



Report of the Supervisory Board

Dear shareholders,

The A1 Group had a successful financial year 2022 and generated both revenue and EBITDA growth in a difficult macroeconomic environment. While the public grew increasingly concerned about rising inflation, demand for key mobile and fixed-line services remained intact.

The Group's total revenues increased by 5.4% to EUR 5,005 mn, primarily driven by service revenue growth in all segments. Equipment revenues also increased. Moreover, revenues benefited from index-based price adjustments made in several markets during the course of the year.

In an environment of rising costs, especially due to significantly higher energy prices, the A1 Group rigorously focused on the implementation of efficiency measures. The Group's costs and expenses rose by 4.1% in 2022. Nearly half of this increase is attributable to higher electricity costs.

EBITDA increased by 7.7% to EUR 1.838 mn, since the solid service revenue growth more than compensated for rising operating costs in all markets.

Operating income (EBIT) increased to EUR 871 mn (+15.6%). Net result amounted to EUR 635 mn in 2022 (+39.5%). Net debt declined by 15.3% to EUR 2,400 mn on account of the strong free cash flow. Net debt (excl. leases)/EBITDA after leases decreased from 1.3x as of December 31, 2021, to 1.0x as of December 31, 2022, and reflects the company's very sound balance sheet structure.

The high-performance, future-proof infrastructure of the A1 Group continues to provide a solid, reliable foundation for these gratifying results. Therefore, the Group invested EUR 944 mn in the reporting year – equating to an increase in capital expenditure (CAPEX) of 5.9%. This growth was mainly attributable to higher investments in the Austrian fiber network and the further expansion of the 5G mobile network.

In financial year 2022, the A1 Group pressed ahead with the internal separation of the radio tower business. This separation was completed in every market except Belarus, which is not a focus, and Austria. The spin-off of the radio towers into a separate company is expected to be completed in 2023, with a targeted listing on the Vienna Stock Exchange.

With regard to sustainability, the A1 Group's goal is to reduce its carbon emissions (scope 1 and scope 2 market-based) to net zero by 2030 and to increase its energy efficiency (MWh per terabyte transferred) by 80% over the same period. The first milestones were achieved in 2022: Carbon emissions (scope 1 and scope 2 market-based) were lowered by 30% year-on-year. In addition, energy efficiency was improved by a significant 13% in the same period.

Diversity, inclusion and equality remain 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 equality in the ESG strategy 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.

With regard to the composition of the Supervisory Board, the Supervisory Board appointments of Christina Catasta, Daniela Lecuona-Torras and Carlos Jarque were extended at the Annual General Meeting on June 27, 2022.

In financial year 2022, the Supervisory Board extensively discussed the strategic direction (including

in terms of sustainability), investment and financing decisions, and business performance in six Supervisory Board meetings – including one strategy meeting – and in various committee meetings. A particular focus of the Supervisory Board’s work was the separation of the radio tower business. In December 2022, the budget for 2023 was also approved after a detailed discussion of strategic opportunities and challenges as well as possible courses of action to optimize business performance.

In five meetings in 2022, the Audit Committee performed its control function for monitoring the effectiveness of the internal control system, the risk management system and internal audit and discussed and reviewed the 2021 financial statements in detail in the presence of the auditors.

The Supervisory Board’s Remuneration Committee met six times to discuss the remuneration of the Management Board and the terms of Management Board members’ contracts. This work focused on evaluating Management Board remuneration, especially with regard to the increased application of ESG and sustainability criteria.

The Supervisory Board of Telekom Austria AG is committed to complying with the Austrian Corporate Governance Code (ÖCGK) and to responsible corporate governance and control in the interests of sustainable value creation. All ten shareholder representatives have declared their independence within the meaning of C-Rule 53 of the ÖCGK.

As prescribed in Rule 62 of the ÖCGK, the A1 Group has compliance with the rules of the Code and the accuracy of the associated public reporting evaluated by an external institution every three years. The last evaluation, carried out in the first half of 2020 by Ernst & Young Wirtschaftsprüfungs GmbH, found no inconsistencies with the declaration of compliance with the “comply-or-explain” rules and the recommendations of the ÖCGK submitted by the Management Board and Supervisory Board in financial year 2019. The next evaluation is scheduled for financial year 2022 and will be carried out in the first half of 2023.

The Supervisory Board supports the Management Board’s proposal for the appropriation of net profit, whereby a dividend of EUR 0.32 per dividend-bearing share is to be distributed for financial year 2022 and the remainder carried forward to new account.

As chair of the Supervisory Board, I would like to thank the management and all employees on behalf of the Supervisory Board. Their dedication keeps the A1 Group on its successful course in the face of every challenge.

Finally, my thanks go to the customers and shareholders of the A1 Group for the trust they have placed in us. The Supervisory Board will continue to devote itself to and actively promote the strategic and long-term direction and development of the A1 Group.

Dr. Edith Hlawati
Chair of the Supervisory Board
Vienna, May 2023

A handwritten signature in black ink, appearing to read 'Edith Hlawati'.