Financial Report 2023

Telekom Austria AG

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Management report

of Telekom Austria Aktiengesellschaft for the period of January 1 to December 31, 2023

Business environment

Overall economic development remained under high pressure in 2023. In addition to geopolitical crises, the year under review was characterized by persistently high, albeit somewhat lower inflation rates than last year, which continue to weigh on purchasing power and overall economic demand. In general, economic growth slowed further and the global economic outlook was revised downwards compared to the previous forecast.

Starting from a high level at the end of 2022, inflation rates fell over the course of 2023 in both the U.S. and Europe. In the U.S., inflation fell from a high of 9.1 % in June 2022 to 6.45 % at the beginning of 2023, before reaching its lowest level since March 2021 at 3.2 % in October 2023. In the eurozone, inflation peaked at 10.6 % in October 2022 and fell over the course of 2023, from 8.6 % at the beginning of the year to 2.4 % in November 2023.

In the year under review, the U.S. Federal Reserve raised its key short-term interest rate in four steps from a range of 4.25 % to 4.50 % to between 5.25 % and 5.50 %[1]. The European Central Bank carried out a total of six interest rate hikes in 2023, increasing the rates on the main refinancing operations, the rates on the marginal lending facility, and the deposit facility from 2.5 %, 2.75 % and 2.0 % to 4.5 %, 4.75 % and 4.0 %, respectively. On June 15, 2023, the ECB also announced that the reinvestment of assets in the Asset Purchase Program (APP) would be discontinued from July 2023. As far as the Pandemic Emergency Purchase Program (PEPP) is concerned, net purchases were discontinued at the end of March 2022, but reinvestments of the repayment amounts due from PEPP holdings are to be made at least until the end of 2024 and can be reinvested flexibly[2].

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.

GDP growth and inflation in the markets of A1 Group (in %)[3]

	2022		2023e		2024e	
	GDP	Inflation	GDP	Inflation	GDP	Inflation
Austria	4.8	8.6	0.1	7.8	0.8	3.7
Bulgaria	3.4	13.0	1.7	8.5	3.2	3.0
Croatia	6.2	10.7	2.7	8.6	2.6	4.2
Belarus	-3.7	15.2	1.6	4.7	1.3	5.7
Serbia	2.3	12.0	2.0	12.4	3.0	5.3
Slovenia	2.5	8.8	2.0	7.4	2.2	4.2
North Macedonia	2.1	14.2	2.5	10.0	3.2	4.3

According to the World Economic Outlook published by the IMF in January 2024, global economic growth was expected to fall from 3.5 % in 2022 to an average of 3.1 % in 2023 as well as in 2024. However, there are significant changes in the underlying growth curves of the major economies, with stronger forecasts for the U.S. and downward revisions for China and the eurozone. Growth in the eurozone is expected to fall from 3.3 % in 2022 to 0.5 % in 2023, before rising to 0.9 % in 2024. The forecast has been revised downwards by 0.2 and 0.3 percentage points compared to previous projections from October 2023 for 2023 and 2024 respectively. Here, too, there is a divergence in growth between the major economies in the eurozone in 2023 [4].

[1] Source: https://www.federalreserve.gov/monetarypolicy/publications/mpr_default.htm

[2] Source: https://www.ecb.europa.eu/pub/projections/html/ecb.projections202309_ecbstaff~4eb3c5960e.de.html
https://www.oenb.at/isawebstat/stabfrage/createReport?lang=DE&report=2.2

[3] Source: https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023

[4] Source: https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024

Spin-off of the “EuroTeleSites AG” (“EuroTeleSites”) tower business

On September 22, 2023, the tower business of Telekom Austria AG (tower business) was listed on the Vienna Stock Exchange under the newly established EuroTeleSites AG. The transferred companies form the EuroTeleSites Group, see notes (34). At the Extraordinary General Meeting on August 1, 2023, the shareholders of Telekom Austria AG approved the spin-off.

The shares in EuroTeleSites AG were issued to the shareholders of Telekom Austria AG on September 22, 2023 on a pro rata basis, making América Móvil the ultimate parent company of the EuroTeleSites Group, as in A1 Group. For every four shares in Telekom Austria AG, Telekom Austria AG shareholders received one EuroTeleSites share. Telekom Austria AG thus received 103,789 EuroTeleSites shares worth TEUR 514for its own treasury shares. Telekom Austria holds no other stake in EuroTeleSites.

The spun-off passive infrastructure of the towers comprises components that are not directly attributable to the mobile communications network, such as foundations and metal structures, containers, air-conditioning units, power supply and other supporting systems.

Operational impact
The spin-off of passive infrastructure not only enables the budget to be allocated more efficiently, but also permits a stronger focus on A1 Group’s core business. A1 Group has contractually secured long-term access to the towers as anchor tenant via local master lease agreements with the local EuroTeleSites operating companies. The contract term is indefinite, but can be terminated by A1 Group at the end of the eighth, 16th and 24th contract year, by the EuroTeleSites Group for the first time at the end of the twenty-24th year and by either party after 24th contract year subject to a 36-month notice period at the end of each calendar year. There is protection against inflation. The rent and other price elements are adjusted annually by 85 % of the annual adjustment of the consumer price index, but by a maximum of 3 % per year. The prices for steel components in case of additional modifications are to be adjusted in line with the steel price index.

For new towers to be erected, A1 Group is free to choose the tower company. However, A1 Group is currently planning to expand around one thousand sites over the next five years in cooperation with the EuroTeleSites Group. In the event of significant financial difficulties or the sale of a significant amount of infrastructure at or by an EuroTeleSites operating company in breach of contract, A1 Group has the right to repurchase the towers at regional level. A1 Group will temporarily provide certain services to EuroTeleSites Group at market prices (e.g. SAP-related services).

As of June 30, 2023, the tower portfolio comprised 13,225 macro sites in Austria, Bulgaria, Croatia, Serbia, Slovenia and North Macedonia.

Financial key performance indicators

Total assets as of December 31, 2023 amounted to EUR 8,247 million (previous year: EUR 8,944 million). Long-term assets decreased to EUR 7,522 million (previous year: EUR 8,071 million) in financial year 2023, primarily due to the divestment of the interests in connection with the spin-off of EuroTeleSites AG.

The decrease in current assets by EUR 148 million to EUR 720 million as of December 31, 2023 is mainly due to lower receivables from affiliated companies from cash pooling.

Revenues increased by 9.0% to EUR 41 million in financial year 2023.

The operating result decreased to EUR -116 million in financial year 2023 (previous year: EUR -44 million).

Income from investments decreased to EUR 420 million (previous year: EUR 470 million). This is mainly due to a lower dividend payment by mobilkom Belarus Beteiligungsverwaltung than in 2022.

Expenses from financial assets of EUR 51 million (previous year: income of EUR 310 million, net) relate to the impairment of mobilkom Belarus Beteiligungsverwaltung. In 2023, interest expenses increased to EUR 47 million (previous year: EUR 40 million).

As a result of the factors described above, the result before income taxes increased to EUR 240 million (previous year: EUR 79 million).

The income tax benefit for 2023 was EUR 22 million (previous year: EUR 35 million), mainly due to the Group tax allocation.

In the 2023 financial year, EUR 1.428 was attributable to additions from reorganization.

Net income amounted to EUR 1.690 million in financial year 2023 (previous year: EUR 114 million).

The Management Board plans to propose a dividend of EUR 0.36 (previous year: EUR 0.32) per share to the Annual General Meeting, subject to the approval of the Supervisory Board.

The following section provides a brief explanation of the most important financial and operational key figures:

- The equity ratio according to Section 23 of the Austrian Company Reorganization Act (URG) was 89.7% as of December 31, 2023 (December 31, 2022: 75.3%). This ratio is calculated by dividing stockholders' equity by total assets.
- The "notional debt repayment period" according to Section 24 URG was to 0.5 years as of December 31, 2023 (previous year: 7.3 years). The "notional debt repayment period" indicates how many years it would theoretically take to repay the total debt on the basis of the result before income taxes.
- The return on equity (ratio of EBIT to stockholders' equity) was 3.4% (previous year: 1.7%). Return on assets (EBIT divided by the sum of total liabilities and stockholders' equity) was 3.1% (previous year: 1.3%).
- Net debt is the balance of interest-bearing liabilities and cash and cash equivalents. On December 31, 2023, net debt amounted to EUR 754 million (previous year: EUR 2,119 million).
- In addition to other operating cash flows, dividends amounting to EUR 425 million (previous year: EUR 689 million) were received from subsidiaries, dividends amounting to EUR 213 million (previous year: EUR 186 million) were distributed to owners and liabilities to banks amounting to EUR 300 million (previous year: EUR 0 million) were repaid in the reporting year.

Equity investments

In addition to Austria, A1 Group was successfully positioned in six other European countries as of December 31, 2022[5)]

	Inhabitants	GDP/capita	Mobile subscribers		RGUs	
	in millions	in USD	in millions	market position	in millions	market position
Austria	9.0	67,900	5.2	#1	2.9	#1
Bulgaria	6.5	33,800	3.8	#1	1.2	#2
Croatia	3.9	40,200	2.0	#2	0.7	#2
Belarus	9.2	22,600	4.9	#2	0.8	#2
Serbia	6.7	23,900	2.4	#3	n.a.	n.a.
Slovenia	2.1	48,300	0.7	#2	0.2	#4
North Macedonia	2.1	20,300	1.1	#1	0.4	#2

In mobile communications, A1 Group served around 25.2 million subscribers at the end of 2023 (2022: 23.9 million), of which around 5.1 million were attributable to A1 Digital; in the fixed-line business, the total number of revenue-generating units (RGUs) was around 6.3 million, 1.1% more than in the previous year.

A1 Austria, the largest telecommunications provider in Austria, had 5.1 million customers (-0,6%) at the end of the year. In the fixed network, the number of RGUs decreased by 3,4% to around 2.8 million in 2023.

A1 Bulgaria EAD, the largest mobile communication provider in Bulgaria, had around 3.8 million subscribers at the end of 2023 (+0.2%). In the fixed-line business, the number of RGUs increased by 5.2% to around 1.2 million in 2023.

Unitary enterprise A1, the second-largest mobile communication provider in Belarus, served around 4.9 million subscribers (+0.0%) at the end of 2023. In the fixed-line business, the number of RGUs increased by 12.7% to around 0.9 million in 2023.

A1 Hrvatska, d.o.o., the second-largest mobile communication provider in Croatia, had around 2.1 million subscribers at the end of 2023 (+2.8%). In the fixed-line business, the number of RGUs increased by 2.1% to around 0.7 million in 2023.

A1 Srbija d.o.o., the third-largest mobile communication provider in Serbia, had around 2.4 million subscribers (+0.3%) at the end of 2023.

A1 Slovenija d.d., the second-largest mobile communication provider in Slovenia, served around 0.7 million subscribers (-0.6%) at the end of 2023. In the fixed-line business, the number of RGUs decreased by 7.3% to around 0.2 million in 2023.

A1 Makedonija DOOEL had around 1.1 million subscribers at the end of 2023 (+1.6%). In the fixed-line business, the number of RGUs increased by 1.5% to around 0.4 million in 2023.

[5] Source for inhabitants as well as GDP/capita (PPP, current international USD): https://data.worldbank.org (November 21, 2023), data for most recent year: 2022, figures rounded

Outlook for financial year 2024

In the financial year 2024, A1 Group expects to achieve revenue growth of 3-4 %, mainly stemming from an increase in service revenues. Both the international markets and Austria are expected to contribute to this growth. As in the financial year 2023, the main growth drivers are value-protecting measures, upselling in the retail business, and a strong development of the solution business. A further decline in voice business and international wholesale business in Austria as well as lower interconnection revenues due to intra-EU interconnection regulation will have a dampening effect on growth.

The Belarusian ruble depreciated by 15 % on average in 2023 putting pressure on revenue and EBITDA growth. The currency is also expected to depreciate against the euro in 2024.

On the cost side, management assumes workforce and electricity costs to be the main drivers for cost increases, while costs related to revenue growth, such as for content or licenses etc., are also expected to rise. To counter cost increases, A1 Group will foster efficiency projects and transformational initiatives.

Management expects CAPEX before investments in spectrum to be around EUR 800 mn in the financial year 2024. A1 Group will continue its commitment to fiber roll-out as well as to further expansion of its 5G networks both in Austria and internationally. In 2024, the temporary decrease in CAPEX before spectrum versus the financial year 2023 is due to reductions both in Austria and internationally. The main drivers are a reassessment of non-critical projects, lower CAPEX compared to 2023 because of the tower spin-off, as well as less CAPEX for fiber roll-out in CEE after higher investments in the 2023. The investments into fiber in Austria will remain roughly on prior year’s level.

In terms of spectrum, tenders are expected in Austria (3.5 GHz, 26 GHz), Bulgaria (renewal of spectrum: 900 MHz, 1800 MHz), Serbia (700 MHz, 2.6 GHz, 3.5 GHz) and Slovenia (local licenses in 2.3 GHz, 3.5 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. 36 (2022: EUR 0.32) per share to the Annual General Meeting, subject to the approval of the Supervisory Board.

Risk and opportunity management

Principles and organization

A1 Group pursues a systematic risk management system in which opportunities and risks are analyzed and evaluated, and measures to avoid and eliminate risks are implemented and improved on an ongoing basis.

A1 Group operates as a telecommunications company in Austria and six other countries is also active in Germany and Switzerland via its A1 Digital entity. Thus, A1 Group benefits from geographical diversification. To address the respective market-specific risks directly, local risk management falls under the responsibility of the operating units, while the holding company is responsible for central management. Company-wide risk management is carried out by Enterprise Risk Management (ERM), which is structurally independent of the business areas and is the responsibility of the Group CFO. Enterprise Risk Management reports at at least annually and on an ad-hoc basis to the Management Board, which in turn reports relevant developments to the Audit Committee of the Supervisory Board or directly to the Supervisory Board. The effectiveness of the risk management system is reviewed internally by Internal Audit and annually by A1 Group's auditor and reported to the Management Board and the Supervisory Board.

Methods

Strategic discussions with the Supervisory Board form the starting point for A1 Group's Enterprise Risk Management (ERM). The Management Board presents strategic risks, their relevance to A1 Group and corresponding countermeasures. At the same time, planning assumptions are presented, including the strategic orientation for the coming business plan period and planned measures for realizing opportunities. In the business plan, expectations of business success, necessary costs and investments are mapped and the risks assumed are evaluated in relation to overarching objectives are evaluated in terms of both growth and expenditure.

The risk management system is divided into the following four risk categories:

(1) Strategic risks

(2) ESG risks

(3) Financial risks, and

(4) Operational risks

Based on the budget or forecast, Enterprise Risk Management identifies and analyzes risks and opportunities together with the respective specialist departments. Risk assessment is carried out systematically, iteratively and collaboratively using the knowledge, experience and views of the parties involved. Emerging risks are also considered. These are new, long-term risks whose potential threat is difficult to assess due to the high level of uncertainty.

Once the risks and opportunities have been identified and assessed, the risks are aggregated and simulated in order to present the company's overall risk position in relation to the planned budget. Risks and opportunities are updated and reassessed at least once a year in Group Enterprise Risk Management.

Effective risk management also requires the development and implementation of effective measures to identify opportunities and reduce risks. These measures include risk assessments with the specialist departments and monthly performance calls between the Group and the local company, based on leadership meetings of the extended Management Board of the companies. Critical deviations from the targets set are analyzed, as is the effectiveness of the countermeasures taken. Once the risks have been prioritized, the greatest risks are examined in order to plan further targeted measures. 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 longer-term risk management.

Risks and opportunities

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

(1) Strategic risks and opportunities

Macroeconomics, geopolitics and regulation

On the one hand, macroeconomic risks and opportunities arise 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 and, ultimately, demand). On the other hand, economic policy conflicts can have a direct or indirect impact (such as punitive tariffs, delivery stops, production bottlenecks). While macroeconomic developments are easier to forecast and assess, trade policy decisions are more difficult to predict.

In the context of the conflict in Ukraine, the situation in Belarus continues to be monitored in order to mitigate risks in the best possible way. The A1 Group's sanctions management 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.

Due to the conflict in the Middle East that flared up in October 2023, an ad hoc risk analysis was carried out in the year under review. Assumptions about macroeconomic developments in connection with the Middle East conflict are still vague, as it is not possible to predict how long the conflict will last, how intense it could become and whether it will spread to other countries.
Inflation (particularly in Austria) remained at a high level in the year under review, 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. Cost items such as energy are still 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.

In the current reporting period, regulatory risks (focused on telecommunications) are only region-specific. Since May 15, 2019, retail charges charged to consumers for regulated intra-EU communications may not exceed EUR 0.19 per minute for calls and EUR 0.06 per text message (fees excluding VAT in each case). Regardless of this obligation, it is possible to offer consumers an explicit choice of alternative tariffs. Although the period of validity of this regulatory EU pricing requirement (Article 5a of the EU Regulation) ends on May 14, 2024, it is currently not expected that this requirement will disappear without replacement. Based on current developments, the existing price regime is likely to be extended for the time being.

Market and competition

Due to the frequency and aggressiveness of offers, volume growth in data services does not necessarily lead to rising revenue, particularly in the case of mobile communications. While these data volumes can be handled more efficiently with new technologies, there is a risk for A1 Group that new technologies will be marketed without a premium and that higher transmission rates, quality and lower latency will also not lead to an adequate increase in revenue.

Supply chain and suppliers

As a company with numerous suppliers, A1 Group is potentially exposed to supply bottlenecks. As far as possible, these are mitigated with the help of a multi-vendor strategy and geo-redundant sourcing. Where goods are scarce, A1 Group improves its attractiveness with suppliers through long-term purchase guarantees or increases inventories to bridge delivery shortfalls. As a result of the spin-off of the mobile tower business, EuroTeleSites AG has become a central supplier for A1 Group. Due to the indefinite contracts, coupled with long-term non-termination clauses on the part of EuroTeleSites, the utilization of the mobile towers for the A1 Group is secured for the long term. Therefore, the associated risk is limited. (Details can be found in "Spin-off of the “EuroTeleSites AG” (“EuroTeleSites”) tower business").

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 new business areas in which A1 Group is tapping growth potential. However, shorter innovation cycles also involve innovation risks, such as in connection with investments. The biggest challenges are 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.

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 2024 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 targets for further increasing cost, investment and human resource efficiency that have not yet been consistently backed up with measures. Opportunities in 2024 include the mitigation of energy costs. This is mainly achievable by lowering energy consumption, such as 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 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. Flawlessly professional communication and appropriate expertise are essential prerequisites for avoiding negative effects.

(2) ESG risks and opportunities

ESG (Environmental, Social, and 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 the climate scenario analysis in the 2023 financial year. This involved reassessing the impact of extreme scenarios (outlier scenarios) on the business model. Other topics already considered on an ongoing basis include digitalization, diversity, labor shortages, compliance, and data protection risks. The company addresses relevant topics in terms of risk potential and avoidance from both an internal and external perspective. The ESG risks and opportunities are described in detail in the Consolidated Non-Financial Report.

Environmental (E) – environmental risks and opportunities

Climate change can give rise to physical and transition risks for A1 Group (natural events triggered by heavy rainfall such as flooding and mudslides, rising carbon prices, and rising electricity prices). For this reason, A1 Group has carried out a climate scenario analysis. One scenario assumed global warming of 1.5 °C and a comparative scenario that anticipated 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- and medium-term assessments, the long-term comparison (up to 30 years) revealed larger differences in terms of the financial impact as expected. The year 2022 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 further 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 climate 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, access to information and education, and cybercriminality or labor shortages.

Social impact of Internet use and media consumption

Access to information and education as well as promoting the use of digital media is seen as having a positive impact on society, as the safe and competent use of new media has now permeated all areas of life – education, work, and leisure. As a network and Internet provider, A1 Group plays a key role in this and meets its social responsibility towards its customers by helping to teach digital skills. However, increasing digitalization not only brings benefits for society, but also poses risks such as excessive use, loneliness, cyber-bullying and cyber-crime. Children, young people and senior citizens are particularly affected by this due to a lack of experience and education. A1 Group is therefore committed to measures such as offering training and education for vulnerable groups in order to contain or prevent such risks. A1 Group also sees this as an opportunity to strengthen its reputation.

Labor shortage

Although A1 Group does not see an acute risk due to numerous measures, a potential labor shortage could pose a challenge in the long term and result in higher costs and a loss of revenue. Furthermore, the workload for employees could increase, which would reduce employee well-being, satisfaction and commitment.

Governance (G) – risks and opportunities

Governance risks and opportunities include topics such as compliance, sanctions and data protection.

Compliance

Compliance risks include legal, financial and reputational risks for A1 Group arising from possible violations of laws, regulations or internal guidelines by a manager, employee or representative of the company. As part of the annual compliance risk assessment process – a key element of A1 Group's compliance management system – relevant compliance risks are identified and risk-minimizing measures defined on the basis of structured management interviews and workshops. BDO announced that it will issue a clean audit opinion for the design, implementation and effectiveness of the A1 Group Compliance Management System in the areas of anti-corruption, anti-trust, sanctions and capital markets compliance, according to the new IDW PS 980 standard.

Sanctions

One risk associated with sanctions is non-compliance. This can result in financial penalties, jeopardize contracts with suppliers, customers and banks, and lead to reputational damage. A1 Group's established process for reviewing sanctions in accordance with a risk-based approach ensures compliance and thus minimizes the likelihood of this risk occurring.

Data protection

A1 Group's products and services are subject to data protection and data security risks. This relates primarily to the unlawful handling of data. 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. Continuous investment in data protection and security measures helps to keep risks as low as possible. In addition to the implementation of guidelines that ensure compliance with legal requirements, certifications and regular training and courses are carried out in the area of data protection. Work is also being done to achieve the targets set out in the data protection maturity model. All A1 Group companies are committed to complying with the highest data protection and data security standards.

(3) Financial risks and opportunities

A1 Group is exposed to risks in terms of liquidity, credit, foreign exchange and interest rates. These risks are discussed further in note 33 "Financial instruments" of the notes to the consolidated financial statements. Tax risks also form 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 2022, one focal point in the year under review was on invoice and receivables management. In light 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
A1 Group is exposed to exchange rate risks in Belarus, Serbia and Macedonia. A1 Group takes appropriate countermeasures depending on the volume and fluctuation margins of foreign currency risks. Mitigation measures include, where possible, the conclusion of contracts in local currency. Furthermore, Belarus distributes advance dividends based on the results of the current financial year. Additionally, exchange rate developments, when possible and justifiable, are passed on to customers.

Interest rate risk
Due to the sustained high level of inflation, the risk of high interest rates remains. However, the risks are considered low in view of the spin-off of the tower business in September 2023 and the debt transferred in this context. The positive development of A1 Group's credit rating - an A rating from all three rating agencies - reflects this favorable situation.

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. The report to the Group tax department on the external review carried out in the fourth quarter states that there are no material issues relating to tax risks in 2023.

Financial reporting

A tight network of SOX (U.S. Sarbanes-Oxley Act) controls, results analyses, monthly senior management discussions of results and, separately, a results discussion between the Chief Financial Officers and the Group CFO minimize the risk of material misreporting.

(4) Operational risks and opportunities

This category covers the following focus areas:

Availability and continuity

Ensuring the continuity of and access to the telecommunications and services offered is a central focus of operational risk management. Various threats such as natural disasters, technical disruptions, third-party influences from construction activity, hidden defects or criminal acts can impair the availability of networks and services and even lead to a business interruption. A1 Group mitigates this through long-term planning that 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 proving to be a long-term task. The renewal of infrastructure and software enables sustainable risk reduction. The 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

A1 Group places particular emphasis on the implementation of information security standards. A number of internal guidelines and processes are in place for this purpose. In critical situations, these are controlled via 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.

Essential elements in the management of cyber risks include 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 A1 Group and regularly exchanges information on current local, regional and global cyber risks and cyber-attacks. This working group also informs and coordinates cross-country protective measures in acute cases of need.

Litigation

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.

On January 19 and 25, 2024, the Austrian subsidiary A1 Telekom Austria received a lawsuit from the Austrian Federal Chamber of Labor (Bundesarbeitskammer) according to Sections 28 and 28a of the Consumer Protection Act (Konsumentenschutzgesetz) and Section 14 of the Act against Unfair Competition (Gesetz gegen unlauteren Wettbewerb) which shall prevent the charging of service flat rates and which demand the repayment of the service flat rates charged. A1 Group has a different legal opinion and considers the service flat rates in accordance with the law. This is also confirmed by an external legal opinion by a renowned university professor. A1 Group is of the opinion that the situation with respect to the service flat rates cannot be compared basically to the fitness studio judicature referred to in the lawsuit, as the service flat rates contain indeed services of value exceeding the basic contractual relationship. Since 2011, the regulatory authority for telecommunications has checked preliminarily and regularly the service flat rate regulations without complaint. Furthermore, there are special legal regulations in the telecommunications industry, also due to European law, that allow the charging of different fees. Thus, no provision was recognized for these lawsuits at December 31, 2023.

Material damage

Damage to infrastructure can have various causes and result in business interruptions and/or financial losses. The risk of financial losses is largely covered by insurance.

Emerging risks

Every company is faced with a number of uncertain situations where an emerging risk can potentially have an impact on operations. In the case of new or foreseeable long-term risks (“emerging risks”), there is generally not enough information available to assess the probability and speed of occurrence and the impact of the risk. As a result, A1 Group may not be able to determine a complete risk mitigation plan until a better understanding of the threat is available. A1 Group identifies emerging risk trends by referring to an analysis of the external environment and internal sources. Risks are assessed over different time periods to ensure an appropriate focus on these emerging risks.

Among the main emerging risks, A1 Group sees risks in connection with the use of artificial intelligence as well as the EU Supply Chain Law.

Artificial intelligence

The use of artificial intelligence or machine learning not only brings considerable opportunities, but also entails risks in connection with guidelines and regulations. Existing regulations in the areas of data protection, intellectual property protection and cyber security are coming up against new regulations that are being created for artificial intelligence. In harmonizing these regulations, there is a risk that investments made may not yet meet all future requirements; conversely, delayed adjustment would mean a competitive disadvantage. In both cases, the risk would be reflected in a possible decline in cash flow, whether due to higher investments or the delayed exploitation of opportunities. In terms of risk mitigation, A1 Group pursues a path of ongoing improvement in areas such as data protection and security and integrates ethical principles into development in order to anticipate compliance with future regulations.

EU Supply Chain Law (Corporate Sustainability Due Diligence Directive)

As the requirements in connection with the EU Supply Chain Law adopted at the end of 2023 remain unclear, it is not yet known whether the activities already in place will be sufficient or whether further measures will be necessary. Failure to comply with the legislation could result in fines or damage to the company’s image, which could have a negative impact on its attractiveness as a supplier and customer loyalty. The measures taken by A1 Group to mitigate this risk range from the continuation of the suppliers’ compliance self-declaration through to audits, participation in corresponding external ratings and the creation of transparency at level three of the supply chain. As soon as the exact details are known, further measures will be taken to close any gaps.

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for financial reporting in accordance with the 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 content and principles apply to all companies of 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, 2023.

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 58.47 % or 388,542,516 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 13.11 % of the shares were in free float. This includes 415,159 treasury shares as well as 519,777 employee shares that are held in a collective custody account. The voting rights associated with employee shares were exercised by a custodian (notary) in 2023

The total number of no-par value shares remains at 664,500,000.

In the year under review, the American Depositary Receipts (ADR) program was terminated on March 31, 2023, as ADRs have become less important for European issuers and the ADR volume for Telekom Austria has fallen significantly. The program was originally set up for Telekom Austria as part of the IPO in order to appeal to U.S. investors.

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 2023 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 and América Móvil 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. On February 6, 2023, América Móvil and ÖBAG agreed to extend their syndicate agreement for a further ten years, with the syndicate agreement coming into effect immediately.

The two syndicate partners agreed on an investment package with a total volume of EUR 1 bn. The investment package is intended to guarantee the accelerated expansion of high-speed internet in Austria, which has been underway since 2022, in particular the expansion of fiber networks.

The extended syndicate agreement also includes the continuation of the “Austria package”. In particular, this secures the company’s headquarters in Vienna and its listing on the Vienna Stock Exchange. ÖBAG and América Móvil have agreed that at least 10 % of the shares of the company should continue to be held in free float.

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 will continue to be nominated by América Móvil – including the Deputy Chairperson – and two members, including the Chairperson, by ÖBAG. The Management Board as a whole was reduced from three to two members at the end of August following the expiry of the previous Management Board contracts. The right to nominate the CEO of the Management Board was transferred from ÖBAG to América Móvil. ÖBAG nominates the Deputy CEO of the Management Board.

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.

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%.

Vienna, February 2, 2024

The Management Board of Telekom Austria AG

Alejandro Plater	Thomas Arnoldner
Chief Executive Officer	Deputy Chief Executive Officer

Telekom Austria AG
Financial Statements 2023

Financial Statements according to the Austrian Commercial Code – UGB

Table of Content

Statement of Financial Position as of December 31, 2023

Annex I/1: Assets

			31.12.2023 EUR	31.12.2022 TEUR
A.		Long-term assets		
	I.	Financial assets		
	1.	Investments in affiliated companies	7,520,427,232.64	8,070,491
	2.	Other investments	1,057,097.41	543
	3.	Other loans granted	99,849.20	338
			7,521,584,179.25	8,071,372
B.		Current assets		
	I.	Stocks		
	1.	Work in progress	1,337,486.06	1,156
	II.	Receivables		
	1.	Accounts receivable – trade	8,795.37	13
		thereof with a remaining maturity of > 1 year:	*0.00*	*0*
	2.	Receivables – affiliated companies	720,497,650.21	868,099
		thereof with a remaining maturity of > 1 year:	*0.00*	*0*
	3.	Other accounts receivable	143,941.85	328
		thereof with a remaining maturity of > 1 year:	*0.00*	*0*
			720,650,387.43	868,439
	III.	Cash and cash equivalents	958.59	1
			721,988,832.08	869,596
C.		Prepaid expenses	2,490,226.26	2,093
D.		Deferred tax assets	1,016,362.86	1,214
			8,247,079,600.45	8,944,275

Annex I/2: Liabilities and Stockholders' Equity

		31.12.2023 EUR	31.12.2022 TEUR
A.	Stockholders' equity		
I.	Common stock issued		
	Common stock	1,449,274,500.00	1,449,275
	less Treasury shares	-905,461.78	-905
		1,448,369,038.22	1,448,369
II.	Additional paid-in capital		
1.	Appropriated	1,582,004,573.67	1,582,005
2.	Appropriated for treasury shares	905,461.78	905
		1,582,910,035.45	1,582,910
III.	Retained earnings		
1.	Other reserves (unrestricted reserves)	3,716,719,372.16	3,070,812
IV.	Net income	645,881,000.00	634,585
	thereof carried forward:	*422,077,850.88*	*269,086*
		7,393,879,445.83	6,736,676
B.	Provisions		
1.	Provisions for severance obligations	6,488,035.97	6,616
2.	Tax provisions	56,589,651.94	68,460
3.	Other provisions	12,843,338.07	11,083
		75,921,025.98	86,159
C.	Liabilities		
1.	Liabilities to banks	0.00	300,249
	thereof with a remaining maturity of < 1 year:	*0.00*	*249*
	thereof with a remaining maturity of > 1 year:	*0.00*	*300,000*
2.	Accounts payable - trade	3,383,299.31	3,461
	thereof with a remaining maturity of < 1 year:	*3,383,299.31*	*3,461*
	thereof with a remaining maturity of > 1 year:	*0.00*	*0*
3.	Liabilities due to affiliated companies	772,373,970.69	1,815,938
	thereof with a remaining maturity of < 1 year:	*22,373,970.69*	*1,065,938*
	thereof with a remaining maturity of > 1 year:	*750,000,000.00*	*750,000*
4.	Other liabilities	1,521,858.64	1,791
	thereof with a remaining maturity of < 1 year:	*1,521,858.64*	*1,791*
	thereof with a remaining maturity of > 1 year:	*0.00*	*0*
	thereof from taxes:	*0.00*	*0*
	thereof to social security:	*734,576.02*	*723*
	thereof with a remaining maturity of < 1 year:	*734,576.02*	*723*
	thereof with a remaining maturity of > 1 year:	*0.00*	*0*
		777,279,128.64	2,121,439
	thereof with a remaining maturity of < 1 year:	*27,279,128.64*	*1,071,439*
	thereof with a remaining maturity of > 1 year:	*750,000,000.00*	*1,050,000*
		8,247,079,600.45	8,944,275

Annex II: Statement of Profit or Loss for the Year 2023

			2023		2022
		EUR	EUR	TEUR	TEUR
1.	Revenues		40,078,301.13		36,752
2.	Other operating income				
a)	Income from the reversal of accruals	1,270,316.31		47	
b)	Other	509,931.11	1,780,247.42	494	540
3.	Personnel expenses				
a)	Salaries	-42,280,124.68		-39,025	
b)	Social security contributions	-10,317,686.31		-8,725	
	thereof pension expense:	*-946,124.36*		*-1,069*	
aa)	Expenses for severance payments and payments to staff contribution plans:	-1,252,450.30		107	
bb)	Expenses for statutory social security and payroll related taxes and contributions:	-8,016,530.03		-7,627	
			-52,597,810.99		-47,750
4.	Depreciation and amortization		-56,593,715.58		0
5.	Other operating expenses		-48,916,454.33		-33,737
	thereof from taxes:	*-122,039.19*		*-38*	*0*
5.	**Subtotal from line 1 to 4 (operating result)**		**-116,249,432.35**		**-44,194**
6.	Income from investments		420,177,260.24		470,549
	thereof from affiliated companies:		*419,787,360.24*		*470,151*
7.	Other interest income		34,359,785.06		3,207
	thereof from affiliated companies:		*34,358,263.26*		*0*
8.	Expenses for financial assets		-50,900,000.00		-309,800
	thereof: a) impairment losses:		*-50,900,000.00*		*-309,800*
	thereof: b) expenses from affiliated companies:		*-50,900,000.00*		*-309,800*
9.	Interest and similar expenses		-47,199,171.28		-40,389
	thereof from affiliated companies:		*-38,932,789.33*		*-40,140*
10.	**Subtotal from line 6 to 10 (financial result)**		**356,437,874.02**		**123,566**
11.	**Result before income taxes (Subtotal from line 5 and line 11)**		**240,188,441.67**		**79,372**
12.	Income taxes		21,647,400.06		34,985
	thereof deferred taxes:		*3,491,045.64*		*-434*
	thereof additional charges to group parent:		*93,706,863.25*		*122,790*
13	Additions from reorganization		1,427,849,291.74		0
14.	**Earnings after income taxes**		**1,689,685,133.47**		**114,356**
15.	**Reduction in net assets due to spin-off**		**-819,974,968.33**		**0**
16.	Release to retained earnings		0.00		251,143
17.	Transfer from net income to other reserves		-645,907,016.02		0
18.	Profit carried forward from prior year		422,077,850.88		269,086
19.	**Retained Profit**		**645,881,000.00**		**634,585**

Annex III: Notes to the Financial Statements for the Year 2023

1 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 („AktG"). It is a company of public interest in accordance with Section 189a of the Austrian Commercial Code ("UGB"). Therefore, it is a large corporation in accordance with Section 221 UGB and a parent company required to prepare consolidated financial statements in accordance with Section 244 UGB. The consolidated financial statements of Telekom Austria AG are filed with the commercial register at the Commercial Court in Vienna.

Telekom Austria AG is part of the group held by América Móvil, S.A.B. de C.V., Mexico City („América Móvil"), and is a related party to its subsidiaries. Since July 1, 2014, Telekom Austria AG is fully consolidated in América Móvil's consolidated financial statements, which are the largest group of companies for which group financial statements are prepared. América Móvil Group is listed on the Mexican Stock Exchange and on the New York Stock Exchange. Consolidated financial statements of América Móvil are filed with the SEC (U.S. Securities and Exchange Commission) in Washington, D.C.

At December 31, 2023, the Management Board of Telekom Austria AG consists of two members: On September 1, 2023, Alejandro Plater took office as Chief Executive Officer (CEO) and Thomas Arnoldner as Deputy Chief Executive Officer (Deputy CEO). Until August 31, 2023, Thomas Arnoldner was Chief Executive Officer (CEO), Alejandro Plater was Chief Operating Officer (COO) and Siegfried Mayrhofer was Chief Financial Officer (CFO). Siegfried Mayrhofer left the company at the end of his term of office on August 31, 2023.

All business transactions with related parties are continually monitored and documented to ensure that pricing is at arm's length.

Information on the sidestream spin-off of Towers Holding GmbH by way of a spin-off by formation thereby creating EuroTeleSites AG on September 22, 2023

With the spin-off and takeover contract of June 12, 2023, the business unit "AT Towers" holding the passive mobile radio infrastructure and the towers including all the relevant assets and legal relationships of A1 Telekom Austria AG was spun off into Telekom Austria AG (Section 17 of the Demerger Act (SpaltG)) retroactively as of December 31, 2022, thereby making use of the benefits of Article VI of the Reorganization Tax Act and without granting shares pursuant to Section 1 (2) no. 2 of the Demerger Act. This transaction was registered in the Company Register on July 4, 2023. The assets and liabilities transferred were recognized in Telekom Austria AG at the fair value pursuant to Section 202 (1) of the Austrian Commercial Code (UGB). The addition is reported in the Statement of Profit or Loss in the line item "Additions from reorganization".

The main additions of assets and liabilities are:

• Goodwill	760 mEUR
• Intangibles	1 mEUR
• Property, plant and equipment	883 mEUR
• Receivables	28 mEUR
• Provision for severance obligations	1 mEUR
• Other provisions	66 mEUR
• Payables	6 mEUR
Net assets and liabilities acquired	**1,428 mEUR**

The goodwill was determined based on a valuation report.

The fair value of the business unit "Towers AT", pursuant to Section 202 (1) of the Austrian Commercial Code (UGB), spun off by A1 Telekom Austria AG was determined by an external expert opinion using the DCF method.

The business unit was transferred without liabilities respectively cash, except for immaterial other receivables, an asset retirement obligation (ARO), employee benefit obligations for the employees of the business unit and other liabilities. The capital costs were determined based on a target capital structure (debt/equity ratio) of zero, as the business unit was in fact spun off without debt. The sensitivity analysis showed that the debt/equity ratio was of minor relevance in terms of amounts.

The enterprise value, which was determined based on a WACC of 5.93% and a growth rate of 2.0% of the perpetual annuity resulted in the value of TEUR 1,467,000.

The fair value of assets on single asset basis pursuant to Section 202 (1) of the Austrian Commercial Code (UGB) was determined based on the price list of the existing contract with A1 Telekom Austria AG, which has a maximum term of 24 years. The price list defines the prices for different categories of sites based on their type (greenfield, rooftop, indoor and so on). Furthermore, revenues from existing collocation contracts (sites that are currently leased out to competitors of A1 Telekom Austria AG as well) were included in the valuation.

As far as the costs are concerned, the average cost of rent, personnel, energy and maintenance was applied as well as capital expenditure for replacements according to planning. A WACC of 5.93% and a term of 24 years was applied to discounting. This resulted in a revaluation of property, plant and equipment of TEUR 750,800.

The useful life of property, plant and equipment was determined to be 24 years taking into account a civil engineering expert opinion and the planned current maintenance. This corresponds to the non-cancellable lease term of the tower companies.

Pursuant to Section 203 of the Austrian Commercial Code (UGB) goodwill is measured as the difference between the consideration for the business acquired less the fair value of the identifiable assets acquired and the liabilities assumed at the time of the acquisition. As a result of the revaluation at fair value at January 1, 2023, in the course of the spin-off of the business unit “Towers AT” from A1 Telekom Austria AG to Telekom Austria AG, retrospectively at December 31, 2022, a goodwill of TEUR 760,198 considering deferred tax liabilities of TEUR 173,000 was generated for the business unit “Towers AT”, which is subject to regular amortization pursuant to Section 203 of the Austrian Commercial Code (UGB).

A useful life of 10 years was determined for the amortization of the goodwill pursuant to Section 203 of the Austrian Commercial Code (UGB), as the value of the business unit “Towers AT” was determined using the DCF method taking into account a perpetual annuity, on the other hand the valuation of the individual assets of property, plant and equipment were determined on the basis of a useful life of 24 years only. Thus, the useful life of goodwill cannot be estimated with sufficient accuracy, also with regard to the regular technological development cycles of mobile communication and the dynamic development of the tower business sector.

On August 1, 2023, the Extraordinary General Meeting of Telekom Austria AG approved the following two transfer steps of the reorganization plan according to the takeover contract of June 28, 2023:

- Downstream spin-off of the business unit “Towers AT” and the 100% investments in Towers Bulgaria Holding GmbH, Vienna, in A1 Towers Croatia Holding GmbH, Vienna, in A1 Towers Macedonia Holding GmbH, Vienna, in A1 Towers Slovenia Holding GmbH, Vienna, and in A1 Towers Serbia Holding GmbH, Vienna, as well as spin-off of debt in the amount of TEUR 1,031,000 (plus related interest liabilities) and a cash pooling receivable of TEUR 27,500 from Telekom Austria AG into its 100% subsidiary A1 Towers Holding GmbH, retroactively as of March 30, 2023..
- Sidestream spin-off of the investment in A1 Towers Holding GmbH held by Telekom Austria AG by way of a spin-off by formation thereby creating ETS AG, retroactively as of March 31, 2023.

The spin-off was entered into the commercial register on September 22, 2023.

The net assets of TEUR 819,975, transferred in a first step into A1 Towers Holding GmbH, increased the book value of the 100% subsidiary A1 Towers Holding GmbH and comprises substantially the following items:

• Intangibles	723 mEUR
• Property, plant and equipment	871 mEUR
• Investments in affiliated companies	474 mEUR
• Receivables	28 mEUR
• Prepaid expenses	12 mEUR
• Provisions for severance obligations	1 mEUR
• Tax provisions	166 mEUR
• Payables	7 mEUR
• Liabilities due to affiliated companies	1.047 mEUR
• Deferred income	1 mEUR
Net assets and liabilities spun off	**820 mEUR**

In a second step, the total share in A1Towers Holding GmbH was spun off by way of universal succession, under a proportionate spin-off by formation, preserving the legal form, and thereby creating EuroTeleSites AG according to section 1 (2) no.2 of the Demerger Act and the demerger and takeover contract. The shareholders of Telekom Austria AG received proportionate shares in EuroTeleSites AG. The spin-off by formation was based on section 2 and following of the Demerger Act. The spin-off resulted in a reduction in assets and liabilities in the amount of TEUR 819,975 and is reported in the Statement of Profit or Loss in the line item "Reduction in net assets due to spin-off".

The shareholders of Telekom Austria AG received one share In ETS AG for every four Telekom Austria shares held. Thus Telekom Austria AG received 103,789 ETS shares in the amount of TEUR 514 for its treasury shares, which are included in the line item "Reduction in net assets due to spin-off" as well.

Due to the reorganization described above amounts can only be compared to the previous period to a limited extent, especially in the Statement of Profit or Loss.

2 Accounting Principles

2.1 General Principles

The financial statements have been prepared in accordance with the provisions of the Austrian Commercial Code, taking into account the generally accepted accounting principles of Austria and the general principle of providing a true and fair view of the net assets, financial position and result of operations of the Company.

The financial statements were prepared by adhering to the principle of completeness. The reporting date is December 31.

The principles of individual measurement and going concern were complied with in measuring assets and liabilities.

The principle of prudence was observed in that only profits realized as of the reporting date were recognized. All identifiable risks and impending losses were taken into account.

The statement of profit or loss was prepared in accordance with the total cost format. The amounts presented in the notes to the financial statements are shown in thousands of euros (TEUR). The use of automated calculation systems may give rise to rounding differences.

2.2 Long-term Assets

Investments in affiliated companies and other investments are measured at acquisition cost respectively loans receivable at their nominal value. Impairment losses are recognized if the fair value at the reporting date is lower than the carrying amount of the asset and only if the impairment is expected to be permanent. Impairment losses are reversed if the reason for the impairment no longer exists.

Fair values are determined on the basis of the discounted cash flow method. Significant assumptions of the calculation are made for the development of revenues, cost drivers, working capital changes, capital expenditure for maintenance and replacement of assets, growth rate and discount rate. The applied discount rates before taxes range between 5.6% and 34.7% (previous year: 6.4% and 35.2%). These rates are based on market data for each cash-generating unit, taking into account risks related to the cash-generating unit. The growth rates applied for the perpetual annuity range between 1.9% and 5.0% (previous year: 1.5% and 5.7%) and are based on the general growth rate, the Company's historical revenue growth and detailed plans. Cash-Flow estimates are based on a five year business plan.

2.3 Current Assets

Receivables are measured at their nominal value unless the lower realizable net value is recognized in the event of identifiable individual risks. Specific valuation allowances are recognized to account for risks of default. Receivables denominated in foreign currencies are measured at the euro reference rate of the European Central Bank at the date of recognition or at the lower rate of the euro reference rate of the European Central Bank at the reporting date.

Work in progress is measured at cost.

2.4 Provisions

Provisions for severance obligations are recognized for legal and contractual obligations to members of the Management Board and for employees, whose employment with Telekom Austria AG started before January 1, 2003. The calculation is based on the principles of actuarial mathematics using the projected unit credit method according to the basis of actuarial calculation of retirement insurance for employees issued by the Austrian Actuarial Association (Tafelwerk AVÖ 2018 P Angestellte – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler) applying the following parameters:

	2023	2022
Discount rate	3.25%	3.75%
Rate of compensation increase – employees	3.50%	3.40%
Employee turnover rate	0.26%	0.50%
Duration in years	8.60	8.01

The discount rates are determined on the basis of the yields of senior, fixed-interest corporate bonds. The retirement age is calculated in compliance with the retirement age according to the Austrian Ancilliary Budget Act (Budgetbegleitgesetz) 2011, using 62 years for female and male employees considering the transitional provisions. The service cost for severance related to retirement is distributed over the period from the entry into service until the earliest date of the calculated pension age and the 25th year of service.

In the previous years, the calculation of employee benefit obligations was based on historical salary increases only. Due to the current situation, particularly with regard to inflation, the calculation model had to be adapted. The estimated inflation forecast is now included in the salary increase and the duration per provision is taken into account.

As in the previous year, no long-term tax provisions were recognized.

Other provisions are recognized at the estimated amount of the obligation and take into account identifiable risks as well as uncertain amounts of liabilities incurred. As in the previous year, no long-term provisions were recorded except for the LTI Program (see 4.2).

Provisions for service awards are included in other provisions and are measured in the same way as the provision for severance obligations, calculated with the following parameters:

	2023	2022
Discount rate	3.25%	3.75%
Rate of compensation increase – employees	5.40%	4.60%
Rate of compensation increase – civil servants	6.00%	5.30%
Duration in years	5.18	5.95

2.5 Liabilities

Liabilities are recognized at the settlement amount taking into account the principle of prudence. Foreign currency liabilities are measured at the rate of the Euro reference rate of the European Central Bank at the date of recognition or at the higher rate of the Euro reference rate of the European Central Bank at the reporting date.

3 Notes to the Statement of Financial Position

3.1 Long-term Assets

The development of the fixed asset items is shown in the asset table (Appendix 1).

The detail of investments in affiliated companies is shown in the investment table (Appendix 3).

Telekom Austria AG concluded a profit and loss exclusion agreement with its wholly owned subsidiary Telekom Finanzmanagement GmbH, which took effect on January 1, 2018. It can be terminated in writing by either party with effect from the end of a business year, subject to six months' notice.

At the reporting date, loans to employees amount to TEUR 100 (previous year: TEUR 338). The related interest was recognized in personnel expenses. Loans with a remaining term of up to one year amount to TEUR 0 (previous year: TEUR 0).

3.2 Receivables

Receivables due from related parties comprise:

in TEUR, at December 31	2023	2022
Accounts receivable – trade	6,888	7,578
Financial assets	713,602	860,514
Other assets	8	7
Receivables – affiliated companies	**720,498**	**868,099**

As in the previous year, other receivables do not include any material earnings for which payment will be received after the reporting date.

3.3 Work in Progress

Due to an internal project concerning the whole A1 Group work in progress includes services not yet invoiced in the amount of TEUR 1,337 (previous year: TEUR 1,156).

3.4 Prepaid Expenses

Prepaid expenses mainly comprise discounts for intra-company loans granted resulting from the issuance of bonds by Telekom Finanzmanagement GmbH (TFG).

3.5 Deferred Tax Assets

in TEUR, at December 31	2023	2022	Change
Deferred tax assets	**1,016**	**1,214**	**-198**

According to Section 198 (9) of the Austrian Commercial Code large corporations are obliged to recognize a deferred tax asset if differences between the carrying amount and its tax base arise. The most important differences causing a deferred tax asset are costs for the procurement of funds as well as employee benefit obligations.

At December 31, 2022, the calculation of deferred taxes was already based on the future tax rate of 23%, applicable starting 2024, as the material temporary differences will be reversed only as of 2024. The reversal effects in 2023, when the applicable rate was 24%, were immaterial.

3.6 Share Capital

The share capital of Telekom Austria AG amounts to TEUR 1,449,275 and is divided into 664,500,000 bearer shares. The shares have no par value. ÖBAG holds 28.42% (previous year: 28.24%), América Móvil holds 58.47% (previous year: 51.00%) and 13.05 % (previous year: 20.52%) of the shares are attributable to the free float and the remaining 0.06% are held as treasury shares. Treasury shares amount to TEUR 905 of the share capital, equal to 415,159 shares and were acquired in September 2007.

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 4.2 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.

3.7 Distribution of Dividend

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 to propose to the shareholders at the Annual General Meeting to distribute a dividend of euro 0.36 per share (previous year: euro 0.32) from unappropriated retained earnings.

3.8 Provisions

Other provisions include provisions for:

in TEUR, at December 31	2023	2022
Personnel	9,342	8,674
Long Term Incentive Program (LTI)	3,058	1,915
Other	444	495
Other provisions	**12,843**	**11,083**

3.9 Liabilities

Bank debt reported at December 31 , 2022 was redeemed in September 2023. The variable interest rate of the bank debt amounted to 2.49% and was linked to the 1-month Euribor with a fixed margin of 0.80%.

In the reporting period as well as in the previous year no liabilities with a maturity of more than 5 years are recognized in neither accounts payable - trade nor in other liabilities.

Liabilities due to affiliated companies comprise:

in TEUR, at December 31	2023	2022
Accounts payable – trade	2,311	2,560
Financial liabilities	768,334	1,812,316
Other liabilities	1,729	1,062
Liabilities due to affiliated companies	**772,374**	**1,815,938**

In the both the current and the previous reporting period the financial liabilities do not include liabilities due to affiliated companies with a maturity of more than 5 years.

As in the previous year, other liabilities do not include any material expenses for which payment is made after the reporting date.

3.10 Contingent Liabilities

Guarantees related to issued bonds and liabilities to banks

Telekom Austria AG gave an unconditional and irrevocable guarantee in connection with the following bonds issued by TFG:

Interest rate	Maturiy	2023 Face value in TEUR	2022
3,500%	2023	0	300,000
1,500%	2026	750,000	750,000
Guarantees related to issued bonds		**750,000**	**1,050,000**

Furthermore, Telekom Austria AG is liable for the following liabilities to banks recognized by TFG:

in TEUR, at December 31	2023	2022
Liabilities to banks	60,014	520,613

At December 31 , 2023, TEUR 60,000 (previous year: TEUR 488,000) of these liabilities relate to the utilization of a committed credit line of TEUR 400,000 (previous year: TEUR 500,000) with a term until March 2025, for which Telekom Austria AG issued an unconditional and irrevocable guarantee. On January 25, 2024, TFG reduced its credit line by TEUR 100,000 to TEUR 300,000. As a consequence, the unconditional and irrevocable guarantee provided in this context was also reduced by the same amount.

Guarantees for other funding sources

Furthermore, Telekom Austria AG issued an unconditional and irrevocable guarantee with respect to the following committed credit lines and the Euro Commercial Paper Program:

- Syndicated committed credit line with a total volume of TEUR 1,000,000 (previous year: TEUR 1,000,000) and a term until July 2026 (previous year: July 2026) for TFG
- Committed credit line with a total volume of TEUR 15,000 (previous year: TEUR 15,000) and a term until September 2024 (previous year: September 2023) for paybox Bank AG
- The committed credit line with a total volume of TEUR 200,000 at December 31, 2022 and a term until October 2024 for TFG was redeemed in September 2023.
- Euro Commercial Paper Program with a maximum volume of TEUR 1,000,000 (previous year: TEUR 1,000,000) for TFG.

At December 31, 2023 and 2022, the credit lines were not utilized and no Commercial Papers were issued.

Other guarantees

All other guarantees in the amount of TEUR 68,818 (previous year: TEUR 71,319) are, as in the previous year, are issued for affiliated companies. On November 10, 2008, Telekom Austria AG signed a guarantee for Telekom Austria Personalmanagement GmbH (TAP), which ensures TAP that A1 Telekom Austria AG will perform its respective duties according to the profit and loss elimination agreement. Furthermore, in the case of non-fulfillment of the duties of A1 Telekom Austria AG, Telekom Austria AG guarantees to provide Telekom Austria Personalmanagement GmbH with sufficient liquidity to meet all its financial liabilities.

4 Notes to the Statement of Profit or Loss

4.1 Revenues

Revenues of TEUR 40,078 (previous year: TEUR 36,752) relate mainly to services such as public relations and communications work, coordinating product development and the technical infrastructure, legal and tax advice and investment controlling, services in conjunction with the Department of Human Resource and Civil Service Regulations (Beamtendienstrecht) together with salary and collective agreement negotiations that are predominantly charged to A1 Telekom Austria AG, A1 Digital International GmbH, Telekom Austria Personalmanagement GmbH, A1 Tower Holding GmbH, A1 Bulgaria EAD, A1 Slovenija d.d., A1 Srbija d.o.o, A1 Makedonija DOOEL, A1 Hrvatska d.o.o. and Unitary enterprise A1 on the basis of intercompany agreements.

4.2 Personnel Expenses and Employees

in TEUR	2023	2022
Salaries	42,280	39,025
Expenses for statutory social security and payroll related taxes and contributions	8,017	7,627
Severance expense	779	-582
Pension expenses	946	1,069
Other social benefits	103	136
Payments to staff contributions plans	474	474
Personnel expenses	52,598	47,750

Salaries include an expense of TEUR 10 (previous year: income of TEUR 6) resulting from changes in the obligation for service awards.

Changes in provisions are presented in the statement of profit or loss in the following items:

- Other employee-related provisions in salaries
- Severance obligation in severance expenses and payments to staff contribution plans
- Pension expenses in other social benefits
- Payroll related expenses for other provisions in expenses for statutory social security and payroll related taxes and contributions

The average number of full-time employees was 324 (previous year: 310). The average number of full-time civil servants was 8 (previous year: 5).

4.3 Severance and Pension Expenses

Severance expense and payments to staff contribution plans as well as pension expense are allocated as follows:

in TEUR	2023	2022
Members of the Management Board	328	450
Senior staff	72	-8
Other employees	1,799	519
Severance and pension expenses	**2,199**	**962**

4.4 Other Operating Expenses

in TEUR	2023	2022
Other operating taxes	122	38
Other charges	5,965	6,963
Intercompany charges	46	115
Legal and other consulting	8,425	2,774
Other expense	34,358	23,848
Other Operating Expenses	**48,916**	**33,737**

Other operating expenses include other charges, intercompany charges and other expenses related to services of A1 Telekom Austria AG amounting to TEUR 13,587 (previous year: TEUR 13,600).

In accordance with the last sentence of Section 238 (1) no. 18 of the Austria Commercial Code, the right not to disclose information on expenses for the auditor, which is included in legal and other consulting expense, is exercised.

4.5 Income from Investments

Income from investments of affiliated companies includes dividend income from the following companies (the contribution from TFG is due to the profit and loss elimination agreement):

in TEUR	2023	2022
A1 Austria	340,000	304,000
Mobilkom BV	0	15,000
Belarus BV	65,000	133,900
TFG	14,787	17,251
Income from investments of affiliated companies	**419,787**	**470,151**

For full name and company domicile see "Table of Shares in Affiliated Companies" (Attachment 3).

Income from other investments includes dividend income from CEESEG Aktiengesellschaft ("CEESEG AG") amounting to TEUR 390 (previous year: TEUR 397).

4.6 Expenses for Long-Term Financial Assets

Pursuant to Section 208 (1) of the Austrian Commercial Code and based on current impairment testing, the following impairment losses were recognized:

in TEUR	2023	2022
Belarus BV	44,400	309,800
Tower Macedonia	6,500	0
Expenses for financial assets	**50,900**	**309,800**

For full name and company domicile see "Table of Shares in Affiliated Companies" (Attachment 3).

4.7 Income Taxes

Income tax consists of the following items (income tax benefit: positive value; income tax expense: negative value):

in TEUR	2023	2022
Corporate income tax (other) current	-76,111	-87,307
Corporate income tax (group) current	93,707	122,790
Corporate income tax (other) previous periods	590	-50
Total corporate income tax	**18,185**	**35,432**
Changes in deferred tax assets	3,491	-434
Witholding tax	-29	-13
Income taxes	**21,647**	**34,985**

"Corporate income tax (group) current" includes a benefit from the tax group allocation

Telekom Austria AG is the head of a tax group as defined in Section 9 of the Austrian Corporate Tax Law (KStG) and concluded a group and tax allocation agreement with the following members of the tax group: A1 Telekom Austria Aktiengesellschaft, Telekom Austria Personalmanagement GmbH, Telekom Finanzmanagement GmbH (TFG), wedify GmbH, World-Direct eBusiness solutions Gesellschaft m.b.H., paybox Bank AG, mk Logistik GmbH and paybox Service GmbH and A1 Open Fiber GmbH (established in May 2022).

As of January 1, 2017, all group members have to pay a linear tax rate of 23% to the head of the tax group for all profits allocated to the head of the tax group independent of the actual tax paid by the head of the tax group.

Tax group members transferring a tax loss to the head of the group receive no compensation, but can carry forward this tax loss as an intragroup tax loss carry-forward and offset the entire amount with future taxable profit within the group. Therefore, tax allocation is not required for intragroup loss carry-forward. Intragroup loss carry-forwards not yet offset at the time the group member leaves the tax group are compensated to the extent required by Austrian corporate law upon termination of the agreement.

As of January 1, 2023, a materially revised new tax group and tax compensation contract came into effect. Starting 2023, the tax head has a right to positive as well as negative taxable results which are charged on the basis of the legal corporate tax rate less half a percentage point. Existing tax group loss carry-forwards from years before 2023 can still be utilized.

Intragroup loss carry-forwards for which no provisions were recognized amount to TEUR 13.847 (previous year: TEUR 13,418). The increase compared to the previous year is due to a change in the result of paybox Bank AG for the years 2016 – 2018 related to a tax audit. In the past, all companies with a valid profit and loss elimination agreement with a group member did not recognize provisions for intragroup loss carry-forwards. Based on the new tax group contract, the general rules of tax compensation have to be applied by these companies as well starting in 2023.

In the reporting year, there are no loss carry-forwards to be utilized by the group head.

The tax expense of TEUR 3,491 includes essentially the effect of the release of deferred tax liabilities relating to the current depreciation according to section 202 (1) of the Austrian Commercial Code of the assets of the business unit "Towers AT" in the period from January 1, 2023, to March 30, 2023.

On December 31, 2023, the Minimum Taxation Act entered into force in Austria, implementing into Austrian law the OECD model regulations as well as the directive by the European Union to provide for a global minimum taxation for groups (Pillar Two). The Minimum Taxation Act will be applicable from December 31, 2023, onwards.

Telekom Austria AG applied the mandatory recognition of deferred tax assets and liabilities related to the introduction of the minimum taxation respectively a comparable foreign taxation law, that has been newly introduced by Section 198 (10) no.4 of the Austrian Commercial Code. Current taxes were not recognized in respect as not applicable at December 31, 2023.

Telekom Austria AG is evaluating the future possible impacts of the Minimum Taxation Act and is currently not expecting a tax expense.

5 Other Disclosures

5.1 Remuneration of the Management Board and Supervisory Board

The members of the Management Board and the Supervisory Board are disclosed in Note 6. The following table summarizes the remuneration of members of the Management Board (the base salary of Siegfried Mayrhofer is included until his resignation, the variable yearly remuneration includes the full year 2022) and Supervisory Board:

in TEUR	2023	2022
Base salary (incl. remuneration in kind)	1,565	1,680
Variable yearly remuneration (Short Term Incentive - "STI")	2,333	2,428
Multi-year share-based remuneration (Long Term Incentive Program)*	712	1,334
Severance payment	871	0
Remuneration Management Board	**5,481**	**5,442**
Remuneration Supervisory Board	**380**	**365**

*In 2023, the compensation relates to the payment of the LTI 2020 (2022: LTI 2019). Details on payments of each single LTI tranche are included in chapter 5.2.

5.2 Long-Term Incentive (LTI) Program

A1 Group introduced a long-term incentive program (LTI) in 2010. The members of the Management Board of Telekom Austria AG 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 is not transferrable. 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 14th tranche (LTI 2023) and the 13th tranche (LTI 2022) the following key performance indicators were determined:

- Operating return on invested capital ("operating ROIC"), weighted with 34%
- Revenue market share of A1 Group, weighted with 33%
- Two Environmental, Social & Corporate Governance ("ESG") goals
  LTI 2023: Reduction of gender pay gap and closing of the equal pay gap by year-end 2025, weighted with 16%, and reduction of the carbon footprint by year-end 2025 in accordance with the emission reduction curve approved by the Science Based Targets Initiative, weighted with 17%.
  LTI 2022: increase of energy efficiency until 2024, weighted with 20%, and increase in the training hours per employee, weighed with 13%.

The key performance indicators for the twelfth tranche (LTI 2021) and the eleventh tranche (LTI 2020) are the following:

- Operating ROIC, weighted with 34%
- Revenue market share of A1 Group (weighted with 33%)
- 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%)

For the tenth tranche (LTI 2019) the 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 not yet settled in the current year:

	LTI 2023	LTI 2022	LTI 2021
Grant date	June 1, 2023	June 1, 2022	June 1, 2021
Start of the program	January 1, 2023	January 1, 2022	January 1, 2021
End of vesting period	December 31, 2025	December 31, 2024	December 31, 2023
Vesting date	June 1, 2026	June 1, 2025	June 1, 2024
Personal investment at grant date	60,814	70,341	81,387
Adjustment ETS share split	10,338	11,958	13,836
Personal investment at the end of the vesting period	71,152	82,299	95,223
Expected performance	100.00%	118.80%	125.50%
Expected bonus shares	142,305	195,542	239,009
Maximum bonus shares*	249,033	288,046	333,280
Fair value of program in TEUR	1,064	1,280	1,766

* Taking into account the allocation of fictitious bonus shares equal to the double personal investment.

As disclosed in Note 1, the shares in EuroTeleSites AG were issued at a ratio of 4:1. As a consequence of this share split, the shares of the personal investment of the Management Board were increased by the factor 1.17, by resolution of the Remuneration Committee of the Supervisory Board on December 18, 2023. The increase in the personal investment is disclosed in the line item "Adjustment ETS share split".

The personal investment held by the members of the Management Board at the grant date and at the end of the vesting period is presented in the following table:

in number of shares	LTI 2023 at grant date	LTI 2023 at end of vesting period	LTI 2022 at grant date	LTI 2022 at end of vesting period	LTI 2021 at grant date	LTI 2021 at end of vesting period
Thomas Arnoldner	26,377	30,861	23,252	27,204	26,970	31,555
Alejandro Plater	29,015	33,947	25,577	29,925	29,667	34,710
Siegfried Mayrhofer	5,423	6,345	21,513	25,170	24,750	28,958
Personal investment	**60,814**	**71,152**	**70,341**	**82,299**	**81,387**	**95,223**

The former CFO Siegfried Mayrhofer participates in the LTI program on a pro rata basis only until the end of his term on August 31 , 2023, (see Note 6). For LTI 2023, this was already taken into account in the personal investment at grant date. For LTI 2022 and LTI 2021 , the reduced period of performance will be taken into account at the future settlement, and thus also in the fair value of the program.

The significant terms and conditions and the actual performance are summarized in the subsequent table. The settlement was effected in cash in the current and the previous reporting year.

	LTI 2020	LTI 2019
Grant date	August 1, 2020	August 1, 2019
Start of the program	January 1, 2020	January 1, 2019
End of vesting period	December 31, 2022	December 31, 2021
Vesting date	August 1, 2023	August 1, 2022
Personal investment at grant date	75,770	77,618
Personal investment at the end of the vesting period	75,770	77,618
Actual performance	80.30%	112.80%
Allocated bonus shares per share of personal investment	1.61	2.26
Allocated bonus shares	121,687	175,106
Average stock price at end of vesting period in euro	5.85	7.62
Share-based compensation in TEUR	712	1,334

The personal investment held by the members of the Management Board at the end of the vesting period is presented in the following table:

in number of shares	LTI 2020	LTI 2019
Thomas Arnoldner	25,046	26,534
Alejandro Plater	27,551	26,534
Siegfried Mayrhofer	23,173	24,550
Personal investment at the end of the vesting period	**75,770**	**77,618**

As of the reporting date, a provision, measured at fair value for the portion of the expected future expense of the LTI program that has already vested, was 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 share price analysis, taking into account expected dividends. The provision is recognized over the vesting period.

An expense of TEUR 2,043 (previous year: TEUR 935) was recognized in the income statement for the LTI program respectively an income from the reversal of TEUR 188 (previous year: TEUR 0).

5.3 Subsequent Events

No significant events occurred after the balance sheet date that have an impact on the balance sheet or the income statement.

6 Members of the Management Board and Supervisory Board

Management Board

Alejandro Plater	Chairman of the Management Board
Thomas Arnoldner	Deputy Chairman
Siegfried Mayrhofer	until August 31 ,2023

Supervisory Board

Edith Hlawati	Chair of the Supervisory Board
Carlos García Moreno Elizondo	Deputy Chairman
Karin Exner-Wöhrer	
Peter Hagen	
Carlos M. Jarque	
Alejandro Cantú Jiménez	
Peter F. Kollmann	
Oscar Von Hauske Solís	
Daniela Lecuona Torras	

Gottfried Kehrer	
Alexander Sollak	
Renate Richter	
Gerhard Bayer	
Christine Catasta	until June 7,2023
Stefan Fürnsinn	since June 7, 2023
Franz Valsky	since January 01, 2023

Vienna, February 2, 2024

The Management Board

Alejandro Plater
CEO

Thomas Arnoldner
Deputy CEO

Attachment 1

Movement Schedule of fixed assets of the financial year 2023

				Acquisition cost				
in TEUR	Balance at 01.01.23	Additions	Additions from spin-off 01.01.23	Transfers due to demerger 30.03.23	Disposals from spin-off 31.03.23	Disposals	Transfers	Balance at 31.12.23
1. Intangible assets								
Industrial and similar rights and assets	0	0	60	-60	0	0	0	0
Goodwill	0	0	760,198	-760,198	0	0	0	0
Prepayments	0	195	860	-857	0	0	-198	0
	0	195	761,118	-761,115	0	0	-198	0
2. Fixed assets								
Technical equipment and machines	0	2,011	876,031	-880,327	0	-51	2,337	0
Operating and office equipment	0		3	-3	0	0	0	0
Assets under construction	0	2,940	6,161	-6,962	0	0	-2,139	0
	0	4,951	882,195	-887,292	0	-51	198	0
3. Financial assets								
Investments in affiliated companies	8,383,057	0	0	339,838	-820,501	-25,000	0	7,877,394
Other investments	543	0	0	0	514	0	0	1,057
Other loans granted	411	0	0	0	0	-292	0	119
	8,384,011	0	0	339,838	-819,987	-25,292	0	7,878,570
Total assets	8,384,011	5,146	1,643,313	-1,308,569	-819,987	-25,343	0	7,878,570

in TEUR	Balance at 01.01.23	Additions	Accumulated depreciation Additions from spin-off 01.01.23	Transfers due to demerger 30.03.23	Disposals from spin-off 31.03.23	Disposals	Balance at 31.12.23	Carrying amount at 31.12.23	Carrying amount at 31.12.22
1. Intangible assets									
Industrial and similar rights and assets	0	6	0	0	-6	0	0	0	0
Goodwill	0	38,010	0	0	-38,010	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0
	0	38,016	0	0	-38,016	0	0	0	0
2. Fixed assets									
Technical equipment and machines	0	18,251	0	0	-18,251	0	0	0	0
Operating and office equipment	0	0	0	0	0	0	0	0	0
Assets under construction	0	0	0	0	0	0	0	0	0
	0	18,251	0	0	-18,251	0	0	0	0
3. Financial assets									
Investments in affiliated companies	312,566	50,900	0	-6,500	0	0	356,966	7,520,427	8,070,491
Other investments	0	0	0	0	0	0	0	1,057	543
Other loans granted	73	0	0	0	0	-54	19	100	338
	312,639	50,900	0	-6,500	0	-54	356,985	7,521,584	8,071,372
Total assets	312,639	107,167	0	-6,500	-56,267	-54	356,985	7,521,584	8,071,372

Attachment 2

Movement Schedule of Investments of the financial year 2023

in TEUR	Balance at 01.01.23	Additions	Additions from spin-off 01.01.23	**Acquisition cost** Transfers due to demerger 30.03.23	Disposals from spin-off 31.03.23	Disposals	Balance at 31.12.23
1. Shares in capital of affiliated companies							
A1 Austria	4,596,606	0	0	0	0	0	4,596,606
TFG	5,571	0	0	0	0	0	5,571
Kroatien BV	545,056	0	0	0	0	0	545,056
Mobilkom BV	364,522	0	0	0	0	0	364,522
CEE BV	281,705	0	0	0	0	-25,000	256,705
Belarus BV	974,700	0	0	0	0	0	974,700
Mazedonien BV	218,434	0	0	0	0	0	218,434
Bulgarien BV	915,800	0	0	0	0	0	915,800
Tower Holding	135	0	0	820,366	-820,501	0	0
Tower Bulgaria	124,882	0	0	-124,882	0	0	0
Tower Croatia	153,734	0	0	-153,734	0	0	0
Tower Macedonia	41,606	0	0	-41,606	0	0	0
Tower Serbia	70,426	0	0	-70,426	0	0	0
Tower Slovenia	89,880	0	0	-89,880	0	0	0
	8,383,057	0	0	339,838	-820,501	-25,000	7,877,394
2. Other investments							
CEESEG AG	543	0	0	0	0	0	543
EuroTeleSites AG	0	0	0	0	514	0	514
	543	0	0	0	514	0	1,057
3. Other loans granted							
Other loans granted	411	0	0	0	0	-292	119
Financial assets	8,384,011	0	0	339,838	-819,987	-25,292	7,878,570

For the full name and company domicile see "Table of Shares in Affiliated Companies "(Attachment 3).

in TEUR	Stand am 01.01.23	Additions	kumulierte Abschreibungen Additions from spin-off 01.01.23	Transfers due to demerger 30.03.23	Disposals from spin-off 31.03.23	Disposals	Balance at 31.12.23	Carrying amount at 31.12.23	Carrying amount at 31.12.22
1. Shares in capital of affiliated companies									
A1 Austria	0	0	0	0	0	0	0	4,596,606	4,596,606
TFG	2,766	0	0	0	0	0	2,766	2,805	2,805
Kroatien BV	0	0	0	0	0	0	0	545,056	545,056
Mobilkom BV	0	0	0	0	0	0	0	364,522	364,522
CEE BV	0	0	0	0	0	0	0	256,705	281,705
Belarus BV	309,800	44,400	0	0	0	0	354,200	620,500	664,900
Mazedonien BV	0	0	0	0	0	0	0	218,434	218,434
Bulgarien BV	0	0	0	0	0	0	0	915,800	915,800
Tower Holding	0	0	0	0	0	0	0	0	135
Tower Bulgaria	0	0	0	0	0	0	0	0	124,882
Tower Croatia	0	0	0	0	0	0	0	0	153,734
Tower Macedonia	0	6,500	0	-6,500	0	0	0	0	41,606
Tower Serbia	0	0	0	0	0	0	0	0	70,426
Tower Slovenia	0	0	0	0	0	0	0	0	89,880
	312,566	50,900	0	-6,500	0	0	356,966	7,520,428	8,070,491
2. Other investments									
CEESEG AG	0	0	0	0	0	0	0	543	543
EuroTeleSites AG	0	0	0	0	0	0	0	514	0
	0	0	0	0	0	0	0	1,057	543
3. Other loans granted									
Other loans granted	73	0	0	0	0	-54	19	100	338
Financial assets	312,639	50,900	0	-6,500	0	-54	356,985	7,521,585	8,071,372

Attachment 3

Table of Shares in Affiliated Companies as of December 31, 2023

Name and company domicile	Used Abbreviation	Share in capital %	Stockholders' equity TEUR	Net result for the year TEUR
A1 Telekom Austria Aktiengesellschaft, Vienna	A1 Austria	100.0%	1,038,012	299,753
Telekom Finanzmanagement GmbH, Vienna	TFG	100.0%	2,803	14,787
Kroatien Beteiligungsverwaltung GmbH, Vienna	Kroatien BV	100.0%	468,130	-3
Mobilkom Beteiligungsgesellschaft mbH, Vienna	Mobilkom BV	100.0%	296,021	219
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	CEE BV	100.0%	559,666	52,334
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	Belarus BV	100.0%	621,776	17,908
mobilkom Mazedonien Beteiligungsverwaltung GmbH, Vienna	Mazedonien BV	100.0%	199,355	-8
mobilkom Bulgarien BeteiligungsverwaltungsgmbH, Vienna	Bulgarien BV	100.0%	896,971	-30
A1 Tower Holding GmbH, Vienna	Tower Holding	Spin-off *	-	-
A1 Towers Bulgaria Holding GmbH, Vienna	Tower Bulgaria	Spin-off *	-	-
A1 Towers Croatia Holding GmbH, Vienna	Tower Croatia	Spin-off *	-	-
A1 Towers Macedonia Holding GmbH, Vienna	Tower Macedonia	Spin-off *	-	-
A1 Towers Serbia Holding GmbH, Vienna	Tower Serbia	Spin-off *	-	-
A1 Towers Slovenia Holding GmbH, Vienna	Tower Slovenia	Spin-off *	-	-

Spin-off *: In the course of the spin-off the investments were demerged as described in Note 1.

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 company 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 company and the management report describes the principal risks and uncertainties of the company.

Vienna, February 2, 2024

The Management Board of Telekom Austria

Alejandro Plater
Chief Executive Officer

Thomas Arnoldner
Deputy Chief Executive Officer

AUDITOR'S REPORT *)

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

Telekom Austria Aktiengesellschaft, Vienna,

These financial statements comprise the balance sheet as of December 31, 2023, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying 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 Company as of December 31, 2023 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

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 Financial Statements" section of our report. We are independent of the Company 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.

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*) This report is a translation of the original report in German, which is solely valid.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the 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 matter as key audit matter for our audit:

1. *Valuation of investments*
2. *Spin-off of EuroTeleSites AG*

1. 1. Valuation of investments

Description

Telekom Austria Aktiengesellschaft shows significant investments in subsidiaries (mEUR 7,520.4) in its single financial statements as of December 31, 2023 according to Austrian GAAP and recorded impairments (mEUR 50.9) in the 2023 income statement.

Telekom Austria Aktiengesellschaft's disclosures related to investment in subsidiaries as well as the corresponding impairments are included in Note 2.2 (Long-term Assets), Note 3.1 (Long-term Assets) as well as Note 4.6 (Expenses for Long-Term Financial Assets).

We considered the valuation of investments as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and requires judgment. The impairment tests include assumptions that are affected by future market and economic conditions. The uncertain situation regarding the Belarussian subsidiary – which represents a significant amount within the investments in subsidiaries – should still be noted as an impairment might be required due to the further development of the Ukraine crisis.

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 process.

We assessed the valuation model. Furthermore, we compared forecasted revenue and EBITDA margins as well as capital expenditure and changes in working capital for all entities 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 assisted us in performing the audit procedures.

Furthermore we analyzed possible risks in the context of the political development in Belarus 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 Belarus.

We also evaluated the adequacy of disclosures made regarding impairment.

2. Spin-off of EuroTeleSites AG

Description

At the Extraordinary General Meeting on August 1, 2023, a resolution was passed to spin off the passive mobile infrastructure (the so-called "Towers Business") into the newly founded EuroTeleSites AG. The spin-off and the first-time listing of EuroTeleSites AG on the Vienna Stock Exchange took effect on September 22, 2023. In preparation for the spin-off of EuroTeleSites AG, further preparatory reorganization steps were taken in 2023.

In the first step, the business unit "AT Towers" was transferred from A1 Telekom Austria Aktiengesellschaft to Telekom Austria Aktiengesellschaft with retroactive effect as of December 31, 2022. The assets and liabilities transferred in the course of this transaction were measured at fair value in accordance with Section 202 (1) UGB; the resulting value of mEUR 1,428 was recognized in the income statement as "Additions from reorganizations" before the net profit for the year.

In the second step, Telekom Austria Aktiengesellschaft transferred the business unit "AT Towers", consist-ing of the business unit "AT Towers" transferred from A1 Telekom Austria Aktiengesellschaft and the (indi-rect) investments in the foreign Towers companies as well as liabilities of mEUR 1,047 and receivables of mEUR 28, to A1 Towers Holding GmbH with retroactive effect as of March 30, 2023. The carrying amounts of the assets and liabilities transferred as part of this transaction led to an increase in the carrying amount of the investment in A1 Towers Holding GmbH of mEUR 820.

As a final reorganization step, the shares in A1 Towers Holding GmbH were transferred from Telekom Aus-tria Aktiengesellschaft to the newly founded EuroTeleSites AG with retroactive effect as of March 31, 2023. The disposal of the investment in A1 Towers Holding GmbH in the course of this transaction led to a reduction in net assets in the amount of mEUR 820, which was recognized in the income statement after the net profit for the year as “Net asset reduction from spin-off”.

Telekom Austria Aktiengesellschaft’s disclosures on the spin-off of EuroTeleSites AG are included in Note 1 (Information on the company).

The spin-off of EuroTeleSites AG was considered as a key audit matter as the individual reorganization steps were complex, had significant effects on the financial statements and the amounts involved were material.

How our audit addressed the matter:

Our audit procedures included, among others, the following:

We assessed the design of the controls over the spin-off accounting process.

We evaluated the underlying demerger contracts and assessed their accounting treatment as well as disclosure of the transactions in the financial statements.

We reviewed the valuation of the assets and liabilities acquired at fair value from A1 Telekom Austria Aktiengesellschaft. We assessed the forecasted revenues and EBITDA margins as well as the capital expenditures and changes in working capital. We analyzed the main drivers for the future development included in the business plan in order to verify the appropriateness of this plan. We also reviewed the assumptions relating to discount rates and growth rates. EY valuation specialists assisted us in performing the audit procedures.

We performed substantive audit procedures to verify the amounts recognized in the income statement for "Additions from reorganizations" and "Net asset reduction from spin-off".

We evaluated the adequacy of disclosures made regarding the spin-off of EuroTeleSites AG.

Other Information

The legal representatives are responsible for the other information. The other information comprises the information included in the annual financial report, but does not include the financial statements, the management report and the auditor’s report thereon.

We received the consolidated non-financial report until the date of this audit opinion; the rest of the annual financial report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the 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 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 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 Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company 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 financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 Company’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 Company’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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company 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 financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained under-standing concerning the Company and its circumstances no material misstatements in the management report 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 7, 2023. We were appointed by the Supervisory Board on October 12, 2023. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the 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 2, 2024

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Marion Raninger	**Mag. (FH) Severin Eisl**
Wirtschaftsprüferin / Certified Public Accountant	Wirtschaftsprüfer / Certified Public Accountant

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Disclaimer

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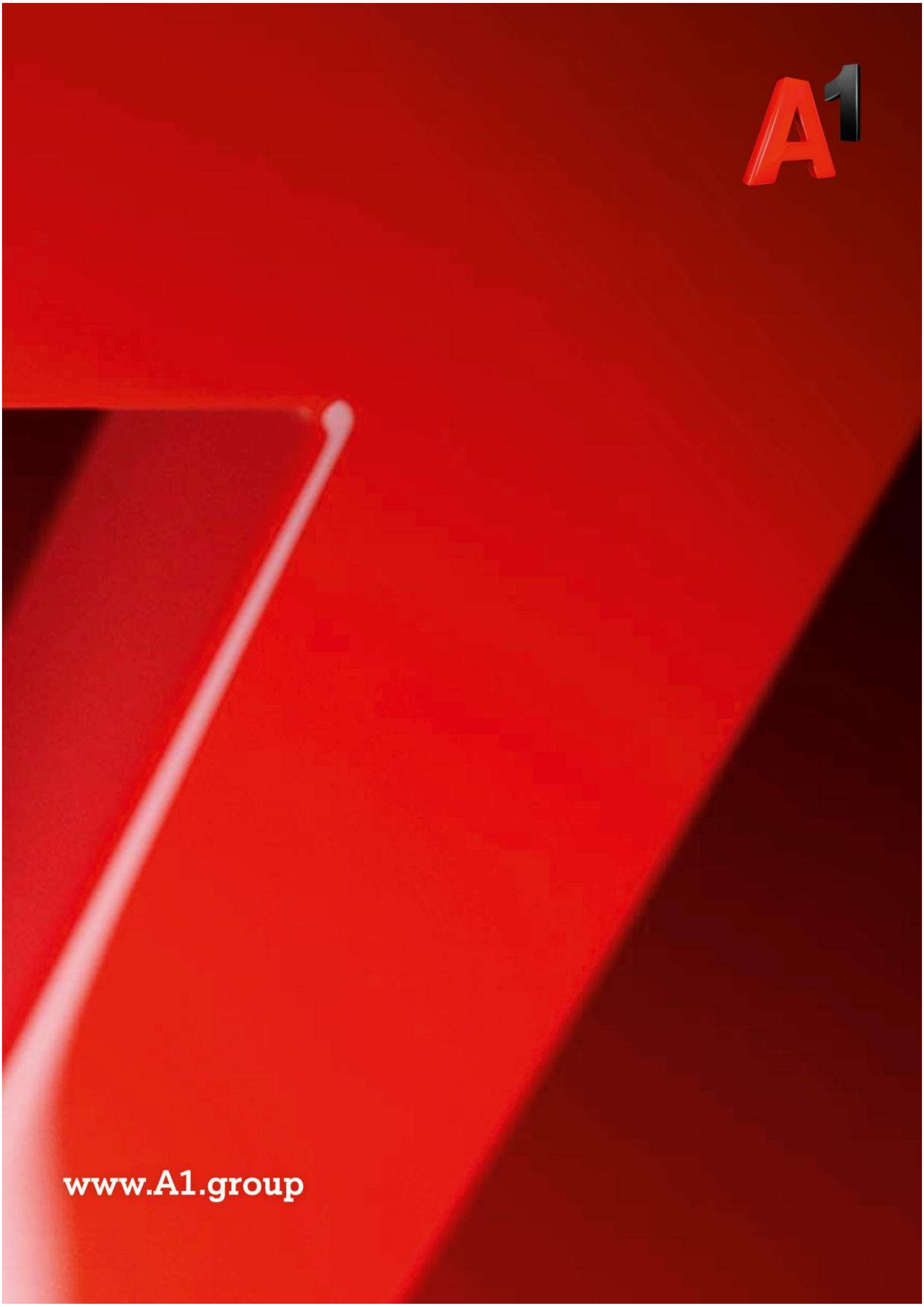
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