

# Group Management Report

## General economic environment

As a result of the COVID-19 pandemic and the accompanying political measures to curb the spread of the virus, there was a recession on all the A1 Telekom Austria Group's markets in 2020. Clearly negative growth rates are expected in gross domestic product. In a forecast published in November 2020, the European Commission estimated the decline in economic growth in the European Union for 2020 at 7.4%. A recovery with growth of 4.1% is assumed for 2021.

The ECB kept its key interest rate unchanged at 0.00% and its deposit rate at -0.50% in the year under review. A pandemic emergency purchase program of EUR 750 billion was resolved in the middle of March 2020 and increased to EUR 1,350 bn at the start of June 2020 and to EUR 1,850 bn in December 2020. In two steps at the start of and in the middle of March 2020, the US Federal Reserve lowered its key interest rate from 1.50-1.75% to recently 0.00-0.25%.

### Development of real GDP in the markets of A1 Telekom Austria Group (in %) <sup>1)</sup>

	2019	2020e	2021e
Austria	1.4	-7.1	4.1
Bulgaria	3.7	-5.1	2.6
Croatia	2.9	-9.6	5.7
Belarus	1.2	-3.0	2.2
Slovenia	3.2	-7.1	5.1
Serbia	4.2	-1.8	4.8
North Macedonia	3.6	-4.9	3.8

Sources: IMF for Belarus; European Commission for all other countries

## Industry trends and competition

Developments on the markets relevant to A1 Telekom Austria Group were characterized by the global COVID-19 pandemic in the reporting year. There were sharp declines in gross additions and customer churn during the first lockdown in almost all markets in the spring. There was increased demand for products and services to facilitate working from home,

such as mobile WiFi routers and VPN connections. Mobile network providers offered their customers additional offerings at reduced cost or free of charge. The market environment remained intensively competitive in both fixed-line and mobile communications throughout this period. One example of this can be seen in the no-frills<sup>2)</sup> segment in Austria, where there was sustained pressure on prices due to the aggressive pricing policy of mobile virtual network operators (MVNOs).

The latest market report issued by the regulatory authority, which tracked the most recent market data in Austria up to the end of the second quarter of 2020, describes the following average trends across all operators:<sup>3)</sup>

- ▶ The number of SIM cards (excl. M2M) decreased slightly by 0.8% year-on-year, from 13.1 million in the second quarter of 2019 to 13.0 million in the second quarter of 2020. There continued to be strong stimulus from smartphone users, the number of which grew by 5.8% to more than 7.2 million, while the number of prepaid SIM cards declined significantly due to the mandatory registration that has been in effect since January 1, 2019. Total mobile retail revenues remained stable over the same period (-0.3%).
- ▶ There were 12.3 million mobile and fixed-line broadband connections on the broadband market in the second quarter of 2020, a year-on-year increase of 2.8% that was mainly driven by smartphone tariffs and mobile WiFi routers. The fixed-line broadband market grew by 1.2% in the same period.
- ▶ Rapid growth in data volumes in mobile telecommunications as a whole, which consists of pure mobile broadband plus smartphone users according to the definition of the regulatory authority, continued in the second quarter of 2020 with a year-on-year increase of 40.5%. The data volume transferred by fixed-line broadband likewise rose by 18.4%, with a ratio of mobile to fixed-line data of around 1:2. There was a clear growth trend in average monthly data volume per user over the same period, to 143.8 GB for fixed-line broadband (Q2 2019: 123.0 GB) and 89.2 GB for mobile data tariffs (Q2 2019: 64.9 GB).
- ▶ While NGA (Next Generation Access; availability of a minimum fixed-line bandwidth of 30 mbps) coverage in Austria has increased steadily over recent years and is now at virtually 90%, 41% of customers were using products with a speed of more than 30 Mbit/s at the end of 2019, though there is a clear trend visible towards higher bandwidths (2017: 30%).<sup>4)</sup>

1) Sources: European Union, Austria, Bulgaria, Croatia, Slovenia, Serbia, and North Macedonia: European Commission [https://ec.europa.eu/info/sites/info/files/economy-finance/ip136\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip136_en.pdf), page 215; Belarus: IMF IWF <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>, page 55

2) The so-called no-frills segment consists of mobile communications providers and brands that deliberately focus on simple tariffs without additional offers and are aimed in particular at price-sensitive customers.

3) <https://www.rtr.at/de/inf/telekom-monitor-q22020>

4) Broadband in Austria. 2019 evaluation report (page 50) <https://www.bmlrt.gv.at/dam/jcr:5de13346-e12a-4ff8-9c83-30b14c5000e3/Evaluierungsbericht2019.pdf>; Broadband strategy 2030 (page 9 and 12) [https://www.bmlrt.gv.at/dam/jcr:8ee598ba-0172-4773-945f-73932957fc55/breitbandstrategie2030\\_ua.pdf](https://www.bmlrt.gv.at/dam/jcr:8ee598ba-0172-4773-945f-73932957fc55/breitbandstrategie2030_ua.pdf)

- ▶ According to the latest OECD report on the digital economy, Austria ranks in the middle compared with other OECD countries with fixed broadband coverage of > 30 Mbit/s in rural areas, but its number of fixed broadband connections of > 30 Mbit/s is in the lower third. In sharp contrast to this is the data consumption of mobile broadband connections, which ranks second after Finland at around 16 GB per month, compared with the OECD average of around 5 GB per month. Austria also ranks second, behind Sweden, in M2M<sup>5)</sup> SIM cards at 56 per 100 inhabitants (OECD average: 24).<sup>6)</sup>

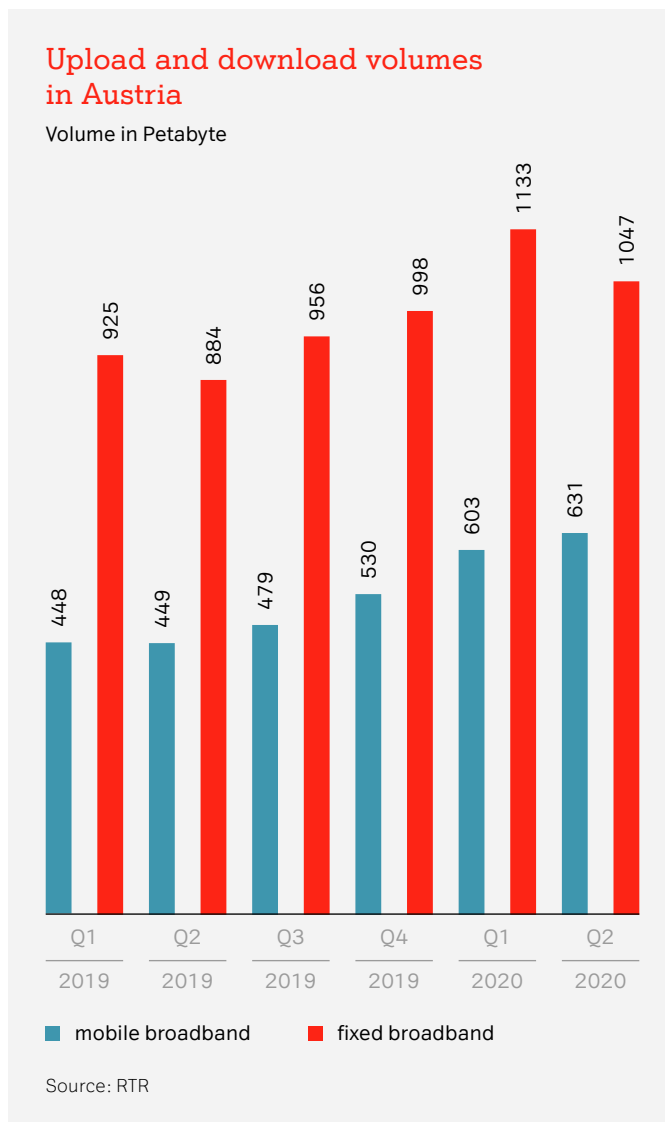
In Bulgaria, the trend seen in recent years continued, with the Internet penetration rate across all households increasing to 78.9% in 2020 compared with 75.1% in the previous year. While fixed-line penetration increased to 59.4% (2019: 57.8%), mobile penetration also continued to rise to 68.0% (2019: 64.0%).<sup>7)</sup>

The number of broadband connections in Croatia increased by 15.0% year-on-year to 5.5 million in the second quarter of 2020 as a result of an increase in the mobile broadband offering of 23.0%. Growth in fiber connections was also high at 22.3%.<sup>8)</sup>

The telecommunications market in Belarus has developed strongly in recent years, leading to a steady rise in the number of Internet customers, while the number of mobile network users has remained flat. As of the end of 2019, the share of households with Internet access was 82.8% (2018: 79.1%).<sup>9)</sup> Households with Internet, respectively broadband access were also up in Slovenia, Serbia and North Macedonia.<sup>10) 11) 12)</sup>

## Regulation

The A1 Telekom Austria Group is subject to various regulatory regimes on its markets. For certain product and service markets in Austria, it is classified as a provider with substantial market power and is therefore subject to the corresponding regulatory measures. These include extensive network access and price regulations. The international subsidiaries of the A1 Telekom Austria Group are also subject to far-reaching regulatory provisions on their respective national markets. In particular, for any business activities by subsidiaries in countries that are part of the European Union (Austria, Bulgaria, Croatia, Slovenia),



regulatory decisions are made not just at national level, but also at European level, for instance to guarantee harmonized conditions within the EU. This applies in particular to the EU-level roaming and net neutrality regulations and the harmonization of mobile and fixed-line termination rates as a result of the European Electronic Communications Code (EECC), which apply equally to all EU Member States.

5) Machine-to-machine (M2M) SIM cards are used for communication between devices, enabling IoT (Internet of Things) applications such as asset tracking services.

6) [https://www.oecd-ilibrary.org/sites/bb167041-en/1/3/3/index.html?itemId=/content/publication/bb167041-en&\\_csp\\_=509e10cb8ea8559b-6f9cc53015e8814d&itemIGO=oecd&itemContentType=book#section-38](https://www.oecd-ilibrary.org/sites/bb167041-en/1/3/3/index.html?itemId=/content/publication/bb167041-en&_csp_=509e10cb8ea8559b-6f9cc53015e8814d&itemIGO=oecd&itemContentType=book#section-38)

7) [https://www.nsi.bg/sites/default/files/files/pressreleases/ICT\\_hh2020\\_en\\_PSRP7D5.pdf](https://www.nsi.bg/sites/default/files/files/pressreleases/ICT_hh2020_en_PSRP7D5.pdf)

8) [https://www.hakom.hr/UserDocImages/2020/e\\_trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q22020.eng.pdf](https://www.hakom.hr/UserDocImages/2020/e_trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q22020.eng.pdf)

9) <https://www.belstat.gov.by/upload/iblock/7d0/7d0ed3586722991264205df8d056cf60.pdf>, pages 395 and 399; Note: Figures for Belarus are available for 2019 only.

10) <https://pxweb.stat.si/SiStatData/pxweb/en/Data/Data/2963309S.px/>; A1 Telekom Austria Group calculations

11) <https://data.stat.gov.rs/Home/Result/270105?languageCode=en-US>

12) [http://www.stat.gov.mk/pdf/2020/8.1.20.31\\_mk.pdf](http://www.stat.gov.mk/pdf/2020/8.1.20.31_mk.pdf); <http://www.stat.gov.mk/pdf/2019/8.1.19.32.pdf>

## Fixed-line

In line with the statutory requirements of the market analysis cycle, the Austrian regulator began the sixth round of the market analysis procedure in March 2020. It first focused on the two wholesale markets for local and central access, and on the existing market for certain standalone business customer tariffs at retail level. Extensive market surveys were conducted in spring and summer 2020 for this purpose. The regulatory authority is currently preparing the economic report (market analysis report), which is expected towards the end of Q1 2021.

The process regarding fixed-line termination<sup>13)</sup> rates has been suspended to date, as the regulations set out in the new European legal framework (EECC) involve the definition of a low fixed-line termination rate to apply uniformly throughout Europe from the start of 2021. An absolute cap for this new termination rate was defined by the European Commission on December 21, 2020 in a separate legal act, a so-called "Delegated Regulation". This is associated with a significant reduction in fixed-network termination charges for all operators in Europe to a uniform EUR 0.07 cents / min as of January 1, 2022, although this value is to be achieved in a short transition phase in 2021 with an interim reduction in the current fixed-network termination charges. The amount of the charges for 2021 is specified in the regulation individually for each member state. This regulation will have a sustained negative impact on the respective revenues, but the impact on earnings should be limited.

## Mobile communications markets

The mobile communications markets of the A1 Telekom Austria Group are subject to various regulatory systems. As EU Member States, Austria, Bulgaria, Croatia and Slovenia are subject to the regulations of the EU and the European Economic Area (EEA). These essentially relate to roaming charges and termination rates between individual market players. The regulatory environment in Belarus, Serbia and North Macedonia are at different stages of development. There are general signs of gradual harmonization with EU statutory provisions in these countries as well. For example, roaming charges were reduced effective 1 July 2019 following the introduction of a regional retail roaming agreement for the Western Balkans, and are expected to be eliminated altogether by 1 July 2021. Within the A1 Telekom Austria Group, this affects Serbia and North Macedonia.

The European Union regulation on net neutrality and roaming has been in force since 2016. This requires Internet access service providers to treat all data traffic equally. In addition to Internet access services, specialized services can also be offered subject to certain limitations. It should be noted regarding the Austrian market that A1 Telekom Austria AG had appealed to the Austrian Federal Administrative Court regarding two decisions by the regulator on the subject of net neutrality. The appeal proceedings for both decisions are still pending.

The content of the roaming regulation has already been fully implemented at all A1 Telekom Austria Group companies that operate in EU Member States and have had a sustained negative impact on roaming revenues. The COVID-19 crisis also led to a dramatic reduction in roaming revenues in 2020.

### Mobile termination rates

	July 2017	January 2018	March 2019	January 2020	April 2020	August 2020
Austria (EUR)	0.008049	0.008049	0.008049	0.008049	0.008049	0.008049
Bulgaria (BGN)	0.014	0.014	0.014	0.014	0.014	0.014
Croatia (HRK) <sup>1)</sup>	0.047	0.047	0.047	0.045	0.045	0.045
Belarus (BYN) <sup>2)</sup>	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009
Slovenia (EUR)	0.0114	0.0114	0.0114	0.0114	0.0114	0.00882
Serbia (RSD)	2.07	1.43	1.43	1.43	1.43	1.43
North Macedonia (MKD)	0.63	0.63	0.63	0.63	0.63	0.63

1) National MTRs stated. International MTRs differ

2) Figures for Belarus: prime time / downtime. MTS: Mobile TeleSystems; BeST: Belarus Telecommunications Network

<sup>13)</sup> The term termination rate refers to the amount that a telecommunications provider must pay during network interconnection for the termination (call delivery, call completion) of a telephone call to a third-party network or for the receipt of such a call from a third-party network.

As for fixed-line regulation, the market analysis process for mobile termination rates has been suspended to date as the regulations set out in the new European legal framework (EECC) involve setting a low mobile termination rate to apply uniformly throughout Europe from the start of 2021. The European Commission set an absolute upper limit for this new termination charge in a separate legal act, a so-called “Delegated Regulation”, on December 21, 2020. This is associated with a significant reduction in fixed-network termination charges for all operators in Europe to a uniform EUR 0.2 cents / min as of January 1, 2024. This value will be achieved by means of a glide path, which was also defined in the EU Regulation and provides for annual reduction steps. This regulation will have a sustained negative impact on the respective revenues from mobile termination, but the impact on earnings should be limited.

The EECC was issued in its final form in December 2018 and should be transposed into national law by the individual Member States by the end of 2020. Due to the COVID-19 crisis, the implementation of the regulatory framework in Austria and many other EU member states is expected to be delayed by 4-5 four to five months until Q2 2021. In Austria, the draft of the new Telecommunications Act (TKG) was published before Christmas 2020, and the public consultation on it will run until February 10, 2021. We do not expect the new Telecommunications Act to enter into force before the end of Q2 2021. This gives rise to both legal-regulatory and financial risks for the future.

## Information on financial reporting

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

Alternative performance measures (APM) are used to describe operating performance. EBITDA is reported to transparently show the operating performance of the individual business areas. EBITDA is defined as the net result excluding financial result, income tax, depreciation and amortization and, if applicable, impairment losses and reversals of write-downs.

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

## Impact of the COVID-19 pandemic

In the middle of March 2020, COVID-19 numbers began to rise in the countries in which A1 operates, with the result that all governments, with the exception of Belarus, undertook initial steps to impose restrictions on public life. All national borders were closed and quarantine zones were set up within countries. The lockdown measures, some of which were severe and entailed restricted mobility, shop closures and tough travel restrictions, weighed on various aspects of business activities of the Group. For example, roaming volumes, device sales and currency developments were all adversely affected during

### EU roaming glide path

Retail (in EUR)	July 2014	30 April 2016	as of 15 June 2017
Data (per MB)	0.20	domestic tariff + 0.05 <sup>1)</sup>	domestic tariff
Voice-calls made (per minute)	0.19	domestic tariff + 0.05 <sup>1)</sup>	domestic tariff
Voice-calls received (per minute)	0.05	weighted average MTR <sup>1)</sup>	0
SMS (per SMS)	0.06	domestic tariff + 0.02 <sup>1)</sup>	domestic tariff

Wholesale (in EUR)	July 2014	30 April 2016	June 15 2017	January 1 2018	January 1 2019	January 1 2020	January 1 2021
Data (per MB)	0.05	0.05	0.0077	0.006	0.0045	0.0035	0.003
Voice (per minute)	0.05	0.05	0.032	0.032	0.032	0.032	0.032
SMS (per SMS)	0.02	0.02	0.01	0.01	0.01	0.01	0.01

1) The total of the domestic retail price and any surcharge applied to regulated roaming calls made, regulated roaming SMS messages sent, or regulated data roaming services must not exceed EUR 0.19 per minute, EUR 0.06 per SMS message, and EUR 0.20 per megabyte used. Any surcharge applied for calls received must not exceed the weighted average of mobile termination rates across the Union.

lockdown. Device sales recovered to a large extent as the year progressed, and the negative effects on roaming revenue and currency developments were countered by measures taken by management in the form of operational efficiency.

Home office and on-site prevention measures were established early on to protect employee health and ensure business continuity. A large share of staff has also been working from home since this time. A1's networks handled the rise in data and voice volumes without any significant shortfalls. While all shops in Croatia and Slovenia were closed in March and April, most telecoms shops remained open in Austria, Bulgaria, Belarus, Serbia and North Macedonia. Call centers remained operational, providing support for all customer inquiries.

Virtual, time- and location-independent forms of business, collaboration and social interaction experienced an enormous boost in importance in the wake of the pandemic. During

this time, the A1 Telekom Austria Group provided support for its business customers especially in the phase of the first lockdown in spring by setting up VPN connections quickly and straightforwardly, and by providing devices and higher bandwidths. For residential customers, among other things, free data volumes or TV channels were provided. In addition, A1 in Austria provided anonymized movement data to support measures to contain the COVID-19 pandemic.

While the pandemic situation eased in the summer months, a growing number of new COVID-19 infections in autumn prompted almost all governments in the A1 footprint to re-impose certain measures. In order to protect public health systems, most governments announced national lockdowns in October and November 2020, temporarily closing or restricting opening hours for hosting and hospitality facilities, cancelling public events and limiting travels. A majority of these restrictions remain in effect also at the beginning of 2021.

## Revenue and earnings development

Key performance indicators in EUR million	2020	2019	Change in %
Total revenues	4,549.4	4,565.2	-0.3
Service revenues	3,804.5	3,805.5	0.0
thereof mobile service revenues	2,071.1	2,075.3	-0.2
thereof fixed-line service revenues	1,733.5	1,730.2	0.2
Equipment revenues	659.4	663.9	-0.7
Other operating income	85.5	95.8	-10.8
EBITDA	1,576.8	1,560.6	1.0
% of total revenues	34.7	34.2	-
EBITDA before restructuring <sup>1)</sup>	1,661.3	1,644.7	1.0
% of total revenues	36.5	36.0	-
EBIT	638.9	614.8	3.9
% of total revenues	14.0	13.5	-
Net result	388.8	327.4	18.7
% of total revenues	8.5	7.2	-

Wireless indicators	2020	2019	Change in %
Wireless subscribers (thousands)	21,864.2	21,288.1	2.7
thereof postpaid	17,822.4	16,954.6	5.1
thereof prepaid	4,041.9	4,333.6	-6.7
MoU (per Ø subscriber)	424.4	361.9	17.3
ARPU (in EUR)	8.1	8.2	-1.3
Mobile churn (%)	1.4	1.7	-

Wireline indicators	2020	2019	Change in %
RGUs (thousands)	6,050.3	6,147.7	-1.6

1) Please find further details on restructuring in the Note (23) of the consolidated financial statements.

## Revenue and earnings development

In the financial year 2020, A1 Telekom Austria Group showed resilience in large part of its operations despite the challenges caused by the COVID-19 pandemic. Reduced mobility and strict travel restrictions imposed by almost all governments in the company's footprint have adversely affected roaming traffic volumes and equipment sales. Results additionally were negatively impacted by a heavy depreciation of the Belarusian Ruble. While these external effects weighed on the results, the Management took countermeasures such as an intensified focus on operational efficiency as well as a substantial cut in CAPEX.

In September 2020, A1 Telekom Austria AG, the Austrian subsidiary of the A1 Telekom Austria Group, participated in the multiband auction for the 700, 1500 and 2100 MHz frequency bands, purchasing spectrum for a total of EUR 65.6 mn (excl. charges). At the auction, A1 bought 30 MHz in the new 1500 MHz band and even increased its share in the 2100 MHz band from 20 MHz to 25 MHz. Supplemented by the existing leading position in the 800 MHz band, the frequency allocation provides an excellent basis for future 5G applications and capacity expansions. In addition, a commitment was made to supply 349 highly rural communities. A1 thus makes an important, additional contribution to further strengthening rural areas.

With the publication of its Q3 2020 quarterly report, A1 Telekom Austria Group announced that it is currently working on developing alternatives to reap more benefits from its tower assets through a targeted management focus on internal efficiencies and higher tenancy ratios.

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

- ▶ Negative roaming impact on Group EBITDA of around 4 % in the full year 2020 due to the decline in roaming traffic following reduced mobility and travel restrictions.
- ▶ Negative FX effects amounted to EUR 83.4 mn in total revenues, EUR 60.5 mn in service revenues and to EUR 35.2 mn in EBITDA in the full year 2020. They came with a vast majority from Belarus and to a small extent from Croatia.
- ▶ Total one-off effects of positive EUR 6.9 mn in revenues and positive EUR 8.6 mn in EBITDA in the full year 2020 after positive EUR 8.2 mn in revenues and positive EUR 13.3 mn in EBITDA in the comparison period 2019, with the following main effects:
  - ▶ In Austria, a positive one-off effect of EUR 8.2 mn in revenues and EBITDA in the comparison period, stemming from a real estate sale in other operating income.
  - ▶ The Croatian segment recorded positive one-off effects of EUR 4.2 mn (2019: none) in total revenues and EUR 8.4 mn in EBITDA (2019: EUR 6.5 mn).
- ▶ Restructuring charges in Austria amounted to EUR 84.5 mn in 2020 compared to EUR 84.1 mn in 2019.

## Key Figures of A1 Telekom Austria Group

In mobile communications, the number of subscribers of A1 Telekom Austria Group increased by 2.7 % to 21.9 million in the year under review, driven mainly by the higher number of M2M customers. The number of contract customers rose in almost all markets following a strong demand for mobile WiFi routers and an ongoing shift from prepaid to contract offers.

The number of revenue-generating units (RGUs) in the Group's fixed-line business declined by 1.6 % year-on-year. The decline in RGUs in Austria and to a lesser extent in Croatia, driven primarily by low-bandwidth broadband and voice RGUs, was partly offset by increases in Bulgaria and Slovenia due to a higher number of TV and broadband RGUs.

In the financial year 2020, Group total revenues decreased slightly by 0.3 %, driven by lower other operating income and lower equipment revenues, while service revenues remained stable despite heavy hits from COVID-related roaming losses as well as negative FX effects. In the mobile business, service revenues were stable (-0.2 %), as the high demand for mobile WiFi routers together with successful upselling activities in the high-value segment, offset the roaming losses. In the fixed-line business, speed upgrades, a growing solutions and connectivity business in the CEE segments as well as exclusive TV content greatly contributed to a stable performance (+0.2 %). While other operating income was lower in the reporting period mainly due to positive one-off effect in the comparison period stemming from the sale of real estate in Austria equipment revenues declined following lower quantities sold. Adjusted for the one-off and FX effects described above, total revenues rose by 1.5 % year-on-year.

The Group's total costs and expenses decreased by 1.1 %, as substantially lower selling and marketing expenses as well as lower workforce costs, offset the increase in bad debt, network maintenance and content costs. Selling and marketing expenses declined due to fewer promotional campaigns in the reporting period caused by the COVID-19 outbreak. While workforce costs declined due to less FTEs, bad debt expenses increased following higher expected lifetime credit loss of accounts receivables. Network maintenance costs increased following network infrastructure activities in Austria while content costs increased, as higher costs in Bulgaria and Slovenia outweighed the decline in the Austrian segment. OPEX decline was additionally supported by reduced travel and training expenses.

## Key Figures of A1 Telekom Austria Group

in EUR million

	2020	2019	Change in %
<b>Revenues</b>			
Austria	2,622.1	2,648.1	-1.0
Bulgaria	513.8	486.2	5.7
Croatia	428.1	432.8	-1.1
Belarus	402.6	426.1	-5.5
Slovenia	205.0	209.4	-2.1
Serbia	286.2	283.8	0.8
North Macedonia	121.9	122.8	-0.7
Corporate & other, eliminations	-30.3	-44.1	31.3
<b>Total revenues</b>	<b>4,549.4</b>	<b>4,565.2</b>	<b>-0.3</b>

	2020	2019	Change in %
<b>EBITDA</b>			
Austria	936.7	921.3	1.7
before Restructuring	1,021.2	1,005.4	1.6
Bulgaria	192.4	179.4	7.3
Croatia	143.4	145.1	-1.2
Belarus	172.8	190.9	-9.5
Slovenia	58.7	59.0	-0.6
Serbia	87.6	83.4	5.0
North Macedonia	42.5	43.2	-1.6
Corporate & other, eliminations	-57.3	-61.8	7.3
<b>Total EBITDA</b>	<b>1,576.8</b>	<b>1,560.6</b>	<b>1.0</b>
before Restructuring	1,661.3	1,644.7	1.0

	2020	2019	Change in %
<b>EBIT</b>			
Austria	413.7	415.8	-0.5
Bulgaria	74.6	66.9	11.6
Croatia	43.1	41.1	4.9
Belarus	109.3	100.7	8.6
Slovenia	14.4	14.7	-1.7
Serbia	32.9	27.7	18.6
North Macedonia	13.6	12.2	11.5
Corporate & other, eliminations	-62.6	-64.2	2.4
<b>Total EBIT</b>	<b>638.9</b>	<b>614.8</b>	<b>3.9</b>

	2020	2019	Change in %
<b>Costs and expenses</b>			
Cost of service	-1,311.9	-1,302.5	-0.7
Cost of equipment	-652.4	-653.8	0.2
Selling, general & administrative expenses	-997.4	-1,029.7	3.1
Other expenses	-10.9	-18.5	41.1
<b>Total costs and expenses</b>	<b>-2,972.6</b>	<b>-3,004.5</b>	<b>1.1</b>
thereof employee costs	-908.2	-913.4	0.6
thereof restructuring charges	-84.5	-84.1	-0.5
Impairment charges	0.0	0.0	n.a.
Depreciation and amortisation	-774.3	-785.4	1.4

	2020	2019	Change in %
<b>Other key figures</b>			
Net result	388.8	327.4	18.7
Net cash flow from operating activities	1,481.1	1,458.0	1.6
Capital expenditures	651.4	879.8	-26.0
Net debt	3,186.8	3,463.1	-8.0



EBITDA before restructuring rose by 1.0% in the year under review, mainly driven by the Austrian and Bulgarian segments while Serbia also posted solid growth. Adjusted for one-offs and FX effects, EBITDA before restructuring rose by 3.5%. The EBITDA margin increased from 34.2% in the previous year to

34.7% in the year under review. Depreciation and amortization (incl. rights of use) amounted to EUR 937.9 mn compared to EUR 945.8 in the comparison period. Operating income therefore rose by 3.9% to EUR 638.9 mn compared to the previous year.

A1 Telekom Austria Group recorded a financial result of EUR -128.1 mn, an improvement of 3.8% compared to the previous year, as the comparison period was negatively impacted by the penalty interest as a result of a tax audit in Bulgaria.

Tax expenses amounted to EUR 122.0 mn in the year under review, compared to EUR 154.2 mn recorded in the previous year. A decrease in income taxes resulted mainly from the above mentioned tax case in Bulgaria in the comparison period. Overall, A1 Telekom Austria Group reported a net result of EUR 388.8 mn in 2020, an increase of 18.7% compared to the previous year.

## Company Key Figures

	2020	2019	Change in %
Earnings per share (in EUR)	0.58	0.49	18.8
Dividend per share (in EUR)	0.25 <sup>1)</sup>	0.23	n. a.
Free cash flow per share (in EUR)	0.76	0.52	46.5
ROE <sup>2)</sup>	14.3%	12.9%	-
ROIC <sup>3)</sup>	10.4%	9.9%	-
Operating ROIC <sup>4)</sup>	10.1%	10.4%	-

- 1) Intended proposal to the 2021 Annual General Meeting. The Management Board and the Supervisory Board will continuously evaluate the further development of the COVID-19 pandemic in terms of its financial and general business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.
- 2) Ratio of net result to average equity employed; serves as an indicator to measure the yield on equity.
- 3) Total return on invested capital, calculated by net operating profit after income tax current period (NOPAT) divided by the average capital invested.
- 4) Operational total return on invested capital, calculated operating income divided by the average capital invested.

## Net assets and financial position

As of December 31, 2020, the balance sheet total decreased by 3.2% compared to December 31, 2019, mainly due to the decline in non-current assets, while current assets increased. Current assets rose as higher short-term investments, owing to new fixed-term deposits, together with higher cash and cash equivalents outweighed lower receivables and inventories. Non-current assets declined, driven by lower property, plant and equipment attributable to reduced mobile network and fiber rollout investments, amortization of frequencies and right-of-use assets as well as lower deferred tax assets.

## Net assets and financial position

Balance sheet structure (in EUR million)	Dec 31, 2020	As % of the balance sheet total	Dec 31, 2019	As % of the balance sheet total
<b>Current assets</b>	<b>1,509.7</b>	<b>18.4</b>	<b>1,430.3</b>	<b>16.9</b>
Property, plant and equipment	2,753.1	33.5	2,840.3	33.5
Goodwill	1,284.0	15.6	1,278.8	15.1
Intangible assets	1,678.0	20.4	1,784.2	21.0
Other assets	987.1	12.0	1,152.4	13.6
<b>Total assets</b>	<b>8,212.0</b>	<b>100.0</b>	<b>8,486.0</b>	<b>100.0</b>
<b>Current liabilities</b>	<b>2,048.4</b>	<b>24.9</b>	<b>1,637.8</b>	<b>19.3</b>
Long-term debt	1,793.7	21.8	2,539.6	29.9
Lease liabilities long-term	700.6	8.5	788.2	9.3
Employee benefit obligation	231.5	2.8	220.1	2.6
Non-current provisions	586.0	7.1	582.0	6.9
Other long-term liabilities	58.0	0.7	72.4	0.9
Stockholders' equity	2,793.8	34.0	2,645.9	31.2
<b>Liabilities and stockholders' equity</b>	<b>8,212.0</b>	<b>100.0</b>	<b>8,486.0</b>	<b>100.0</b>



## Net debt

in EUR million	Dec 31, 2020	Dec 31, 2019 comparable basis <sup>1)</sup>	Change in %	Dec 31, 2019 reported
Net debt (excl. leases)	2,331.9	2,612.4	-10.7	2,522.3
Net debt (excl. leases) / EBITDA after leases	1.7 ×	1.9 ×	-	1.8 ×

in EUR million	Dec 31, 2020	Dec 31, 2019 comparable basis <sup>1)</sup>	Change in %	Dec 31, 2019 reported
Long-term debt	1,793.7	2,539.6	-29.4	2,539.6
Lease liabilities long-term	700.6	788.2	-11.1	788.2
Short-term borrowings	749.1	123.0	n. m.	123.0
Lease liabilities short-term	154.4	152.6	1.1	152.6
Cash and cash equivalents	-210.9	-50.2	n. m.	-140.3
<b>Net debt (incl. leasing)</b>	<b>3,186.8</b>	<b>3,553.2</b>	<b>-10.3</b>	<b>3,463.1</b>
<b>Net debt incl. leasing / EBITDA</b>	<b>2.0 ×</b>	<b>2.3</b>	<b>-</b>	<b>2.2 ×</b>

1) Since the financial year 2020, the amount of the provision for social plans granted after Jan. 1, 2019, has been invested in fixed-term deposits which are reported in short-term investments. To enable a comparison with the previous year on a like-for-like basis, cash and cash equivalents have been adjusted for the corresponding provision amount as of Dec. 31, 2019.

## Cash flow

in EUR million	2020	2019	Change in %
Net cash flow from operating activities	1,481.1	1,458.0	1.6
Net cash flow from investing activities	-874.9	-861.3	-1.6
Net cash flow from financing activities	-527.6	-520.3	-1.4
Adjustment to cash flows due to exchange rate fluctuations, net	-8.0	0.2	n. m.
<b>Net change in cash and cash equivalents</b>	<b>70.6</b>	<b>76.7</b>	<b>-7.9</b>

Current liabilities increased, driven by higher short-term debt as the bond of EUR 750 mn that matures in December 2021 was reclassified from long-term to short-term debt, and was mitigated by lower accounts payable and the redemption of multi-currency notes. Non-current liabilities decreased due to the above mentioned reclassification of long-term debt. The increase in shareholders' equity was driven by higher retained earnings due to net income generation in 2020. The equity ratio as of December 31, 2020 amounted to 34.0% compared to 31.2% as of December 31, 2019.

## Net debt

Net debt (excl. leases) declined by 10.7%, driven by the redemption of multi-currency-notes as well as higher cash and cash equivalents. Net debt (excl. leases) / EBITDA after leases decreased from 1.9 × as of December 31, 2019 to 1.7 × as of December 31, 2020.

## Cash flow

Cash flow from operating activities increased in the financial year 2020, due to improved operational performance, while working capital needs increased slightly as reduced accounts payable was partly offset by lower accounts receivables and lower inventories.

Cash flow from investing activities increased by EUR 13.6 mn, as lower capital expenditures and proceeds from the sale of associated companies were outweighed by EUR 164.8 mn investments in fixed-term deposits in the reporting year. Capital expenditures paid of EUR 742.5 mn in the full year 2020 showed a strong decline compared to the full year 2019 (EUR 873.9 mn) due to reduced spending in the reporting period following the CAPEX cuts.

Cash flow from financing activities increased slightly as lower interest paid was outweighed by higher dividend payments.

Free cash flow increased strongly from EUR 343.7 mn in 2019 to EUR 503.7 mn in 2020, driven by lower capital expenditures paid as well as an improved operational performance.

## Capital expenditures

In the year 2020, capital expenditures declined by 26.0% year-on-year, from EUR 879.8 mn to EUR 651.4 mn, due to cuts and postponements of some investments in Austria and CEE markets. Excluding the frequency spectrum of EUR 65.8 mn in the reporting period and EUR 82.1 mn in the comparison period, capital expenditures declined from EUR 797.7 mn to EUR 585.6 mn.

Tangible capital expenditures decreased by 21.0% to EUR 478.8 mn, driven by lower investments in network infrastructure, ICT customer related projects as well as optimization of the internal project portfolio throughout the Group. Intangible capital expenditures declined by 37.0% to EUR 172.6 mn, as the comparison period was impacted by EUR 51.9 mn higher investments in Belarus, following the agreement with the local monopoly provider of LTE services, beCloud, on the usage of exclusive network capacity. Additionally, it declined due to lower investments in the frequency spectrum compared to the previous year – total of EUR 65.8 mn in 2020 for the acquisition of frequency spectrum in Austria compared to total of EUR 82.1 mn in 2019 for the acquisitions in Austria (EUR 64.3 mn), Croatia (EUR 7.2 mn) and Belarus (EUR 9.5 mn).

## Segment analysis

### Segment Austria

In 2020, development in the Austrian segment was shaped by the new environment caused by the COVID-19 outbreak. Customers travelled abroad less, which weighed heavily on the roaming traffic and consequently revenues. Increased work from home and distance learning urged for good quality networks at households and business premises, which together pushed demand for mobile WiFi routers and broadband speed upgrades.

At the beginning of the year, competition in the Internet@home business, which includes mobile WiFi routers, hybrid and pure fixed-line broadband solutions, centered on the pricing for high-bandwidth products. It has somewhat intensified in the second part of the year, and competitors launched new propositions for their Internet products followed shortly by discounts for all relevant speed profiles and free devices. A1 launched a broadband promotional campaign in April 2020, offering attractive benefits to new and existing customers, such as no installation fees and free tablet or premium WiFi mesh set. The promotions aimed to improve orders of new fixed-line broadband lines and resulted in higher numbers of gross additions compared to the previous year. Churn was related mostly to

low-bandwidth products. In March 2020 A1 launched its new TV platform A1 Xplore TV with multiscreen experiences and many integrated apps. The prices for existing customers on the old TV platform will increase by EUR 3, effective March, 2021.

In the mobile premium segment, all mobile network operators offered their 5G tariff portfolios with propositions initially focusing on unlimited data volumes and higher speeds. In January 2020, A1 launched its "5Giga" premium tariff portfolio for mobile and Internet@Home services. 5GigaMobil tariffs offer a priority network proposition, unlimited data volumes, as well as the latest 5G devices. While the initial uptake for these 5Giga tariffs showed a strong demand in the first quarter, the trend has weakened with the new environment caused by the COVID-19 outbreak. However, with the launch of new 5G smart phones in autumn, the trend has recovered and the uptake of these tariffs has increased again.

The competition in the low value and youth segments remained strong throughout the year with aggressive offers including hardware promotions. A1 continued to counter it via special youth promotions and attractive offers with its no-frills brands. As the SIM card registration of existing customers annualized as of September 1, 2020, prepaid net addition levels have stabilized since then.

The Internet@home business continued to grow in 2020, with particularly strong demand for mobile WiFi routers. Increased work from home, distance learning and other social changes brought about by the COVID-19 outbreak contributed to the rising demand for higher bandwidth products and upselling of these services in the residential segment as well as in business segments.

The strong demand for mobile Wi-Fi routers drove the increase in the total number of mobile contract subscribers in 2020, while the high-value customer base also rose. The decline in the prepaid segment was caused by the above-mentioned SIM card registration. The total number of fixed-lined revenue generating units (RGUs) declined in the year under review as losses in low-bandwidth broadband and voice subscribers could not be outweighed by the rising demand for higher bandwidth products.

Results were also supported by price adjustments. The activation fee and the annual service fee were increased for mobile customers and tariff switches in February 2020. As of April 1, 2020, an indexation of approx. 1.5% has been in effect for existing customers in parts of the mobile high-value and the fixed-line business. In September 2020, prices for existing residential fixed-line voice customers were raised by EUR 2 and for selected SIM-only customers by EUR 1 to 3, depending on the relevant tariff.

The Austrian government had imposed the first COVID-19 restrictions in March 2020, announcing general public mobility restrictions as well as the closure of bars, restaurants and non-essential shops. Telecommunication shops were allowed to stay open. The tourist skiing season ended earlier than anticipated and imposed travel bans weighed heavily on roaming revenues. Mobile and fixed-line voice traffic increased sharply following the lockdown measures, while high demand for mobile WiFi routers and broadband speed upgrades remained on the market throughout the year. The pandemic situation improved during the summer months, but another country-wide lockdown was announced by the government on November 3, 2020, with some easing around Christmas. After Christmas, the measures have been prolonged into the new year 2021. Tourism and leisure travel was not allowed and only urgent business travel was permitted. Hotels were closed. Essential shops were allowed to open which included shops of telecom operators.

Total revenues declined by 1.0% year-on-year, driven by lower equipment revenues and lower other operating income. While equipment revenues declined due to a considerably lower number of sold devices, other operating income came in lower due to a positive one-off effect of EUR 8.2 mn in the comparison period stemming from the sale of real estate. Service revenues remained stable (-0.1%).

Fixed-line service revenues decreased by 1.2% due to lower interconnection revenues as well as lower solutions and connectivity revenues. Interconnection revenues were negatively impacted by declining volumes and a less favorable destination mix in international calls, while the latter declined due to large customer projects in the previous year and COVID-19 related postponements. Retail fixed-line service revenues remained stable, as the higher voice traffic and speed upgrades following the COVID-19 outbreak made up for the losses attributable to customers' voucher redemption and lower installation fees collected, all in connection with the broadband promotional campaigns. Retail fixed-line service revenues were also positively affected by the fixed-voice price increases. ARPL (average revenue per line) rose by 4.2% due to increased share of higher bandwidth products as well as above mentioned price increases.

In the mobile business, service revenues grew by 1.5% year-on-year, as the strong demand for mobile WiFi routers and upselling activities in the high-value segment were successfully translated into higher revenues and outweighed the roaming losses caused by travel restrictions amidst the COVID-19 outbreak. The increase in ARPU (average revenue per user) is attributable mainly to the above-mentioned strong demand for mobile WiFi routers as well as the increased share of contract customers following the SIM card registration.

### Key performance indicators Austria

Key financials in EUR million	2020	2019	Change in %
Total revenues	2,622.1	2,648.1	-1.0
Service revenues	2,317.3	2,320.3	-0.1
thereof mobile service revenues	940.0	926.1	1.5
thereof fixed-line service revenues	1,377.3	1,394.2	-1.2
Equipment revenues	256.2	268.6	-4.6
Other operating income	48.7	59.2	-17.8
EBITDA	936.7	921.3	1.7
% of total revenues	35.7	34.8	-
EBITDA before restructuring	1,021.2	1,005.4	1.6
% of total revenues	38.9	38.0	-
EBIT	413.7	415.8	-0.5
% of total revenues	15.8	15.7	-
<b>Wireless indicators</b>	<b>2020</b>	<b>2019</b>	<b>Change in %</b>
Wireless subscribers (thousands)	5,061.2	5,114.9	-1.0
thereof postpaid	3,963.1	3,895.5	1.7
thereof prepaid	1,098.1	1,219.3	-9.9
MoU (per Ø subscriber)	361.8	281.6	28.5
ARPU (in EUR)	15.6	14.7	5.7
Mobile churn (%)	1.2	1.6	-
<b>Wireline indicators</b>	<b>2020</b>	<b>2019</b>	<b>Change in %</b>
RGUs (thousands)	3,117.3	3,247.0	-4.0

Costs and expenses in the Austrian segment declined by 2.4 % year-on-year, mainly driven by lower cost of equipment following the reduced number of sold devices, lower cost of services as well as savings in workforce and advertising expenses. Lower cost of services was driven by reduced interconnection expenses following declining volumes in international calls, while costs for ICT customer projects declined. This was outweighed by the increase in network maintenance and engineering costs. Workforce costs were also lower as restructuring measures more than compensated for regular salary increases. OPEX savings were additionally supported by reduced travel and training expenses while advertising expenses declined due to fewer promotions and campaigns in the reporting period.

The equipment margin improved compared to the comparison period, driven by better ICT equipment margin. Total subsidies declined, both in retention and in acquisition activities due to lower volumes as well as lower subsidy per device.

EBITDA excluding restructuring charges and one-off effects increased by 2.4 % (reported: 1.7 %) as the cost reduction and savings initiatives outweighed the roaming losses and lower other operating income. Depreciation and amortization expenses increased by 3.5 % in the year under review, driven by higher D&A for the network infrastructure and frequency spectrum. As a result, operating income remained stable (-0.5 %).

## International operations

In 2020, total revenues in international operations remained stable as roaming losses in all markets and negative FX effects, stemming mainly from Belarus, were compensated by the ongoing positive operational development in the fixed-line business. EBITDA in international operations declined by 0.5 % as the growth in Bulgaria and Serbia compensated for the decline in other CEE markets. Negative FX effects amounted to EUR 83.4 mn in total revenues and EUR 35.2 mn in EBITDA. They came with a vast majority from Belarus and to a small extent from Croatia. Excluding one-off and FX effects, international operations grew by 3.8 % and 4.0 % in total revenues and EBITDA, respectively.

## Segment Bulgaria

The Bulgarian segment continued its growth path in 2020, despite some headwinds on the roaming side caused by COVID-19 outbreak and showed a strong development in both the fixed-line and the mobile business. The robust growth in the fixed-line business was driven by high demand for customized corporate solutions, successful upselling activities in the broadband segment as well as more customers acquired due to enriched TV content. The solutions and connectivity business has been a driving force in this segment, and recently introduced security products have started to gain traction in the second half of the year. The total number of revenue-generating units (RGU) increased due to more broadband and TV customers, the latter owing to the strong demand for exclusive TV content featuring sport channels. That also led to a higher ARPL.

In the mobile business, market environment remained stable at the beginning of the year and A1 Bulgaria was successful with its upselling of existing customers supported by higher subsidies. Entering the second half of the year, market dynamics deteriorated slightly amidst the COVID-19 outbreak as imposed travel restrictions weighed negatively on roaming revenues. That caused growth to slow down a bit in that period, before it picked up again in the last quarter of the year. The total number of mobile contract subscribers decreased due to overall market trend of fewer activations. ARPU increased mainly due to above mentioned upselling activities in both residential and business segments.

In Bulgaria, the first COVID-19-related restrictions had gone into place with measures on restricting public life and closing of schools and universities from March 13, 2020, when state of emergency was declared. While public spaces were ordered to close, most telecommunication shops remained open. General mobility restrictions were initially lifted at the beginning of May 2020, but the government reintroduced a lockdown again in November 2020 in order to reduce the COVID-19's impact on the public health system while the state of emergency remains extended until March 2021.

Total revenues increased by 5.7 % year-on-year, driven by service revenue growth both in the fixed-line and mobile business while equipment revenues also rose. Fixed-line service revenues grew on the back of higher solutions and connectivity revenues, strong demand for enriched TV content as well as upselling activities in the broadband segment. Mobile service revenues also increased, as the upselling activities of existing postpaid customers more than outweighed the roaming losses. Equipment revenues were higher due to higher sales of smart handsets.

## Key performance indicators International operations

Key financials in EUR million	2020	2019	Change in %
Total revenues	1,955.8	1,957.5	-0.1
Service revenues	1,514.7	1,525.4	-0.7
thereof mobile service revenues	1,138.0	1,161.8	-2.0
thereof fixed-line service revenues	376.6	363.7	3.6
Equipment revenues	402.2	395.2	1.8
Other operating income	38.9	36.9	5.5
EBITDA	697.4	701.1	-0.5
% of total revenues	35.7	35.8	-
EBIT	288.7	264.0	9.4
% of total revenues	14.8	13.5	-

Wireless indicators	2020	2019	Change in %
Wireless subscribers (thousands)	14,737.4	14,661.1	0.5
thereof postpaid	11,793.7	11,546.9	2.1
thereof prepaid	2,943.8	3,114.3	-5.5

Wireline indicators	2020	2019	Change in %
RGUs (thousands)	2,933.1	2,900.7	1.1

Costs and expenses increased, mainly driven by higher cost of equipment and the demand-driven increase in content costs. While the cost of equipment came in higher due to increased sales of more expensive smart devices, content costs rose due to the growth in TV subscriber base and higher license and software costs following increased demand for ICT solutions. Savings were achieved in sales and advertising expenses following fewer campaigns and promotions.

EBITDA growth of 7.3% year-on-year was driven by the strong increase in service revenues which more than outweighed higher costs and expenses. Depreciation and amortization expenses increased slightly in the reporting period, leading to 11.6% growth in operating income.

## Segment Croatia

Since the beginning of the year, market participants in Croatia have focused on convergence through attractive hardware offers, reducing the pressure from pricing and discounts. Exclusive sports content remained an important feature within TV propositions with the A1-offering UEFA Champions League football games. In the mobile market, demand for mobile WiFi routers and high-value tariffs remained high throughout the year. With the COVID-19 outbreak, all telecom operators started to offer additional benefits to their customers. In August

2020, A1 launched a new portfolio for mobile and fixed-line customers with increased internet speeds, a new TV proposition as well as new mobile tariffs with unlimited voice, SMS and data. On the regulatory side, the acquisition of Tele2 by United Media was approved in January 2020.

Following the pandemic outbreak, the government announced a first lockdown back in March 2020 and imposed measures such as restrictions on personal movements, border and shop closures as well as various payment relief programs to support businesses. Borders with most of EU countries started to reopen in June, however due to the rising number of new infections around mid-August, foreign governments issued travel warnings that led to an earlier than expected end of the tourism season. At the end of November a new set of lockdown measures including the closing of all hospitality services, a ban on cultural events as well as limitations on private gatherings came into force. On November 30, 2020, the Republic of Croatia issued a decision on restricting the crossing of persons across all borders.

Being heavily dependent on tourism, the Croatian economy was one of the hardest hit by the COVID-19 pandemic. The Croatian kuna depreciated by 1.6% (period average) against the euro in 2020, which led to a negative FX impact of EUR 6.6 mn on total revenues and EUR 2.2 mn on EBITDA.

Total revenues declined by 1.1% year-on-year, mainly driven by lower service revenues, while other operating income was positively impacted by a one-off effect of EUR 4.2 mn, stemming from income in relation to an agreement on network infrastructure rental. Service revenues declined as the heavy roaming losses in the mobile segment could be only partially mitigated by the strong demand for mobile WiFi routers. Fixed-line service revenues were lower due to the decreasing number of RGUs following fewer bitstream access lines and customers transfers to mobile WiFi routers. Equipment revenues increased slightly due to higher number of sold devices, while total subsidies declined.

Total costs and expenses fell by 1.0% year-on-year, as substantially reduced selling and marketing expenses compensated for higher administrative expenses. While selling and marketing expenses were lower due to fewer promotional activities compared to the previous year, administrative expenses were higher due to the increased bad debt provision following payment relief programs announced by the government.

As reduced costs and expenses as well as the above mentioned positive one-off effect in other operating income only partially offset decline in service revenues, EBITDA decreased by 1.2% year-on-year. Excluding the above mentioned one-off and negative FX effects, EBITDA decreased by 1.0%. Depreciation and amortization expenses declined in the reporting period, and as a result operating income increased by 4.9%.

## Segment Belarus

In 2020, Belarus experienced a period of economic decline, intensified by the COVID-19 outbreak and political instability in the second half of the year. Decreasing confidence into the political and economic situation in Belarus gave rise to deposit withdrawals from the banking system and conversion into hard currency, which led to depreciation pressure on the Belarusian ruble. The Belarusian ruble depreciated by 16.1% against the euro in the year under review (period average). The national bank continued to pursue a strict monetary policy in order to keep inflation low, which came in at 7.4% in December 2020 (4.7% in December 2019). In September 2020, S&P Global Ratings revised the country outlook to negative and affirmed a "B" (Foreign Currency LT) credit rating.

Contrary to other A1 markets, no official lockdown measures were imposed by the government following the immediate COVID-19 outbreak but people were asked to minimize social contacts. In November 2020, a mandatory mask usage in public places was enacted. Starting in August 2020 and lasting until the year end, all operators were ordered to reduce capacity of their mobile network in Minsk for limited time periods.

Customers from all Internet providers in Belarus were affected by a service shutdown on August, 9-12. A1 Belarus as the first

operator had publicly disclosed disruption of services due to the unavailability of respective service from state owned providers, which are the sole operators to maintain external gateway. Starting in August 2020 and continuing until the end of the year, all operators were ordered to reduce capacity of its mobile network in Minsk for limited time periods. A1 Belarus complied with the requirements of the governmental authorized bodies and transparently communicated all the cases as decisions of the Belarusian Government. However, the company refunded mobile customers for the limited internet services proportional to the respective monthly fees.

Following the pandemic outbreak, market dynamics slowed down and while operators continued to focus on retaining and upselling existing customers, the acquisition of new customers became more difficult. A1 Belarus benefited from offering nationwide LTE coverage following the acquisition of LTE capacities at the end of the previous year. The company continued with a migration, which was voluntary for customers, of some older service plans to current tariffs with higher monthly fees.

In addition, A1 Belarus tried to shift more sales to digital channels amidst the COVID-19 outbreak and launched a promotional initiative with unlimited data and 30 free TV channels as well as films and series to upsell existing mobile and fixed-line customers. The promotion was successful and played an important role in the acquisitions of new customers.

In the second quarter, A1 Belarus launched a convergent service plan including mobile and fixed-line connectivity as well as TV services, which resulted in higher subscriber numbers and provided support for an ARPL uplift. As of June 2020, fixed-line service plan prices for majority of existing customers were increased by 3.0%. In November 2020, an inflation-linked price adjustments of roughly 4% was implemented for mobile customers and 4.0% for about half of the fixed customer base with simultaneous promotion towards convergent service plans.

Total revenues in euro terms declined by 5.5% year-on-year due to negative FX effects of EUR 77.1 mn, while they rose by 12.6% year-on-year in local currency owing to both higher equipment and service revenues. Equipment revenues increased, driven by FX-denominated higher prices of sold devices as well as more ICT hardware deals. Mobile service revenues grew despite roaming losses, driven by upselling measures and migration to the new portfolio with higher monthly fees. Fixed-line service revenues rose on the back of ICT business, while upselling of customers to internet and TV bundles also worked well. Additionally, service revenues were positively impacted by the above-mentioned price increases.

Costs and expenses increased in local currency, mainly due to FX-driven higher equipment and higher content costs, increased workforce costs as well as higher electricity and network maintenance costs. While workforce costs increased

following selected wage increases, network maintenance and electricity costs rose due higher number of mobile sites in the year under review.

On a local currency basis, EBITDA increased by 7.8%, as strong service revenue growth together with the positive equipment margin more than outweighed increased costs and expenses. In euro terms, EBITDA declined by 9.5%. Depreciation and amortization expenses were significantly lower due to CAPEX cuts in 2020, while comparison period was affected by brand amortization resulting in 8.6% higher operating income.

## Other segments

In Slovenia, the competitive environment remained intense in 2020, despite some stabilization signs present at the beginning of the year. The market became calmer following the immediate COVID-19 outbreak, but the promotional activity soon returned to its pre-COVID levels around mid-of the year. A1 Slovenije introduced its new Xplore TV plat-form, together with new propositions in the fixed-line business such as higher speeds, satisfaction guarantee as well as a more-for-more plan. COVID-19 lockdown measures were effective in the country during March and April. Following a rising number of new infections, a country-wide lockdown was enacted again in mid-October 2020 and a pandemic state of emergency was declared. Later, on January 17, 2021, the government decided to extend the lockdown and the pandemic state of emergency was prolonged for another 60 days. Total revenues declined by 2.1%, as the solid growth of fixed-line service revenues due to the increased subscriber base and strong demand for cloud solutions only partially mitigated roaming losses and lower equipment revenues. Costs and expenses decreased, due to lower equipment costs, but also due to lower roaming, workforce and advertising expenses. Additionally, cost and expenses were negatively affected by one-off effect of EUR 2.5 mn due to pending proceeding of the national regulation authority. As cost savings were not able to fully offset a decline in total revenues, EBITDA decreased slightly by 0.6% year-on-year. Depreciation and amortization remained stable and as a result operating profit declined by 1.7% year-on-year. Excluding the above mentioned one-off effect, EBITDA increased by 1.5%.

In Serbia, the mobile market showed some maturity signs with declining subsidies at the beginning of the year. However, competition became slightly more intense in the second half of the year. Demand for unlimited voice and SMS tariffs with flat data allowances as well as for mobile WiFi routers increased compared to last year. With its redesigned portfolio concept "more for more", Vip mobile offered higher data allowances for tariffs including hardware which led to stronger differentiation against SIM only tariffs. The government had initially imposed severe COVID-19 related lock-down measures with curfews in March, which were gradually lifted in May and became again

stricter towards the end of the year. In December 2020, the government imposed new travel restrictions, requiring negative PCR test or 10-days mandatory quarantine for all incoming travelers. Total revenues increased year-on-year (+0.8%). Mobile service revenues rose despite roaming losses, driven by increased contract customer base and the demand for higher-value tariffs. A decline in equipment revenues was attributable to reduced equipment sales. Other operating income benefited from positive one-off effects of EUR 2.4 mn in the reporting period, stemming from a settlement related to contractual obligations and revised future costs for asset retirement obligations. Costs and expenses were lower mainly due to reduced selling and marketing expenses as well as lower administrative expenses. In total, EBITDA grew by 5.0% (+1.4% excluding one-off effects), year-on-year and with stable D & A, operating profit increased by 18.6%.

With the introduction of a regional retail roaming agreement for the Western Balkan countries, roaming rates were cut as of July 1, 2019, which negatively impacted revenues in Serbia and North Macedonia to a limited extent. These roaming rates are expected to be abolished entirely by July 1, 2021.

In North Macedonia, all market participants focused on customer retention and upselling in 2020. Promotional activities focused on online sales channels following publicly restricted working hours amidst the COVID-19 outbreak, addressing mainly prepaid customers as well as the business segment. The latter was addressed with attractive data packages, office products and higher subsidies. A1 used the opportunity to launch its digital products like A1 live shop and SMS bill. Since December 18, new lockdown measures have been in effect in the country. The government banned all public gatherings and celebrations, ordered restricted working hours for bars and restaurants and announced nationwide state of emergency until June 2021. Total revenues declined by 0.7% in the reporting period, driven by lower fixed-line service revenues and lower other operating income. Mobile service revenues remained stable (+0.1%) as roaming losses were compensated by solid sales of mobile WiFi routers, which were formerly reported as fixed-line RGUs until Q1 2019 before a new product logic was implemented. Costs and expenses decreased slightly, driven by lower advertising and lower commission expenses, which could not compensate for the lower revenues and led to 1.6% lower EBITDA. As depreciation and amortization expenses decreased, operating profit grew by 11.5% in the year under review.



## Detailed figures

### Information on alternative performance measures

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2020 in compliance with the International Financial Reporting Standards (IFRS / IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC)

and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2020 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

Additionally, alternative performance measures are used to describe operational performance. Therefore, please also refer to the financial information presented in the Consolidated Financial Statements as well as the following tables.

#### Revenues

in EUR million	2020	2019	Change in %
Austria	2,622.1	2,648.1	-1.0
Bulgaria	513.8	486.2	5.7
Croatia	428.1	432.8	-1.1
Belarus	402.6	426.1	-5.5
Slovenia	205.0	209.4	-2.1
Serbia	286.2	283.8	0.8
North Macedonia	121.9	122.8	-0.7
Corporate & other, eliminations	-30.3	-44.1	31.3
<b>Total revenues</b>	<b>4,549.4</b>	<b>4,565.2</b>	<b>-0.3</b>

#### Service revenues

in EUR million	2020	2019	Change in %
Austria	2,317.3	2,320.3	-0.1
Bulgaria	402.3	378.5	6.3
Croatia	359.0	368.4	-2.5
Belarus	287.9	320.3	-10.1
Slovenia	155.1	157.8	-1.7
Serbia	214.1	204.4	4.7
North Macedonia	98.6	98.9	-0.4
Corporate & other, eliminations	-29.7	-43.1	31.2
<b>Total service revenues</b>	<b>3,804.5</b>	<b>3,805.5</b>	<b>0.0</b>

**Mobile service revenues**

in EUR million	2020	2019	Change in %
Austria	940.0	926.1	1.5
Bulgaria	271.0	260.6	4.0
Croatia	233.4	240.2	-2.8
Belarus	242.3	272.5	-11.1
Slovenia	112.8	120.0	-6.0
Serbia	205.7	196.2	4.8
North Macedonia <sup>1)</sup>	75.0	74.9	0.1
Corporate & other, eliminations	-9.1	-15.2	40.4
<b>Total mobile service revenues</b>	<b>2,071.1</b>	<b>2,075.3</b>	<b>-0.2</b>

1) In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

**Fixed-line service revenues**

in EUR million	2020	2019	Change in %
Austria	1,377.3	1,394.2	-1.2
Bulgaria	131.3	117.9	11.4
Croatia	125.6	128.2	-2.0
Belarus	45.6	47.8	-4.7
Slovenia	42.3	37.8	11.9
Serbia	8.4	8.2	2.6
North Macedonia <sup>1)</sup>	23.6	24.0	-1.8
Corporate & other, eliminations	-20.6	-27.9	26.2
<b>Total fixed line service revenues</b>	<b>1,733.5</b>	<b>1,730.2</b>	<b>0.2</b>

1) In North Macedonia, service revenues from WiFi routers, which were formerly reported in fixed-line service revenues, are reported in mobile service revenues since Q2 2019.

**Other operating income**

in EUR million	2020	2019	Change in %
Austria	48.7	59.2	-17.8
Bulgaria	4.5	8.3	-46.3
Croatia	10.2	6.1	68.1
Belarus	13.3	14.8	-10.4
Slovenia	3.8	3.4	11.2
Serbia	6.1	3.3	82.3
North Macedonia	0.6	1.5	-62.4
Corporate & other, eliminations	-1.6	-0.8	-87.4
<b>Total other operating income</b>	<b>85.5</b>	<b>95.8</b>	<b>-10.8</b>

**EBITDA**

in EUR million	2020	2019	Change in %
Austria	936.7	921.3	1.7
before Restructuring	1,021.2	1,005.4	1.6
Bulgaria	192.4	179.4	7.3
Croatia	143.4	145.1	-1.2
Belarus	172.8	190.9	-9.5
Slovenia	58.7	59.0	-0.6
Serbia	87.6	83.4	5.0
North Macedonia	42.5	43.2	-1.6
Corporate & other, eliminations	-57.3	-61.8	7.3
<b>Total EBITDA</b>	<b>1,576.8</b>	<b>1,560.6</b>	<b>1.0</b>
before Restructuring	1,661.3	1,644.7	1.0

**EBITDA after leases**

in EUR million	2020	2019	Change in %
Austria	856.1	841.1	1.8
Bulgaria	165.1	152.8	8.1
Croatia	128.4	129.6	-1.0
Belarus	159.8	175.7	-9.1
Slovenia	40.5	41.6	-2.8
Serbia	70.3	67.3	4.4
North Macedonia	36.1	36.7	-1.7
Corporate & other, eliminations	-57.8	-62.1	6.9
<b>Total EBITDA after leases</b>	<b>1,398.4</b>	<b>1,382.8</b>	<b>1.1</b>

**Depreciation and amortization**

in EUR million	2020	2019	Change in %
Austria	523.0	505.5	3.5
Bulgaria	117.8	112.5	4.7
Croatia	100.3	104.0	-3.6
Belarus	63.5	90.3	-29.7
Slovenia	44.3	44.4	-0.2
Serbia	54.7	55.7	-1.8
North Macedonia	29.0	31.0	-6.7
Corporate & other, eliminations	5.3	2.3	126.1
<b>Total D&amp;A</b>	<b>937.9</b>	<b>945.8</b>	<b>-0.8</b>

**EBIT**

in EUR million	2020	2019	Change in %
Austria	413.7	415.8	-0.5
Bulgaria	74.6	66.9	11.6
Croatia	43.1	41.1	4.9
Belarus	109.3	100.7	8.6
Slovenia	14.4	14.7	-1.7
Serbia	32.9	27.7	18.6
North Macedonia	13.6	12.2	11.5
Corporate & other, eliminations	-62.6	-64.2	2.4
<b>Total EBIT</b>	<b>638.9</b>	<b>614.8</b>	<b>3.9</b>

**Capital expenditures**

in EUR million	2020	2019	Change in %
Austria	456.4	526.9	-13.4
Bulgaria	57.2	78.5	-27.2
Croatia	49.6	86.6	-42.7
Belarus	26.8	105.1	-74.5
Slovenia	17.7	24.5	-28.0
Serbia	26.9	35.8	-24.8
North Macedonia	12.7	19.1	-33.4
Corporate & other, eliminations	4.1	3.3	25.4
<b>Total capital expenditures</b>	<b>651.4</b>	<b>879.8</b>	<b>-26.0</b>

**Capital expenditures: tangible**

in EUR million	2020	2019	Change in %
Austria	322.0	380.3	-15.3
Bulgaria	46.5	63.2	-26.4
Croatia	41.0	64.2	-36.1
Belarus	19.1	32.3	-40.8
Slovenia	14.9	19.3	-22.9
Serbia	24.2	28.3	-14.4
North Macedonia	10.3	16.7	-38.4
Corporate & other, eliminations	0.7	1.7	-56.6
<b>Total capital expenditures, tangible</b>	<b>478.8</b>	<b>605.9</b>	<b>-21.0</b>

**Capital expenditures: intangible**

in EUR million	2020	2019	Change in %
Austria	134.4	146.6	-8.3
Bulgaria	10.7	15.4	-30.4
Croatia	8.6	22.5	-61.8
Belarus	7.7	72.8	-89.5
Slovenia	2.8	5.2	-46.8
Serbia	2.7	7.5	-64.2
North Macedonia	2.5	2.4	1.4
Corporate & other, eliminations	3.3	1.5	116.3
<b>Total capital expenditures, intangible</b>	<b>172.6</b>	<b>273.9</b>	<b>-37.0</b>

## Free Cash Flow

Starting with Q3 2020, a new presentation of free cash flow was introduced in order to reflect the operational development in a more transparent way. For new social plans (granted after 1.1.2019), we fund a cash deposit to cover the future obligations. The change

of these deposits are shown as cash outflow in the new calculation of the free cash flow while previously effective payments for all social plans (existing and newly granted ones) were deducted. Free cash flow 2020 and 2019 are shown on a comparable basis.

in EUR million	2020	2019	Change in %
EBITDA	1,576.8	1,560.6	1.0
Restructuring charges and cost of labor obligations	92.4	91.9	0.5
Lease principal and interest paid	-177.7	-170.9	-4.0
Income taxes paid	-65.2	-70.1	7.0
Net interest paid	-81.6	-86.3	5.4
Change working capital and other changes	-92.9	-5.0	n.m.
CAPEX	-651.4	-879.8	26.0
Free Cash Flow (FCF) before social plans	600.4	440.4	36.3
Social plans new funded <sup>1)</sup>	-96.7	-96.7	0.0
<b>Free Cash Flow</b>	<b>503.7</b>	<b>343.7</b>	<b>46.5</b>

Reconciliation table	2020	2019	Change in %
FCF after social plans new	503.7	343.7	46.5
Social plans new funded <sup>1)</sup>	96.7	96.7	0.0
Total social plans paid	98.5	99.8	-1.3
<b>FCF – previously reported</b>	<b>501.9</b>	<b>340.6</b>	<b>47.3</b>

1) Cost for social plans granted after 1.1.2019. Previously payments for old and new social plans were included in FCF. Comparative figures have been adjusted accordingly.

## Mobile subscribers

in thousands	2020	2019	Change in %
Austria	5,061.2	5,114.9	-1.0
thereof postpaid	3,963.1	3,895.5	1.7
Bulgaria	3,752.8	3,824.1	-1.9
thereof postpaid	3,359.9	3,406.4	-1.4
Croatia	1,936.3	1,839.6	5.3
thereof postpaid	1,184.0	1,103.2	7.3
Belarus	4,916.1	4,890.1	0.5
thereof postpaid	4,228.4	4,117.4	2.7
Slovenia	707.1	705.3	0.2
thereof postpaid	640.2	626.3	2.2
Serbia	2,350.4	2,311.0	1.7
thereof postpaid	1,637.1	1,574.3	4.0
North Macedonia <sup>1)</sup>	1,074.7	1,091.1	-1.5
thereof postpaid	744.1	719.3	3.4
<b>Total wireless subscribers<sup>2)</sup></b>	<b>21,864.2</b>	<b>21,288.1</b>	<b>2.7</b>
<b>  thereof postpaid<sup>2)</sup></b>	<b>17,822.4</b>	<b>16,954.6</b>	<b>5.1</b>

1) In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The subscriber numbers of the comparison period have been adapted.

2) Includes machine-to-machine (M2M) SIM cards, which are shown in "Corporate & other, eliminations".

**RGUs**

in thousands	2020	2019	Change in %
Austria	3,117.3	3,247.0	-4.0
thereof broadband	1,386.8	1,411.3	-1.7
thereof TV	314.4	323.9	-2.9
Bulgaria	1,081.0	1,064.3	1.6
thereof broadband	478.4	464.3	3.0
thereof TV	540.5	530.5	1.9
Croatia	671.9	685.8	-2.0
thereof broadband	249.4	252.2	-1.1
thereof TV	232.7	235.1	-1.0
Belarus	627.4	616.9	1.7
thereof broadband	242.9	228.0	6.6
thereof TV	381.9	386.3	-1.1
Slovenia	214.8	200.1	7.4
thereof broadband	89.8	82.2	9.2
thereof TV	76.9	69.0	11.5
North Macedonia <sup>1)</sup>	337.9	333.6	1.3
thereof broadband	106.0	104.2	1.8
thereof TV	130.9	132.2	-1.0
<b>Total RGUs</b>	<b>6,050.3</b>	<b>6,147.7</b>	<b>-1.6</b>
<b>thereof broadband</b>	<b>2,553.3</b>	<b>2,542.2</b>	<b>0.4</b>
<b>thereof TV</b>	<b>1,677.3</b>	<b>1,676.9</b>	<b>0.0</b>

1) In North Macedonia, WiFi routers, which were formerly reported in fixed-line RGUs, are reported in mobile postpaid since Q2 2019. The subscriber numbers of the comparison period have been adapted.

**Mobile churn**

in %	2020	2019
Austria	1.2	1.6
Bulgaria	1.4	1.8
Croatia	1.9	2.5
Belarus	1.2	1.4
Slovenia	1.1	1.2
Serbia	2.2	3.0
North Macedonia	1.4	1.7

**Mobile market share**

in %	2020	2019
Austria	37.5	38.0
Bulgaria	38.1	38.1
Croatia	37.0	36.0
Belarus	41.9	42.0
Slovenia	28.5	28.6
Serbia	25.5	24.9
North Macedonia	50.6	48.4

**EBITDA per segment**

adjusted for FX, one-off effects and restructuring charges

in EUR million	2020	2019	Change in %
Austria	1,021.2	997.2	2.4
Bulgaria	192.4	179.4	7.3
Croatia	137.2	138.6	-1.0
Belarus	205.9	190.9	7.9
Slovenia	60.9	60.0	1.5
Serbia	85.0	83.9	1.4
North Macedonia	42.6	43.2	-1.3
Corporate & other, eliminations	-57.3	-61.8	7.3
<b>Total adjusted EBITDA</b>	<b>1,688.0</b>	<b>1,631.4</b>	<b>3.5</b>

**Group EBITDA**

adjusted for FX, one-off effects and restructuring charges

in EUR million	2020	2019	Change in %
<b>EBITDA</b>	<b>1,576.8</b>	<b>1,560.6</b>	<b>1.0</b>
FX translation effect	35.2	0.0	n.a.
One-off effects	- 8.6	-13.3	35.6
Restructuring charges	84.5	84.1	0.5
<b>EBITDA – excl. FX-, one off effects and restructuring charges</b>	<b>1,688.0</b>	<b>1,631.4</b>	<b>3.5</b>

**Austria EBITDA**

adjusted for one-off effects and restructuring charges

in EUR million	2020	2019	Change in %
<b>EBITDA</b>	<b>936.7</b>	<b>921.3</b>	<b>1.7</b>
One-off effects	0.0	-8.2	n.a.
Restructuring charges	84.5	84.1	0.5
<b>EBITDA excl. one off effects and restructuring charges</b>	<b>1,021.2</b>	<b>997.2</b>	<b>2.4</b>

**Group EBITDA after leases**

adjusted for FX, one-off effects and restructuring charges

in EUR million	2020	2019	Change in %
<b>EBITDA after leases</b>	<b>1,398.4</b>	<b>1,382.8</b>	<b>1.1</b>
FX translation effect	35.2	0.0	n.a.
One-off effects	- 8.6	-13.3	35.6
Restructuring charges	84.5	84.1	
<b>EBITDA after leases – excl. FX-, one-off effects and restructuring charges</b>	<b>1,509.5</b>	<b>1,453.5</b>	<b>3.9</b>



**ARPU**

in EUR	2020	2019	Change in %
Austria	15.6	14.7	5.7
Bulgaria	6.0	5.6	6.1
Croatia	10.3	10.9	-5.4
Belarus	4.1	4.7	-11.3
Slovenia	13.4	14.3	-6.3
Serbia	7.4	7.2	3.2
North Macedonia	5.8	5.7	2.3
<b>Group ARPU</b>	<b>8.1</b>	<b>8.2</b>	<b>-1.3</b>

**ARPL**

in EUR	2020	2019	Change in %
Austria	32.6	31.3	4.2
Bulgaria	13.7	13.4	2.2
Croatia	31.6	30.8	2.4
Belarus	5.8	6.1	-4.3
Slovenia	33.1	35.2	-5.9
Serbia	n. a.	n. a.	n. a.
North Macedonia	10.9	10.8	0.5

ARPL-relevant revenues (in EUR million)	2020	2019	Change in %
Austria	753.9	753.2	0.1
Bulgaria	90.4	86.8	4.1
Croatia	107.2	109.3	-1.9
Belarus	26.6	30.1	-11.7
Slovenia	34.3	32.9	4.3
Serbia	n. a.	n. a.	n. a.
North Macedonia	20.1	19.7	1.7

Access lines (in '000)	2020	2019	Change in %
Austria	1,887.2	1,967.0	-4.1
Bulgaria	549.0	547.7	0.2
Croatia	279.2	288.8	-3.3
Belarus	383.2	389.0	-1.5
Slovenia	90.2	82.3	9.5
Serbia	n. a.	n. a.	n. a.
North Macedonia	154.9	153.9	0.6
<b>Total Access Lines</b>	<b>3,343.7</b>	<b>3,428.6</b>	<b>-2.5</b>

**Belarus: Key Financials in EUR and BYN**

in EUR million	2020	2019	Change in %
Total revenues	402.6	426.1	-5.5
Total costs and expenses	-229.8	-235.2	2.3
EBITDA	172.8	190.9	-9.5

in BYN million	2020	2019	Change in %
Total revenues	1,122.2	997.0	12.6
Total costs and expenses	-640.4	-550.2	-16.4
EBITDA	481.8	446.8	7.8

## Consolidated non-financial statement

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

## Disclosure in accordance with Section 243a of the Austrian Business Enterprise Code (UGB)

### Shareholder structure and capital disclosures

At the end of 2019, a total of 51.00 % or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands ("América Móvil B.V."; formerly Carso Telecom B.V.), a wholly-owned subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil"). The Republic of Austria held 28.42 % via Österreichische Beteiligungs AG ("ÖBAG"), while the remaining 20.58 % of the shares were in free float. 0.1 % or 0.4 million shares of the latter were held by the company itself. Employee shares that are held in a collective custody account also form part of the free float. The associated voting rights are exercised by a custodian (notary). The total number of no-par value shares remains at 664,500,000.

	2020	2019	Change in %
Treasury Shares	415,159	415,159	0.0

Further details on treasury shares can be found in Note (28) of the consolidated financial statements.

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 2020 financial year or up until the date at which this report was prepared.

The following information concerning the shareholders' agreement is based solely on publicly available information.<sup>14)</sup> The company does not have any additional information. The shareholders' agreement between ÖBAG, América Móvil, and América Móvil B.V., came into force on June 27, 2014. Under the terms of the shareholders' agreement, the parties have undertaken to jointly pursue a long-term policy with regard to the management of Telekom Austria Aktiengesellschaft by exercising their voting rights on a concerted basis. The shareholders' agreement also contains provisions on the joint exercise of voting rights in the committees of the company for the election of Supervisory Board and Management Board members and restrictions on the sale of shares. The Supervisory Board of the company consists of ten shareholder representatives, of which eight members are nominated by América Móvil B.V. and two by ÖBAG. ÖBAG has the right to nominate the Chairman of

the Supervisory Board. América Móvil B.V. has the right to nominate the Deputy Chairman. The Management Board of the company consists of three members. Two members are nominated by América Móvil B.V., while one member of the Management Board, namely the Chief Executive Officer (CEO), is nominated by ÖBAG. The Extraordinary General Meeting on August 14, 2014 also amended the Articles of Association to state that, as long as the Republic of Austria directly or indirectly holds at least 25 % plus one share of the share capital of the company, resolutions on capital increases and the issue of instruments containing a conversion right or a conversion obligation for shares of the company and amendments to the provisions of the Articles of Association relating to capital increases and such instruments shall require a majority of at least three quarters of the share capital represented at the vote on the respective resolution.

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

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

14) Information on the takeover offer (May 9, 2014):  
<https://www.a1.group/de/ir/12474>  
 Information on the capital increase as at November 7, 2014:  
<https://www.a1.group/de/ir/14887>

## Members of the Supervisory Board of Telekom Austria Aktiengesellschaft

Name (year of birth)	Date of first appointment	End of current term of office / leaving date
Alejandro Cantú Jiménez (1972)	14.08.2014	2023 <sup>3)</sup>
Karin Exner-Wöhrer (1971)	27.05.2015	2023 <sup>3)</sup>
Carlos García Moreno Elizondo, first Deputy Chairperson (1957)	14.08.2014	2023 <sup>3)</sup>
Peter Hagen (1959)	25.05.2016	2021 <sup>1)</sup>
Edith Hlawati (1957), Chair	28.06.2001 to 29.05.2013, reappointed on 30.05.2018	2023 <sup>3)</sup>
Carlos M. Jarque (1954)	14.08.2014	2022 <sup>2)</sup>
Peter F. Kollmann (1962)	20.09.2017	2021 <sup>1)</sup>
Daniela Lecuona Torras (1982)	30.05.2018	2022 <sup>2)</sup>
Thomas Schmid (1975)	29.05.2019	2024 <sup>4)</sup>
Oscar Von Hauske Solís (1957)	23.10.2012	2023 <sup>3)</sup>

### Members of the Supervisory Board delegated by the Staff Council

Walter Hotz (1959)	re-delegated on 06.05.2011 until 04.10.2020
Werner Luksch (1967)	03.08.2007 to 20.10.2010, re-delegated on 11.01.2011
Renate Richter (1972)	12.10.2018
Alexander Sollak (1978)	03.11.2010
Gottfried Kehrer (1962)	27.10.2010
Gerhard Bayer (1967)	05.10.2020

- 1) The term of office expires at the end of the Annual General Meeting for the 2020 financial year (May 14, 2021).
- 2) The term of office expires at the end of the Annual General Meeting for the 2021 financial year (provisionally May 2022).
- 3) The term of office expires at the end of the Annual General Meeting for the 2022 financial year (provisionally May 2023).
- 4) The term of office expires at the end of the Annual General Meeting for the 2023 financial year (provisionally May 2024).

## Changes to the Management Board and the Supervisory Board

The Supervisory Board appointments of Karin Exner-Wöhrer and Alejandro Cantú Jiménez were extended at the Annual General Meeting on September 24, 2020. Gerhard Bayer took over from Walter Hotz as employee representative on the Supervisory Board on October 5, 2020.

## Cash use policy

The A1 Telekom Austria Group pursues a conservative financial strategy with a solid investment grade rating at its core. This approach ensures a solid balance sheet structure with moderate leverage (net debt to EBITDA) and financial flexibility for investments and unrestricted access to debt capital markets. In 2020, the A1 Telekom Austria Group's ratings were confirmed by Moody's (Baa1; outlook stable) and Standard & Poor's (BBB+; outlook stable).

América Móvil and Österreichische Beteiligungs AG (ÖBAG) agreed the following dividend policy in 2016. Starting from the 2016 financial year, the new expected dividend entailed the payment of EUR 0.20 per share, with this figure to be increased on a sustainable basis in line with the operational and financial development of the Group. The dividend has been increased over recent years and amounted to EUR 0.23

for the 2019 financial year. For the 2020 financial year the Group Management intends to propose a dividend of EUR 0.25 per share to the Annual General Meeting 2021. The Management Board and the Supervisory Board will continuously evaluate the further development of the COVID-19 pandemic in terms of its financial and general business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.

## Risk and opportunity management

### Principles and methods

As one of the leading telecommunications companies in Austria as well as Central and Eastern Europe, the A1 Telekom Austria Group is exposed to a wide range of risks and changes in market circumstances. The A1 Telekom Austria Group's risk management system analyses risk areas systematically, assesses the potential impact, improves existing risk avoidance and risk elimination measures, and reports on the status and developments in the Supervisory Board. In the process, the A1 Telekom Austria Group relies on close cooperation between Group officers and the local risk officers. The risk management

system is composed of five risk categories: (1) risk at macro-economic, competitive and strategic level, (2) non-financial risks, (3) financial risks, (4) technical risks and (5) operational risks.

Enterprise risk management at the A1 Telekom Austria Group begins with the strategic discussions with the Supervisory Board of the A1 Telekom Austria Group. As part of this, the risks of business activities and their relevance for the A1 Telekom Austria Group are presented by the Management Board and mitigating activities as well as planning assumptions are presented and discussed (strategic orientation for the coming business plan period, prioritization and action plan for the realization of opportunities).

The business plan then describes the expectations and business success (and the necessary costs and investments), including an evaluation of the assumed risk regarding established top-down targets.

One key element of risk management is development of effective measures for risk perception and reduction. These are continuously updated via monthly performance calls (MPC) and leadership meetings involving the extended Management Board, the analysis of critical deviations from the targets adopted and the measures planned, and the initiation of measures by the responsible officers, as well as in other ways. The overall risk situation for each risk category is derived from the sum of the individual risks. In addition to the fixed-line and mobile communications market in Austria, the A1 Telekom Austria Group holds leading positions in six other telecommunications markets abroad. This ensures diversification in terms of both sectors and geographical regions. The risks in the respective markets vary, which is why risk management (and particularly counteracting risks) is the responsibility of the local operational units. Risk management is controlled by the holding company. A multi-year plan is prepared in addition to the regular controlling meetings and strategic meetings. This close integration of business planning and risk management ensures appropriate risk control. The A1 Telekom Austria Group's risk management is monitored by the Audit Committee of the Supervisory Board.

#### Risks in connection with the COVID-19 pandemic

The 2020 financial year was dominated by the COVID-19 pandemic, making it an exceptional year in terms of risk management. Some risks became acute and were monitored using a structured monitoring system. An information and decision-making system was established for COVID-19-related focus topics – employees, liquidity, procurement – in order to enable a rapid response to changes.

Among other things, macroeconomic risks such as changed economic growth expectations and the microeconomic impact of lockdowns were discussed and evaluated. The latter includes the sustained impact on the business models of business customers, changes in employment conditions and the consequences for the labor market, and the accompanying effects in terms of household income and demand.

Positive developments included financial and non-financial opportunities resulting from the lockdowns and the associated home schooling and working from home, which primarily involved the more intensive use of services and the increased consumption of call minutes / data. At the same time, ensuring the safety of employees during the pandemic and enabling working from home and a healthy work-life balance proved to be a significant challenge.

COVID-19-specific financial risks in the first quarter of 2020 related in particular to the potential loss of roaming income and default on the part of business and residential customers. While roaming losses quickly became a reality, government assistance packages in response to COVID-19 meant that the collection risk largely failed to materialize in the 2020 financial year. The expiry of government COVID-19 aid programs and the existing uncertainty regarding further macroeconomic developments in 2021 may potentially have an impact on customers' future payment behavior. On the one hand, these aspects are mitigated by increased and sustained demand for connectivity; any risk beyond this is already sufficiently taken into account in the existing risk provisions.

Technical risks related to handling the significant increase in data volume and ensuring network stability given the difficulty in deploying staff during the lockdown, which extended from the underlying network level through to individual residential or business customers. The most challenging operational risk was supply chain disruption, which could have led to the limited availability of hardware and the associated services. Another risk related to sanctions on suppliers, resulting in a narrower selection in the fourth quarter of 2020. This risk was partially mitigated by establishing business relationships with alternative suppliers and adding new producers, as well as through permanent monitoring.

In the area of compliance, the transition to paperless workflows was accelerated in some markets in order to maintain the principle of dual control for workflow changes and ensure digital documentation. The company's involvement in analyzing the spread of the coronavirus and the associated anonymous movement flow analyses represented a reputational risk even though no personal data was processed.

The most important risk categories and individual risks that could materially influence the net assets, financial position, and results of operations of the A1 Telekom Austria Group are discussed below:

## Risks

### 1. Risks at macroeconomic, competitive, and strategic level

The COVID-19 pandemic led to the increased sensitivity analysis of the affected areas in the 2020 financial year – including the sensitivity analysis of growth and churn reduction and revenue development in particular – and the inclusion of these parameters in risk planning and assessment.

**Macroeconomic risks** arise as a result of development of the economic situation in the A1 Telekom Austria Group's markets and causal effects (e. g. rising inflation has an effect on exchange rates), while economic policy conflicts (e. g. punitive tariffs and suspension of deliveries) can have direct or indirect consequences for the A1 Telekom Austria Group's business model. While macroeconomic developments can be forecasted and evaluated, trade policy decisions are difficult to predict. In this respect, a diverse supplier landscape and a multi-vendor strategy can help to mitigate any bottlenecks in the medium term.

A high degree of **competitive intensity** in the A1 Telekom Austria Group's markets is leading to price reductions in both mobile communications and data traffic. There is a risk that traffic volume growth will be insufficient to compensate for these price declines. This development is offset by the annual increase in demand for our services, which also constitutes a potential opportunity for growth. Changes in consumer behaviour are also an important aspect of risk management as well as strategic pricing and product design.

In recent years, there has been increased competition when it comes to the provision of infrastructure by open access network (OAN) providers. This trend could intensify further as additional participants enter the market. Increased competition due to over-the-top players (OTTs) and mobile virtual network operators (MVNOs) also remains a risk factor. OTTs and MVNOs can offer their services without a dedicated infrastructure and the considerable investments involved, thereby allowing them to move rapidly on the market. As described below, this also involves opportunities for the A1 Telekom Austria Group itself, e. g. by participating in growth areas through partnerships.

#### **New growth areas**

The telecommunications sector is facing the challenge of being able to offer new services and products at increasingly faster rates. Cloud services, over-the-top services, and machine-to-machine communication are just a few examples of new business areas whose growth potential the A1 Telekom Austria Group is seeking to leverage. However, shorter innovation cycles are also associated with innovation risks. The biggest challenges lie in scaling our services as well as differences in the levels of maturity and demand in our markets. Within the América Móvil Group, the A1 Telekom Austria Group is involved in the discussion on innovations.

The COVID-19 pandemic has hugely accelerated the development of digital work, giving the A1 Telekom Austria Group the opportunity to increasingly sell digital services in addition to connectivity. However, the pandemic led to reduced investment activity in some industries in the 2020 financial year due to significantly heightened planning uncertainty, although the net financial impact of this is only minor.

#### **Regulatory risks**

Telecommunications services offered by a provider with significant market power are subject to extensive network access and price regulations. In Austria, the A1 Telekom Austria Group

is classified as this kind of provider in several sub-markets. Regulation at the wholesale level restricts operational flexibility with regard to products and tariffs. There is also an obligation to provide access to infrastructure and fixed-line services to alternative providers. The foreign subsidiaries are also subject to regulatory frameworks. Additional regulatory decisions, such as further reductions in mobile and fixed-line termination rates as a result of the new EU legal framework (European Electronic Communications Code), will negatively affect the A1 Telekom Austria Group's earnings development.

#### **Net neutrality**

Although the Body of European Regulators (BEREC) has issued guiding principles on net neutrality in order to specify how the net neutrality regulation should be applied in more detail, the topic of net neutrality is still open to interpretation and legal uncertainty, meaning that harmonized, uniform implementation within the EU is not guaranteed. As such, the extent of the regulation's effects cannot be predicted in full and may vary between member states. In turn, this gives rise to legal and regulatory uncertainty as well as financial uncertainty.

#### **Budget and business plan risks**

The final business plan includes an evaluation of the planning assumptions and the impact of the external environment. The COVID-19 pandemic led to budget risks in the area of revenue in particular. Roaming revenue was heavily impacted by the fact that customers travelled less. The reduction in market dynamism, which was reflected in a lower level of new customers and a lower churn rate, actually had a positive financial impact in the short term. The economic consequences for companies and households, which were partially offset by government intervention in the 2020 financial year, represent a considerable risk factor for 2021 and subsequent years that will affect risk management and the activities planned. Opportunities include increased demand for data among private customers and for VPN connections and collaboration platforms among business customers, which will remain in place as working from home establishes itself further.

## **2. Non-financial risks**

Environmental, social, and governance-related (ESG) risks are an additional category of enterprise risk management (ERM) aimed at meeting the corresponding legal requirements of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG). We address relevant topics arising from the materiality analysis (environment, data security, and digitalization) as well as measures in connection with our corporate social responsibility in terms of risk potential and prevention.

#### **Digitalization**

While increasing digitalization generates considerable convenience and efficiency in private life and in business, the growing use of digital platforms and services and the resulting increased use of handsets, tablets, and laptops also pose challenges. Growing cybercrime, from cyberbullying to fraud, is a particular problem here. As part of its social responsibility, the A1 Telekom Austria Group therefore also offers training

on using the Internet safely, as well as information for at-risk groups. It also offers security products and cyber risk assessments for companies. Social impacts, such as potential isolation or the health impact of excess screen time, are addressed through the provision of information and products aimed at controlling Internet consumption. While the A1 Telekom Austria Group addresses the public with information and training on the correct handling of new media, e. g. through in-person training, online information, folders and flyers, the state and society are also called upon to ensure a consistently healthy approach to digitization.

The 2020 financial year saw rapid growth in digitalization in the workplace and in education, thereby driving the development and use of services. While A1 is actively shaping this process with innovations for education—like the “SchoolFox” communication app for students, parents and teachers—proven activities in the area of traditional in-person training and education were hard hit by COVID-19. As a result, it was necessary to switch the existing education and training program for helping at-risk groups to use new media safely from traditional group training to virtual formats.

#### Electromagnetic fields (EMF) and health risks

Electromagnetic fields are another risk factor relating to service provision, particularly in terms of public perception and how this is shaped by manipulative reporting. It goes without saying that the terminals and transmitters used by the A1 Telekom Austria Group in its business activities meet all of the applicable standards and regulations. Irrespective of this, informing the public and ensuring a scientific discourse is one of the priorities of the teams in the countries of the A1 Telekom Austria Group. Measurements by neutral institutions (e. g. universities) allow an objective view of the topic.

Health risks increased in 2020 as a result of the COVID-19 pandemic. We are taking every effort to protect our sales and service staff during the pandemic. In particular, we safeguard the health of all employees and customers to the greatest possible extent by providing work wear and protective clothing for employees and introducing rules of conduct for the workplace.

#### Environmental risks

Climate change can give rise to risks for the A1 Telekom Austria Group’s network infrastructure (ranging from rising average temperatures and high rainfall levels through to flooding, mudslides, etc.). The A1 Telekom Austria Group is actively committed to climate protection and continuously observes developments in this area in order to ensure that it can initiate measures to protect its infrastructure facilities as necessary. The impact of this risk category on the Group’s finances and the customer experience has been limited in recent years.

### 3. Financial risks

The A1 Telekom Austria Group is exposed to liquidity, credit, foreign currency exchange rate, transfer, and interest rate risks (see Note 33). Tax risks are also included in the risk assessment and given a more pronounced focus in terms of the measures taken.

*Exchange rate risk* in Belarus and, to a small extent, in Croatia had a negative effect on the cash flow of the A1 Telekom Austria Group in the 2020 financial year. Liquidity risk was mitigated through constant monitoring and a temporary reduction in investment activity. The current interest rate level and the conditions achieved as a result had a positive impact on earnings. In terms of *tax risks*, additional steps are taken to avoid possible tax risks (inadequate interpretation due to unclear regulations, lack of tax payments, and excessive tax payments). An additional risk mitigation measure was introduced in the form of a new process that continuously integrates external expert opinions.

Thanks to stable performance, the topic of billing and receivables management was removed from the opportunity and risk focus during the most recent update. As a result of the COVID-19 pandemic, the focus shifted to collection and this topic was readded to opportunity and risk management at short notice. Like many companies, the A1 Telekom Austria Group prioritized securing its cash flow in the 2020 financial year, and this will remain a focal point with accompanying reporting and corresponding measures.

### 4. Technical risks

#### Technology resilience (network)

The infrastructural and system landscape that has grown and evolved over the years represents a permanent challenge for the technical departments. Networks have been and continue to be subject to a high degree of standardization and virtualization. Network functions are running less and less on proprietary infrastructure and are being performed by software instead. Disruptions and outages are prevented in particular through virtualization and the exchange of legacy infrastructure.

#### IT transformation

Modernizing and reducing complexity in the area of BSS (business support systems) and OSS (operations support systems) is a long-term challenge. This is mitigated by an overlaid integration of platforms that reduce the pressure to modernize somewhat, while still ensuring openness to new services and partners. The associated risks are analyzed in the areas of IT security, flexibility of service provision and the related medium-term costs.

#### Operating risks

Maintaining availability and a high level of reliability of the services and products offered is a key element of operational risk management, as different threats such as natural disasters, major technical disruptions, third-party construction work, hidden faults, or criminal activities can all impair their quality. Long-term planning takes technological developments into account. The redundancy of critical components ensures failure safety, while efficient organizational structures for operations and security serve to safeguard high quality standards. Furthermore, a separate Group guideline ensures uniform methods for the recognition and management of the most important risks. The ongoing identification and assessment of risks flows into the decision-making as to whether measures are taken to minimize the risk or whether the potential risk is

borne by the A1 Telekom Austria Group. Whenever a major disruption occurs, causes are clarified and it is determined how a recurrence can be avoided. A central approach to insurance against physical damage also helps to minimize the financial effects.

#### Cyber risks and data security

The A1 Telekom Austria Group places great emphasis on the implementation of cyber security standards. These are covered by a series of internal guidelines and procedures that are controlled, implemented, and monitored for effectiveness in critical situations by means of defined responsibilities. Prevention of possible risks is the primary focus with regard to critical and important network elements as well as business and operational support systems (BSS & OSS). The A1 Telekom Austria Group applies international IT standards for security techniques (ISO 27001) as a basis and has defined uniform and state-of-the-art security information standards and security information policies.

Essential elements in managing cyber risks include continuous assessments and software updates to the infrastructure to be protected, as well as employee training. The A1 Telekom Austria Security Committee is made up of highly qualified security experts from all countries in which the A1 Telekom Austria Group operates. It regularly exchanges information about the latest local, regional, and global cyber risks and cyber attacks. This working group also discusses and coordinates cross-country protection measures in critical situations.

## 5. Operational risks

### Compliance risks

The annual compliance risk assessment process – which is an essential element of the A1 Telekom Austria Group’s compliance management system – identifies relevant compliance risks on the basis of structured management interviews and workshops and defines risk-minimizing measures. The A1 Telekom Austria Group focuses on prevention by means of training and the uncompromising application of internal and external guidelines, such as capital market compliance and a focus on compliance at management level (tone at the top). The compliance management system (CMS) is also regularly reviewed both internally and externally.

Data protection risks are a relevant subset of compliance risks. The products and services of the A1 Telekom Austria Group are subject to data protection and data security risks, particularly in connection with unauthorized access to customer, partner, or employee data. Violations of the EU General Data Protection Regulation (GDPR), which has been in force since May 25, 2018, may result in considerable legal and financial risks. To minimize potential risk, the EU General Data Protection Regulation has been implemented in interdisciplinary projects within the A1 Telekom Austria Group since early 2016. Technical and organizational measures have also been implemented on the basis of risk assessments. All A1 Telekom Austria Group companies undertake to comply with the most stringent data protection and data security standards.

### Legal risks

The A1 Telekom Austria Group and its subsidiaries are party to a number of legal proceedings both in and out of court with public authorities, competitors, and other parties. Dialog with the stakeholders involved and an ongoing exchange of information on controversial issues that could pose a threat to the company enable the Group to identify problems at an early stage and develop measures to counteract them in a targeted manner as necessary.

Monitoring of legal risks assesses potential cash outflows from legal proceedings; this position is updated quarterly and is based on the ongoing assessment of the success of the proceedings.

### Risks of slow or no digital transformation

The A1 Telekom Austria Group counters personnel-related risks in various ways. For example, young talent is recruited as part of the “1A Career” program, which focuses on graduates, students, and apprentices and ensures diversity within the company. The risk of losing key employees is counteracted by means of forward-looking skill management, succession planning, and Group-wide talent management. The in-house eCampus development platform supports employees in developing their skills and abilities and serves as a platform for the Group-wide transfer of expertise. A central e-learning platform provides training at any time and any place throughout the Group. In addition to business plan-oriented cost planning, human resources planning includes measures aimed at encouraging employee mobility.

The management of personnel risks expanded its focus to include the challenge of developing digital competencies in all departments. These digital competencies are a key pillar of any future-oriented company and allow the optimization of human resources by means of a digital redesign of sales, service, and monitoring processes. These developments are also essential in order for a company to succeed in new markets and with digitalized business models. This process is being initiated via the integration of start-ups, broad-based development measures, and the development of key employees in the field of digitalization at the A1 Telekom Austria Group and will be further expanded in the coming years.

The 2020 financial year was a catalyst for digital work in many areas. When it comes to digitalizing business activities, newly acquired competencies can be harnessed in order to leverage numerous growth opportunities in areas such as e-commerce.

### Structural development

In 1996, civil servants of the Republic of Austria were allocated to Telekom Austria Aktiengesellschaft until their retirement in accordance with the Austrian Postal Services Structure Act (Poststrukturgesetz). Transfers within and out-side the A1 Telekom Austria Group are limited. Civil servants are employed in accordance with public law. The framework associated with their employment status is based on provisions under public law, particularly the Austrian Public Sector Employment Act of 1979 (Beamten-Dienstrechtsgesetz 1979).



Civil servants cannot be laid off, meaning that their employment contract cannot be unilaterally terminated if the need for their employment no longer exists. In the event of a breach of duty, performance deficiencies, or a permanent incapacity to work, formal and complex administrative procedures are necessary. Due to their salary structure, civil servants normally move to the next remuneration level every two years.

Around 38% of employees in the Austria segment have civil servant status. To address the structure of employee costs, the Austria segment has developed several social plans in cooperation with employee representatives. Civil servants are also encouraged to take part in internal mobility initiatives within the context of integrated skill management.

#### Public image

Public image risks arise in the normal course of business (along the customer lifecycle) and in connection with social discourse and thematization via opinion leaders. A standard procedure in this area is not enough. The absolute prerequisites for preventing negative effects are uncompromisingly professional communication and corresponding expertise, combined with uniform standards with regard to digital communication channels.

### Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for the financial reporting process as required by law. The ICS is intended to provide reasonable assurance regarding the reliability, completeness and accuracy of external financial reporting in compliance with international and national accounting standards. Regular internal reporting to management and the review of the ICS by the Internal Audit department also ensure that vulnerabilities are identified promptly or at an early stage and communicated and eliminated accordingly. The most important content and principles apply to all A1 Telekom Austria Group subsidiaries. The effectiveness of this system is reviewed, analyzed and assessed at regular intervals. At the end of each year, the Group's management carries out an assessment of the ICS for relevant companies with the involvement of the respective business units. Based on the findings of this assessment and the defined criteria, Management has determined that the internal control system regarding financial reporting was effective as of December 31, 2020.

The listing of the ultimate parent, América Móvil, on the New York Stock Exchange (NYSE) required the implementation of the U.S. Sarbanes-Oxley Act (SOX). The internal control system was adjusted and amended to reflect this standard in the 2015 financial year.

#### Research and development

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

## Outlook

### A1 Telekom Austria Group outlook for 2021

The operational and financial development of the A1 Telekom Austria Group was largely impacted by the COVID-19 pandemic in the fiscal year 2020. Under these circumstances, the financial figures for the reporting year reflect the resilience of the business model and the positive effects of the countermeasures taken by the management.

The Group's revenues remained virtually stable (-0.3%) and it achieved a slight increase in EBITDA of 1.0%. Despite the substantial loss of roaming revenues and negative FX effects, there was a stable trend in service revenues both in the mobile and the fixed-line segment.

There are signs that the overall economic situation will recover in fiscal 2021, which should exert a positive effect on results. After severe slumps in GDP growth rates in 2020, a recovery is forecasted in 2021 (for details see above under "General economic environment"). The rising availability of vaccinations from the start of the year should ease the situation. Nonetheless, it should be noted that the recovery could be delayed, partly on account of mutations of the COVID-19 virus that emerged at the end of 2020.

Despite the lockdown measures still in place on all markets at the start of the fiscal year, the Group is projecting a partial recovery in roaming revenues for 2021, though it is assumed that travel activity will still be limited.

The market developments in 2020 are likely to largely resume in fiscal 2021. Developments in Austria will continue to be dominated by convergent offers and intense competition on the mobile market. Following the 5G auction in the fall of 2020 and the advancing expansion of the new mobile generation, attention in the high-value customer segment is shifting to the 5G product portfolio. In the CEE countries as well, like last year, the focus is on the high-value customer segment, and management again expects strong demand for mobile broadband solutions. In 2021, the Group's fixed-line business should again benefit from demand for higher bandwidths, the rising significance of TV content and fast-growing solutions and connectivity business.

In this business environment, the management of A1 Telekom Austria Group is committed to its growth strategy. The focus here is on growth in the core business, leveraging earnings and efficiency potential from platform solutions and selective growth through acquisitions. As in previous years, results are expected to be supported by ongoing measures to continuously enhance operating efficiency.

A1 Telekom Austria Group announced with the publication of its Q3 2020 quarterly report that it is currently working on the development of alternatives that would allow to reap more benefits from its tower assets through a targeted management focus on internal efficiencies and higher tenancy ratios.

For the financial year 2021, the management of A1 Telekom Austria Group expects to achieve growth in total revenues of around 1 % and for its EBITDA margin to grow once again.

The development in Belarus could be negatively affected by the depreciation of the Belarusian ruble in 2021. The management of A1 Telekom Austria Group expects the currency to depreciate by around 15 % (period average) against the euro in 2021, though it should be noted that the predictability of the Belarusian ruble is limited.

A1 Telekom Austria Group is also committed to the fiber rollout in Austria and to the ongoing development of its mobile infrastructure in 2021, especially in terms of the roll-out of 5G. This will gather momentum in 2021 following the launch of the 5G network in January 2020.

Capital expenditures before spectrum investments and acquisitions are expected to come in at around EUR 800 mn in 2021.

With regards to frequencies, some tenders are envisaged by regulators in Bulgaria (2.6 GHz, 3.6 GHz), Croatia (700 MHz, 3.6 GHz, 26 GHz), Slovenia (700 MHz, 1.4 GHz, 2.1 GHz, 2.3 GHz, 3.6 GHz, 26 GHz) and Serbia (3.6 GHz). Whether these tenders will take place in 2021 remains to be seen given the current COVID-19 pandemic. Please note that this is a list of spectrum award procedures. Whether A1 Telekom Austria Group is planning to participate and sees a need to acquire spectrum the company is not permitted to comment on.

The Management Board intends to propose a dividend of EUR 0.25 per share for the financial year 2020 to the 2021 Annual General Meeting. The Management Board and the Supervisory Board will continuously evaluate the further development of the COVID-19 pandemic in terms of its financial and general

business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.

To ensure its financial flexibility, A1 Telekom Austria Group is still striving to maintain a solid investment grade rating of Baa2 from Moody's and BBB from Standard & Poor's (currently Baa1 from Moody's and BBB+ from Standard & Poor's).

Vienna, February 8, 2021  
The Management Board

Thomas Arnoldner, CEO  
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO  
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO  
Telekom Austria Aktiengesellschaft