

Group Management Report

General economic environment

Global economic recovery continued in 2021, with the fight against the COVID-19 pandemic remaining at the forefront. Following the lifting of lockdowns in most countries, global demand saw a resurgence and the economic climate improved. Nevertheless, more virulent strains of the coronavirus have increased uncertainty about a rapid recovery from the pandemic. Access to vaccinations was particularly crucial, and the topic of health has also become increasingly important for companies, not least of all in relation to new ways of working.

A further challenge was posed by various supply chain disruptions and shortages of raw materials and important goods. However, this had only a minor impact on the telecommunication industry compared with other sectors.

The European Central Bank kept interest rates on main refinancing operations, marginal lending facility and deposit facility unchanged at 0.00%, 0.25% and -0.50% respectively. The US Federal Reserve decided in November 2021 to hold the target range for the federal funds at 0.00-0.25% and to scale back its bond-buying stimulus program amidst concerns about inflationary pressure.

According to the World Economic Outlook published in January 2022 by the IMF, the global economy was projected to grow by 5.9% in 2021 and 4.4% in 2022. In the same publication, economic growth in the European Union was projected at 5.2% in 2021 and 4.0% in 2022, each measured in real GDP terms.¹⁾

Development of real GDP in the markets of A1 Telekom Austria Group (in %)²⁾

	2020	2021e	2022e
Austria	-6.2	3.9	4.5
Bulgaria	-4.2	4.5	4.4
Croatia	-8.0	6.3	5.8
Belarus	-0.9	2.1	0.5
Slovenia	-4.2	6.3	4.6
Serbia	-1.0	6.5	4.5
North Macedonia	-4.5	4.0	4.2

Industry trends and competition

Investing in telecommunication infrastructure and improving the access to the internet remained a top priority for most of telecommunication operators in the year under review, simultaneously helping bridge the digital divide and exploiting new growth opportunities. Continued need for home office and distance learning as well as accelerated digitalization of businesses drove demand for higher bandwidth products in almost all markets of A1 Telekom Austria Group. Solution and connectivity business also gained further momentum in 2021. Successful 5G frequency auctions in Bulgaria, Croatia and Slovenia, as well as in Austria in previous years, allowed for further network modernization in these markets and introduction of new mobile portfolios usually selling at the premium.

The latest market report issued by the Austrian regulatory authority, which tracked the market data up to the end of the second quarter of 2021, describes the following average trends across all operators:³⁾

- ▶ Median measured download and upload speeds of internet access (in Mbit/s for all technologies) increased in the second quarter of 2021 by 27.1% year-on-year for download and 15.9% year-on-year for upload, driven in a large part by new 5G technology. The increase in measured internet speeds was recorded both during peak and off-peak times.
- ▶ Call minutes in the retail fixed and mobile markets decreased in the second quarter of 2021 year-on-year, as the comparison period recorded a strong increase in voice traffic associated with the COVID-19 lock-down.
- ▶ The number of fixed broadband standalone connections increased by 3.8% in Q2 2021 year-on-year, while in the same time period the number of fixed broadband bundled connections (fixed broadband plus another fixed-line product) rose by approximately 2%. Total number of broadband connections (mobile and fixed) increased in the period under review by 3.3% year-on-year (Q2 2020: 2.1% yoy) and was driven again by smartphone tariffs and mobile WiFi routers.

1) Source: IMF, <https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022>, page 5.

2) Source: IMF, <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>, page 112-114
Outlook data at the country level is from October's publication, as it was not available with the latest January's report.

3) https://www.rtr.at/TKP/aktuelles/publikationen/publikationen/m/pm/RTR_Post_Monitor_Q2-2021.en.html

- ▶ A 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 2021 with a year-on-year increase of 22.2%. The data volume transferred by fixed-line broadband also rose by 24.7%, with a ratio of mobile to fixed-line data of around 1:2. Average monthly data volume per user over the same period increased to 176.5 GB for fixed-line broadband (Q2 2020: 144.4 GB) and 99.4 GB for mobile data tariffs (Q2 2020: 90.1 GB).
- ▶ In the latest publication of “Digital Economy and Society Index (DESI) 2021” in November 2021, Austria improved its overall ranking moving up three positions, performing very well in mobile coverage category (> 50.0% of populated area covered with 5G), while with 39.0% of fixed very high capacity network coverage (VHCN) it lags below EU average of 59.0% despite significantly improving since 2019 (14.0%).⁴⁾
- ▶ In the digitalization of public services, Austria is among the frontrunners in 2021 according to the same DESI publication, with 81.0% of internet users connecting to e-government services (compared to EU average of 64.0%).

In Bulgaria, making calls over the internet (including video calls) and participating in social networks accounted for 63.4% and 60.0% of internet usage in 2021, an increase of 4.9% and 5.3% respectively compared to the previous year.⁵⁾

Fixed and mobile broadband traffic in Croatia increased by 21.7% and 26.6% year-on-year respectively in the second quarter of 2021, while the number of broadband connections amounted to 5.7mn in the same period or an increase of 4.6% in the annual comparison.⁶⁾

In Serbia, mobile broadband data volumes increased by 13.3% in the second quarter of 2021 compared to year-end 2020, which on average represents the consumption of 250 MB per user per day or 7.42 GB per user per month. The share of FTTx (“Fiber To The X: fiber to the point X: generic term for fiber optic networks to the end customer”) connections increased from 13.7% at the end of 2020 to 16.5% in Q2 2021, while the share of (advertised) internet speeds above 100 Mbit/s increased from 27.0% to 32.4% in the first half of 2021.⁷⁾

Regulation

The A1 Telekom Austria Group is subject to various regulatory frameworks 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

Upload and download volumes in Austria

Volume in Petabyte



Source: RTR

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 especially to the EU-level roaming and net neutrality regulations as well as the harmonization of mobile and fixed-line termination rates as a result of the European Electronic Communications Code (EECC), which apply equally to all EU Member States.

4) <https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>

5) https://nsi.bg/sites/default/files/files/pressreleases/ICT_hh2021_en_WB3N3IL.pdf

6) <https://www.hakom.hr/UserDocsImages/2021/e-trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q22021.eng.pdf?vel=443104>

7) https://www.ratel.rs/uploads/documents/empire_plugin/6128f1222713c.pdf

Fixed-line

Market analysis in Austria. 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 stand-alone business tariffs at retail level. In spring 2021, the regulatory authority published the first economic reports on this subject prepared by the official experts. One economic report envisages lifting the regulatory requirements still in force on the market for business customer tariffs at retail level in the future. The economic report on the wholesale markets for central and local (broadband) access includes future geographic differentiation in Austria, with deregulation of residential products at the wholesale level and a reduction in the forms of access (physical unbundling, bitstream) being envisaged in many urban areas. In both markets, the procedures are expected to be completed in the course of the year 2022.

The market analysis procedure for the wholesale market for high-quality access (wholesale market for Ethernet services and dark fiber cables) was initiated as of April 2021 and extensive data collection was carried out in the following months. In this market, we expect the authority's economic report during the first quarter of 2022.

Fixed-line termination rates in the EU. The process regarding fixed-line termination rates⁸⁾ was suspended until the date

from which a low fixed-line termination rate was set uniformly throughout Europe on the basis of the new European legal framework (EECC). The European Commission set an absolute upper limit for this new termination charge in a separate legal act on December 21, 2020. This is associated with a significant reduction in the fixed-network termination charge for all operators in Europe to a uniform EUR 0.07 cents/min as of January 1, 2022, with this value being 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. Now that the uniform price regulations have been implemented at European level, the regulatory authority has continued the market analysis procedure for fixed-network termination and published the economic report on this as early as the beginning of October 2021. The latter envisages the future lifting of the remaining regulatory requirements on this market. The process is expected to be completed by the end of the first quarter of 2022.

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.

EU roaming glide path

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

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

Roaming. The European Union regulation on roaming in its current form has been in force in the European Union since 2016. The requirements of this EU regulation have 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 and 2021. A revised roaming regulation is likely to extend the “Roam Like at Home” regulation and further reduce wholesale roaming rates in the coming years.

The markets of Belarus, Serbia and North Macedonia are regulated to a varying degree. In Southeastern European countries as well, there are general signs of gradual convergence with the provisions of EU law. For example, roaming charges have now been eliminated following the introduction of a regional retail roaming agreement for the Western Balkans. Within the A1 Telekom Austria Group, this affects Serbia and North Macedonia.

Mobile termination. As for fixed-line regulation, the mobile termination procedure was suspended until the date from which a low mobile termination rate was set uniformly throughout Europe on the basis of the new European legal framework (EECC). The European Commission set an absolute upper limit for this new termination charge in a separate legal act on December 21, 2020. This is associated with a significant reduction in mobile 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, but the impact on earnings should be limited. Now that the uniform price regulations have been implemented at the European level, the regulatory authority has continued the market analysis procedure in Austria for mobile termination and published the economic report on this as early as the beginning of October 2021. The latter envisages the future lifting of the remaining regulatory requirements on this market. The process is expected to be completed by the end of the first quarter of 2022.

Net neutrality

The European Union regulation on net neutrality has been in force in the European Union 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.

Implementation of the new EU legal framework (EECC)

The new European legal framework for (tele) communications EECC (European Electronic Communications Code) was issued in its final form in December 2018 and was to 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 was delayed. In Austria, a new completely revised Telecommunications Act was adopted in 2021, which entered into force on November 1, 2021 (and contains only a few transitional provisions). This new Telecommunications Act is based almost entirely on the EECC.

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.

Mobile termination rates

	March 2019	January 2020	April 2020	August 2020	July 2021	January 2022
Austria (EUR)	0.008049	0.008049	0.008049	0.008049	0.007	0.0055
Bulgaria (BGN)	0.014	0.014	0.014	0.014	0.007	0.0055
Croatia (HRK)	0.047	0.045	0.045	0.045	0.006	0.0055
Belarus (BYN)	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	0.00882	0.007	0.0055
Republic of Serbia (RSD)	1.43	1.43	1.43	1.43	1.43	1.43
Republic of Macedonia (MKD)	0.63	0.63	0.63	0.63	0.63	0.63

Impact of the COVID-19 pandemic

2021 began with a pandemic wave that continued from 2020 and tough lockdown measures, which continued in the first quarter. As in the previous year, the situation eased during the summer months, which led to the COVID measures being largely lifted. In December 2020, government vaccination campaigns were established in most of the countries in which the company operates with the goal of achieving the highest possible vaccination rate. This target was not achieved in most countries, leading to another pandemic wave in the fourth quarter of 2021. Depending on the local political situations, different COVID measures and renewed lockdowns occurred in the countries.

A1 has sought collaborations with government agencies in its respective countries regarding vaccination and testing of employees. The home office and on-site prevention measures established in 2020 were targeted in line with pandemic

developments and expanded to include additional measures such as vaccination and regular testing services to protect employee health and ensure business continuity. The impact of the pandemic on business development in 2021 was well compensated by the mix of measures in the Group's footprint.

Since the beginning of the economic crisis, A1 Telekom Austria Group has been monitoring customer payment behavior more closely. In 2020 and 2021, no significant changes were observed. However, in 2020, the Group increased its general loss allowance for accounts receivable not yet due from subscribers and installment sales as the forecasts for economic development and expected insolvencies showed a negative trend. In the past financial year, it is still assumed that there could be liquidity bottlenecks for companies and the population in all countries following the suspension of government support. Due to this outlook, A1 Telekom Austria Group continues to estimate higher expected credit losses and has therefore maintained the increased loss allowance.

Revenue and earnings development

Key performance indicators in EUR million	2021	2020	Change in %
Total revenues	4,748.3	4,549.4	4.4
Total service revenues	3,956.5	3,804.5	4.0
Total equipment revenues	709.5	659.4	7.6
Other operating income	82.4	85.5	-3.7
Wireless revenues	2,816.0	2,664.6	5.7
Service revenues	2,181.1	2,071.1	5.3
Equipment revenues	634.9	593.6	7.0
Fixed-line revenues	1,850.0	1,799.2	2.8
Service revenues	1,775.4	1,733.5	2.4
Equipment revenues	74.6	65.8	13.3
EBITDA before restructuring¹⁾	1,790.3	1,661.3	7.8
% of total revenues	37.7	36.5	-
EBITDA	1,706.1	1,576.8	8.2
% of total revenues	35.9	34.7	-
EBIT	753.4	638.9	17.9
% of total revenues	15.9	14.0	-
Net result	455.0	388.8	17.0
% of total revenues	9.6	8.5	-
Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	22,765.5	21,864.2	4.1
Postpaid	18,890.4	17,822.4	6.0
Prepaid	3,875.1	4,041.9	-4.1
ARPU ²⁾ (in EUR)	8.1	8.1	1.0
Mobile churn (%)	1.3	1.4	-
Wireline indicators	2021	2020	Change in %
RGUs³⁾ (thousands)	6,081.8	6,050.3	0.5

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

2) "Average Revenue Per Unit": average revenue per mobile customer

3) "Revenue Generating Unit"

Revenue and earnings development

In financial year 2021, A1 Telekom Austria Group demonstrated a strong operational and financial performance. The successful strategy execution and the monetization of its attractive portfolio of products and services as well as continued strong demand for high-bandwidth products, mobile WiFi routers and ICT solutions resulted in revenue and EBITDA growth in all segments. Eased travel restrictions and the increased COVID-19 vaccination rate compared to the previous year allowed for more travelling in the summer months and led to a partial rebound of roaming revenues, while at the same time the Belarusian ruble showed less volatility especially in the second half of the year.

During 2021, A1 Telekom Austria Group via its subsidiaries in Bulgaria, Slovenia and Croatia acquired frequency spectrum for the deployment of 5G networks. In March and April 2021, A1 Bulgaria acquired spectrum in the 2.1 GHz, 2.6 GHz, and 3.6 GHz frequency bands for a total of EUR 5.6 mn, while in Slovenia, A1 acquired spectrum in the 700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz, 26 GHz bands for a total of EUR 43.6 mn (incl. charges). At the frequency auction in Croatia in August 2021, A1 successfully acquired spectrum in 700 MHz, 3.6 GHz, and 26 GHz frequency bands for a total amount of EUR 14.0 mn. With the acquisition of the previously mentioned frequency spectrum in addition to the earlier acquired spectrum in Austria in 2019 and 2020, A1 Telekom Austria Group has successfully closed the main part of 5G spectrum auctions in its footprint.

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

- A positive roaming impact on both Group revenues and EBITDA of approx. 0.5 % in the full year 2021 due to more travelling in the summer season across the footprint, however with roaming results still substantially below pre-COVID 19 levels.
- Negative FX effects amounted to EUR 32.1 mn in total revenues, EUR 22.4 mn in service revenues, and EUR 13.9 mn in EBITDA in the full year 2021. They came entirely from Belarus.
- There were no one-off effects in total revenues or EBITDA (minor one-off effect of EUR 0.6 mn in EBITDA) in the reporting period, while there were total positive one-off effects of EUR 6.9 mn in total revenues (with main effects of EUR 4.2 mn in Croatia, EUR 2.4 mn in Serbia) and EUR 8.6 mn in EBITDA (EUR 8.4 mn in Croatia, EUR -2.2 mn in Slovenia and EUR 2.4 mn in Serbia) in the comparison period.
- Restructuring charges in Austria amounted to EUR 84.2 mn in 2021 compared to EUR 84.5 mn in 2020.

Key Figures of A1 Telekom Austria Group

In mobile communications, the number of subscribers of the A1 Telekom Austria Group rose by 4.1 % to a total of 22.8 million in the year under review. The growth was mainly driven by the strong increase in M2M business. Besides that, the number of contract customers rose in almost all markets except Bulgaria. The growth was driven by continued strong demand for mobile WiFi routers, solid mobile core business and as well as the continued shift from prepaid to contract offers.

The number of revenue-generating units (RGUs) in the Group's fixed-line business increased slightly (+0.5 %) year-on-year. In Austria, the number of RGUs declined, driven by fewer low-bandwidth broadband and voice RGUs, which was partially offset by the continued strong demand for high-bandwidth products. In the international markets, the number of RGUs rose mainly due to increasing high-bandwidth broadband RGUs, particularly in Belarus, Bulgaria and North Macedonia.

In financial year 2021, Group total revenues increased by 4.4 %, in a large part driven by service revenue growth recorded in almost all A1 markets. Equipment revenues were also higher in a year-on-year comparison. Mobile service revenues increased by 5.3 % with growing numbers in almost all markets, driven by strong mobile core business, continued high demand for mobile WiFi routers and the upselling activities in the high value segment. Fixed-line service revenues rose by 2.4 %, driven by the Bulgarian, Austrian and Belarusian segment following an accelerated digitization pace reflected in a strong demand for solution and connectivity services as well as high-bandwidth products.

The Group's total costs and expenses rose by 2.3 % in the year under review, as the increase in workforce costs, product-related costs as well as electricity costs could not be fully offset by lower bad debt and lower network maintenance costs. Product-related costs like content and licenses were higher mainly in connection with solid development of solution and connectivity business. Higher electricity costs were a consequence of higher use and increased energy prices in the year under review, whereas bad debt was lower due to the recognition of increased valuation allowance in the comparison period and improved collection activities in the reporting period.

EBITDA before restructuring increased by 7.8 % in the year under review, driven by growth in all markets, especially in Austria and Bulgaria. Adjusted for one-offs and FX effects, EBITDA before restructuring rose by 9.1 %. The EBITDA margin increased from 34.7 % in 2020 to 35.9 % in the year under review. Depreciation and amortization (incl. rights of use) amounted to EUR 952.7 mn compared to EUR 937.9 mn in the comparison period, while operating income rose by 17.9 % and amounted to EUR 753.4 mn.

Key Figures of A1 Telekom Austria Group

in EUR million

Revenues	2021	2020	Change in %
Austria	2,677.6	2,622.1	2.1
Bulgaria	574.1	513.8	11.7
Croatia	452.0	428.1	5.6
Belarus	419.6	402.6	4.2
Slovenia	209.9	205.0	2.4
Serbia	315.3	286.2	10.2
North Macedonia	134.6	121.9	10.4
Corporate & other, eliminations	-34.8	-30.3	n. m.
Total revenues	4,748.3	4,549.4	4.4

EBITDA	2021	2020	Change in %
Austria	991.1	936.7	5.8
Bulgaria	218.3	192.4	13.4
Croatia	155.7	143.4	8.6
Belarus	180.5	172.8	4.4
Slovenia	60.5	58.7	3.1
Serbia	102.1	87.6	16.5
North Macedonia	46.1	42.5	8.5
Corporate & other, eliminations	-48.2	-57.3	15.8
Total EBITDA	1,706.1	1,576.8	8.2
before Restructuring	1,790.3	1,661.3	7.8

EBIT	2021	2020	Change in %
Austria	441.4	413.7	6.7
Bulgaria	104.1	74.6	39.5
Croatia	58.2	43.1	35.1
Belarus	122.4	109.3	11.9
Slovenia	13.5	14.4	-6.6
Serbia	49.2	32.9	49.7
North Macedonia	18.1	13.6	33.4
Corporate & other, eliminations	-53.4	-62.6	14.8
Total EBIT	753.4	638.9	17.9

Costs and expenses	2021	2020	Change in %
Cost of service	-1,343.1	-1,311.9	-2.4
Cost of equipment	-698.1	-652.4	-7.0
Selling, general & administrative expenses	-988.2	-997.4	0.9
Other expenses	-12.8	-10.9	-17.7
Total costs and expenses	-3,042.2	-2,972.6	-2.3
thereof employee costs	-923.8	-908.2	-1.7
thereof restructuring charges	-84.2	-84.5	0.4
Depreciation and amortization	-789.5	-774.3	-2.0

Other key figures	2021	2020	Change in %
Net result	455.0	388.8	17.0
Net cash flow from operating activities	1,585.6	1,481.1	7.1
Capital expenditures ¹⁾	891.5	651.4	36.8
Net debt	2,832.0	3,186.8	-11.1

1) Additions to property, plant and equipment and intangibles, excluding asset retirement obligations and additions to rights-of-use assets according to IFRS 16

A1 Telekom Austria Group recorded a financial result of EUR -100.8 mn in the reporting year, compared to the EUR -128.1 mn in the previous year, mainly driven by favorable foreign currency exchange results in the reporting period.

Tax expenses amounted to EUR 197.6 mn in the year under review, compared to EUR 122.0 mn recorded in the previous year, an increase driven by the improved operational performance, reversal of impairment of investments in affiliated companies in Austria as well as the increased corporate income tax rates in Belarus and Serbia. Overall, A1 Telekom Austria Group reported a net result of EUR 455.0 mn in 2021, an increase of 17.0% compared to the previous year.

Current liabilities rose, driven by higher short-term debt as a bond of EUR 750 mn maturing in April 2022 was reclassified from long-term to short-term debt. The increase in current liabilities was also driven to a lesser extent by higher accounts payable, which rose due to the increase of capital expenditures in the year under review after significant pandemic-related cuts in the previous year. Non-current liabilities were lower mainly due to the above-mentioned bond reclassification but also due to a decline of lease liabilities as a consequence of lease payments in the reporting period.

Net assets and financial position

As of December 31, 2021, the balance sheet total increased by 4.4% compared to December 31, 2020, mainly due to higher current assets while non-current assets increased only slightly. In current assets, cash and cash equivalents rose owing to the improved cash generation in the reporting period, which more than outweighed lower short-term investments. The latter declined due to a shift of certain investments into long-term bonds. Non-current assets increased due to the above-mentioned shift of investments as well as due to the higher property, plant and equipment following increased network investments. Right-of-use assets were lower mainly due to depreciation, while deferred income tax assets declined due to the usage of tax loss carry forward in Austria.

Company Key Figures

	2021	2020	change in %
Earnings per share (in EUR)	0.68	0.58	17.0
Dividend per share (in EUR)	0.28 ¹⁾	0.25	12.0
Free cash flow per share (in EUR)	0.73	0.76	-3.4
ROE ²⁾	15.4%	14.3%	-
ROIC ³⁾	11.3%	10.4%	-

- 1) Intended proposal to the Supervisory Board and 2022 Annual General Meeting.
- 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.

Net assets and financial position

Balance sheet structure (in EUR million)	Dec 31, 2021	As % of the balance sheet total	Dec 31, 2020	As % of the balance sheet total
Current assets	1,785.8	20.8	1,509.7	18.4
Property, plant and equipment	2,875.8	33.5	2,753.1	33.5
Goodwill	1,285.8	15.0	1,284.0	15.6
Intangible assets	1,670.2	19.5	1,678.0	20.4
Other assets	955.1	11.1	987.1	12.0
Total assets	8,572.6	100.0	8,212.0	100.0
Current liabilities	-2,940.4	34.3	-2,048.4	24.9
Long-term debt	-1,046.1	12.2	-1,793.7	21.8
Lease liabilities long-term	-606.1	7.1	-700.6	8.5
Employee benefit obligations	-222.1	2.6	-231.5	2.8
Non-current provisions	-573.6	6.7	-586.0	7.1
Other long-term liabilities	-69.0	0.8	-58.0	0.7
Stockholders' equity	-3,115.4	36.3	-2,793.8	34.0
Total liabilities and stockholders' equity	-8,572.6	100.0	-8,212.0	100.0

Net debt

in EUR million	Dec 31, 2021	Dec 31, 2020	Change in %
Net debt (excl. leases)	2,064.9	2,331.9	-11.4
Net debt (excl. leases) / EBITDA after leases (12 months)	1.3x	1.7x	-

in EUR million	Dec 31, 2021	Dec 31, 2020	Change in %
Long-term debt	1,046.1	1,793.7	-41.7
Lease liability long-term	606.1	700.6	-13.5
Short-term debt	1,553.2	749.1	107.4
Lease liability short-term	161.0	154.4	4.3
Cash and cash equivalents	-534.4	-210.9	-153.4
Net debt (incl. leases)	2,832.0	3,186.8	-11.1
Net debt (incl. leases) / EBITDA (12 months)	1.7x	2.0x	-

Cash flow

Reported view in EUR million	2021	2020	Change in %
Net cash flow from operating activities	1,585.6	1,481.1	7.1
Net cash flow from investing activities	-902.0	-874.9	-3.1
Net cash flow from financing activities	-361.2	-527.6	31.5
Adjustment to cash flows due to exchange rate fluctuations, net	1.2	-8.0	n.m.
Net change in cash and cash equivalents	323.6	70.6	n.m.

Net debt

Net debt (excl. leases) declined by 11.4%, driven by solid free cash flow generation. Net debt (excl. leases) / EBITDA after leases decreased from 1.7x as of December 31, 2020 to 1.3x as of December 31, 2021.

Free cash flow was almost stable (-3.3%) in financial year 2021, as solid operational performance and lower working capital needs could almost fully offset increased capital expenditures and higher income taxes paid.

Cash flow

Cash flow from operating activities increased from EUR 1,481.1 mn in financial year 2020 to EUR 1,586.6 mn in financial year 2021, as improved operational performance as well as favorable development of working capital needs more than outweighed higher income taxes paid. The working capital was mainly driven by the increase in accounts payable.

Cash flow from investing activities increased compared to the previous year, driven by higher capital expenditures paid and higher investments in bonds and fixed-term deposits.

Cash flow from financing activities declined in the financial year under review, as the increase in short-term financing in the reporting period as well as the repayment of short-term debt in the comparison period more than outweighed the bond repayment and slightly higher dividends paid.

Capital expenditures

In financial year 2021, capital expenditures rose by 36.8% year-on-year, an increase attributable to the COVID-19 related cuts in investments in Austria and CEE markets in the comparison period. Also in financial year 2021, frequency spectrum paid amounted to EUR 65.3 mn (incl. charges), while in the previous year 2020 that amount was EUR 65.8 mn (incl. charges).

Tangible capital expenditures increased by 35.9% year-on-year to EUR 650.5 mn, driven by higher investments in network infrastructure, especially in Austria, Bulgaria and Croatia. Investments increased in the areas of 5G and fiber rollout, fixed and mobile network modernization as well as various IT projects and internal system upgrades. Intangible capital expenditures also increased, mainly driven by frequency spectrum acquisition in CEE markets in the reporting period, while in Austria they declined slightly as the comparison period was influenced by the frequency acquisition.

Segment development

Segment Austria

In 2021, market development in Austria continued to be shaped by changing demand patterns as a consequence of the COVID-19 pandemic. Home office, home schooling and distance learning resulted in an ongoing strong appeal for higher bandwidth products especially in the first half of the year. While travel restrictions weighed heavily on the roaming traffic at the beginning of the year as lockdown measures negatively impacted the winter tourism season, a partial recovery in roaming results came later in the year, fostered by increased vaccination rates and more travelling during the summer months. Nevertheless, roaming results in 2021 still remained below the pre-pandemic levels. Accelerated digital transformation on the part of business customers and the recovering economy after the big crash in 2020 due to the COVID-19 pandemic resulted in an increased demand for solution and connectivity services in financial year 2021.

The Internet@Home business, which includes pure fixed-line broadband, hybrid modems and mobile WiFi routers, again showed solid traction in 2021. The number of Internet@Home subscribers continued to grow in the year under review and was driven in particular by strong demand for mobile WiFi routers. In the second half of the year, A1 launched a new Internet@Home portfolio, focusing on the best technology mix at the customers' location while flattening the pricing curve and increasing the entry-level tariffs with a more-for-more approach.

Total revenues in the Austrian segment increased by 2.1% in the year under review, almost entirely driven by service revenue growth and additionally supported by slightly higher equipment revenues. While service revenues grew on the back of both the mobile and the fixed-line business, the equipment revenue increase was driven by higher ICT connectivity equipment sales.

Fixed-line service revenues grew by 0.9% in the year under review, owing to solid traction of solution and connectivity business as customers, in addition to the new orders in 2021, re-started the projects that had been stopped earlier in 2020 due to the pandemic outbreak. Retail fixed-line service

Key performance indicators Austria

Key financials in EUR million	2021	2020	Change in %
Total revenues	2,677.6	2,622.1	2.1
Total service revenues	2,369.3	2,317.3	2.2
Total equipment revenues	257.7	256.2	0.6
Other operating income	50.6	48.7	4.0
Wireless revenues	1,197.5	1,158.3	3.4
Service revenues	979.8	940.0	4.2
Equipment revenues	217.7	218.3	-0.3
Fixed-line revenues	1,429.5	1,415.1	1.0
Service revenues	1,389.5	1,377.3	0.9
Equipment revenues	40.0	37.8	5.8
EBITDA before restructuring	1,075.3	1,021.2	5.3
% of total revenues	40.2	38.9	-
EBITDA	991.1	936.7	5.8
% of total revenues	37.0	35.7	-
EBIT	441.4	413.7	6.7
% of total revenues	16.5	15.8	-
Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	5,072.5	5,061.2	0.2
ARPU (in EUR)	16.2	15.6	4.1
Mobile churn (%)	1.3	1.2	-
Wireline indicators	2021	2020	Change in %
RGUs (thousands)	3,038.8	3,117.3	-2.5

revenues came in lower in the year under review, as continued demand for higher broadband speeds and certain pricing measures could not fully compensate for the volume-driven voice revenue erosion and low-bandwidth RGU losses. ARPL increased in the year under review, driven by the upselling to the advanced broadband products and the above-mentioned pricing measures.

Mobile service revenues grew by 4.2% compared to the previous year, owing to continuing strong demand for mobile WiFi routers as well as mobile high-value and 5G tariffs, the latter being sold with a premium. The share of 5G tariffs rose, and together with pricing measures and inflation-linked pricing adjustments implemented in April 2021, were beneficial to the overall mobile service revenue growth as well as ARPU increase. Additionally, the partial rebound of roaming revenues as explained above contributed to that growth.

EBITDA before restructuring charges (there were no one-offs in 2021 or 2020) increased by 5.3% (reported: 5.8%) driven by higher service revenues. Total costs and expenses remained flat as higher content and license costs, higher electricity costs and increased advertising expenses were compensated by improved bad debt and lower network maintenance costs. Content and license costs increased following higher ICT product-related expenditures, while electricity costs went up due to higher electricity prices and volumes in use. Depreciation and amortization expenses increased by 5.1% in the year under review, driven by higher D&A for the network infrastructure and the frequency spectrum. Despite slightly higher depreciation and amortization expenses, operating income rose by 6.7% driven by solid operational performance.

International markets

In 2021, all international operations posted EBITDA growth with the highest contribution from the Bulgarian, Croatian and Serbian segments. The contribution from the Belarusian segment was also notable despite FX challenges. Excluding one-off and FX effects, EBITDA in international operations grew by 12.7%.

Key performance indicators International markets

Key financials in EUR million	2021	2020	Change in %
Total revenues	2,101.7	1,955.8	7.5
Total service revenues	1,615.7	1,514.7	6.7
Total equipment revenues	451.3	402.2	12.2
Other operating income	34.7	38.9	-10.9
Wireless revenues	1,626.9	1,512.7	7.6
Total service revenues	1,209.9	1,138.0	6.3
Total equipment revenues	417.0	374.6	11.3
Fixed-line revenues	440.1	404.2	8.9
Total service revenues	405.8	376.6	7.7
Total equipment revenues	34.3	27.6	24.3
EBITDA	763.2	697.4	9.4
% of total revenues	36.3	35.7	-
EBIT	366.2	288.7	26.9
% of total revenues	17.4	14.8	-
Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	14,921.8	14,737.4	1.3
Wireline indicators	2021	2020	Change in %
RGUs (thousands)	3,042.9	2,933.1	3.7

Segment Bulgaria

The strong operational performance of A1 in Bulgaria in 2021 came hand-in-hand with continued positive trends and growth momentum on the market. At the beginning of the year, A1 acquired additional spectrum in 2.1 GHz, 2.6 GHz, and 3.6 GHz and positioned itself for deploying and offering 5G services in the urban area. Mobile business was shaped by an increasing demand for high-end tariffs and A1 Bulgaria launched its 5G portfolio in June 2021, with tariffs featuring a price premium over regular 4G propositions. Demand for mobile WiFi routers remained strong throughout the year. In the fixed-line business, A1 was again successful in upselling customers to higher speeds together with exclusive TV content options, while the solution and connectivity business showed continued solid traction and a growing pallet of new products and services offered on the market.

Total revenues increased by 11.7% in 2021, driven by the service revenue growth both in the mobile and the fixed-line business as well as equipment revenue growth. The latter came after the COVID 19-related decline in the comparison period but also due to a sizable transaction with a large customer in the reporting period.

Fixed-line service revenues grew on the back of the above-mentioned strong demand for higher speeds and exclusive TV offers with sport content but also due to the strong performance of the solution and connectivity business, especially related to IT and security services. Successful upselling in the broadband and TV segment contributed strongly to the ARPL increase.

Mobile service revenues demonstrated strong growth in the reporting year, benefiting from the continued demand for mobile WiFi routers and an effective upselling customers to the higher-end tariffs as well as the partial rebound of roaming revenues amidst the stronger tourism season compared to the last year. Together, that also resulted in a higher ARPU.

EBITDA growth of 13.4% in the reporting year came as a result of the successful translation of service revenues, despite higher core OPEX. While equipment margin remained stable, core OPEX increase was mainly driven by higher content and license costs, elevated electricity costs as a consequence of energy market disruptions and slightly higher workforce costs. That was mitigated by lower bad debt and lower network maintenance costs. Depreciation and amortization expenses were slightly below the prior year level, leading all together to the strong operating income growth of 39.5% in the reporting period.

Segment Croatia

Throughout most of financial year 2021, the market environment in Croatia remained competitive and mobile network operators offered propositions with attractive hardware and higher subsidies. At the beginning of the year, A1 Croatia focused on enriching mobile portfolio with additional streaming services, offering a more-for-more concept. The mobile market was shaped by continued strong demand for mobile WiFi routers and a gradual return of roaming traffic since

mid-of the year as almost record number of tourists visited the country during the summer season. In July 2021, A1 acquired spectrum in 700 MHz, 3.6 GHz and 26 GHz and the first 5G propositions complemented the existing company's mobile portfolio. The fixed-line business was characterized by successful upselling to high-bandwidth products and a solid demand for exclusive TV content.

Total revenues rose by 5.6% in 2021 (+6.5% excl. FX and one-off effects) driven by strong mobile service revenue growth as well as higher equipment revenues. The latter is due to the higher number of handsets sold, especially in the first half of the year, in line with the market dynamics and slightly higher subsidies provided.

Fixed-line service revenues remained stable as successful upselling activities to higher-speed broadband products compensated for voice losses and a shift of customers from bitstream access to the mobile internet offers. Exclusive TV offers featuring sport content contributed to the attractiveness of bundle offers. ARPL increased slightly due to the above-mentioned upselling to advanced broadband products.

Mobile service revenues grew substantially in the year under review, owing to the solid performance of the mobile core business, ongoing strong demand for mobile WiFi routers as well as a partial rebound of visitor roaming traffic from tourists that came after the strong tourism season. As a result, ARPU also trended upwards.

The comparison period benefited from the above-mentioned positive one-off effects (EUR 4.2 mn in other operating income, EUR 8.4 mn in EBITDA). Nevertheless, EBITDA increased by 8.6% (+15.3% excl. FX and one-off effects) in the year under review. The strong mobile service revenue growth more than compensated for higher total costs and expenses. The latter increased due to higher equipment costs and positive one-off effects of EUR 4.2 mn in the comparison period. Equipment costs increased due stronger equipment sales in the year under review as well as higher subsidy per device provided, which also impacted the equipment margin. Increased advertising and commission expenses in the reporting period were mitigated by lower content costs and improved bad debt. Depreciation and amortization expenses declined only slightly compared to the last year, while operating income rose substantially by 35.1% in 2021.

Segment Belarus

In Belarus, positive operational trends continued also in 2021 and A1 benefited from the demand for its attractive convergent offers and the growing subscriber base. In the mobile business, the focus was on the retention and the upselling of existing customers, while upselling to multi-play offers and growing demand for ICT products and services characterized the fixed-line business. Solid operational performance was somewhat overshadowed by the FX development, especially in the first half of the year. While macro uncertainties prevailed, the Belarusian ruble appreciated against the euro since the beginning of the year 2021 (+9.9%), period-average performance showed a depreciation of 7.2% year-on-year. The government

increased the corporate income tax rate for telecommunication companies from 18% to 30%, effective from January 2021 until the end of 2022. The inflation rose during the year and stood at 9.97% at the end of 2021. In June and December 2021, the European Union imposed wide-ranging economic sanctions targeting main export industries and access to financing. The imposed sanctions did not have any significant direct impact on A1 Belarus in the year under review. At the same time, it should be noted that macroeconomic uncertainties remain with certain risks, such as increased inflation or stronger pressure on the Belarusian currency.

Total revenues increased by 4.2% in the reporting year, driven by higher equipment and higher service revenues. Equipment revenues increased due to elevated handset sales throughout the year and positive effects stemming from several ICT projects realized lately in the year. Service revenue growth was mainly driven by the fixed-line business and was additionally supported by pricing measures. Excluding FX effects, total revenues increased by 12.4%.

Mobile service revenues increased on an operational level (stable in EUR) as successful upselling activities to higher-end tariffs, growing mobile subscriber base as well as the price adjustments implemented in the third quarter of 2020, compensated for a decrease in visitor roaming. These developments also led to the higher ARPU in the year under review.

Fixed-line service revenues increased in the reporting year, owing to the solid traction of the solution and connectivity business, the above-mentioned upselling to multi-play offers as well as inflation-linked price increases implemented in August 2021 for residential and in October 2021 for business customers. ARPL also rose in the reporting period, mainly due to the upselling and the pricing measures.

EBITDA was higher by 4.4% compared to the previous year, as higher service revenues and positive equipment margin more than compensated for higher corporate network costs and higher workforce costs. Beneficial to the core OPEX, however, were lower taxes and use of rights and improved bad debt. The equipment margin improved mainly due to mobile hardware portfolio expansion. Excluding FX effects, EBITDA grew by 12.6%. Depreciation and amortization expenses declined slightly, which all together resulted in a solid operating income growth of 11.9%.

Other segments

In 2021, A1 in Slovenia saw another year with a broadly unchanged, still-competitive market environment. In the fixed-line business, A1 redesigned its tariff propositions at the beginning of the year to include, among other things, higher broadband speeds, which had positive effects on the RGU base growth throughout the year. In April 2021, the company acquired frequency spectrum in the 700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz, and 26 GHz for a total of EUR 43.6 mn, and soon after started to offer its 5G experience to its customers in the five biggest cities in Slovenia. Total revenues increased by 2.4% as strong equipment sales, which peaked especially in the first quarter of 2021, more than compensated for slightly lower service revenues. While fixed-line service revenues grew due to the growing subscriber base and successful upselling activities, mobile service revenues declined mainly due to lower inter-connection revenues. Total costs and expenses increased in the reporting period due to higher equipment costs, increased maintenance and higher workforce costs. In the comparison period, total costs and expenses were impacted by the negative one-off effect in the amount of EUR 2.2 mn. In total, EBITDA increased by 3.1% (-0.7% excl. one-off effects) in the year under review. Depreciation and amortization expenses increased, which altogether resulted in 6.6% lower operating income compared to the previous year.

In Serbia, mobile market was shaped by increasing demand for bundles with unlimited voice and higher data allowances as well as strong appeal for mobile WiFi routers, with the latter somewhat abating towards the year end. A1 was again successful in attracting customers with its NEO tariff portfolio and monetizing the above-mentioned demand. On the back of these trends and the partial rebound of roaming, total revenues increased by 10.2% and together with the positive equipment margin more than compensated for higher core OPEX. That led to a strong EBITDA growth of 16.5% in the reporting year (+19.1% excl. one-off effects). Core OPEX increased due to higher advertising and commission expenses as well as higher workforce costs. Depreciation and amortization expenses declined slightly compared to the previous year. All that led to a strong operating income growth of 49.7% in the year under review.

In North Macedonia, the development in the mobile business was characterized by solid demand for mobile WiFi routers and the more-for-more concept with increased data volumes. Attractive convergent offers and demand for higher broadband speeds continued to shape the fixed-line business. Total revenues grew by 10.4% driven by higher service revenues both in the mobile and the fixed-line business as well as higher equipment revenues. Mobile service revenues increased due to growing subscriber base, demand for mobile WiFi routers as well as partial roaming rebound, while fixed-line service revenues increased on the back of successful upselling to high-bandwidth products and growing subscriber base. EBITDA rose by 8.5% in the year under review, as higher

revenues more than compensated for increased total costs and expenses. The latter increased mainly due to higher equipment costs, higher advertising expenses as well as slightly higher workforce costs. Depreciation and amortization expenses were lower compared to the previous year, while operating income increased by 33.4% in the year under review.

Revenues

in EUR million	2021	2020	Change in %
Austria	2,677.6	2,622.1	2.1
Bulgaria	574.1	513.8	11.7
Croatia	452.0	428.1	5.6
Belarus	419.6	402.6	4.2
Slovenia	209.9	205.0	2.4
Serbia	315.3	286.2	10.2
North Macedonia	134.6	121.9	10.4
Corporate & other, eliminations	-34.8	-30.3	n. m.
Total revenues	4,748.3	4,549.4	4.4

Service revenues

in EUR million	2021	2020	Change in %
Austria	2,369.3	2,317.3	2.2
Bulgaria	443.9	402.3	10.3
Croatia	379.4	359.0	5.7
Belarus	294.1	287.9	2.2
Slovenia	154.8	155.1	-0.2
Serbia	239.5	214.1	11.9
North Macedonia	107.1	98.6	8.7
Corporate & other, eliminations	-31.7	-29.7	n. m.
Total service revenues	3,956.5	3,804.5	4.0

Mobile service revenues

in EUR million	2021	2020	Change in %
Austria	979.8	940.0	4.2
Bulgaria	293.7	271.0	8.4
Croatia	253.7	233.4	8.7
Belarus	242.3	242.3	0.0
Slovenia	111.8	112.8	-0.9
Serbia	229.1	205.7	11.4
North Macedonia	82.3	75.0	9.7
Corporate & other, eliminations	-11.6	-9.1	n. m.
Total mobile service revenues	2,181.1	2,071.1	5.3

Detailed figures

Information on alternative performance measures

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2021 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, 2021 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.

Fixed-line service revenues

in EUR million	2021	2020	Change in %
Austria	1,389.5	1,377.3	0.9
Bulgaria	150.2	131.3	14.4
Croatia	125.7	125.6	0.0
Belarus	51.8	45.6	13.8
Slovenia	43.1	42.3	1.8
Serbia	10.4	8.4	23.3
North Macedonia	24.9	23.6	5.4
Corporate & other, eliminations	-20.1	-20.6	n.m.
Total fixed line service revenues	1,775.4	1,733.5	2.4

Other operating income

in EUR million	2021	2020	Change in %
Austria	50.6	48.7	4.0
Bulgaria	6.1	4.5	35.8
Croatia	5.3	10.2	-48.5
Belarus	14.2	13.3	6.9
Slovenia	4.6	3.8	21.7
Serbia	4.1	6.1	-32.2
North Macedonia	0.8	0.6	35.1
Corporate & other, eliminations	-3.3	-1.6	n.m.
Total other operating income	82.4	85.5	-3.7

EBITDA

in EUR million	2021	2020	Change in %
Austria	991.1	936.7	5.8
Bulgaria	218.3	192.4	13.4
Croatia	155.7	143.4	8.6
Belarus	180.5	172.8	4.4
Slovenia	60.5	58.7	3.1
Serbia	102.1	87.6	16.5
North Macedonia	46.1	42.5	8.5
Corporate & other, eliminations	-48.2	-57.3	15.8
Total EBITDA	1,706.1	1,576.8	8.2
before restructuring	1,790.3	1,661.3	7.8

EBITDA after leases

in EUR million	2021	2020	Change in %
Austria	911.3	856.1	6.5
Bulgaria	190.7	165.1	15.5
Croatia	140.9	128.4	9.8
Belarus	168.9	159.8	5.7
Slovenia	41.8	40.5	3.2
Serbia	86.1	70.3	22.6
North Macedonia	39.9	36.1	10.5
Corporate & other, eliminations	-48.6	-57.8	15.9
Total EBITDA after leases	1,530.9	1,398.4	9.5

Depreciation and amortization

in EUR million	2021	2020	Change in %
Austria	549.7	523.0	5.1
Bulgaria	114.1	117.8	-3.1
Croatia	97.5	100.3	-2.7
Belarus	58.2	63.5	-8.4
Slovenia	47.1	44.3	6.2
Serbia	52.9	54.7	-3.4
North Macedonia	28.0	29.0	-3.1
Corporate & other, eliminations	5.1	5.3	-3.1
Total D&A	952.7	937.9	1.6

EBIT

in EUR million	2021	2020	Change in %
Austria	441.4	413.7	6.7
Bulgaria	104.1	74.6	39.5
Croatia	58.2	43.1	35.1
Belarus	122.4	109.3	11.9
Slovenia	13.5	14.4	-6.6
Serbia	49.2	32.9	49.7
North Macedonia	18.1	13.6	33.4
Corporate & other, eliminations	-53.4	-62.6	14.8
Total EBIT	753.4	638.9	17.9

Capital expenditures

in EUR million	2021	2020	Change in %
Austria	496.0	456.4	8.7
Bulgaria	102.9	57.2	80.0
Croatia	96.1	49.6	93.7
Belarus	40.4	26.8	50.8
Slovenia	78.8	17.7	n. m.
Serbia	48.2	26.9	79.3
North Macedonia	24.3	12.7	91.1
Corporate & other, eliminations	4.7	4.1	14.1
Total capital expenditures	891.5	651.4	36.8

Capital expenditures: tangible

in EUR million	2021	2020	Change in %
Austria	387.3	322.0	20.3
Bulgaria	76.1	46.5	63.6
Croatia	67.4	41.0	64.2
Belarus	28.1	19.1	47.2
Slovenia	30.0	14.9	101.4
Serbia	41.7	24.2	72.1
North Macedonia	17.2	10.3	67.8
Corporate & other, eliminations	2.5	0.7	240.2
Total capital expenditures—tangible	650.5	478.8	35.9

Capital expenditures: intangible

in EUR million	2021	2020	Change in %
Austria	108.7	134.4	-19.2
Bulgaria	26.9	10.7	151.1
Croatia	28.7	8.6	234.4
Belarus	12.3	7.7	59.7
Slovenia	48.8	2.8	n. m.
Serbia	6.5	2.7	144.0
North Macedonia	7.1	2.5	188.1
Corporate & other, eliminations	2.1	3.3	-36.2
Total capital expenditures—intangible	241.0	172.6	39.6

Free Cash Flow

in EUR million	2021	2020	Change in %
EBITDA	1,706.1	1,576.8	8.2
Restructuring charges and cost of labor obligations	91.5	92.4	-0.9
Lease paid (principal, interest and prepayments)	-171.5	-177.7	3.5
Income taxes paid	-106.5	-65.2	-63.3
Net interest paid	-77.8	-81.6	4.6
Change working capital and other changes	31.3	-92.9	n. m.
Capital expenditures	-891.5	-651.4	-36.8
Free Cash Flow (FCF) before social plans	581.7	600.4	-3.1
Social plans new funded ¹⁾	-94.4	-96.7	2.4
FCF after social plans new	487.3	503.7	-3.3

Reconciliation table	2021	2020	Change in %
FCF after social plans new	487.3	503.7	-3.3
Social plans new funded ¹⁾	94.4	96.7	-
Total social plans paid	-96.8	-98.5	-
FCF—as reported prior to 2020	484.9	501.9	-3.4

1) Cost for social plans granted after January 1, 2019.

Mobile subscribers

in thousands	2021	2020	Change in %
Austria	5,072.5	5,061.2	0.2
Bulgaria	3,745.4	3,752.8	-0.2
Croatia	1,990.1	1,936.3	2.8
Belarus	4,938.0	4,916.1	0.4
Slovenia	711.9	707.1	0.7
Serbia	2,441.2	2,350.4	3.9
North Macedonia	1,095.3	1,074.7	1.9
Total wireless subscribers¹⁾	22,765.5	21,864.2	4.1

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

RGUs

in thousands	2021	2020	Change in %
Austria	3,038.8	3,117.3	-2.5
thereof broadband	1,350.3	1,386.8	-2.6
Bulgaria	1,121.2	1,081.0	3.7
Croatia	681.5	671.9	1.4
Belarus	668.6	627.4	6.6
Slovenia	220.4	214.8	2.6
North Macedonia	351.2	337.9	3.9
Total RGUs	6,081.8	6,050.3	0.5
thereof broadband	2,598.1	2,553.3	1.8

Mobile churn

in %	2021	2020
Austria	1.3	1.2
Bulgaria	1.4	1.4
Croatia	2.1	1.9
Belarus	1.1	1.1
Slovenia	1.0	1.1
Serbia	2.4	2.2
North Macedonia	1.5	1.4

EBITDA per segment

adjusted for FX, one-off effects and restructuring charges

in EUR million	2021	2020	Change in %
Austria	1,075.3	1,021.2	5.3
Bulgaria	218.3	192.4	13.4
Croatia	155.5	134.9	15.3
Belarus	194.6	172.8	12.6
Slovenia	60.5	60.9	-0.7
Serbia	101.5	85.2	19.1
North Macedonia	46.1	42.5	8.4
Corporate & other, eliminations	-48.2	-57.3	n. m.
Total adjusted EBITDA	1,803.7	1,652.7	9.1

Note: The prior-year figures for 2020 are not comparable with the figures published in the Management Report 2020, as the respective figures are only adjusted for this year's FX effect in the current reporting period.

Group EBITDA

adjusted for FX, one-off effects and restructuring charges

in EUR million	2021	2020	Change in %
EBITDA	1,706.1	1,576.8	8.2
FX translation effect	13.9	0,0	n. a.
One-off effects	-0.6	-8.6	93.4
Restructuring charges	84.2	84.5	-0.4
EBITDA—excl. FX-, one-off effects and restructuring charges	1,803.7	1,652.7	9.1

Note: The prior-year figures for 2020 are not comparable with the figures published in the Management Report 2020, as the respective figures are only adjusted for this year's FX effect in the current reporting period.

Austria EBITDA

adjusted for one-off effects and restructuring charges

in EUR million	2021	2020	Change in %
EBITDA	991.1	936.7	5.8
One-off effects	0.0	0.0	n. a.
Restructuring charges	84.2	84.5	-0.4
EBITDA excl. one off effects and restructuring charges	1,075.3	1,021.2	5.3

Group EBITDA after leases

adjusted for FX, one-off effects and restructuring charges

in EUR million	2021	2020	Change in %
EBITDA after leases	1,530.9	1,398.4	9.5
FX translation effect	13.9	0.0	n. a.
One-off effects	-0.6	-8.6	93.4
Restructuring charges	84.2	84.5	-0.4
EBITDA after leases—excl. FX-, one-off effects and restructuring charges	1,628.4	1,474.3	10.5

Note: The prior-year figures for 2020 are not comparable with the figures published in the Management Report 2020, as the respective figures are only adjusted for this year's FX effect in the current reporting period.

ARPU

in EUR	2021	2020	Change in %
Austria	16.2	15.6	4.1
Bulgaria	6.5	6.0	9.1
Croatia	10.6	10.3	3.4
Belarus	4.1	4.1	-1.3
Slovenia	13.2	13.4	-1.6
Serbia	8.0	7.4	7.4
North Macedonia	6.3	5.8	7.4
Group ARPU	8.1	8.1	1.0

ARPL

in EUR	2021	2020	Change in %
Austria	33.3	32.6	2.2
Bulgaria	14.8	13.7	7.9
Croatia	32.0	31.6	1.4
Belarus	6.2	5.8	6.3
Slovenia	31.9	33.1	-3.6
Serbia	n. a.	n. a.	n. a.
North Macedonia	11.1	10.9	1.8

ARPL-relevant revenues (in EUR million)	2021	2020	Change in %
Austria	734.6	753.9	-2.6
Bulgaria	98.0	90.4	8.5
Croatia	107.2	107.2	0.0
Belarus	29.1	26.6	9.5
Slovenia	35.3	34.3	3.1
Serbia	n. a.	n. a.	n. a.
North Macedonia	20.9	20.1	3.8

Belarus: Key Financials in EUR and BYN

in EUR million	2021	2020	Change in %
Total revenues	419.6	402.6	4.2
Total costs and expenses	-239.1	-229.8	-4.1
EBITDA	180.5	172.8	4.4

in BYN million	2021	2020	Change in %
Total revenues	1,260.9	1,122.2	12.4
Total costs and expenses	-718.4	-640.4	-12.2
EBITDA	542.5	481.8	12.6

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 2021, 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.

	2021	2020	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 2021 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.⁹⁾ 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%.

9) 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 ²⁾
Karin Exner-Wöhrer (1971)	27.05.2015	2023 ²⁾
Carlos García Moreno Elizondo, first Deputy Chairman (1957)	14.08.2014	2023 ²⁾
Peter Hagen (1959)	25.05.2016	2024 ³⁾
Edith Hlawati (1957), Chair	28.06.2001 to 29.05.2013, reappointed on 30.05.2018	2023 ²⁾
Carlos M. Jarque (1954)	14.08.2014	2022 ¹⁾
Peter F. Kollmann (1962)	20.09.2017	2024 ³⁾
Daniela Lecuona Torras (1982)	30.05.2018	2022 ¹⁾
Christine Catasta (1958)	06.09.2021	2022 ¹⁾
Oscar Von Hauske Solís (1957)	23.10.2012	2023 ²⁾

Members of the Supervisory Board delegated by the Staff Council

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 2021 financial year (June 27, 2022)

2) The term of office expires at the end of the Annual General Meeting for the 2022 financial year (provisionally 2023)

3) The term of office expires at the end of the Annual General Meeting for the 2023 financial year (provisionally 2024)

Changes to the Management Board and the Supervisory Board

The Supervisory Board appointments of Peter Kollmann and Peter Hagen were extended at the Annual General Meeting on May 14, 2021. Following the resignation of Thomas Schmid from the Supervisory Board, Christine Catasta was elected to the Supervisory Board at the Extraordinary General Meeting on September 6, 2021.

Cash use policy

The A1 Telekom Austria Group pursues a conservative financial strategy centered on a solid investment grade rating. This orientation ensures a solid balance sheet structure with a moderate leverage (net debt to EBITDA) as well as financial flexibility for investments and unimpeded access to debt capital markets. In the reporting year 2021, the A1 Telekom Austria Group's corporate ratings were confirmed by Moody's (Baa1; outlook "stable") and Standard & Poor's (BBB+; outlook "stable"). Currently the leverage ratio (net debt to EBITDA excluding leases) is 1.3x.

The dividend policy aims at a reliable pay-out with sustainable growth and long-term stability:

In 2016, América Móvil and Österreichische Beteiligungs AG (ÖBAG) set a new minimum dividend of EUR 0.20 per share, which is expected to grow in line with the operational and

financial development of the Group. In view of the solid results, the dividend has been continuously increased since then and most recently stood at EUR 0.25 for the 2020 financial year.

The Management Board plans, after obtaining an approval from the Supervisory Board, to propose to the shareholders at the Annual General Meeting to distribute a dividend of EUR 0.28 (2020: EUR 0.25) per share from unappropriated retained earnings.

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 analyzes 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 macroeconomic, 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. 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 (on the growth side but also on the expenditure side).

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 effectiveness of countermeasures taken. 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

In 2021, there were no further negative effects from the COVID-19 pandemic. In terms of affected areas already in 2020, roaming results showed only a modest recovery compared to the previous year. In other risk areas, such as the collection risk, extensive state aid for companies ensured a stable environment. Experience in dealing with lockdowns, especially with regard to the routine of maintaining service and sales, has made it possible to scale back the tight control and reporting to some extent. With regards to the changes in the way of working, professionalized regulations on home office and physical presence at the workplace ensures sustainable high performance.

Due to the further mutations and the associated uncertainty, crisis teams remain in operation and in regular exchange, while information and decision-making systems remain active and could be quickly deployed. Pandemic management will subsequently become a standard in business continuity management and will also be implemented as a standard for the response organization in the near future.

Technical risks from the pandemic related to managing 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 potential operational risks remained supply chain disruption and shortages in the semiconductor, with limited availability of hardware and the associated services (and revenues) as a risk. The company is countering the risk by establishing business relationships with alternative suppliers and adding new producers.

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 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

Compared with the previous year, the expected declining effects of the COVID-19 pandemic have already been taken into account to a large extent in our corporate planning for 2021. Apart from the remaining lagging effects of the expiry of economic aid and new lockdowns, risk management focused more strongly on the known risks and opportunities of our business activities. The dedicated catastrophe management system remained in place for the entire year in 2021 and will only be fully integrated in the event of a sustained downturn or incorporated into standard processes as part of the expansion of business continuity management.

Macroeconomic risks arise as a result of development of the economic situation in the A1 Telekom Austria Group's markets and causal effects (for example, rising inflation has an effect on exchange rates), while economic policy conflicts (e. g. punitive tariffs, suspension of deliveries, production bottlenecks) 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, the A1 Telekom Austria Group mitigates potential bottlenecks with the help of multi-vendor strategy and geo-redundant sourcing.

There is a risk that traffic volume growth will be insufficient to compensate for these price declines, which new technologies will be marketed without a premium, and that sustainable volume growth will not lead to any increase in revenue due to changes in forms of working and learning.

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. The competition due to mobile virtual network operators (MVNOs) also remains a risk factor. MVNOs can offer their services without a dedicated infrastructure and the considerable investments involved, thereby allowing them to participate rapidly in 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

One challenge in the telecommunications industry is the ever shorter intervals at which companies have to adapt their offerings to include new services and products. Cloud services, over-the-top services, and machine-to-machine 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.

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 certain 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 have a negative financial impact.

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, uncertainties that could have financial implications remain.

Budget and business plan risks

The business plan includes an assessment of the planning assumptions and the impact of the external environment. The lower results from roaming due to the COVID-19 pandemic are already included in the plan. The economic impact on businesses and households, which was partly offset by government intervention in 2021, represents a residual risk for 2022 and subsequent years, which was discussed in the countries during the planning process and mapped in risk management. Opportunities include increased demand for data from residential customers and for VPN connections and collaboration platforms from business customers.

2. Non-financial risks

Environmental, social and governance-related (ESG) risks are another additional category of enterprise risk management (ERM), aimed at meeting the corresponding legal requirements as well as surveying and assessing corporate risks related to the sustainability strategy. In 2021, a climate scenario analysis was conducted for the first time to understand and assess the impact of more extreme scenarios (outlier scenarios) on our business model. Other topics that are already considered on an ongoing basis include digitalization, diversity, mobile communications and health, compliance with regard to data protection, and conduct. The company addresses relevant topics in terms of risk potential and risk avoidance.

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, poses a particular challenge 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. 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.

The 2020 financial year saw a push for digitalization in the workplaces and in education which continued in 2021, becoming further professionalized and thus also established on a sustainable basis. This significantly advanced the development and use of services. While A1 is actively shaping this development with innovations for education, proven activities in the area of traditional in-person training and education were still hit hard by COVID-19—especially for newcomers. The existing education and training program for helping at-risk groups to use new media safely was switched from traditional group training to a virtual format, where possible, as the pandemic situation allowed.

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 continued to increase in 2021 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 pose risks for the A1 Telekom Austria Group's network infrastructure (ranging from rising average temperatures and high rainfall levels through to flooding, mudslides, etc.). For this reason, the A1 Telekom Austria Group conducted a climate scenario analysis for the first time in 2021 to look at the long-term developments in two future scenarios: a scenario with global warming of < 2°C (Paris scenario) and a comparative +4°C scenario. At the same time, different time periods were considered for the calculation of the impacts in both scenarios. While there are no significant differences in the short-term, five-year estimate, the long-term comparison (up to 30 years) of the two scenarios naturally revealed greater differences in the financial impact. The year 2020 was used as the base year in each case. Naturally, these differences over such longer period of time are subject to great uncertainty. It can be also assumed that, depending on the actual development, corresponding mitigating measures will be introduced. Irrespective of this, A1 Telekom Austria is actively committed to climate protection and continuously observes regional developments in order to be able to ensure that it can initiate measures to protect its infrastructure as necessary. In addition, the impact of this risk category on the Group's finances and the customer experience has been extremely marginal 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 there is an increased focus on measures in this regard.

On the tax risk side, an internal review of tax issues was conducted every quarter with all national companies in order to identify potential tax risks and initiate measures where necessary. An external review with a report to the Group tax department is carried out in the fourth quarter. No significant issues relating to tax risks were reported in 2021.

With regard to exchange rate risks, in financial year 2021 there was a positive effect from the appreciation in Belarus on the currency at the closing rate at the end of the year, while the effect in the income statement was still negative in total (basis for this is the average foreign currency exchange rates).

As in 2020, billing and receivables management was a focus during the year and will continue to be monitored as government support services expire in 2022.

4. Technical risks

This category covers following areas of focus:

Operating risks

Maintaining availability and access to services 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 acts can all impair their quality and even lead to interrupted operations. 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.

IT changes and digital transformation

Modernizing and reducing complexity in the area of BSS (business support systems) and OSS (operations support systems) is a long-term challenge. Risk-based renewal of legacy infrastructure and software enables sustainable risk reduction, while overarching integration of platforms reduces complexity and ensures 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. Another risk component is the transformation of people, developing our skills and workforce to have the right setup for sustainable architecture change and implementation.

Data security risks

The A1 Telekom Austria Group places great emphasis on the implementation of data 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.

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 pre-requisites 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, 2021.

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 the full year 2022

In financial year 2021, A1 Telekom Group successfully further executed its strategy and leveraged the high demand for digital services and products. This resulted in strong revenue and EBITDA growth of 4.4% and 8.2% in 2021 in a year-on-year comparison. Both the strong increase in service revenues of 4.0% and the ongoing strong focus on operational efficiency benefitted the result. The Group monetized the strong demand for higher bandwidth products, the successful monetization of 5G and the demand for ICT solutions and connectivity stemming from business customers. However, the ongoing COVID-19 pandemic continued to weigh on roaming results, which in total only slightly recovered versus the comparison period (approx. ~0.5% in revenues and EBITDA), staying well below pre-pandemic levels.

For financial year 2022, there are positive signs that the overall economic situation maintains its good momentum with expected further growth in GDP rates also in 2022 after the recovery in 2021. In this context, uncertainties remain especially due to further mutations of the COVID-19 virus, which could also further limit travel activity and the chance of a further recovery in roaming results.

The market developments the Group saw in 2021 are likely to largely resume in financial year 2022. Developments in Austria are expected to be dominated by convergent offers and 5G value propositions while offers in the low value segment are centered on data packages. In this context, A1 in Austria continues focus on the high-value customer segment, also with its attractive 5G product portfolio. In the CEE countries as well, like last year, the focus is on the high-value customer segment and up- and cross-selling with a more-for-more approach. In 2022, the Group's fixed-line business should again benefit from demand for higher bandwidths, the rising significance of TV content and the fast-growing solutions and connectivity business. On top, Management expects the strong demand for mobile broadband solutions to last also in 2022. On the regulatory side, termination rate cuts will have a slight negative impact on revenues (<1%; no EBITDA impact).

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 growth through selective acquisitions should the opportunity arise. As in previous years, results are expected to be supported by ongoing measures to continuously enhance operating efficiency.

A1 Telekom Austria Group announced at the end of 2020 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. In 2021, the Group established an organization for its towers business, which is currently being developed, and carved out the towers in Bulgaria and Croatia (with no impact on the segments).

For financial year 2022, the management of A1 Telekom Austria Group expects to achieve growth in total revenues of close to 3% as well as a further increase in its EBITDA margin.

The development in Belarus could be negatively affected by the depreciation of the Belarusian ruble in 2022. The management of A1 Telekom Austria Group expects the currency to depreciate by 5-10% (period average) against the euro in 2022, 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 on Group-level to the ongoing development of its mobile infrastructure in 2022, especially in terms of the roll-out of 5G. The Group acquired respective spectrum in Bulgaria, Croatia and Slovenia in 2021 and thus will continue its 5G roll-out in 2022 in Austria and these three countries. In Austria, A1 will accelerate its smart fiber roll-out in 2022.

Overall, Group management expects capital expenditures before spectrum investments and acquisitions to increase by approximately 15% mn in 2022. The increase versus last year's CAPEX results mainly from higher investments in Austria dedicated to more fiber build, and to a lesser extent to more IT CAPEX and the 5G roll-out.

With regard to frequencies, tenders are envisaged by regulators for financial year 2022 in Slovenia (2.3 GHz, 20 MHz in 3.5 GHz (leftover from multi-band auction in 2021), 28 GHz), Serbia (700 MHz, 3.6 GHz) and Macedonia (700 MHz, 3.5 GHz). Further tenders by regulators are envisaged for financial year 2022/2023 in Bulgaria (700 MHz, 800 MHz, 1.8 GHz), Croatia (800, 900, 1.8 GHz, 2.1 GHz, 2.6 GHz, 3.6 GHz, and 26 GHz). This list of frequency allocation procedures does not allow any conclusions to be drawn regarding intentions to participate in such procedures. The A1 Telekom Austria Group does not comment on such matters.

The Management Board plans, after obtaining an approval from the Supervisory Board, to propose to the shareholders at the Annual General Meeting to distribute a dividend of EUR 0.28 (2020: EUR 0.25) per share from unappropriated retained earnings.

The A1 Telekom Austria Group pursues a conservative financial strategy centered on a solid investment grade rating in order to ensure financial flexibility. In the reporting year 2021, the A1 Telekom Austria Group's corporate ratings were confirmed by Moody's (Baa1; outlook "stable") and Standard & Poor's (BBB+; outlook "stable").

Vienna, February 4, 2022
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft