1 Austria, the Data Privacy unit, together with the Legal department, assists management in complying with its obligations under data protection law. Moreover, data protection officers have been appointed at all subsidiaries.

In Austria, both the Management Board and employees are advised and instructed by the data protection officers of their duties in relation to data protection regulations and compliance with them. Every division must appoint a data protection coordinator to ensure the operational implementation of data protection requirements. This coordinator is the point of contact for all issues in connection with data protection and information security in the division, and reports any vulnerabilities or breaches to the Data Privacy and Security units.

Data protection and information security are key principles in the Code of Conduct of the A1 Group. The protection of privacy, and thus respecting the human rights of customers, employees, shareholders, suppliers and sales partners are guiding principles enshrined in it. The Group's contractual partners are required to comply with the principles governed by the Code of Conduct and, thus, to comply with data protection. Furthermore, in their role under data protection law as contract processors, suppliers are contractually required to fulfill the A1 Group's requirements for data protection and information security in the processing of personal data.

Data protection and information security are essential within the company as well. All employees of the A1 Group are required to preserve trade and business secrets. Such confidential information must be stored securely and can only be disclosed internally to persons who require such information for their professional work (need-to-know principle).

Information security

The network operators of the A1 Group form part of the critical infrastructure in all countries. The Group is aware of the special responsibility that this entails. The company is therefore involved in initiatives to continuously improve security beyond the extent required by law.

The network operators of the A1 Group work with the respective authorities to continuously improve cybersecurity. Relevant security information is shared through the A1 CERT (Computer Emergency Response Team), which is also a member of the national CERT association ATC (Austrian Trust Circle). Security expertise is shared within the A1 Group and at conferences domestically and abroad.

The A1 Austria's Security division has also handled the security governance for the A1 Group as a whole since 2021. Security requirements are being harmonized throughout the Group so that services, such as cloud services or new working models (working from home, remote working, agile teams, remote operation & support, etc.), can still be developed reliably and securely and can be used in live operations.

The function of Chief Security Officer (CISO) was created in the A1 Group to coordinate security policies and technologies within the A1 Group.

Key performance indicator

To raise awareness and provide training on data protection and information security, there are company-wide online training and more advanced sessions for the individual divisions and data protection coordinators. Moreover, internal communication media and events provide information on current developments. Throughout the Group, around 14,934 (2021: 9,500) e-learning modules in total were completed and 2,239 (2021: 1,900) participants registered for workshops on data protection and information security in 2022.

Implementation/results 2022

A1 Austria's data protection strategy was revised and approved by members of the local management team. On the basis of the data protection management system, the data protection maturity model was applied and targets for the roadmap through to 2025 were defined.

A key area in 2022 was the "Schrems II" task force: In the "Data Transfer to Third Countries" working group, the following documents were jointly created that are intended for Group-wide application (standard solution): the data protection questionnaire of the A1 Group, the A1 Group transfer impact assessment, external and internal contract processing agreements and letters on compliance requirements. In order to satisfy all statutory requirements relating to Schrems II and the international transfer of personal data, suppliers for which Schrems II is relevant were asked to produce a self-assessment on the basis of the data protection questionnaire of the A1 Group. The feedback was analyzed and suppliers were informed of the new standard contractual clauses in the compliance requirements letter. All relevant suppliers were identified throughout the Group and the results were made available within the operational countries. The corresponding documentation is stored in the electronic procurement tool Ivalua.

In 2022, the A1 Group therefore took further measures to safeguard the security of customer data. This year, the Group experienced a decline in distributed denial of service (DDoS) attacks that aim to deliberately overload network servers. Around 100 DDoS attacks per day are registered in A1's backbone. Investment by the A1 Group in automatic DDoS defense allows these DDoS attacks to be successfully counteracted. So that A1 business customers can successfully defend against DDoS attacks, A1 offers DDoS automatic protection in all countries of the A1 Group.

There has been a new form of malware in Austria since around May 2021, FluBot, which compromises phones in order to access its victims' personal data, identities on social platforms, contacts and online banking. The malware sends SMS messages from the compromised phone to other phones not yet affected. To prevent its spread and limit the potential harm to customers, A1 places a cyber-lockout on phone numbers that are noticed to be sending unusually high numbers of SMSs. The A1 service line also helps the customers affected to fix the problem. The FluBot network was shut down in May 2022 with the help of Europol.

In June 2022, A1 Austria took part in the pan-European exercise "Cyber Europe 2022" by the European Union Agency for Cybersecurity (ENISA), in which cyber crisis management was drilled across multiple sectors with the healthcare sector. A1 North Macedonia was certified by the national regulatory authority as a "CyberSec responsible company".

Attention was also paid to the next generation in the field of cybersecurity. Every year, vocational interns are given the opportunity to experience the challenges of running critical infrastructure in practice. Furthermore, in 2022 A1 Austria sponsored both the Austrian Cyber Security Challenge and the European Cyber Security Challenge (ECSC2022). The target of these contests is to promote young cyber talent and encourage them to pursue a career in the data protection field.

High-performance and future-proof networks

Concept

Ongoing digitalization and the continuous growth in data volumes are increasing the pressure on the A1 Group's connectivity services infrastructure to provide secure and stable connectivity everywhere and at all times. In recent years, this infrastructure had undergone a strong, rapid expansion owing to the COVID-19 pandemic. Working from home, home schooling and more agile forms of remote collaboration are continuing to amplify this trend. With its high-performance and future-proof networks, the A1 Group offers a dependable basis for increasingly digital working, learning and living environments. At the same time, the A1 Group accepts its ecological and social responsibility head-on, and is promoting a more efficient and resource-friendly operation of its infrastructure through innovative technologies.

The roll-out of 5G mobile technology continues to play a central role and also supports the ongoing digitalization of the A1 Group. 5G licenses have been issued in four countries: Austria, Bulgaria, Croatia and Slovenia. In these countries, the A1 Group is making massive progress with the expansion of 5G to provide customers with a high-performance, state-of-the-art network. Other subsidiaries are still waiting for their regulators to plot a course.

To offer its customers the highest quality, the two biggest companies, A1 Austria and A1 Bulgaria, are regularly certified according to ISO 9001. This ensures that the companies also satisfy international standards in terms of their network management system.

Key performance indicator

Capital expenditure by the A1 Group amounted to around EUR 944,4 million in fiscal 2022 (2021: EUR 891.5 million), with a focus on the expansion of 5G and fixed-line broadband services. The expansion of digital infrastructure and the ongoing development of services for A1 customers in Austria accounted for around EUR 572,4 million of this.

Implementation/results 2022

Broadband expansion in Austria

In 2022, A1 Austria focused on consolidating its 5G coverage and expanding its fiber to the premise (FTTP) connections. With its FTTP ambitions, A1 Austria is continuously building the biggest fiber network and, by the end of 2022, had reached more than 95,6% of communities and a total length of 68,977 km. The fiber network has a strong foundation and builds on the fiber aggregation network of the mobile base stations, 82% of which are already connected with fiber today. This approach thus combines mobile and fixed network requirements.

In October 2022, the Austrian regulator also decided to deregulate Austria's broadband fiber market in many respects, which led to a number of partnerships between A1 Austria and other Austrian market participants to use the fiber infrastructure together to provide VHCN (very high-capacity network) services for their respective customers. This joint use improves the business case for offering fiber-based services at new locations by increasing the average utilization of such infrastructures and thus helping to further accelerate the roll-out of fiber infrastructure in Austria. The deregulation was possible as A1 Austria and its wholesale partners were able to agree on joint guidelines for competition on the market. Three national and forty-two regional operators have already joined this agreement.

In mobile communications, around 79% of the population already has 5G coverage, the fastest mobile technology, as of the end of 2022. A1 Austria has thus assumed a leading position in the field of 5G networks. A1 Austria is still pursuing its target of providing 5G coverage for more than 95% of the entire Austrian population by the end of 2023.

Broadband expansion in CEE

A1 Bulgaria is implementing its strategy of securing a leading position for the performance of its mobile network in 2022. The measures this entail include:

- 1. Maximum usage expansion of the acquired spectrum to 3,600 MHz by a massive roll-out of 5G macro locations to expand the company's own 5G network to 1,285 5G macro locations with activated multiple-input multiple-output (MIMO) features.
- 2. Rededication of the full 2,100-MHz spectrum acquired from 3G to 4G.
- 3. Migration of voice traffic to 4G by increasing the VoLTE share to 30%.

Besides the task of providing its customers with a high-performance network, A1 Bulgaria is also committed to cutting its electricity consumption wherever possible. In this context, A1 Bulgaria has continued its energy efficiency initiatives with functions and self-optimizing network (SON) modules. This allowed a saving of 6.1 % in electricity consumption in the radio access network.

A1 Croatia began rolling out its commercial 5G network after acquiring the frequencies in 2021. 517 macro 5G locations had been implemented by the end of 2022, 304 of which with 3.7-GHz configuration. At the same time, A1 Croatia is continuing the development of its fixed-line infrastructure and focusing on modernizing it by accelerating its fiber roll-out. As a result, the total number of fiber HPs ("homes passed" means that a building can be considered served even though it is not yet connected) has increased to 207 thousand by the end of 2022.

In 2022, A1 Slovenia concentrated on continuing the large-scale expansion of its mobile network that it began in 2021. 447 5G locations were available by the end of 2022. In May 2022, A1 Slovenia took first place in the NetCheck benchmark and was crowned the best mobile 4G/5G network on the Slovenian market.

A1 Serbia expanded its own fiber network by 149 km in 2022, equivalent to growth of 75% as against the previous year. 39% of all mobile network locations were connected by fiber by the end of 2022. The subsidiary in Serbia has won the Speedtest Award for the second year running and has been certified by Ookla as Serbia's fastest mobile network in 2022.

Sustainable supply chains

Concept

The sustainability of companies' operations cannot just be seen by the direct ecological and social impact of their business processes. The value chain of the A1 Group is built on globally produced goods and services. The Group attaches great importance to sustainability aspects in procurement and operation.

A large share of its procurement volume is used for the operation and modernization of infrastructure components in the fixed-line and mobile network. Similarly, devices (such as cell phones, set-top boxes, modems) and IT equipment account for a high share of the procurement volume.

Besides commercial criteria, ecological criteria, such as carbon footprint and energy efficiency, also play a role in the A1 Group's procurement strategy. Employee rights, anti-corruption provisions and data protection aspects are also taken into account. Avoiding so-called conflict materials is a challenge for manufacturers of ICT products within the industry. The A1 Group is not a hardware producer, but it uses/distributes electronic devices and sources components in conjunction with its business activities. To address this, a Conflict Mineral Policy was established that covers the aspects of the responsible procurement of minerals from conflict and high-risk areas.

Implementation/results 2022

The A1 Group's approach is to implement sustainability as far as possible in its supply chain. To this end, sustainability criteria are increasingly being integrated into the procurement process in conjunction with long-term projects in purchasing. Chosen suppliers are contractually required to comply with the A1 Code of Conduct when they agree to the General Terms and Conditions for Purchasing.

Independently of specific procurement projects, the A1 Group expects potential suppliers to make a commitment to transparent and sustainable supply chains. These requirements are set out in the Conflict Minerals Policy and the Human Rights Policy, with the aim of promoting sustainable products and services that are manufactured in compliance with human rights.

The A1 Group uses multinational, digital supplier relationship management. This creates a risk profile for top suppliers and allows interaction with suppliers in relevant areas (from carbon emissions, HR compliance and conflict minerals to competition compliance, sustainability, data protection and data security) in order to ascertain compliance in these areas, set up appropriate mitigation measures in the event of deviations and to ensure their implementation.

In the third quarter of 2022, the A1 Group joined the Joint Alliance for CSR (JAC), an association of telecom operators that aims to define, embed and monitor CSR criteria in supply chains. This membership serves the purpose of ensuring suppliers' compliance with the A1 Group's ESG guidelines, in particular through the audit results shared within JAC.

All these measures already implemented by the A1 Group anticipate, to a certain extent, compliance with the Supply Chain Governance Act being drafted at EU level. Processes and their underlying software will be rolled out across the Group after implementation in Austria.

New business models among our customers through digitalization and innovation and improvement of public services through digitalization

Concept

Diversification and differentiation from competitors are of crucial significance. In keeping with its vision of empowering digital life, the A1 Group aims to be the central point of contact and central partner for digital transformation, and to cultivate new potential through innovation in digitalization, such as cloud, security and ICT solutions and in the field of the Internet of Things (IoT). Moreover, innovation makes it possible for as many people as possible to experience the benefits of digitalization – including marginalized communities and people with special needs. The A1 Group is also an important partner in time of crisis (e.g. the COVID-19 pandemic, natural disasters, etc.).

Founded in 2017, the group company A1 Digital makes important contributions to providing innovative business solutions. This focuses on the development of innovative, highly scalable platform and software-based B2B products in the areas of the cloud, IoT, machine learning and security products. As part of the A1 Start Up Campus, A1 Austria also helps new companies to make innovations a reality by providing expertise and infrastructure. Since 2017, there has also been an intrapreneurship program called Empowering Ideas to encourage ideas from employees.

Implementation/results 2022

In 2022, A1 Digital launched a cooperation with the city of Borna, Germany, in conjunction with its next generation connectivity & security services. For the first time, this enabled teaching staff at schools in rural areas to access different school networks with just one user account. As the next step in an existing SD-WAN solution, this significantly reduces the cost of providing, maintaining and using remote access. Besides this simplification, smart VPN as part of the A1 Digital SD-WAN SASE Stacks also enables greater protection when using teaching staff's Internet access.

In addition, in 2022 A1 Digital developed the Internet of Things application "Energy Insight" to make an active contribution to reducing energy consumption. The innovative solution uses sensor data to transparently monitor, control and reduce the power consumption of a wide range of systems at any time.

Also in conjunction with the A1 Start Up Campus initiative, another innovative company called Sleeve was welcomed in the reporting year. Sleeve is a highly advanced application for developing, testing and using software on embedded hardware. Sleeve was developed during the COVID-19 pandemic to reduce development times, to increase availability, to enhance the scalability of development and to guarantee operation regardless of project or company size. The shared mobility solution Ubiq has been supported since 2015, and was offered on three continents in more than 15 cities for the first time in 2022. The aim of this start-up is to make it easier to find a parking spot. The Ubiq artificial intelligence platform makes recommendations for the repositioning of vehicles, suggests charging times for electric vehicles and thus contributes to more efficient shared mobility.

With the circle17 project, in 2022 A1 Austria launched another innovative circular economy project with external cooperation partners. Circle17 is an initiative by AustrianStartups & respACT. The program aims to bring together social innovators, companies and start-ups. Joint sustainable business models and innovative ideas are worked up at Impacthon. These partnerships are intended to make a contribution to the UN's Sustainable Development Goals and provide practical solutions for current challenges. Circle17 Impacthon 2022 focused on the circular economy and circular measures.

Innovation and new business models are also promoted within the company – firstly by the intrapreneurship program "Empowering Ideas" launched in 2017 and secondly by internal initiatives such as ideas contests at the Austrian subsidiary A1 Austria. 63 submissions in total were selected as part of the intrapreneurship program in 2022. For the first time in 2022 the focus was on ESG related projects. One of the winning projects aims to tap an additional renewable power source in the mobile network and buildings. It uses wind power in combination with solar panels to generate green electricity. In addition to the positive effects for the environment, decentralized power generation at the turbine itself makes the network more resilient.

Through innovation, digitalization also makes it possible to offer new solutions and products for people with special needs or those in marginalized communities and to make a contribution to inclusivity. New information and communication technologies can, for example, help the blind or the severely visually impaired integrate into the general education system without having to use Braille. A1 Croatia also offers visually impaired people mobile phones with larger displays or simplified menu navigation. In turn, SMS and chat messages can help benefit deaf people, which is why A1 in Belarus offers a special reduced rate for people with impaired hearing, veterans and welfare recipients. Moreover, health naturally plays an essential role in a society where people are living longer. As a result of the COVID-19 pandemic in particular, the focus has shifted to innovations in the field of e-healthcare solutions – they are the future of the healthcare system in many areas. A1 Austria is already facilitating a medical data network and supplying the infrastructure for large parts of the Austrian e-card system. Furthermore, as part of the fight against the COVID-19 pandemic, the A1 Group offered the free service for cell phone signing for the Green Passport. In addition, as part of the fight against the pandemic, the "Österreich testet" platform was provided by A1 Austria, thereby ensuring the processing of millions of antigen and PCR tests.

Besides innovation and the promotion of new business models, network availability in outlying areas, especially in emergency situations – to guarantee public services, etc. – is of the utmost relevance. Specially trained emergency teams are deployed in crisis situations. In 2022 as well, Austria experienced the biggest forest fire in its history in the Rax region of Styria. The fire caused difficulties in mobile coverage for data and voice traffic. A1's crisis management immediately activated the emergency team to realign the nearby LTE transmitters by remote optimization. A 2G transmitter was also installed on a base station to improve voice traffic. A1's crisis management was thus able to maintain the availability of the mobile network, which was necessary for communication between the fire department, police and ambulances as well as for residents. The subsidiaries also help each other in the event of natural disasters. Naturally, all subsidiaries also work closely with the fire department, rescue services and the Red Cross. Calls to official emergency numbers are free in all countries.

3. Environmental matters

Climate change and carbon footprint of own operating business

Concept

The carbon emissions resulting from the energy consumption of the network infrastructure continue to represent the A1 Group's biggest impact in terms of climate change. More recently, the issue of energy supply and consumption has drawn even more attention owing to the difficult energy policy situation in 2022. Companies like the A1 Group are being called on to take an even closer look at the security of their own energy supply and possibly to consider alternatives.

The A1 Group's approach is to tackle the energy supply issue from two perspectives. On the one hand, electricity consumption should be reduced or stabilized in order to maintain the most energy-efficient operation possible while at the same time avoiding carbon emissions. On the other, the electricity required should be produced or purchased, as far as possible, from renewable sources in order to minimize the environmental impact of electricity consumption.

The great significance of the issue of energy efficiency to the A1 Group has been highlighted by the inclusion of the energy efficiency indicator in the long-term incentives (LTI) for the members of the Management of the A1 Group and the CEOs of its subsidiaries. The achievement of this environmental goal therefore has a direct influence on management remuneration.

The environmental and energy management systems are a central component in the strategic handling of environmental matters at the A1 Group and its subsidiaries. The environmental management systems are certified according to ISO 14001 in all operating countries of the A1 Group. Furthermore, EMAS (eco management and audit scheme) requirements are complied with in Austria and Slovenia. Energy management in Austria is also certified according to ISO 50001. In addition, since 2014, A1 Austria has been the first carbon-neutral network to be audited and validated annually by TÜV SÜD according to the PAS 2060 international standard. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully carried out again for 2022. Adjustments are made as necessary throughout the year.

Targets for 2030 [1]	Status in 2022
Reduction of CO_2 emissions to net zero [2] by reducing our own CO_2 footprint and by gradually making the transition to energy from renewable sources	-43 % in scope 1 and scope 2 (market-based) emissions compared to base year
Energy efficiency enhancement of 80 % [3]	Improvement of 44 % compared to base year

1) Base year 2019
2) Reduction of Scope 1 & Scope 2 by 90%
3) Measured as electricity required per terabyte transferred (in MWh/ terabyte)

Key performance indicator

The A1 Group's target is to reduce its carbon emissions to net zero by 2030 and to cut energy consumption per terabyte transferred (in MWh/ terabyte) by 80 % over the same period, thereby increasing its energy efficiency. It plans to do so by reducing its own carbon footprint as a whole and by gradually making the transition to energy from renewable sources.

As a result of all the measures taken to date, carbon emissions were further reduced at Group level as against 2021 in 2022. The A1 Group's scope 1 emissions, which include carbon emissions from the combustion of fossil fuels for heating and mobility, increased by 1 %. Scope 2 emissions (market-based) are emissions, which are generated by electricity consumption and district heating, declined by 35 %.

Direct and indirect energy (in MWh)

According to the GRI Standard for Sustainability Reports: 302-1, 302-4

2022	Electricity[1]	Fuels for heating[2]	District heating	Fuels[3]	Total energy consumption
Austria	363,874	13,782	27,598	32,804	438,058
Bulgaria	132,858	111	190	10,300	143,459
Croatia	91,448	456	3,487	6,154	101,545
Belarus	92,275	302	3,398	4,254	100,229
Slovenia	39,570	0	315	1,459	41,345
Serbia	73,130	158	228	3,332	76,848
North Macedonia	30,087	0	0	2,248	32,334
A1 Digital	1,167	0	22	172	1,362
A1 Telekom Austria Group	**824,410**	**14,810**	**35,238**	**60,723**	**935,181**
2021					
Austria	351,843	13,990	26,406	33,520	425,759
Bulgaria	130,564	97	164	9,806	140,631
Croatia	90,813	578	3,385	5,675	100,452
Belarus	96,252	320	3,712	4,560	104,844
Slovenia	36,020	0	326	1,036	37,382
Serbia	66,828	161	287	2,610	69,886
North Macedonia	33,866	0	0	2,189	36,055
A1 Digital	812	0	22	67	902
A1 Telekom Austria Group	**807,000**	**15,147**	**34,302**	**59,463**	**915,912**
Change (in %)					
Austria	3	-1	5	-2	3
Bulgaria	22	14	16	5	2
Croatia	1	-21	3	8	1
Belarus	-4	-6	-8	-7	-4
Slovenia	10	n. a.	-3	41	11
Serbia	9	-2	-21	28	10
North Macedonia	-11	n. a.	n. a.	3	-10
A1 Digital	44	n. a.	0	158	51
A1 Telekom Austria Group	**2**	**-2**	**3**	**2**	**2**

The environmental indicators for fiscal 2022 as a whole were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2021 to 31 October 2022, which can be considered a representative comparison period for fiscal 2022. If no data were available for this period, data from the previous period were used. While figures were compiled with the utmost care, inaccuracies may occur, for instance due to estimates. A1 Digital includes the German and Swiss part of the activities of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be subject to rounding differences.

1) Purchased and own production, plus diesel for (emergency) electricity generators
2) Including oil and gas, not adjusted for climate factors
3) Including diesel, gasoline, CNG, LPG and natural gas, not including diesel for (emergency) electricity generators

Direct and indirect greenhouse gas emissions including biogenic emissions (in t CO_2-eq)

According to the GRI Standard for Sustainability Reports: 305-1, 305-2, 305-5

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)	
2022		location-based	market-based	location-based	market-based
Austria	12,604	74,947	3,891	87,550	16,495
Bulgaria	3,499	57,629	23,618	61,128	27,117
Croatia	2,853	16,700	8,119	19,552	10,972
Belarus	2,059	33,886	33,886	35,945	35,945
Slovenia	435	8,417	1,024	8,852	1,459
Serbia	1,500	54,053	26,558	55,554	28,059
North Macedonia	1,053	21,299	18,141	22,351	19,194
A1 Digital	46	178	3	224	49
A1 Group	**24,048**	**267,108**	**115,241**	**291,155**	**139,288**
2021					
Austria	12,410	85,783	8,356	98,194	20,766
Bulgaria	3,334	58,270	38,969	61,604	42,303
Croatia	3,242	13,715	26,942	16,958	30,184
Belarus	2,018	37,128	37,128	39,146	39,146
Slovenia	354	7,857	2,849	8,211	3,203
Serbia	1,076	48,883	41,231	49,959	42,307
North Macedonia	1,279	20,859	20,859	22,139	22,139
A1 Digital	18	135	6	153	23
A1 Group	**23,732**	**272,631**	**176,340**	**296,363**	**200,072**
Change (in %)					
Austria	2	-13	-53	-11	-21%
Bulgaria	5	-1	-39	-1	-36%
Croatia	-12	22	-70	15	-64%
Belarus	2	-9	-9	-8	-8%
Slovenia	23	7	-64	8	-54%
Serbia	39	11	-36	11	-34%
North Macedonia	-18	2	-13	1	-13%
A1 Digital	157	32	-46	46	108%
A1 Group	**1**	**-2**	**-35**	**-2**	**-30%**

The environmental indicators for fiscal 2022 as a whole were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2021 to 31 October 2021, which can be considered a representative comparison period for fiscal 2022. If no data were available for this period, data from the previous period were used. Direct Scope 1 includes direct emissions from combustion of fossil fuels - for the first time GHG emissions from cooling agents are considered. Therefore, Scope 1 figures for 2021 and 2020 changed. Scope 2 includes indirect emissions from electric energy and district heating. According to the GHG Protocol, "location-based scope 2" figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used. According to the GHG Protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product. A1 Digital includes the German and Swiss part of the activities of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be subject to rounding differences.

The total carbon reduction therefore amounts to 30%. The carbon emissions caused by the A1 Group's fleet increased by 2% in 2022 compared to 2021. The distance driven was increased by 4% and fuel consumption rose by 2%. Heating levels increased in 2022 year-on-year by 1% (fuel for heating: -2%; district heating: +3%). Electricity requirements increased by 2% over the same period, while the data volume transported rose by 18%. The energy efficiency indicator (electricity required per terabyte transferred) was 0.10 MWh/ terabyte in 2022 (2021: 0.11 MWh/ terabyte). It has thus been possible to decouple electricity consumption from rising data consumption.

Implementation/results 2022

For this reason, the focus in 2022 was again on electricity purchasing and consumption in particular as the biggest lever for reducing carbon emissions. The Austrian subsidiary, which has operated its entire network on a fully carbon-neutral basis since 2014, is a major factor in this. Throughout the Group, the share of renewable energy in total energy consumption increased to 63% (2021: 50%) and in electricity to 71% (2021: 57%) respectively. A Green Electricity Policy adopted in 2021 continued to be implemented in order to define the right measures with corresponding standards of quality for purchasing renewable electricity. In line with this policy, the A1 Group has identified four key instruments for implementing its green electricity strategy: certificates of origin, on-site electricity production, green tariffs and power purchasing agreements (PPAs).

In line with this policy, a ten-year virtual power purchasing agreement was entered into in Bulgaria, which will cover approximately 15% of future local electricity consumption. Also, certificates of origin were acquired in Slovenia while solar panels were installed on 169 base stations (1,171,000 kWh) in Bulgaria.

The LIFE 4 Green Broadband project was launched in Croatia with the help of an EU subsidy. The aim of the project is to make network operations more energy-efficient and more climate-friendly by equipping 44 base stations with solar panels and installing 585 free cooling systems at base stations. Such systems use ambient air for cooling instead of active cooling systems. This will allow savings of up to 1,721,560 kWh per year. Free cooling technologies on base stations were expanded in Slovenia as well.

In Austria, 191 photovoltaic systems with a total capacity of 1,071 kWp have been installed to date. 164 e-charging stations are also in operation.

Furthermore, one in Belarus has been operating since 2016 with around 24 million kWh of electricity produced every year. Another plant in Aflenz, Austria, has been producing more than 215,000 kWh of electricity per year since 2013.

Network operation measures were implemented throughout the A1 Group to enhance energy efficiency. For example, artificial intelligence adapts network operation in line with actual use and puts unused network layers into standby mode to save power. Further steps in achieving energy-efficient operations include the cloudification (the conversion/migration of data and application programs for use in the cloud) of IT and smart energy management systems that are gradually being introduced. For example, savings of 1 million kWh were achieved by implementing energy-saving modules for radio access in Austria. Furthermore, in the Arsenal Technology Center, a new cooling method has been installed that can both heat and cool as it has a similar functionality to a cold/heat pump.

Moreover, employee awareness was raised by a Group-wide, internal energy management campaign to make office building use as efficient as possible. Every individual was called on to identify efficiency potential in their own areas, e.g. adjusting the temperature of heating. In North Macedonia, they also had a sustainability month to integrate behavioral modification activities into day-to-day routines.

Resource optimization and dematerialization as well as sustainable products and services

Concept

Digitalization offers huge potential for environmental protection in terms of resource conservation. Digital communication solutions, such as videoconferencing, smart applications in the Internet of Things, like Smart City, are making communication more efficient and more environmentally friendly in a number of areas of work and life, as many work processes and activities can be done more quickly and using fewer physical resources. Hand in hand with this dynamic digital transformation, new technologies and devices/components are continuously being developed and used to optimize efficiency and potential. Consequently, mobile devices are also being replaced at shorter and shorter intervals. The A1 Group makes fundamental ecological principles such as continuous lifecycle management a top priority and is attempting to counteract this trend. "Circular economy" was therefore made the central subject of its ESG strategy in 2022. Activities such as waste avoidance, systematic lifecycle management, the reduction of plastic on sale or the use of environmentally friendly packaging should help with the goal of using as few primary raw materials as possible, or to continue utilizing such resources once in the system for as long as possible.

Target for 2030	Status in 2022
Promoting the circular economy within the company by recycling around 50,000 old devices per year	224,886 devices

This includes the reuse and refurbishment of returned, functional devices that are still technologically current. When devices or equipment can no longer be used, they are dismantled, systematically separated into individual components, such as circuit boards, copper, iron or tin, and properly recycled. Manual recycling processes are preferred. The A1 Group also contributes to conserving resources by recycling mobile phones – even though the Group itself does not manufacture mobile devices. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some subsidiaries have even been doing this since 2004.

Besides recycling, refurbishment is a key element of the circular economy strategy. Cell phones that are used but still intact are refurbished and put back on sale. As a result, cell phones get a second lifecycle and raw materials remain in use for longer, which in turn reduces demand for primary raw materials and makes a positive contribution for the environment.

Key performance indicator

The A1 Group has set itself the target of promoting a circular economy within the company and recycling around 50,000 old devices every year by 2030. Between 70 % and 80 % of the components of these old devices can be recycled and reused as raw materials by specialist recyclers. In 2022, the Group as a whole collected 689,901 devices, thereof 224,886 were handed over for their proper recycling. The remaining devices were refurbished.

Implementation/results in 2022

In the A1 Group, the issue of the circular economy was approached comprehensively with the aim of building a broad understanding for the issue in order to make all relevant areas equally aware of their role in a circular business model. The first step was to offer upskilling sessions throughout the company, starting at management level, and progressing to online seminars for interested employees. Alongside this, workshops were held in all operational countries, either on-site or online, devising measures to implement a circular economy. As a result, more than 100 people from all operative countries received an introduction to this subject.

As another step in the interests of a circular economy, A1 Austria added the Fairphone to its portfolio. At A1 Bulgaria and in Croatia, refurbished cell phones are sold to private and business customers alike. Trade-in vouchers were introduced for private customers in Croatia: Customers were able to return old cell phones that still have commercial value, and in turn received vouchers with which to buy a new device. In Belarus, there was a ten-week EcoPhone campaign that encouraged customers even more to bring old cell phones and tablets back to A1 shops for recycling. In Slovenia, customers were incentivized to return old cell phones and there was also a Black Friday campaign that called on customers to examine their purchase patterns and to only make a purchase when this is necessary, so as to raise awareness of their environmental impact.

Moreover, the A1 Group implemented further measures to optimize the use of paper and plastic. In Bulgaria, the amount of packaging was reduced by 56 % by halving the size of SIM cards.

4. Social matters

Access to information and education and cybercrime

Concept

Advancing digitalization in all areas is fundamentally changing people’s everyday lives. Whether working, training, official duties or day-to-day shopping – analog activities are being replaced by digital and virtual processes. Access to information and education is becoming more and more important in order to keep up with the latest trends and changes. The A1 Group is playing its part and is actively committed to giving people the chance to learn digital skills and to educate them on the risks of cybercrime.

Back in 2011, the media literacy initiative “A1 Internet for All” was launched in Austria, and was continued from 2021 as “A1 digital.campus” with a focus on robotics, coding and design and media labs for school classes, as well as training programs for teachers. Similar projects and initiatives were rolled out in other countries of the Group. In free workshops, webinars and learning videos, participants actively enter the digital world and learn how to effectively protect themselves against potential risks such as cybercrime.

The initiatives offer workshops on subjects such as programming, robotics, design & media and safety on the Internet, giving children and young people a hands-on way to acquire digital learning content. This target group is already growing up in a digital world, which makes it all the more important that parents and teachers also have the necessary skills to give children and young people the best possible support. The offer ranges from summer workshops for teachers and interactive video series for school classes to parents’ evenings.

Key performance indicator

The number of online workshops was further increased in 2022, but there was also growing number of events held in person again. In total, 86,115 participants throughout the Group attended workshops. The initiatives have already been attended 353,292 times in total since 2011. The A1 Group is committed to reaching 100,000 people between 2020 and 2023 as part of its digital education initiative. This target has already been achieved in 2022.

Implementation/results 2022

A key area for "A1 digital.campus" in Austria in 2022 was the "Cody 21" pilot project together with the programming school acodemy. In cooperation with the Vienna Board of Education, an interactive video series was created for elementary school classes that helps teachers to teach digital skills without the additional work of preparation.

In addition, with the introduction of "digital literacy" in Austrian secondary level 1 curricula from fall 2022, not just children and young people but educators as well faced new challenges. In conjunction with the "A1 digital.campus" online summer workshop series "Digitally fit for the new school year", various aspects were covered for educators based on the five defined skills areas of basic digital education – orientation, information, communication, production and action – and ideas for lessons were offered.

A particular highlight of "A1 digital.campus" in Austria were the vacation camps – in both the Easter and summer vacations. For the first time, the A1 campus was open for children and young people for five weeks throughout the summer vacations.

The issues "Safety on the Internet" and "Digital skills" were key to the initiatives of A1 Bulgaria, Croatia, Slovenia, Serbia and North Macedonia as well. The activities ranged from workshops for school classes and students to parents' evenings, specially designed workshops for girls and learning videos complete with an e-quiz. A1 Bulgaria especially tapped the ever-growing reach of influencers and produced its own learning videos with a well-known Bulgarian YouTuber on issues such as the IoT, 5G, NFC and digital payment tools. A1 North Macedonia launched its own "A1 Academy" for students with a focus on marketing automation, digital marketing, agile ways of working, the IoT and 5G.

For the older generation, A1 Austria offered a wide range of online workshops as part of the "A1 Seniors' Academy", giving people over 60 information on relevant security issues, how to use WiFI and the latest advice on using cell phones when traveling, video calls and cell phone parking. Similarly, A1 Bulgaria's "Internet for All 55+" program produced online videos on issues such as security on the Internet, fake news, phishing and practical tips on the right way to use mobile devices. In Belarus as well, the #ionline campaign was continued to actively help Internet beginners as they take their first steps in the digital world.

Target for 2023	Status in 2022
Reaching 100,000 people – with a special focus on children and young people – as part of the digital education focus. Providing confidence and skills in their active creation of digital worlds.	134,552

Participation in initiatives focusing on digital education

	2022	2021	Change (in %)
Austria	49,375	17,112 [1)]	189
Bulgaria	13,940	12,082	15
Croatia	2,140	2,878	-26
Belarus	337	184	83
Slovenia	10,303	3,705	178
Serbia	8,990	244	3,584
North Macedonia	1,030	1,304	-21
A1 Group	**86,115**	**37,509**	**130**

1) Restatement due to improved data quality

5. Employee matters

The issues of remote and flexible working environments (“New ways of Work”), the skill transformation in the labor market, training employees in digital competences as well as employee involvement and well-being are central elements in the area of employee matters. Diversity, inclusion and equity are constantly being pushed.

The A1 Group had 17,906 employees/full-time equivalents (FTE) as of the end of 2022 (2021: 17,856). The headcount in the Austria segment was reduced by around 5 % to 6,826 in conjunction with the ongoing restructuring.32 % of employees in the Austria segment have civil servant status (2021: 35 %).

The A1 Group uses the term “People Sustainability” to refer to all aspects that support efforts towards being a sustainable and attractive employer: employment foundation, health, safety and wellbeing, compensation, learning and development as well as diversity, equity and inclusion.

New Ways of Work

Concept

In 2022, the focus was on continuing the changes in working environments as a result of the COVID-19 pandemic and its after-effects and transforming this into a “new normal”. This included evaluating existing rules and conditions, such as works agreements on flexible working, and communicative assistance and support for managers in designing team cooperation. This also involved improved resources in meeting rooms to allow hybrid meetings and workshops. The framework developed for all countries of the A1 Group in 2021 with a commitment to flexibility in the time and location of work was maintained – boosted by the knowledge that a good balance of “remote” and “office-based” working conditions is crucial for employee wellbeing. A1 Austria offers three different flex-office models that employees can choose for themselves. An “office-based” model with four days in the office on average, an “office mix” model with two to three days of attendance and a “home-based” model with one day in the office per week. The physical office is preferred for creative collaboration, team meetings and social or personal interaction. Working from home or remote working is particularly suitable for focused, individual work or routine activities such as status meetings or administrative duties.

This flexibility and freedom require responsibility on the one hand and commitment and trust on the other – in terms of one’s own work and the results agreed. Corresponding training, webinars and e-learning will provide optimal support for this transition to hybrid working.

Key performance indicator

5,422 of employees (HC) in Austria have a mobile working agreement. Thereof, 5,395 employees (HC) in Austria opted for one of the three flex-office models.

Implementation/results 2022

In order to continue exploring conditions in a hybrid working environment, in the spring of 2022, the Group offered virtual workshops on hybrid working for managers and employees. The New Work Festival was created at A1 Austria in 2021 as a new event format open to all employees with the aim of discussing and reporting on various aspects of the “A1 Way of Work” with internal and external experts. In 2022, the New Work initiative focused on the topic of leadership. As a starting point, the second New Work Festival was held in November and December 2021 with more than 30 events and over 40 speakers. The recordings of the most important events are still available as a download. This was followed by a series of 6 events with external speakers throughout 2022. The topics ranged from conflicts in (hybrid) teams to mindset change. These formats were conducted virtually. In addition, corresponding focus topics were offered in the leadership development program, which can be accessed via the e-campus.

The Group Young Potential Program (GYPP) was organized as a hybrid event in 2022. GYPP is intended for talented young employees with less than five years’ professional experience who have been with the A1 Group for at least one year. The aim of this program is for participants to network across national and functional boundaries and aid them in their development just as their careers are beginning.

Employees [1)] as of 31 December 2022

	2022	2021	Change (in %)
Austria	6,826	7,180	-4.9
Bulgaria	3,602	3,291	9.4
Croatia	1,800	1,837	-2.0
Belarus	2,351	2,334	0.7
Slovenia	631	606	4.2
Serbia	1,544	1,456	6.0
North Macedonia	756	767	-1.4
Corporate including A1 Digital	397	385	3.0
A1 Group	**17,906**	**17,856**	**0.3**

1) Full-time equivalents

In the GYPP program running until June 2022, 29 participants were working in teams on projects relevant to business, learning and working using self-managed methods with the guidance of coaches and project sponsors throughout the six-month process.

Training employees in digital competencies and skill transformation in the labor market

Concept

It is important to the A1 Group to be an attractive employer for talented people, and to offer its current employees the chance to expand their capabilities and to create an ideal framework for their ongoing development to ensure that they have the skillsets they need for the future as well. The A1 Group's motto is "Learning is in our DNA", and it is a strategic goal to actively develop the learning culture and to create a framework for customized and self-managed learning.

Key performance indicator

The A1 Group's goal is for each full-time equivalent (FTE) to complete 40 hours of training per year by 2024. Approximately 39 hours of training per full-time equivalent were used in 2022. More than 108,681 digital eCampus courses were completed in 2022. The number of courses completed in 2021 was 120,400.

Implementation/results 2022

In addition to specific expert training, relevant learning content is offered for all employees of the Group. Since 2019, A1 Learning Topics have been teaching the basics and more advanced information on strategic future issues such as advanced analytics, the cloud, cyber security and agility. The learning content can be accessed on the Group-wide eCampus learning platform at any time. Further platforms from various learning providers, such as "getAbstract", were provided for specific target groups and experts. A key focal area for experts in 2022 was "Data". Two programs on this subject were initiated for the whole A1 Group. "Data4Business" for experts with 316 participants and its counterpart "Data2Impact" for managers with 26 participants.

There were "learning journeys" held with international business schools for top managers with the aim of gaining new perspectives and practical examples from other companies.

Other innovative Group-wide initiatives addressed the issue of the individual learning budget, a pilot project across three countries, in which employees were provided with a pre-defined amount to cover their individual learning requirements. In addition, employees can use a platform to produce a personal skills profile and compare this to target profiles, such as internal vacancies, and find suitable learning opportunities at the same time. All these process steps were supported by artificial intelligence. Also, the "Summer of Learning" communication campaign was carried out with top management involved in all countries in the summer of 2022 to highlight the significance of learning.

Employee involvement and well-being

Concept

When people go to work, they take with them their values, expectations and desires, but also their needs and fears. In a society defined by humanistic values, it is therefore only natural for companies to enable participation and to establish corresponding feedback processes in order to learn and develop as an organization. The A1 Group has established such processes at various levels and strives to continuously evolve and improve them. These extend from the company level – with regular employee surveys – to individual level. Goals are ascertained through dialog and results on development and career issues are recorded in the "ROAD" performance management process. Regular 360° feedback for managers and their involvement in specific issues or change processes are other elements within this range.

Key performance indicator

Performance of employee survey "A1 Voices Spotlight". 64 % of employees took part in the survey in 2022.

Implementation/results 2022

The A1 Group focused on different levels in 2022. On the one hand, work continued on measures derived from the employee survey at the end of 2021 (A1 Voices). This focused on initiatives that center around personal and direct interaction between staff and management. Regular information events and discussion formats were developed and implemented in line with local circumstances.

On the other, another "A1 Voices Spotlight" was carried out in the fall of 2022. This is an excerpt from the "A1 Voices" employee survey that asked again about the areas that performed less well in the 2021 survey. These include the dimensions "Leadership" and "Trust and confidence". The results show that these two dimensions in the top boxes (Strongly Agree/ Agree) have changed from 61 % to 55 % and 69 % to 66 %.

Diversity, inclusion and equity

Concept

Diversity, inclusion and equity are key components of the A1 Group's ESG strategy. Different skills, perspectives and experiences offer a wide range of options for learning together and from each other, and thereby arriving at better solutions for customers, for employees and for the company. Embedding diversity, inclusion and equity in the A1 Group's ESG strategy

Target for 2024	Status in 2022
40 hours of training per year per full-time equivalent (FTE)	approx. 39

sets and systematically operationalizes clear and communicated goals. The main focus is on issues such as increasing the share of women in the workforce and specifically in leadership and STEM positions.

Key performance indicator

The A1 Group has set itself the goal of increasing the share of women in management positions to 40 % by 2023, while also raising and keeping the overall share of women in the company at above 40 %. In 2022, the share of women in management positions was 36 % (2021 : 36 %), with women accounting for 40 % (2021 : 39 %) of the company's workforce.

Implementation/results 2022

For A1 Group, diversity, inclusion and equity are not only embedded in the A1 Group Code of Conduct, but also in the Group-wide DE & I Policy. This policy has been published on the A1 Group's ESG website and signed by the Management Board. Management is demonstrating a clear responsibility to this objective by including a diversity target (share of women in management) in its variable remuneration.

For the A1 Group, equity also means making a contribution to reducing the income differences between women and men. Work therefore began in 2022 to ascertain the gender pay gap throughout the Group and to analyze the results. It is apparent that existing income differences are mainly caused by structural factors, such as fewer women in technical and management functions.

Experience in Austria leads to this conclusion as well – since 2012, an income report has been produced here and presented and explained to interested employees in workshops. The findings from the analysis will lead to measures focusing on "Women in STEM professions" in the coming years, a process that has already begun in, for example, Austria ("STEM Changer") and Croatia ("STEMfemme"). Panel discussions on "Fairness in the workplace" with the members of the Management Board of A1 Austria and the e-learning on the prevention of sexual harassment, which is mandatory for all employees in Austria, reinforce a positive A1 employee experience. The A1 Group tolerates neither discrimination nor insulting or demeaning behaviors.

International Women's Day at the beginning of March was the occasion for the kick-off of a Group-wide unconscious bias awareness campaign on the company's internal social media platform Workplace. Regular information formats provided information on unconscious bias in day-to-day work for all employees throughout the Group. As in previous years, management was invited to take part in unconscious bias workshops. This was supplemented by preparatory unconscious bias e-learning. To enable as many employees as possible to access this content, the English version was translated into seven languages.

Targets for 2023 [1]	Status in 2022
Increasing the share of women in management positions to 40 %	36 %
Raising and maintaining the share of women in the company at 40 %	40 %

1) Base year: 2019

Share of female employees and female managers as of 31. December 2022

in %	Share of female employees 2022	2021	Share of female managers [1] 2022	2021
Austria	27	26	18	19
Bulgaria	43	44	45	47
Croatia	45	42	44	38
Belarus	52	54	44	43
Slovenia	45	45	40	41
Serbia	64	61	50	49
North Macedonia	50	48	48	45
A1 Group [2]	**40**	39	**36**	36

1) Managers include all persons with staff responsibility for at least one employee.
2) Including Corporate and A1 Digital

Since 2017 there has been the internal contest Empowering Ideas, an intrapreneurship program that sought out sustainable (ESG) projects for the first time in 2022. 63 teams from across the Group, some working together from different countries, came together to present their ideas. The jury of CEOs and national ESG officers invited ten teams to the "Innovation Camp" where ideas became projects. Finally, six teams were victorious in the closing pitch and were able to call themselves "A1 ESG Champion 2022".

As an A1 ESG Champion, Croatia created a mentoring program for young women and girls with the idea "A1 STEMfemme". The aim of this is to provide affirmative action for women in STEM fields. During their training, talented young women are given a deeper insight into the business world of A1 and are accompanied by mentors.

6. Human rights

Having joined the UN Global Compact, the A1 Group is committed to implementing fundamental requirements in the areas of human rights, labor, the environment and combating corruption. This commitment has been acknowledged by integrating the requirements into the Austrian subsidiary's Terms and Conditions, for example. In some countries in which the A1 Group operates, national laws can make it difficult to ensure that human rights are respected absolutely. Where national law diverges from the A1 Group's commitment to human rights and sets a lower standard, the Group always endeavors to achieve the higher standard, though the wellbeing of employees is the top priority. In the event of a conflict, the A1 Group applies national law, at the same time attempting to respect human rights as much as possible. In order to assess the respective national situation, a steering committee was initiated as a management instrument for the event that human rights violations are suspected in the respective countries. This steering committee consists of one member each from the A1 Group Management Board, the national Management Board and the Public Affairs Officers of the A1 Group and the respective country. This committee's job is to evaluate the respective situation from the perspective of employees, customers and civil society, and to make corresponding decisions on business policy.

The A1 Group Code of Conduct contains a clear commitment on the part of the A1 Group to protecting and upholding human rights. The Group-wide Human Rights Policy published in the spring of 2022 sees the company reiterate and flesh out its commitment and efforts to protect human rights. The policy written is not just about the human rights of employees of the A1 Group, but also broadens responsibility to customers and business partners in all countries in which the Group operates and its entire supply chain.

Human rights complaints can be submitted throughout the Group on the compliance whistleblowing platform "tell.me" – even anonymously if so desired – and are carefully processed in conjunction with compliance processes. Every reported incident is investigated and countermeasures are initiated with the aim of preventing further such incidents in the future. 10 complaints were submitted and processed in the 2022 reporting year.

Focus: A1's commitment in Belarus

The A1 Group is highly aware of the political circumstances and human rights problems in Belarus especially. At the same time, the Group is paying particular attention to providing stable and high-quality services to all people in the country so that they can have access to information in any situation. A1 Belarus is the biggest alternative telecommunications company and makes an important contribution to supplying the country's Internet, making it a pathfinder for digitalization. A1 Belarus is highly valued as an employer. As a company, the A1 Group does not get involved in political affairs, but it supports the constitutional rights of its employees, including the right to freedom of speech or the right to peaceful demonstration.

The A1 Group's commitment in Belarus makes a vital contribution to social development, and it offers employees an international career path. As in every country in which the A1 Group operates, as a company it must comply with local legal and regulatory requirements.

7. Combating corruption and bribery

Anti-corruption and compliance

Concept

Acting with honesty, fairness and transparency is an essential component of the A1 Group's corporate culture and is embedded in its governance and corporate strategy. In order to achieve its standard of integrity, the company has a comprehensive compliance management system (CMS). The appropriateness and effectiveness of the A1 Group's compliance management system was audited and confirmed for the first time by PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2012/2013 and again by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2018/2019. The next external audit will take place in 2023.

KPMG issued an unqualified audit opinion regarding anti-corruption and integrity, antitrust law and capital market compliance throughout the A1 Group for the design, implementation and effectiveness of the CMS in accordance with IDW PS 980 (German audit standard for compliance) and classified the CMS of the A1 Group in the highest capability level. KPMG also confirmed that the principles and measures of the A1 Group's CMS meet the requirements of ISO 19600 (now ISO 37301 Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European antitrust legislation and the UN Global Compact.

In its Code of Conduct, the A1 Group has determined clear rules for acting in a manner consistent with the law and with integrity in all business relationships. Group-wide guidelines also provide detailed assistance on specific issues such as anti-corruption/bribery, conflicts of interest, data protection, antitrust law, capital market compliance and human rights.

The Anti-Corruption and Conflict of Interest Policy contains a strict ban on all forms of bribery and corruption as well as detailed regulations on conflicts of interest, lobbying, gifts and invitations, sponsorship and donations. The prohibition of donations to political parties and organizations with close ties to political parties, the prohibition on the placement of advertisements in political media and the commitment to responsible advertising are clearly regulated.

To prevent potential misconduct, the A1 Group has not only established clear rules, but also integrated suitable controls into its business processes. Group Compliance is supported by local compliance officers based at the subsidiaries in its mission to consistently implement the measures resulting from the annual compliance risk assessments within all the business units.

The "tell.me" whistleblowing platform can be used by employees and third parties as well to report observed or suspected misconduct, and can be used absolutely anonymously if so desired. The whistleblowing process, which is actively communicated to employees, takes into account all the requirements of the EU Whistleblowing Directive and regulates in detail the protection of whistleblowers, the confidential and professional processing of all reports, communication with whistleblowers, and appropriate sanctions for misconduct that is actually identified. The A1 Group responds immediately with appropriate measures and sanctions in the event that misconduct is identified. The possible consequences range from investigation and training activities or process improvements to reprimands, dismissals, police reports or the termination of business relationships. The professional and confidential handling of all information by Internal Audit ensures that those concerned are protected as long as no actual misconduct is found to have taken place.

Furthermore, training on all areas of compliance (anti-corruption/bribery, conflicts of interest, data protection, antitrust law, capital market compliance and human rights), which is optimized for the respective target group, is held each year to lastingly embed the concept of integrity in the A1 Group. Group-wide training explains compliance issues in a practical way and provides tangible case studies.

Key performance indicators

In 2022, information on around 17 material issues was received on the "tell.me" whistleblowing platform and other reporting channels, which was handled with the utmost care and confidentiality. Action was taken24 times as a result of information received and confirmed in this way in 2022.

More than 29,780 compliance e-learning courses were completed by employees and managers in the reporting year (2021: approximately 21,300). Also, 7,900 employees and managers took part in special instructor-led compliance training in 2022 (2021: around 4,700). Employees at the A1 Group can contact the compliance helpdesk "ask.me" if they would like to have any outstanding questions resolved, and in 2022 the helpdesk responded to approximately 590 questions (2021: 530).

Implementation/results in 2022

Back in 2021, the Code of Conduct was expanded to include vital ESG aspects such as responsibility for people, society and the environment, a commitment to diversity and inclusion, as well as human rights, environmental initiatives and the A1 Group's commitment to digital education. In addition to the Code of Conduct, a Human Rights Policy, a Diversity, Equity & Inclusion Policy, a Media Ethics Policy and a Packaging Policy were enacted throughout the Group in 2022 and defined the ethical requirements in these areas. The environmental policy was also adapted in 2022.

Both the EU and the United States Office of Foreign Assets Control (OFAC) update their sanction lists; this happened repeatedly in quick succession in 2022, mainly in connection with the war in Ukraine. The A1 Group has established a process for the daily checking of sanctions in various ordinances to ensure that sanctions are upheld.

8. Risks and opportunities

Risks and opportunity management is a key part of responsible corporate governance; risk categories are updated and reassessed at least once per year. Non-financial risks are included in the "ESG risks" category. In 2022, non-financial risks and opportunities were again derived from the materiality analysis before being analyzed and classified. This process incorporates input from key stakeholders such as the Management Board, the Supervisory Board, employees, customers, experts from the respective departments and the ESG and risk management team. The risk and opportunity identification process is briefly presented below, followed by notes on material risks.

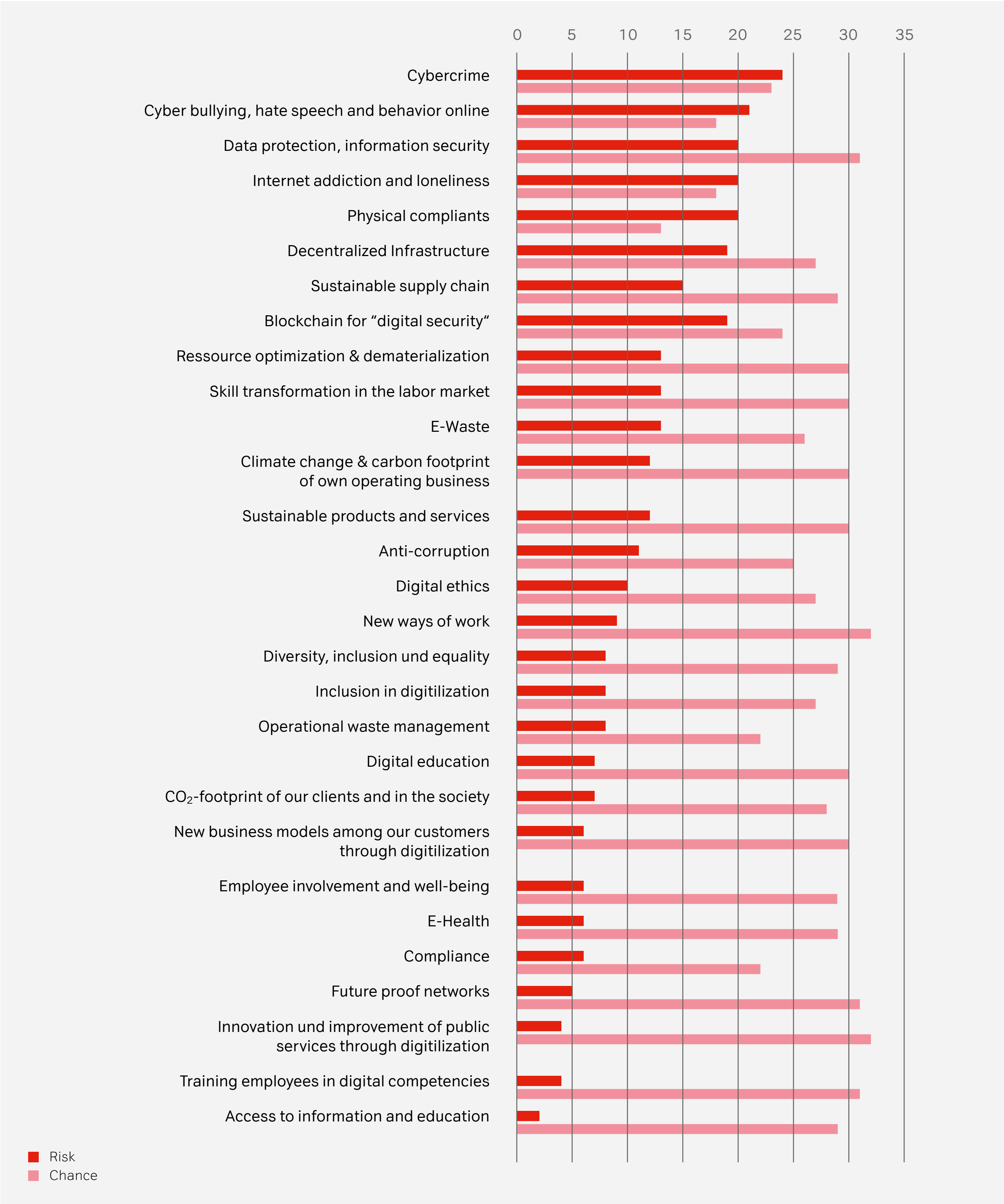
The process of identifying ESG risks and opportunities has five steps:

Process – Identification of ESG risks and opportunities

1st step: Evaluation of the materiality analysis	ESG- & risk management-team
2nd step: Approval of topics and extension if necessary	Management board & supervisory board
3rd step: Expert discussions in respective departments	Departments
4th step: Finalization of ESG risks and opportunities	ESG- & risk management-team
5th stept: Assessment of ESG risks and opportunities	ESG- & risk management-team

1. Analysis of the results of the materiality analysis

As a first step the collection of topics was analyzed on the basis of the materiality analysis by the ESG and risk management team. This led to risks and opportunities being derived. This forms the basis of the 2022 ESG risks and opportunities report.



While a majority of the subject areas covered were classified as opportunities, the risks most apparent to stakeholders are mainly located in the following areas:

- **Social effects of Internet use/media consumption** (cybercrime, online bullying, hate speech and online behavior, Internet addiction and isolation)
- **Data protection and information security** (data protection, information security, blockchain for digital security, decentralized infrastructure)
- **Climate change and carbon footprint of company operations** (sustainable supply chain, resource optimization and dematerialization, circular economy, climate change and carbon footprint of company operations)
- **Sustainable supply chains** (conflict mineral-free production, respect for human rights, worker protection, labor law (working hours))
- **Employee matters** (safety at work, skill transformation in the labor market)

The materiality matrix also offers the following main areas for risk reporting:

- **High-performance and future-proof networks**
- **Training employees in digital competencies** (Access to information and education, New Ways of Work, New business models for our customers through digitalization, Innovation and improvement through digitalization)
- **Compliance** (Anti-corruption)
- **Employee involvement and well-being**
- **Sustainable products and services**
- **Diversity, inclusion and equity**

2. Focusing of ESG strategy as well as risks and opportunities in conjunction with the strategy workshop

As part of the annual strategy discussion between the A1 Group's Management Board and the Supervisory Board, relevant environmental and market developments are addressed and, above all, opportunities and also measures for mitigating existing risks as well as initiatives to exploit opportunities and minimize pending risks are presented. The latest developments (not yet shown in the materiality analysis), their impact and the necessary steps are also added. Issues relevant to risk focused on in 2022 included the sharp rise in energy and raw material prices, rising media consumption and the associated increase in demand for data, cyber security, high-performance and future-proof networks, digitalization and the training in digital competencies, etc. In addition to these areas that were also identified in the materiality and are already a component of the risk portfolio, the following issue was added:

- **labor shortage** as a risk.

A particularly significant issue in 2022 was the war in Ukraine. In addition to the social risks, this abnormal situation also entails material risks and is accelerating countermeasures, such as supply chain problems or the switch to sustainable energy sources coupled with short-term spikes in prices.

3. Expert talks in departments

Talks were held with experts from the respective departments on the relevant matters. Risks and opportunities identified in advance were revised and assessed in terms of their relevance. While the discussion and assessment includes all identified risks and opportunities, enterprise risk management finally includes the risks with a medium to high risk score after mitigation measures in the risk atlas.

4. Finalization of ESG risks and opportunities

Based on the matter concerned, the risks and opportunities identified and assessed are placed in a matrix of non-financial risks and opportunities. The issues are clustered according to the three ESG categories: Environmental, Social and Governance. It has been ensured to present the impact of risks and opportunities both in relation to the A1 Group and the respective matters.

5. Assessment of ESG risks

The impact of the risks of the A1 Group, both internally and externally on matters under the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), were assessed in terms of two dimensions using four categories each: (1) quantified damage/risk per year, measured on the basis of free cash flow (very high: > EUR 50 million, high: EUR 10 to EUR 50 million, medium: EUR 1 to EUR 10 million, low: EUR 0 to EUR 1 million and (2) probability of occurrence (high: > 50 %, medium: 25 % to 50 %, low: 5 % to 25 %, very low: <5 %).

Overview of risks and opportunities

The following table shows an overview of the material risks and opportunities identified including their assessment.

	Issues	Impact on NaDiVeG matters	A	Impact on A1	A
Environmental	**Environmental matters**				
Environmental	Carbon emissions, rising carbon taxes & energy prices	Carbon reduction targets and taxes as well as high energy prices, are an opportunity/driver for positive change in the carbon footprint and thus for the environment		High energy prices coupled with rising carbon taxes increase cost pressure as a risk	high
Environmental	Resource optimization & dematerialization (electronic waste)	Circular economy and resource optimization are an opportunity for environmental matters through the shared use of infrastructure		Cooperation in the non-competitive area of infrastructure and cost savings through switching off 2G/3G as opportunity; regulatory pressure on recycling rates financial penalties for non-compliance as risks	low
Environmental	Climate scenarios: flood risk	Ensuring communication in disaster areas		Threat to network stability due to failure	medium
Environmental	Sustainable products & services	Positive contribution to digitalization and thus efficiency enhancement/resource conservation in all sectors of the economy (e.g. logistics, agriculture, production, etc.)		Sale of sustainable products and operation of energy-efficient networks as an opportunity for revenue & reputation	
Social	**Social matters**				
Social	Social effects of Internet use/media consumption	Opportunity through the training of at-risk target groups (children, seniors); negative impact of increased Internet usage and greater frequency of cybercrime (from bullying to theft & extortion)	high	Reputation risk, because A1 Group indirectly enables such conduct as a network provider	medium
Social	Sustainable supply chain	Resource optimization, compliance with human rights, labor rights, income security		Compliance with future laws (Supply Chain Governance Act), sustainable procurement and positive image as opportunities; violation of future laws will result in penalties, loss of supplier if not compliant with A1 Group guidelines	low
Social	High-performance and future-proof networks	Provision of stable networks and thus sustainable connectivity has a positive effect on society		Providing a reliable network as competitive advantage, opportunity in customer acquisition & sales; failure due to physical damage/technical problems/human error as a risk	medium
Social	New business models among our customers through digitalization & innovation and improvement of public services through digitalization	Positive impact on society by enabling benefits of digitalization for all (and thereby including marginalized groups or people with impairments)		Distribution of innovative, digital products and services as an opportunity regarding customer acquisition and retention, as well as revenue; innovation as a driver for corporate development and achievement of strategic goals	
Social	Employee involvement and well-being	Positive impact on employees' satisfaction		Reputation as a good employer, longer-term retention of employees, more sustainable decisions	

Key for assessment (A): very high · high · medium · low

1) after mitigation

	Issues	Impact on NaDiVeG matters	A	Impact on A1	A
Social	**Employee matters**				
	Training employees in digital competencies	Development of employee skills and increasing satisfaction/motivation using remote working as opportunity		Reputation of a modern company and employer as an opportunity, attractiveness to jobseekers with sought-after skills	
	New Ways of Work	Higher satisfaction of employees through flexible & remote working; negative effect due to loneliness and lower work-life balance	low	Higher productivity and better reputation as employer through increased satisfaction	
	Diversity, inclusion & equity	Positive impact on satisfaction, decisions and sustainability by promoting diversity and opportunities for employees		Longer employee retention as well as ongoing development of the organization and sustainable increases in results through diverse viewpoints and skillsets as opportunities	
	Labor shortage	Negative impact due to greater load for employees	low	Loss of revenue, jeopardizing growth & cost increases as risks	low
	Human rights				
	Human Rights Policy	Positive impact on social matters by promoting international standards and social development		Attractiveness as an employer and business partner as opportunity; reputational risk	low
Governance	**Corruption & bribery**				
	Anti-corruption and compliance with laws and regulations	Positive impact on the fight against corruption through a practiced Code of Conduct and the provision of a whistleblower portal Negative impact on civil society in the event of non-compliance	medium	Penalties in the event of non-compliance, threat to reputation and maintenance of customer base	high
	Business activities				
	Data protection & information (e.g. cyberattacks, non-compliance with data protection guidelines)	Threat to customers' privacy and assets	medium	Threat to privacy of employees and customers, risk of loss of reputation, of claims for damages or fines; cyber security products as an opportunity	medium
	Sanctions	Negative impact on civil society in the event of non-compliance with sanctions	low	Risk of fines, negative impact on business activities of problems in the supply chain	low
	Legal	Negative impact on civil society (e.g. in the event of non-compliance with terms of business)	medium	Costly proceedings and reputation damage as risks	medium

Key for assessment (A): very high, high, medium, low

1) after mitigation

Climate risks and opportunities

Climate change was identified as one of the major global challenges based on the analysis of risks and opportunities. The A1 Group has therefore specifically analyzed climate scenarios that are presented in more detail here.

A qualitative analysis of physical and transition risks was performed for the A1 Group for the first time in 2021. Two climate scenarios were referenced: IPCC RCP 2.6, which assumes warming in line with the Paris Agreement, and IPCC RCP 8.5, in which there is neither regulation nor any ambition to reduce carbon emissions (IPCC: Intergovernmental Panel on Climate Change). While the former is a best-case scenario and anticipates a maximum warming of 2° Celsius, the latter is seen as a worst-case scenario with warming of more than 4° Celsius.

Having identified and discussed potential issues with experts from various parts of the company, three material risks were identified. These were selected on the basis of their financial relevance

Transition risks

- **Increased energy consumption coupled with rising energy costs**
  In view of rising data traffic and the resulting increase in demand for network capacity, higher energy consumption is expected for the coming years. Based on energy prices in 2021, energy prices are expected to triple by 2050 in the 2-degree scenario, although this price level has already been reached temporarily due to the Ukraine conflict. Due to possible index adjustments in end customer contracts, our future cash flows are hardly affected by this effect. In any case, A1 Group is working on the implementation of the climate strategy that has been developed.

  Increased consumption in combination with rising costs is being countered with the modernization/replacement of equipment that works without containers and cooling. Self-cooling equipment has the potential to reduce energy costs by up to 20%. Further energy-saving measures include shifting data traffic to more efficient technologies (e.g. from 4G to 5G), deactivating network elements (entire network layer such as 3G or existing outside peak times) and the use of low-consumption systems and cloud solutions that store and process data efficiently. To date, all these measures have helped to increase energy efficiency by at least 10% per year.

- **Rising carbon prices and sustainability target for energy consumption**
  The carbon tax introduced in Austria in 2022 will cause energy prices to climb further in the future. It is expected that prices in Slovenia and Croatia will rise to a similar level as in Austria, while Bulgaria, Serbia and North Macedonia will follow on this path with a delay of three to eight years. The IPCC RCP 2.6 scenario assumes a steady rise in the price of carbon, while the IPCC RCP 8.5 scenario anticipates that prices will stagnate at EUR 55 from 2025. While future cash flows are only slightly affected by CO_2 prices, we are working on the implementation of the climate strategy.

  The A1 Group's ESG strategy aims to reduce net carbon emissions to zero by 2030. In addition to energy-efficient networks, electricity will come 100% from renewable energies moving ahead.

Physical risks

- **Rising frequency and severity of flood events**
  In the A1 Group's climate scenarios, all critical locations were also analyzed for shorter frequencies of catastrophic flooding. The 4° scenario identified a higher risk. In total, eight central and critical locations were identified as moderately exposed in the analysis. The consequences of a flood event include a possible disruption of service and thus inconvenience for customers, lost revenue and cost-intensive damage to the infrastructure.

  A majority of mitigation activities (flood protection, relocation of equipment, redundant data centers) have already been completed, hence the assessment of the physical risks can be considered low. The risk of flooding is still being monitored and, if the risk increases, further steps such as moving equipment to other locations will be considered.

In addition to risks, **climate opportunities** were also identified:

- **Development and distribution of sustainable products and services**
  Increased demand, in particular in the B2B sector, for low-emissions products and services is anticipated due to climate change. For example, these include IoT solutions and smart connectivity that allow energy-efficient operation and thus electricity savings. Currently, more than 1.5 million M2M connections are already active within the A1 Group. Other projects with companies, such as the project with RailCargo Austria, in which A1 Austria and A1 Digital have already equipped more than 11,000 wagons with telematics devices, make a substantial contribution towards the expansion of sustainable products and services and are to be established more moving ahead.

- **More efficient production and distribution processes**
  A significant opportunity lies in the expansion of state-of-the-art technologies (5G): cost savings from deactivating the 2G or 3G network. However, many customers of the A1 Group continue to be dependent on these more established technologies, hence 2G or 3G cannot simply be deactivated. Ideally, a country-wide initiative would allow the provision of at least 4G and the retirement of old technologies like 2G or 3G.

  There is another opportunity in cooperation in non-competitive infrastructure and the shared use of network infrastructure. This would allow both costs and redundancies to be reduced. This opportunity can be realized in commercial cooperation with partners who have the same goals and by a regulatory landscape that allows this.

- **Resource conservation and the circular economy**
  Resource conservation is an opportunity for the A1 Group to save costs, generate revenue and offer customers

sustainable products. On the one hand, this is currently being done with recycling targets, which apply to all companies of the A1 Group, and recycling requirements, such as those that have long existed at A1 Belarus. On the other, certified product refurbishment , which is already being successfully practiced for cell phones, modems and set-top boxes, makes a huge contribution to the circular economy. Other methods will be used moving ahead in addition to recycling and refurbishment. The foundation for this is provided by the "9R" model (refuse, rethink, reduce, reuse, repair, refurbish, remanufacture, repurpose, recycle), which represents strategies for resource conservation and recirculation, descending according to their circularity level. Efforts are made to start as close to the "top" of the model as possible, to apply strategies with which the A1 Group can make an even bigger contribution to resource conservation and the circular economy.

9. EU Taxonomy

The aim of the EU Taxonomy, as part of the European Green Deal, is to mobilize investments in sustainable activities. Mandatory reporting ensures that sustainability is measured with financial performance indicators.

The EU Taxonomy Regulation [2], which became effective in June 2020, the Climate Delegated Act [3] for the environmental goals of climate change mitigation and climate change adaptation, the associated Annexes I [4] + II [5] and the supplementary Delegated Act[6]) that sets out the publication requirements in accordance with Article 8 of the Taxonomy Regulation, currently form the statutory framework for reporting. The EU Commission also published four additional communications/ FAQs [7] that provide guidance and clarification on the correct application and interpretation of Article 8 Delegated Act and the Technical Screening Criteria.

The scope of reporting for financial year 2022 comprises only the first two environmental goals fully specified, namely climate change mitigation and climate change adaptation, for which technical screening criteria have already been defined.

For the current financial year, in accordance with Article 8 of the Delegated Act, the share of CAPEX, OPEX and revenue from Taxonomy-eligible, non-Taxonomy-eligible and – for the first time this year – Taxonomy-aligned activities need to be reported.

To report on Taxonomy alignment, starting from the financial year 2022 evidence must be provided of the extent to which the Taxonomy-eligible activities also meet the technical screening criteria (TSC), i.e. the activity makes a substantial contribution to the environmental goal ("substantial contribution criteria"), does not significantly harm the other environmental goals ("do-no-significant-harm"/DNSH criteria) and Minimum Social Safeguards pursuant to Article 18 of the EU Taxonomy Regulation 2020/852 are in place.

2022 Approach

The requirements of the EU Taxonomy were again implemented as part of a cross-border project team of the A1 Group for the second year. Depending on their Taxonomy activities, experts from the subsidiaries' departments were again consulted to provide detailed technical information, e. g. in the areas of data centers or facility management.

At group level, the business activities of A1 Group were examined in terms of their 2022 Taxonomy eligibility. The Taxonomy-eligible activities were analyzed by the experts at the subsidiaries and the specific activities were identified and described.

The activities were then examined as to Taxonomy alignment. For this purpose, the relevant technical screening criteria were analyzed for each activity and an assessment was made of whether and to what extent the activity meets these criteria.

Finally, the KPIs of the subsidiaries were determined and verified, reviewed, consolidated and compared with the financial indicators at Group level.

Any questions raised by the subsidiaries regarding the requirements of the Taxonomy Regulation, definitions and any options for interpretation were discussed and answered in coordination meetings on an ongoing basis. To ensure that the information was correct and complete, a documentation was produced with the key content of the EU Taxonomy and shared with the project team. A technical concept was also developed in 2022 that describes the scope of reporting, the approach, definitions and processes in connection with the EU Taxonomy in detail.

2) EU Taxonomy Regulation (EU) 2020/852
3) Delegated Regulation (EU) 2021/2139
4) Annex I (EU) 2021/2800
5) Annex II (EU) 2021/2800
6) Delegated Regulation (EU) 2021/2178
7) FAQ July 2021, FAQ January 2022, FAQ February 2022, Draft EU Commission notice December 19, 2022

Taxonomy-eligible activities

The list of economic activities described in the EU Taxonomy Regulation covers the core activities of the A1 Group only to a small extent. Most of its business activities, which mainly involve products and services for mobile telecommunications, fixed line and broadband Internet, are currently not considered relevant for the purposes of the EU Taxonomy Regulation. Thus, the comprehensive investment in infrastructure, such as the 5G and fiber roll-out, are also not Taxonomy-eligible.

The business activities of A1 Group were examined at Group level in terms of their Taxonomy eligibility for 2022. The Taxonomy-eligible activities were analyzed by the experts at the subsidiaries, and the specific activities for each subsidiary were identified and described.

The Delegated Act of the EU Taxonomy Regulation does not clearly define what constitutes an "economic activity". However, after the A1 Group's first reporting for the financial year 2021, the EU Commission published additional FAQs [8] at the start of 2022 that provided clarification and resulted in a change in approach: Economic activities are characterized by an input of resources, a production process and an output of goods or services.

Changes in eligibility of activities as opposed to fiscal year 2021: The A1 Group generates electricity from photovoltaic technology in solar power plants in accordance with Activity 4.1. of the EU Taxonomy Regulation and rents out buildings owned by the A1 Group in accordance with Activity 7.7. As these revenues are part of Other Operating Income in A1 Group, they are not complying with the definition of Revenue KPI in the Delegated Regulation. Therefore, they are not eligible and are no longer reported for the financial year 2022.

Similarly, after a new review of the criteria, following activities were classified as not Taxonomy-eligible for the financial year 2022 and therefore eliminated: 8.3./Development and operation of TV platforms (IPTV, OTT), 13.3./Production of content for own TV channels.

However, for financial year 2022, revenue from data centers leased by the A1 Group is to also be categorized as Taxonomy-eligible, as well as revenue from data centers owned by the A1 Group.

The Taxonomy-eligible, revenue-generating activities of A1 Group for 2022 are therefore as follows:

Economic activity by sector of the Taxonomy Regulation	Activities of the A1 Telekom Austria Group according to Taxonomy definition and specification
8.1. Data processing, hosting and related activities	▸ The A1 Group operates its own and leased data centers and sells related services, such as data processing and storage or transmission capacities.
8.2 Data-driven solutions for GHG emissions reductions	▸ IoT/data solutions for GHG emissions reductions: smart meters, smart waste, smart parking, and mobility

8) FAQ February 2022.

In addition to revenue-generating activities, the EU Taxonomy Delegated Act also lists three Taxonomy-eligible types of CAPEX:

- CAPEX a) refers to investments directly related to Taxonomy-eligible economic activities.
- CAPEX b) refers to investments directly that are part of a plan to expand Taxonomy-aligned economic activities or turn Taxonomy-eligible into Taxonomy-aligned economic activities ("CAPEX plan").
- CAPEX c) refers to investments through the acquisition of output (products/services) from Taxonomy-aligned economic activities and individual measures to improve energy efficiency.

Based on the above definitions, the following CAPEX c) were also defined as Taxonomy-eligible in 2022:

Economic activity by sector of the Taxonomy Regulation	**Taxonomy-eligible CAPEX c) of the A1 Telekom Austria Group**
6.5. Transport by motorbikes, passenger cars and light commercial vehicles	▸ A1 The Group buys and leases vehicles with combustion engines, hybrid and electric vehicles from production companies/dealers.
7.2. Renovation of existing buildings	▸ The A1 Group buys services from companies that perform renovations.
7.3. Installation, maintenance and repair of energy efficiency equipment	▸ The A1 Group buys the output and services of companies in order to improve energy efficiency in buildings, e.g. heating and cooling systems.
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	▸ The A1 Group buys the output and services of companies responsible for the installation, maintenance and repair of charging stations, solar panels on charging stations and batteries for these solar panels.
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	▸ The A1 Group buys the output and services of companies that install, maintain or repair instruments and devices for measuring, regulating, and controlling energy performance of buildings.
7.6. Installation, maintenance and repair of renewable energy technologies	▸ The A1 Group buys the output and services of companies that install, maintain or repair solar panels/wind turbines on buildings and cell towers.

All Taxonomy-eligible activities contribute solely to the environmental goal "climate change mitigation". Thus, double counting is precluded.

The companies included in consolidation of A1 Group result, as disclosed in note 34 to the 2022 consolidated financial statements of A1 Group, formed the basis for reporting in accordance with the Taxonomy Regulation.

Changes of KPIs as opposed to fiscal year 2021

The table below shows the changes of the overall KPIs for eligibility versus the reporting year 2021. According to the explanation mentioned above, main changes of KPIs arise from the elimination of activities which were classified as no longer eligible in the fiscal year 2022.

	Year 2022			Year 2021		
	Turnover	CAPEX mEUR	OPEX	Turnover	CAPEX in %	OPEX
Taxonomy eligible activities	91.0	61.7	15.8	249.2	85.1	24.3
Proportion of Taxonomy eligible activities	1.9 %	5.7 %	8.9 %	5.3 %	8.6 %	13.6 %
Taxonomy non-eligible activities	4,825.0	1,011.1	161.8	4,429.1	908.4	154.6
Proportion of Taxonomy non-eligible activities	98.1 %	94.3 %	91.1 %	94.7 %	91.4 %	86.4 %
Total KPI	**4,916**	**1,072.8**	**177.7**	**4,678.3**	**993.5**	**178.9**

Assessment of Taxonomy alignment

First step was to analyze the technical screening criteria for the A1 Group's Taxonomy-eligible activities. A checklist was prepared for each activity that included all technical screening criteria. In workshops with experts from the subsidiaries it was evaluated whether and to what extent the activities meet the criteria.

Results of the assessment for the 2022 reporting year:

- None of the Taxonomy-eligible activities currently meet the technical screening criteria for Taxonomy alignment.
- The aim for subsequent years is to achieve Taxonomy alignment primarily for activity 8.1./data centers. It is intended to register the A1 Group's larger data centers for the Code of Conduct on Data Center Energy Efficiency.
- A lifecycle analysis is required for the revenue-generating activity 8.2./Data-driven solutions for GHG emissions reductions. However, clear guidelines from the EU Commission are first expected before starting the implementation.
- It is also intended to produce a climate risk and vulnerability assessment in accordance with Appendix A of Annex I Delegated Act for all revenue-generating activities.

Materiality

The EU Taxonomy Delegated Act does not permit the application of materiality principles. An exemption is stated for OPEX, provided that OPEX are not material for the company's business model (see also FAQ of the EU commission from December 2022 [9]).

As a first step total OPEX of the A1 Group were analyzed. As only a fraction of A1 Group's core business is included in the EU Taxonomy, OPEX is largely immaterial for the business model. Consequently, the numerator was calculated and disclosed for OPEX of those taxonomy-eligible activities exceeding the materiality threshold of 3% of total OPEX. The denominator includes the total OPEX according to the definition in the Delegated Act.

EU Taxonomy Regulation KPIs

The KPIs for financial year 2022 for revenue, CAPEX and OPEX were calculated in accordance with the specifications and definitions in Annex I of the Delegated Regulation 2021/2178 [10].

Every business activity of the A1 Telekom Austria Group is allocated to the corresponding economic activity of the Taxonomy Compass. In some cases, individual business activities can be assigned to more than one Taxonomy activity. This applies in particular to CAPEX and OPEX figures for real estate used as both offices and data centers. To allow transparency and avoid double counting, the costs were assigned to the main activity based on the majority principle.

In order to calculate the KPIs for all Taxonomy-eligible activities as presented in the templates, selection parameters were created according to the definition of CAPEX, OPEX and turnover, and reports were generated from the respective ERP systems of the subsidiaries.

Only external revenues as well as expenditure related to third parties were included in the calculation. Inter-Group transactions were eliminated with the consolidation tool SAP SEM-BCS. Thus, double counting was avoided.

Revenue KPI: The total revenue (denominator) is as disclosed in note 5 to the consolidated financial statements, revenue from services and the sale of end-user devices.

Revenue 2022	**in mEUR**
Service revenues	4,163.8
Total equipment revenues	752.2
Total revenue	**4,916.0**

9) Draft EU Commission notice December 19, 2022
10) Delegated Regulation (EU) 2021/2178

CAPEX KPI: Total CAPEX (denominator) is equal to the amount disclosed in note 1 for total additions to intangible assets and property, plant and equipment, plus additions to right-of-use assets in accordance with IFRS 16 (Leases).

Capital expenditures 2022	**in mEUR**
Intangibles (note 16)	178.8
Property, plant and equipment without asset retirement obligations (note 15)	765.7
Right-of-use assets in accordance with IFRS 16 (note 30)	128.3
Total additions	**1,072.8**

OPEX KPI: The EU Taxonomy OPEX-KPI definition stipulates only a very limited share of operating expenditure as eligible. This refers to expenses in connection with research and development, building renovation, short-term leases and maintenance and repairs. As the A1 Group does not have any material R&D projects and virtually all its leases are capitalized (see also note 30), exclusively expenses for maintenance and repairs, which are included in other operating expenses (see note 6), are classified as relevant.

The KPIs (key performance indicators) for the Taxonomy-eligible, Taxonomy-aligned and non-Taxonomy-eligible economic activities of the A1 Telekom Austria Group, as expressed as proportion of total revenue and CAPEX and OPEX, are shown in the following templates in accordance with Annex II of Delegated Regulation 2021/2178[11].

11) Delegated Regulation (EU) 2021/2178

Template 1: Proportion of Turnover from products or services associated with Taxonomy-aligned economic activities-disclosure covering year 2022

Economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
	CODE(s)	Absolute Turnover	Proportion of Turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Minimum safeguards	Taxonomy aligned proportion of Turnover[2] year 2022	Taxonomy aligned proportion of Turnover[2] year 2021	Category (enabling acivity)	Category (transitional acivity)
(1)	(2)	(3) mEUR	(4) %	(5) %	(6) %	(7) %	(8) %	(9) %	(10) %	(11) Y / N	(12) Y / N	(13) Y / N	(14) Y / N	(15) Y / N	(16) Y / N	(17) Y / N	(18) %	(19) %	(20) E	(21) T
A) Taxonomy-eligible activities																				
A.1) Environmentally Sustainable Activities (taxonomy-aligned)																				
8.1 Data processing, hosting and related activities	J63.11	0.0	0.0 %	0.0 %	0.0 %	–	–	–	–	–	N	N	N	–	–	N	0,0 %	0,0 %	–	T
8.2 Data-driven solutions for GHG emissions reductions	J61 / J62 / J63.11	0.0	0.0 %	0.0 %	0.0 %	–	–	–	–	–	N	–	N	–	–	N	0,0 %	0,0 %	E	–
Total Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0 %**														**0,0 %**	**0,0 %**		
A.2) Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned)																				
8.1 Data processing, hosting and related activities	J63.11	56.4	1.1 %																	
8.2 Data-driven solutions for GHG emissions reductions	J61 / J62 / J63.11	34.6	0.7 %																	
Total Turnover of Taxonomy eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		**91.0**	**1.9 %**																	
Total Turnover of Taxonomy-eligible activities (A.1 + A.2)		**91.0**	**1.9 %**																	
B) Taxonomy-non-eligible activities																				
Total Turnover of Taxonomy non-eligible activities (B)		**4,825.0**	**98.1 %**																	
Total Turnover (A + B)		**4,916.0**	**100.0 %**																	

2) Taxonomy ALIGNED proportion of Turnover = share of ALIGNED Turnover within the Total ELIGIBLE Turnover [A.1/(A.1+A.2)]

Template 2: Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
	CODE(s)	Absolute CAPEX	Proportion of CAPEX	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystem	Minimum safeguards	Taxonomy aligned proportion of CAPEX 2) year 2022	Taxonomy ALIGNED proportion of CAPEX 2) year 2021	Category (enabling acivity)	Category (transitional acivity)
(1)	(2)	(3) mEUR	(4) %	(5) %	(6) %	(7) %	(8) %	(9) %	(10) %	(11) Y / N	(12) Y / N	(13) Y / N	(14) Y / N	(15) Y / N	(16) Y / N	(17) Y / N	(18) %	(19) %	(20) E	(21) T
A) Taxonomy-eligible activities																				
A.1) Environmentally Sustainable Activities (Taxonomy-aligned)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.39	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	N	N	–	N	0.0%	0.0%	–	T
7.2 Renovation of existing buildings	F43	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	N	N	N	–	N	0.0%	0.0%	–	T
7.3 Installation, maintenance and repair of energy efficiency equipment	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	N	–	N	0.0%	0.0%	E	–
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	–	–	N	0.0%	0.0%	E	–
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	–	–	N	0.0%	0.0%	E	–
7. 6 Installation, maintenance and repair of renewable energy technologies	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	–	–	N	0.0%	0.0%	E	–
8.1 Data processing, hosting and related activities	J63.11	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	N	N	–	–	N	0.0%	0.0%	–	T
8.2 Data-driven solutions for GHG emissions reductions	J61 / J62 / J63.11	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	N	–	–	N	0.0%	0.0%	E	–
Total CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0%**														**0.0%**	**0.0%**		
A.2) Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.39	9.9	0.9%																	
7.2 Renovation of existing buildings	F43	1.9	0.2%																	
7.3 Installation, maintenance and repair of energy efficiency equipment	F43.2	5.4	0.5%																	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.2	0.3	0.0%																	
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43.2	0.2	0.0%																	
7.6 Installation, maintenance and repair of renewable energy technologies	F43.2	7.2	0.7%																	
8.1 Data processing, hosting and related activities	J63.11	36.6	3.4%																	
8.2 Data-driven solutions for GHG emissions reductions	J61 / J62 / J63.11	0.1	0.0%																	
Total CAPEX of Taxonomy eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		**61.7**	**5.7%**																	
Total CAPEX of Taxonomy-eligible activities (A.1 + A.2)		**61.7**	**5.7%**																	
B) Taxonomy-non-eligible activities																				
Total CAPEX of Taxonomy-non-eligible activities (B)		**1,011.1**	**94.3%**																	
Total CAPEX (A + B)		**1,072.8**	**100.0%**																	

2) Taxonomy ALIGNED proportion of CAPEX = share of ALIGNED CAPEX within the Total ELIGIBLE CAPEX [A.1/(A.1+A.2)]

Template 3: Proportion of OPEX from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

Economic activities				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
(1)	CODE(s) (2)	Absolute OPEX (3) mEUR	Proportion of OPEX (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and eco-system (10) %	Climate change mitigation (11) Y / N	Climate change adaptation (12) Y / N	Water and marine resources (13) Y / N	Circular economy (14) Y / N	Pollution (15) Y / N	Biodiversity and eco-system (16) Y / N	Minimum safeguards (17) Y / N	Taxonomy aligned proportion of OPEX[2] year 2022 (18) %	Taxonomy ALIGNED proportion of OPEX[2] year 2021 (19) %	Category (enabling acivity) (20) E	Category (transitional acivity) (21) T
A) Taxonomy-eligible activities																				
A.1) Environmentally Sustainable Activities (Taxonomy-aligned)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.39	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	N	N	–	N	0.0%	0.0%	–	T
7.2 Renovation of existing buildings	F43	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	N	N	N	–	N	0.0%	0.0%	–	T
7.3 Installation, maintenance and repair of energy efficiency equipment	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	N	–	N	0.0%	0.0%	E	–
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	–	–	N	0.0%	0.0%	E	–
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–	–	–	–	N	0.0%	0.0%	E	–
7.6 Installation, maintenance and repair of renewable energy technologies	F43.2	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	–			–	N	0.0%	0.0%	E	–
8.1 Data processing, hosting and related activities	J63.11	0.0	0.0%	0.0%	0.0%	–	–	–	–	–	N	N	N	–	–	N	0.0%	0.0%	–	T
Total OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.0**	**0.0%**														**0.0%**	**0.0%**		
A.2) Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.39	6.1	3.4%																	
7.2 Renovation of existing buildings	F43	0.0	0.0%																	
7.3 Installation, maintenance and repair of energy efficiency equipment	F43.2	0.0	0.0%																	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F43.2	0.0	0.0%																	
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43.2	0.0	0.0%																	
7.6 Installation, maintenance and repair of renewable energy technologies	F43.2	0.0	0.0%																	
8.1 Data processing, hosting and related activities	J63.11	9.7	5.5%																	
Total OPEX of Taxonomy eligible, but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		**15.8**	**8.9%**																	
Total OPEX of Taxonomy-eligible activities (A.1 + A.2)		**15.8**	**8.9%**																	
B) Taxonomy-non-eligible activities																				
Total OPEX of Taxonomy-non-eligible activities (B)		**161.8**	**91.1%**																	
Total OPEX (A + B)		**177.7**	**100.0%**																	

2) Taxonomy ALIGNED proportion of OPEX = share of ALIGNED OPEX within the Total ELIGIBLE OPEX [A.1/(A.1+A.2)]

Report about the Independent Assurance of Telekom Austria AG's "Consolidated non-financial Report" 2022 and A1 Group's Scope 3 emission 2022

To the members of the Board of Management and the Supervisory Board of Telekom Austria AG

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

We have performed a limited assurance engagement according "Consolidated Non-Financial Report" 2022 in accordance with the requirements of the § 267a UGB (NaDiVeG) incl. the information according the EU Taxonomy regulation (Telekom Austria AG) and of the GHG emissions 2022 in accordance with the GHG Protocol of A1 Group.

The assurance engagement covers "Consolidated Non-Financial Report" 2022 of Telekom Austria AG as well as the Scope 3 emissions data of the A1 Group for the reporting period 2022.

The objective of our assurance engagement according the disclosures and data in the "Consolidated Non-Financial Report" 2022 of Telekom Austria AG were processes and internal systems of capturing, collecting and consolidating of the figures at Group level.

At the site level, only disclosures and data for Austria were the objective of our engagement. For other locations, no assurance of these disclosures and data has been made – except assurance of information according the EU Taxonomy regulation, the Scope 1 and Scope 2 GHG emissions published in the "Consolidated Non-Financial Report" 2022. The assurance of the published information according the EU Taxonomy regulation, Scope 1 and Scope 2 GHG emissions, recycling of electrical and electronic devices and female quota covered the entire A1 Group.

The objective of our assurance engagement according the Scope 3 GHG emissions of the A1 Group were processes and internal systems of capturing, collecting and consolidating of the figures at Group level. At the site level, only disclosures and data for Austria were the objective of our engage-ment. For other locations, no assurance of these disclosures and data has been made.

Responsibilities of the Legal Representatives

Telekom Austria AG's legal representatives are responsible for the proper compilation of the "Consolidated Non-Financial Report" 2022 in accordance with the requirements of the § 267a [1] UGB, the information according the EU Taxonomy regulation [2] and of the published GHG emissions in accordance with the requirements of the GHG Protocol [3].

The legal representatives have signed the Letter of Representation, which we have added to our files.

1) https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189009/NOR40189009.pdf
2) https://eur-lex.europa.eu/eli/reg/2020/852/
3) https://ghgprotocol.org/

Responsibilities of the Assurance Providers

Based on our assurance procedures deemed necessary and our evidence we have obtained, it is our responsibility to assess whether any matters have come to our attention that cause us to believe, that in all material matters the “Consolidated Non-Financial Report” 2022 according to the defined scope of our assurance is not in accordance with the requirements of the § 267a UGB and the EU Taxonomy regulation.

Furthermore, based on our assurance procedures deemed necessary and our evidence we have obtained, it is our responsibility to assess whether any matters have come to our attention that cause us to believe, that in all material matters the published GHG emissions 2022 according to the defined scope of our assurance are not in accordance with the requirements of the GHG Protocol.

Our assurance engagement has been conducted in accordance with the “International Federation of Accountants’ ISAE 3000 (Revised)” Standards.

Our professional duties include requirements in relation to our independence as well as planning our assurance engagement based on the materiality considerations in order to allow us to obtain a limited level of assurance.

According to the “General Conditions of Contract for the Public Accounting Professions” our liability is limited. An accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence, the maximum liability towards the client and any third party together is EUR 726,730 in the aggregate.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- Obtain an overview over the industry as well as the operational and organizational structure of the organization;
- Interview a selection of senior managers and executives to understand systems, processes and internal control procedures related to the content of the Sustainability Reporting assured, which support the data collection;
- Review relevant group level, board and executive documents to assess awareness and priority of issues in the Sustainability Reporting and to understand how progress is tracked and internal controls are implemented;
- Examine risk management and governance processes related to sustainability and critical evaluation of the disclosure in the Sustainability Reporting;
- Perform analytical procedures at group level;
- Perform virtual meetings with the responsible persons at sites in Bulgaria, Croatia, Belarus and North Macedonia to obtain evidence on performance indicators. In addition, we reviewed data samples in the non-financial Reporting at site level according to the defined scope of our assurance for completeness, reliability, accuracy and timeliness;
- Review data and processes on a sample basis according to the defined scope of our assurance to assess whether they have been collected, consolidated and reported appropriately at group level. This included obtaining an opinion whether the data had been reported in an accurate, reliable and complete manner;
- Review the coverage of material issues which have been raised in stakeholder dialogues, in media reports and environmental and social reports of peers;
- Evaluate the materiality assessment, including sector specific megatrends;
- Assessment whether the Requirements according to § 267a UGB have been adequately addressed,
- Assessment whether the Requirements according to the EU Taxonomy regulation have been adequately addressed.

The objective of our engagement was neither a financial audit nor a financial audit review of past-oriented financial information. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report and the risk reporting. We merely checked this data was presented in accordance with the Standards. Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement. We did not test data derived from external surveys.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

We submit this report based on our assurance engagement for which, also regarding third parties, the “General Conditions of Contract for the Public Accounting Professions” [4], are binding.

Conclusion

Based on our assurance procedures and our evidence we have obtained no matters have come to our attention that cause us to believe that in all material matters the “Consolidated Non-Financial Report” 2022 according to the defined scope of our assurance is not in accordance with the requirements of the § 267a UGB (NaDiVeG) and the EU Taxonomy regulation.

Furthermore, based on our assurance procedures and our evidence we have obtained no matters have come to our attention that cause us to believe that in all material matters the published GHG emissions 2022 according to the defined scope of our assurance are not in accordance with the requirements of the GHG Protocol.

Vienna, 3. February 2023
Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Severin Eisl ppa. Susanna Gross

4) Fassung vom 18. April 2018, herausgegeben von der Kammer der Wirtschaftstreuhänder, Kapitel 7, http://www.kwt.or.at/PortalData/1/Resources/aab/AAB_2018_de.pdf

Annexe I: Consolidated Non-Financial Report 2022
Annexe II: Total Scope 3 Emissions (tCO_2) 2022

Stakeholder-Engagement

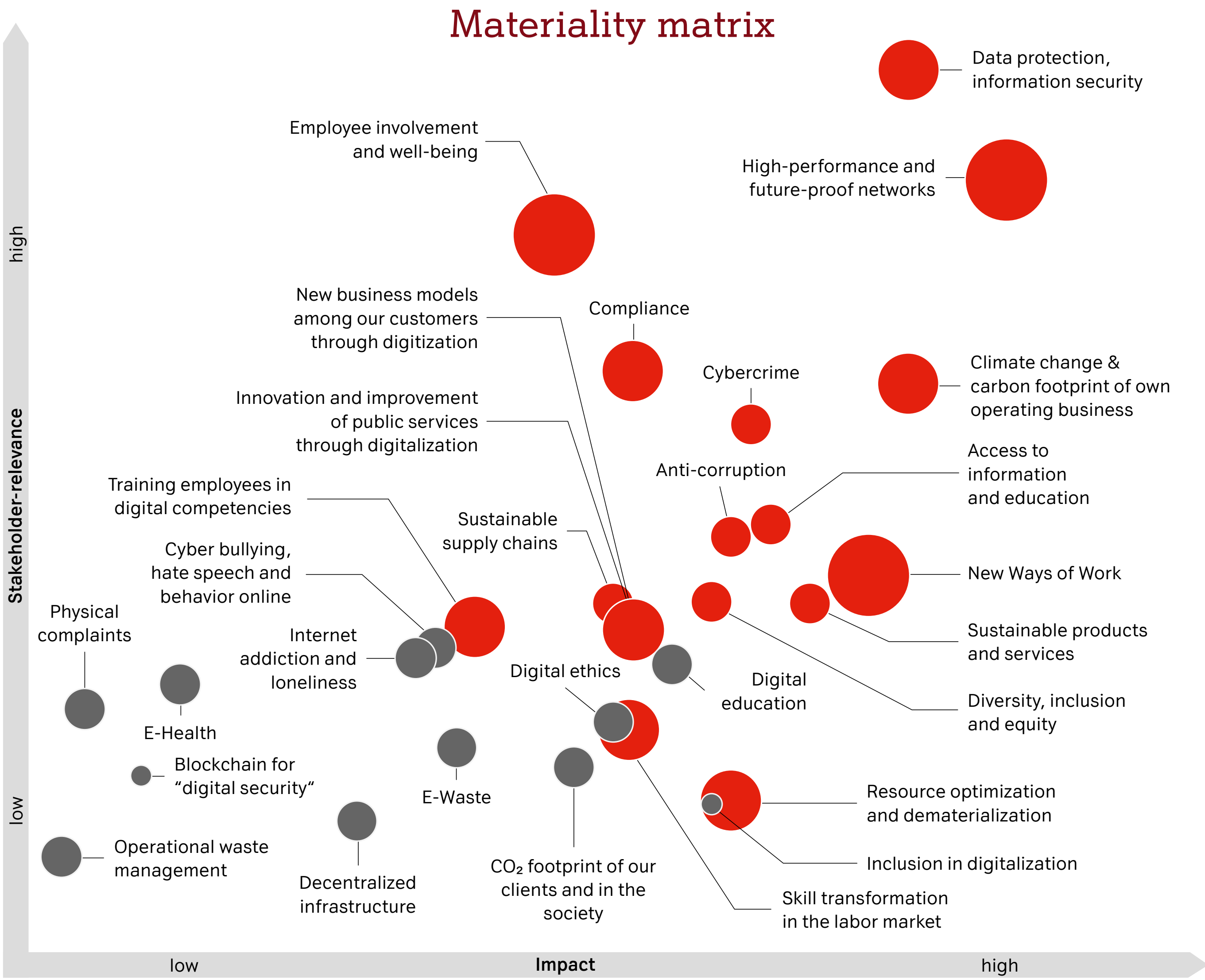
The A1 Group sees itself as a responsible shaper of its entire corporate "ecosystem"—in economic and social terms as well as with regard to environmental and climate protection. To this end, it works actively and cooperatively with a wide range of stakeholders. The most important of these include customers,employees, the media, politicians and interest groups, investors, researchers, scientists and educators, associations and NGOs, suppliers and business representatives. The stakeholders are identified in consultation with the specialist departments involved. The following table explains the channels through which the A1 Group is in continual contact with its stakeholders and the associated interests and expectations.

Stakeholder	Communication channels	Interests / expectations
Customers	‣ Social media, apps, chat, sms, blogs ‣ Advertisement ‣ E-mail, letters ‣ Personal contact & call centers ‣ Website ‣ Market research (surveys) ‣ Company publications ‣ Whistleblower portal	‣ High-quality products & services ‣ Data protection & information security ‣ Handling complaints & suggestions ‣ High performing & resilient networks
Employees	‣ E-mail ‣ Internal social media platforms (workplace), online portals … ‣ Online employee magazine (A1 Stories) ‣ Training sessions ‣ Employee surveys and evaluations ‣ Interactive exchange with members of management ‣ Company publications ‣ Whistleblower portal	‣ Respectful treatment of each other & respect for human rights ‣ Health & safety ‣ Appropriate remuneration ‣ Further education opportunities & training sessions ‣ Mobile & flexible working environments and work-life balance ‣ Employee involvement
Media	‣ E-mail ‣ Press information & company publications ‣ Website ‣ Events & personal meetings ‣ Phone calls ‣ Whistleblower portal	‣ Transparency & accountability ‣ Timely information

Stakeholder	Communication channels	Interests / expectations
Politicians and special interest groups	‣ E-mail ‣ Conference calls ‣ Events & personal meetings ‣ Whistleblower portal	‣ Transparency & compliance ‣ Timely information ‣ High performing networks ‣ Development of new business models ‣ Creating & retaining safe workplaces ‣ Data protection & information security
Investors	‣ E-mail ‣ Phone calls & conference calls ‣ Website ‣ Events, personal meetings & presentations ‣ Company publications ‣ Whistleblower portal	‣ Transparency & compliance ‣ Timely information ‣ Profitability
Representatives of the research and education communities	‣ E-mail ‣ Conference calls ‣ Events ‣ Cooperations ‣ Company publications ‣ Whistleblower portal	‣ Transparency & compliance ‣ Cooperations ‣ Timely information
Associations and NGOs	‣ E-mail ‣ Conference calls ‣ Events & personal meetings ‣ Company publications ‣ Whistleblower portal	‣ Cooperation; respect for human rights ‣ Transparency & compliance ‣ Data protection & information security
Suppliers	‣ E-mail ‣ Conference calls ‣ Events & personal meetings ‣ Whistleblower portal	‣ Transparency & compliance ‣ Profitability
Business representatives	‣ E-mail ‣ Events & personal meetings ‣ Company publications ‣ Whistleblower portal	‣ Transparency & compliance ‣ Timely information ‣ High performing networks ‣ Business relations

Materiality matrix

With the involvement of the stakeholders listed under "Stakeholder engagement", a materiality analysis was carried out to identify the key sustainability issues and their material impacts (for methodology, see "Consolidated Non-Financial Report"). The materiality analysis is regularly repeated (every two to three years) and was last carried out in 2022.



The red circles represent the issues relevant to the A1 Group, which are reported on in the non-financial report. The size of the circles reflects their relevance for the company. An issue's materiality is based on its impact on the environment, society and the economy, and on how relevant it is to the A1 Group's stakeholders. Thus, the issues most important to the A1 Group are those that have the biggest impact and those that are most relevant to stakeholders. As an additional dimension, the issues were assessed with regard to their business relevance for the A1 Group. This allows an integrated perspective that takes into account the issues' sustainability context and their economic significance for the company.

ESG KPIs

Environment

Calculation method – emissions
In its calculation method for direct, indirect and other indirect emissions, A1 Group follows the internationally recognized definition of the Greenhouse Gas Protocol of the WRI/WBCSD (World Resources Institute and World Business Council for Sustainable Development). Included in the calculation for direct emissions are all greenhouse gases, not just those covered by the Kyoto Protocol. The calculation methods are based on data published by various databases for example the International Energy Agency or ecoinvent (AR4 100-year (IPCC 2007-4th Assessment Report)). Figures are given as CO_2 equivalents.

Calculation method – energy
The calculation method is — unless it is a self-production — based on the invoices issued by the respective energy providers. For conversion to kilowatt hours, the factors of the Federal Environment Agency and the ecoinvent database were used for further calculation.When data was not available, estimates were made in some cases. Furthermore, term inaccuracies may occur if invoices do not exactly match the reporting period. For the energy share of fuels the heating value was considered. Neither steam nor cooling energy was purchased.

Direct and indirect energy

2022 (in MWh)	Electricity [1]	Heating fuels [2]	District heating	Fuels [3]	Total energy consumption	Total energy consumption (TJ) [4]
Austria	363,874	13,782	27,598	32,804	438,058	1,577
Bulgaria	132,858	111	190	10,300	143,459	516
Croatia	91,448	456	3,487	6,154	101,545	366
Belarus	92,275	302	3,398	4,254	100,229	361
Slovenia	39,570	0	315	1,459	41,345	149
Serbia	73,130	158	228	3,332	76,848	277
North Macedonia	30,087	0	0	2,248	32,334	116
A1 Digital	1,167	0	22	172	1,362	5
A1 Group	**824,410**	**14,810**	**35,238**	**60,723**	**935,181**	**5**
2021 (in MWh)						
Austria	351,843	13,990	26,406	33,520	425,759	1,533
Bulgaria	130,564	97	164	9,806	140,631	506
Croatia	90,813	578	3,385	5,675	100,452	362
Belarus	96,252	320	3,712	4,560	104,844	377
Slovenia	36,020	0	326	1,036	37,382	135
Serbia	66,828	161	287	2,610	69,886	252
North Macedonia	33,866	0	0	2,189	36,055	130
A1 Digital	812	0	22	67	902	3
A1 Group	**807,000**	**15,147**	**34,302**	**59,463**	**915,912**	**3**
2020 (in MWh)						
Austria	323,374	14,105	28,454	35,117	401,051	1,444
Bulgaria	126,996	95	302	10,061	137,455	495
Croatia	86,413	499	2,845	5,137	94,894	342
Belarus	95,879	329	3,039	4,805	104,052	375
Slovenia	33,814	0	277	1,172	35,264	127
Serbia	64,619	132	218	2,472	67,442	243
North Macedonia	32,564	0	0	2,158	34,722	125
A1 Digital	729	0	22	161	913	3
A1 Group	**764,390**	**15,161**	**35,159**	**61,083**	**875,793**	**3**
Change 2022 vs. 2021 (in %)						
Austria	3	-1	5	-2	3	3
Bulgaria	2	14	16	5	2	2
Croatia	1	-21	3	8	1	1
Belarus	-4	-6	-8	-7	-4	-4
Slovenia	10	n. m.	-3	41	11	11
Serbia	9	-2	-21	28	10	10
North Macedonia	-11	n. m.	n. m.	3	-10	-10
A1 Digital	44	n. m.	0	158	51	51
A1 Group	**2**	**-2**	**3**	**2**	**2**	**2**

At the time of preparation, the environmental key figures for the 2022 financial year were not yet available. The key figures presented in the table cover the period 01.11.2021 to 31.10.2022, which is considered a representative comparison period for the 2022 financial year. Where data from this period was not available, the most recent data available from the past was used. There were no significant changes in demand, which is why no fluctuations are assumed. The key figures were collected with the utmost care. However, inaccuracies, for example due to estimates, may exist. A1 Digital includes German and Swiss parts of the operations of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

1) Purchased and in-house production as well as diesel for emergency generators
2) Includes oil and gas, not climatically adjusted
3) Includes diesel, petrol, CNG, LPG und natural gas without diesel for emergency generators
4) Table can contain rounding differences. 1 MWh = 0.0036 Terajoule

Energy and fuel consumption [1)]

A1 Group (in MWh)	From non-renewable energy	From renewable energy [2)]
2022	83,958	3,206
2021	80,532	3,149
2020	82,277	3,183
Change 2022 vs. 2021 (in %)	4	2

1) Oil, diesel, petrol, LPG, CNG and natural gas, including diesel for emergency generators
2) Share of biogenic fuels in diesel and petrol

Energy consumption outside the organization [1)]

A1 Group	MWh
2022	158,341
2021	155,134
2020	109,530
Change 2022 vs. 2021 (in %)	2

1) Mobile phones, taxi, train, flight

Further environmental KPIs

Targets for 2030	Base year 2019	2022	Status in 2022
Energy efficiency enhancement of 80 % [1)]	0.18	0.10	44 %

A1 Group	Energy efficiency Index [1)] (in MWh(el) per terabyte)	Share of e-billing (in %)
2022	0.10	87
2021	0.11	84
2020	0.14	85
Change 2022 vs. 2021 (in %)	-13	3

1) Energy efficiency index is defined as A1 Groups total electrical energy consumption, divided by total transported data volume of fixed and mobile telecommunication networks.

Direct and indirect greenhouse gas emissions

Targets for 2030	Base year 2019	2022	Status in 2022
Reduction of CO_2 emissions to net zero [1] by reducing our own CO_2 footprint and by gradually making the transition to energy from renewable sources	243,101	139,288	-43%

1) Reduction of Scope 1 & Scope 2 (market-based) by 90%

Scope 1 und Scope 2 (CO_2-equivalents in t)

2022	Direct (Scope 1)	Indirect (Scope 2) location-based	Indirect (Scope 2) market-based	Total (Scope 1+2) location-based	Total (Scope 1+2) market-based
Austria	12,604	74,947	3,891	87,550	16,495
Bulgaria	3,499	57,629	23,618	61,128	27,117
Croatia	2,853	16,700	8,119	19,552	10,972
Belarus	2,059	33,886	33,886	35,945	35,945
Slovenia	435	8,417	1,024	8,852	1,459
Serbia	1,500	54,053	26,558	55,554	28,059
North Macedonia	1,053	21,299	18,141	22,351	19,194
A1 Digital	46	178	3	224	49
A1 Group	**24,048**	**267,108**	**115,241**	**291,155**	**139,288**
2021					
Austria	12,410	85,783	8,356	98,194	20,766
Bulgaria	3,334	58,270	38,969	61,604	42,303
Croatia	3,242	13,715	26,942	16,958	30,184
Belarus	2,018	37,128	37,128	39,146	39,146
Slovenia	354	7,857	2,849	8,211	3,203
Serbia	1,076	48,883	41,231	49,959	42,307
North Macedonia	1,279	20,859	20,859	22,139	22,139
A1 Digital	18	135	6	153	23
A1 Group	**23,732**	**272,631**	**176,340**	**296,363**	**200,072**
2020					
Austria	12,864	85,270	9,143	98,134	22,007
Bulgaria	3,358	64,981	64,962	68,339	68,320
Croatia	2,692	18,373	35,815	21,065	38,507
Belarus	2,128	36,492	36,492	38,619	38,619
Slovenia	373	7,931	4,809	8,304	5,182
Serbia	967	50,925	50,925	51,892	51,892
North Macedonia	1,342	22,931	22,931	24,273	24,273
A1 Digital	43	51	3	94	46
A1 Group	**23,766**	**287,002**	**225,080**	**310,768**	**248,800**
Change 2022 vs. 2021 (in %)					
Austria	2	-13	-53	-11	-21
Bulgaria	5	-1	-39	-1	-36
Croatia	-12	22	-70	15	-64
Belarus	2	-9	-9	-8	-8
Slovenia	23	7	-64	8	-54
Serbia	39	11	-35	12	-33
North Macedonia	-18	2	-13	1	-13
A1 Digital	157	32	-46	46	108
A1 Group	**1**	**-2**	**-35**	**-2**	**-30**

The environmental indicators for fiscal 2022 as a whole were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2021 to 31 October 2021, which can be considered a representative comparison period for fiscal 2022. If no data were available for this period, data from the previous period were used. Direct Scope 1 includes direct emissions from combustion of fossil fuels–for the first time GHG emissions from cooling agents are considered. Therefore, Scope 1 figures for 2021 and 2020 changed. Scope 2 includes indirect emissions from electric energy and district heating. According to the GHG Protocol, "location-based scope 2" figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used. According to the GHG Protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product. A1 Digital includes the German and Swiss part of the activities of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments). Tables may be subject to rounding differences.

Scope 3 (CO_2-equivalents in t) [1)]

Category 1 – Purchased good and services [2)]	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	180,574	191,001	204,768	7
Bulgaria	50,687	58,889	54,572	-7
Croatia	34,177	46,524	40,357	-13
Belarus	53,121	47,017	45,700	-3
Slovenia	25,897	25,434	23,386	-8
Serbia	31,491	37,837	39,437	4
North Macedonia	11,757	13,973	14,824	6
A1 Group	**387,705**	**420,675**	**423,043**	**1**
Category 3 – Fuel- and energy related activities				
Austria	14,354	16,324	18,395	13
Bulgaria	12,601	11,725	12,264	5
Croatia	3,660	3,898	5,256	35
Belarus	8,305	8,226	16,599	102
Slovenia	1,500	1,531	1,726	13
Serbia	11,503	11,139	12,389	11
North Macedonia	5,446	5,686	5,198	-9
A1 Group	**57,368**	**58,530**	**71,826**	**23**
Category 4 – Upstream transportation and distribution [3)]				
A1 Group	**76,664**	**76,664**	**76,664**	**0**
Category 5 – Waste generated in operations [3)]				
A1 Group	**542**	**542**	**542**	**0**
Category 6 – Business travel				
Austria	2,822	2,442	3,082	26
Bulgaria	1,000	823	959	16
Croatia	384	439	571	30
Belarus	407	311	346	11
Slovenia	87	80	138	73
Serbia	272	188	1,042	455
North Macedonia	203	156	199	27
A1 Group	**5,175**	**4,440**	**6,337**	**43**
Category 7 – Employee commuting [3)]				
A1 Group	**20,400**	**20,400**	**20,400**	**0**
Category 9 – Downstream transportation and distribution [3)]				
A1 Group	**25,809**	**25,809**	**25,809**	**0**
Category 11 – Use of sold products				
Austria	38,399	26,735	24,722	-8
Bulgaria	42,799	41,808	39,585	-5
Croatia	12,070	23,371	12,869	-45
Belarus	40,845	40,111	34,538	-14
Slovenia	9,627	11,468	14,594	27
Serbia	7,263	7,644	6,468	-15
North Macedonia	14,169	18,650	15,387	-17
A1 Group	**165,171**	**169,786**	**148,163**	**-13**
Category 12 – End of life treatment of sold products [3)]				
A1 Group	**48**	**48**	**48**	**0**
Category 13 – Downstream leased assets [3)]				
A1 Group	**657**	**657**	**657**	**0**

1) When material Scope 3 emissions for A1 Digital are reported under the segment "Austria". 2) Category 2 - Capital goods is included in Category 1. 3) Figures are based on A1 Group's Scope 3 screening, which is done every 2-3 years. The next screening is planned for 2023. The category was not part of the external audit 2022. The next screening is planned for 2023. Category was not part of the external audit.

CO_2-equivalents in t (Scope 1-3) total

	2020	2021	2022	Change 2022 vs. 2021 (in %)
Scope 1	23,766	23,732	24,048	1
Scope 2 (market-based)	225,080	176,340	115,241	-35
Scope 3	739,540	777,551	773,489	-1
A1 Group	**988,386**	**977,623**	**912,778**	**-7**

Biogenic CO_2 emissions (in t)

A1 Group	From buildings Direct (Scope 1)	Indirect (Scope 3)	From mobility Direct (Scope 1)
2022	0	0	852
2021	0	0	839
2020	0	0	849
Change 2022 vs. 2021 (in %)	0	0	2

Relative indicators

2022	Share of renewable energy in electricity (in %)	Share of renewable energy in total energy (in %) [1]	Recycling quota [2] (in %)	CO_2-intensity [3] (in t/ mEUR)	Average paper consumption (kg / FTE)
Austria	100	83	60	6	6
Bulgaria	52	48	11	42	18
Croatia	82	73	36	23	6
Belarus	0	0	53	78	10
Slovenia	93	89	96	7	5
Serbia	54	51	50	79	22
North Macedonia	15	13	79	136	40
A1 Digital	100	86	0	2	0
A1 Group	**71**	**63**	**60**	**27**	**12**
2021					
Austria	96	80	69	8	6
Bulgaria	31	29	9	74	27
Croatia	43	38	57	67	9
Belarus	0	0	51	93	11
Slovenia	79	76	95	15	5
Serbia	19	18	70	134	10
North Macedonia	0	0	0	182	47
A1 Digital	100	90	0	1	0
A1 Group	**57**	**50**	**67**	**42**	**13**
2020					
Austria	96	77	71	3	7
Bulgaria	0	0	11	21	27
Croatia	0	0	81	21	6
Belarus	0	0	33	16	13
Slovenia	69	66	77	10	5
Serbia	0	0	62	38	13
North Macedonia	0	0	84	31	42
A1 Digital	100	80	0	1	1
A1 Group	**44**	**38**	**69**	**14**	**13**

1) Due to change of methodoly the KPI "Share of renewable energy in electricity" was recalculated for the years 2020 and 2021.
2) Fractions handed over to be recycled (non-hazardous waste, electronic waste and batteries) in relation to total waste.
3) CO_2 intensity includes the CO_2 emissions from Scope 1 and Scope 2 market-based (excluding compensation) divided by the million euros of revenue by end of the year.

Vehicle fleet

A1 Group	Number of vehicles	Consumption of petrol (in l)	Consumption of diesel (in l)	Cons. of alter-native fuels (in l)	Mileage (in thousand km)
2022	4,721	1,324,865	5,053,349	134,094	93,061
2021	4,827	1,109,844	5,093,008	150,816	89,067
2020	4,936	1,025,154	5,389,533	153,285	89,752
Change 2022 vs. 2021 (in %)	-2	19	-1	-11	4

Air pollutants generated by the vehicle fleet [1)]

A1 Group	NO_x	SO_2	PM_{10}
2022	0.646	0.384	0.032
2021	0.673	0.393	0.033
2020	0.697	0.402	0.034
Change 2022 vs. 2021 (in %)	-4	-2	-3

1) The air pollutants were aligned to the published data of ecoinvent for the first time in 2012. They include the emissions of the vehicle fleet. Reported emissions represent relevant pollutants of the A1 Group.

Waste

	Recyclable			Hazardous waste				
A1 Group (in kg)	Paper	Metall	Other [1)]	Electronic waste	Batteries	Other [2)]	Residual waste	Total
2022	925,145	474,013	599,004	419,386	336,478	510,216	1,646,749	4,910,991
2021	1,019,385	908,781	578,855	575,899	459,351	425,051	1,572,433	5,539,756
2020	814,888	981,613	249,753	509,320	508,554	395,262	1,182,300	4,641,690
Change 2022 vs. 2021 (in %)	-9	-48	3	-27	-27	20	5	-11

Quantities were defined according to invoices of waste management companies or if this was not possible according to volumina of waste containers as well as intervals of waste disposal.

1) Other recyclable waste includes plastic, glass and biological waste.

2) Other hazardous waste includes mainly mobile phones and other hazardous materials.

Waste – paper consumption

2022 (in kg)	Printing & copy paper	Other[1]	Total
Austria	331,949	335,044	666,992
Bulgaria	66,180	51,059	117,239
Croatia	11,110	142,147	153,257
Belarus	30,509	11,256	41,765
Slovenia	4,892	49,020	53,912
Serbia	57,903	120,466	178,369
North Macedonia	30,257	37,261	67,518
A1 Digital	7	6	13
A1 Group	**532,807**	**746,258**	**1,279,065**
2021 (in kg)			
Austria	339,170	223,582	562,752
Bulgaria	89,202	61,782	150,984
Croatia	15,907	151,135	167,042
Belarus	35,740	20,633	56,373
Slovenia	4,257	38,772	43,029
Serbia	33,684	146,147	179,831
North Macedonia	35,771	38,948	74,719
A1 Digital	7	6	13
A1 Group	**553,737**	**681,005**	**1,234,742**
2020 (in kg)			
Austria	55,742	377,143	432,885
Bulgaria	89,511	79,159	168,670
Croatia	11,915	150,900	162,815
Belarus	30,995	40,615	71,610
Slovenia	2,577	52,636	55,213
Serbia	17,595	159,341	176,936
North Macedonia	32,422	53,087	85,509
A1 Digital	57	21	78
A1 Group	**240,814**	**912,901**	**1,153,715**
Change 2022 vs. 2021 (in %)			
Austria	-2	50	19
Bulgaria	-26	-17	-22
Croatia	-30	-6	-8
Belarus	-15	-45	-26
Slovenia	15	26	25
Serbia	72	-18	-1
North Macedonia	-15	-4	-10
A1 Digital	8	0	4
A1 Group	**-4**	**10**	**4**

1) Other includes mainly paper for customer invoices and paper for packaging.

Waste – old devices recycling

Target for 2030	2022	Status in 2022
Promoting the circular economy within the company by recycling around 50,000 old devices per year (in pc.)	224,886	450 %

2022 (in pc.)	Collected old devices
Austria	4,664
Bulgaria	11,842
Croatia	105,872
Belarus	79,880
Slovenia	17,822
Serbia	4,001
North Macedonia	805
A1 Digital	0
A1 Group	**224,886**
2021 (in pc.)	
Austria	7,071
Bulgaria	10,456
Croatia	22,113
Belarus	101,448
Slovenia	20,690
Serbia	3,390
North Macedonia	870
A1 Group	**166,038**
2020 (in pc.)	
Austria	12,653
Bulgaria	3,587
Croatia	0
Belarus	66,028
Slovenia	604
Serbia	2,008
North Macedonia	0
A1 Group	**84,880**
Change 2022 vs. 2021 (in %)	
Austria	-34
Bulgaria	13
Croatia	379
Belarus	-21
Slovenia	-14
Serbia	18
North Macedonia	-7
A1 Group	**35**

Water consumption

Total water use (in ML)	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	168	156	159	2
Bulgaria	33	22	26	19
Croatia	20	21	16	-24
Belarus	12	8	9	10
Slovenia	2	2	2	-11
Serbia	6	5	7	40
North Macedonia	9	10	10	9
A1 Digital	0	0	0	0
A1 Group	**251**	**224**	**230**	**2**

Total revenue (in EUR mn)	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	2,622	2,678	2,752	3
Bulgaria	514	574	640	12
Croatia	428	452	470	4
Belarus	403	420	461	10
Slovenia	205	210	223	6
Serbia	286	315	357	13
North Macedonia	122	122	141	16
A1 Digital	20	22	31	40
A1 Group	**4,599**	**4,792**	**5,074**	**6**

	2020	2021	2022	
Water use per unit of revenue (in ML/EUR mn)	0.05	0.05	0.05	
Water use: m³ per unit of revenue (in EUR mn)	55	47	45	
Year on Year direct fresh-water water use (in %)	–	-11	2	
Year on Year water use intensity (in %)	–	-14	-3	

Society

Participations in digital education trainings

Target for 2023	Status in 2022
Reaching 100,000 people – with a special focus on children and young people – as part of the digital education focus. Providing confidence and skills in their active creation of digital worlds.	134,553 Target achievement: 135 %

Participations	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	10,626	17,112	49,375	189
Bulgaria	0	12,082	13,940	15
Croatia	143	2,878	2,140	-26
Belarus	0	184	337	83
Slovenia	0	3,705	10,303	178
Serbia	90	244	8,990	3,584
North Macedonia	70	1,304	1,030	-21
A1 Group	**10,929**	**37,509**	**86,115**	**130**

Number of digital education workshops

Number of workshops	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	520	760	2,512	231
Bulgaria	0	7	10	43
Croatia	2	28	8	-71
Belarus	0	16	3	-81
Slovenia	0	173	290	68
Serbia	3	2	38	1,800
North Macedonia	2	17	15	-12
A1 Group	**527**	**1,003**	**2,876**	**187**

Employees

Number of employees

in FTE	2020	2021	2022	Change 2022 vs. 2021 (in %)
Austria	7,320	7,180	6,826	-4.9
Bulgaria	3,329	3,291	3,602	9.4
Croatia	1,872	1,837	1,800	-2.0
Belarus	2,385	2,334	2,351	0.7
Slovenia	532	606	631	4.2
Serbia	1,370	1,456	1,544	6.0
North Macedonia	776	767	756	-1.4
Holding incl. A1 Digital	336	385	397	3.0
A1 Group	**17,949**	**17,856**	**17,906**	**0.3**

Number of employees by employment contract

in FTE	permanent female	permanent male	temporary female	temporary male	temporary positions (Leased employees) female	temporary positions (Leased employees) male
Austria	1,751	4,909	80	85	454	786
Bulgaria	1,507	2,032	39	24	0	0
Croatia	943	857	0	0	167	158
Belarus	900	1,177	150	125	0	0
Slovenia	249	327	34	21	0	0
Serbia	748	531	186	79	0	0
North Macedonia	334	334	36	52	100	64
A1 Group [1)]	**6,618**	**10,415**	**498**	**375**	**734**	**1,045**

1) Including Holding and A1 Digital

Number of employees by employment type

in FTE	full-time female	full-time male	part-time female	part-time male
Austria	1,302	4,800	530	194
Bulgaria	1,508	2,034	38	22
Croatia	919	833	23	24
Belarus	1,044	1,291	5	10
Slovenia	268	342	15	6
Serbia	934	608	0	2
North Macedonia	370	386	0	0
A1 Group [1)]	**6,441**	**10,516**	**675**	**274**

1) Including Holding and A1 Digital

Employee turnover rate by age, gender and region

in %	below 30	30–50	above 50	total female	total male	total
Austria	17	5	12	11	8	9
Bulgaria	33	16	9	21	17	19
Croatia	26	16	11	16	20	18
Belarus	38	19	12	24	23	24
Slovenia	12	10	10	12	9	11
Serbia	19	15	10	16	15	16
North Macedonia	26	15	8	15	16	15
A1 Group [1)]	**27**	**13**	**11**	**17**	**13**	**15**

1) Including Holding and A1 Digital

Age structure employees [1)]

2022 (in FTE)	below 30	30-50	above 50
Austria	653	3,128	3,045
Bulgaria	712	2,534	356
Croatia	464	1,220	117
Belarus	475	1,643	233
Slovenia	93	483	55
Serbia	318	1,181	45
North Macedonia	76	605	75
A1 Group [2)]	**2,849**	**11,036**	**4,021**

2021 (in FTE)			
Austria	628	3,385	3,166
Bulgaria	710	2,324	257
Croatia	377	1,316	144
Belarus	634	1,561	139
Slovenia	83	480	43
Serbia	269	1,154	33
North Macedonia	55	642	70
A1 Group [2)]	**2,788**	**11,131**	**3,938**

2020 (in FTE)			
Austria	702	3,593	3,025
Bulgaria	743	2,371	215
Croatia	405	1,337	129
Belarus	706	1,571	108
Slovenia	67	427	37
Serbia	267	1,077	26
North Macedonia	113	612	51
A1 Group [2)]	**3,053**	**11,284**	**3,612**

1) Apprentices not included
2) Including Holding and A1 Digital

Management

Share of local persons in senior management positions [1) 2)] (in %)	2020	2021	2022
Austria	100	100	100
Bulgaria	89	90	100
Belarus	57	67	75
Cluster Croatia/ Macedonia	75	86	86
Cluster Serbia/ Slovenia	100	100	100
A1 Group [3)]	**84**	**88**	**88**

1) Local includes all those who have citizenship for the country in which they work. A1 leadership team consists of Senior Directors and respective Chef Executive Officers.
2) Persons in senior management positions correspond to local leadership team.
3) Including Holding and A1 Digital

Composition of the governance body [1)] (Age structure)

A1 Group	2020	2021	2022
below 30 (in HC)	0	0	0
30-50 (in HC)	4	3	1
above 50 (in HC)	6	7	9
Total (in HC)	**10**	**10**	**10**
Share women (in %)	**30**	**30**	**40**

1) Capital representatives in the Supervisory Board

Gender diversity

Targets for 2023	Base year 2019	Status in 2022
Increasing the share of women in management positions to 40 %	35 %	36 %
Raising and maintaining the share of women in the company at 40 %	39 %	40 %

	Share of female employees			Share of female managers 1)		
(in %)	2020	2021	2022	2020	2021	2022
Austria	26	26	27	18	19	18
Bulgaria	46	44	43	47	47	45
Croatia	43	42	45	41	38	44
Belarus	55	54	52	43	43	44
Slovenia	44	45	45	46	41	40
Serbia	62	61	64	51	49	50
North Macedonia	52	48	50	42	45	48
A1 Group 2)	**40**	**39**	**40**	**36**	**36**	**36**

1) Managers includes all persons with staff responsibility for at least one employee.
2) Including Holding and A1 Digital

Employees with disabilities

(in HC)	2021	2022
Austria	249	242
Bulgaria	67	69
Croatia	8	13
Belarus	15	17
Slovenia	4	5
Serbia	5	8
North Macedonia	0	0
A1 Group 1)	**352**	**350**

1) Including Holding and A1 Digital

Accident statistics

2022 (number or in working days)	Accidents	Fatal accidents	Days lost to accidents
Austria	28	0	334
Bulgaria	3	0	176
Croatia	8	0	20
Belarus	0	0	0
Slovenia	1	0	49
Serbia	5	0	137
North Macedonia	3	0	25
A1 Group	**48**	**0**	**741**
2021 (number or in working days)			
Austria	48	0	1,136
Bulgaria	1	0	75
Croatia	10	0	241
Belarus	0	0	0
Slovenia	1	0	15
Serbia	7	0	59
North Macedonia	2	0	16
A1 Group	**69**	**0**	**1,542**
2020 (number or in working days)			
Austria	40	0	1,075
Bulgaria	0	0	0
Croatia	9	0	402
Belarus	0	0	0
Slovenia	2	0	13
Serbia	0	0	0
North Macedonia	1	0	11
A1 Group	**52**	**0**	**1,501**

Compliance

Anti-corruption Trainings

2022	Anti-corruption trainings	Share of trained employees (in %)
Austria [1]	10,148	100
Bulgaria	702	19
Croatia	1,845	100
Belarus	2,290	97
Slovenia	624	100
Serbia	1,594	100
North Macedonia	776	100
A1 Group	**17,979**	**100**
2021		
Austria [1]	11,029	100
Bulgaria	3,702	100
Croatia	2,459	100
Belarus	2,547	100
Slovenia	959	100
Serbia	1,327	91
North Macedonia	1,227	100
A1 Group	**23,250**	**100**
2020		
Austria [1]	10,598	100
Bulgaria	59	2
Croatia	351	19
Belarus	379	16
Slovenia	49	9
Serbia	151	11
North Macedonia	274	35
A1 Group	**11,861**	**36**

1) Includes all anti-corruption and face-to-face trainings and anti-corruption e-learning courses (including Holding and A1 Digital)

Financial calendar 2023

April 25, 2023	Results Q1 2023
May 28, 2023	Record date: Annual General Meeting
June 7, 2023	Annual General Meeting
June 12, 2023	Dividend ex-date
June 13, 2023	Dividend record date
June 15, 2023	Dividend payment date
July 11, 2023	Results Q2 and H1 2023
October 17, 2023	Results Q3 and Q1-Q3 2023

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