



Empowering digital life

Combined Annual Report 2020

| **A¹ Group**

Key figures of the A1 Telekom Austria Group

2020 2019 Change in %

Customer indicators (in '000)

RGUs ¹⁾	6,050.3	6,147.7	-1.6
of which broadband RGUs	2,553.3	2,542.2	0.4
of which TV RGUs	1,677.3	1,676.9	0.0
Mobile communication customers	21,864.2	21,288.1	2.7

Key financial data (in EUR mn)

Total revenues	4,549.4	4,565.2	-0.3
EBITDA ²⁾	1,576.8	1,560.6	1.0
EBITDA margin (in %)	34.7	34.2	-
EBITDA before restructuring	1,661.3	1,644.7	1.0
EBITDA before restructuring margin (in %)	36.5	36.0	-
Operating income	638.9	614.8	3.9
Net result	388.8	327.4	18.7
Free cash flow ³⁾	503.7	343.7	46.5
Net cash flow from operating activities	1,481.1	1,458.0	1.6
Capital expenditures ⁴⁾	651.4	879.8	-26.0
Net debt (excl. leases)	2,331.9	2,612.4	-10.7
Equity	2,793.8	2,645.9	5.6
Equity ratio (in %)	34.0	31.2	-
Net debt (excl. leases) / EBITDA after leases	1.7x	1.9x	-
Net debt (incl. leases) / EBITDA	2.0x	2.3x	-
Net gearing ratio (incl. leases)	1.14	1.34	-
Return on invested capital - ROIC ⁵⁾ (in %)	10.4	9.9	-
Operating ROIC ⁶⁾	10.1	10.4	-
Return on equity - ROE ⁷⁾ (in %)	14.3	12.9	-

Key share figures (in EUR)

Earnings per share	0.58	0.49	18.8
Free cash flow per share	0.76	0.52	46.5
Market capitalization as of December 31 (in EUR bn)	4.2	4.8	-13.0
Share price as of December 31	6.33	7.28	-13.0
Share price high	7.79	7.54	-
Share price low	5.26	5.90	-
Dividend per dividend-bearing share	0.25 ⁸⁾	0.23	8.7

Employee indicators

Full-time equivalent, as of December 31	17,949	18,344	-2.2
Share of female employees (in %)	40	39	-
Share of female managers (in %)	36	35	-

Environmental indicators

Total energy consumption (in MWh) ⁹⁾	876,598	855,346	2
Energy efficiency indicator (in MWh/terabyte) ⁹⁾	0.14	0.18	-22
Direct (scope 1) CO ₂ emissions (in tons) ^{9) 10)}	21,411	24,925	-14
Indirect (scope 2) CO ₂ emissions market-based (in tons) ^{9) 11)}	226,294	215,984	5
Share of renewable energy in electricity (in %) ⁹⁾	43	43	-
Recycling rate (in %)	69	62	-

Media literacy trainings

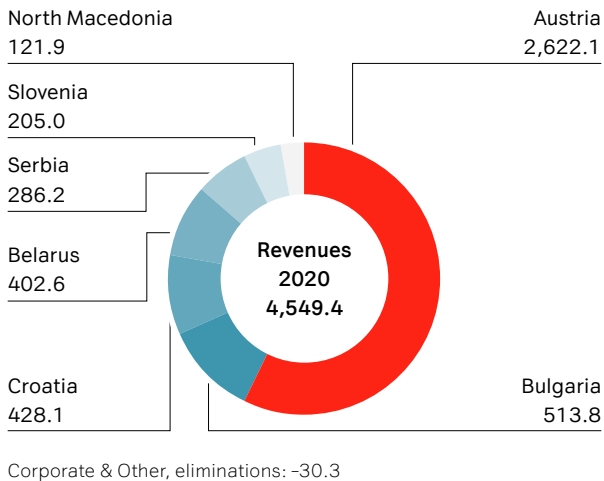
Free media literacy trainings	527	2,217	-76
Participation in free media literacy trainings	9,239	35,326	-74

1) "Revenue generating units" 2) EBITDA is defined as the net result excluding financial result, income tax, depreciation and amortization and, if applicable, impairment losses or reversal of impairments. 3) Please find calculation in the Group Management Report on page 91. 4) Excluding asset retirement obligations. 5) Total return on invested capital, calculated by net operating profit after income tax current period (NOPAT) divided by the average capital invested (excl. leasing liabilities). 6) Operational total return on invested capital, calculated by operating income divided by the average capital invested. Average invested capital including lease liabilities only since 2019 (IFRS 16) thereby impacting the 2018/2019 average invested capital. 2020 versus 2019 comparison therefore not meaningful. 7) Ratio of net result to the average equity employed; serves as an indicator which measures the yield on equity. 8) Proposal to the Annual General Meeting, which will take place on May 14, 2021. 9) Due to improved data quality, the key figures "Total energy consumption", "Energy efficiency indicator", "Direct Scope 1 CO₂ emissions", "Indirect Scope 2 CO₂ emissions market based" and "Share of renewable energy in electricity" were adjusted for 2019. 10) Direct emissions from combustion of fossil fuels without cooling agents. CO₂ in CO₂ equivalents including biogenic emissions and excluding compensation. 11) Indirect emissions from electric energy and district heating. CO₂ in CO₂ equivalents excluding compensation.

A1 Telekom Austria Group

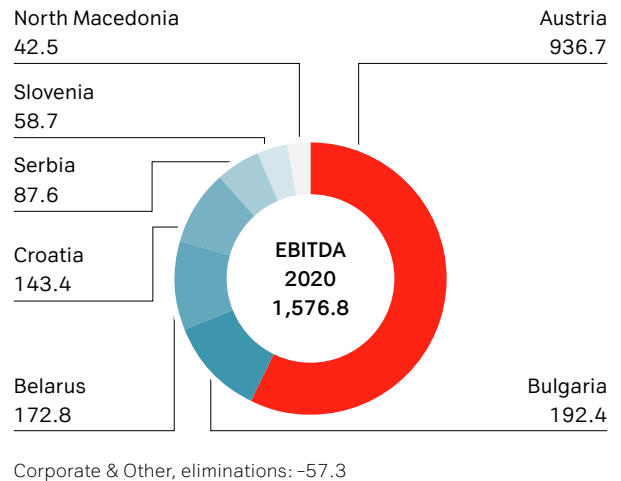
Total revenues by segment

in EUR mn / in 2020



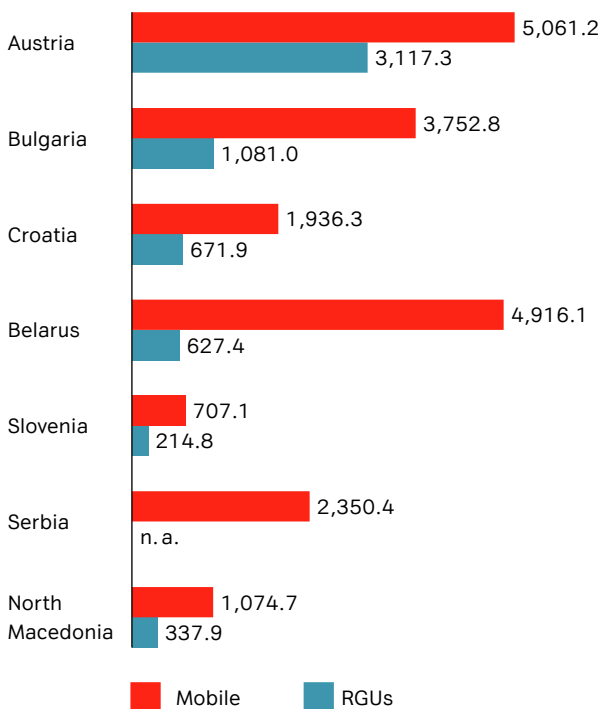
EBITDA by segment

in EUR mn / in 2020



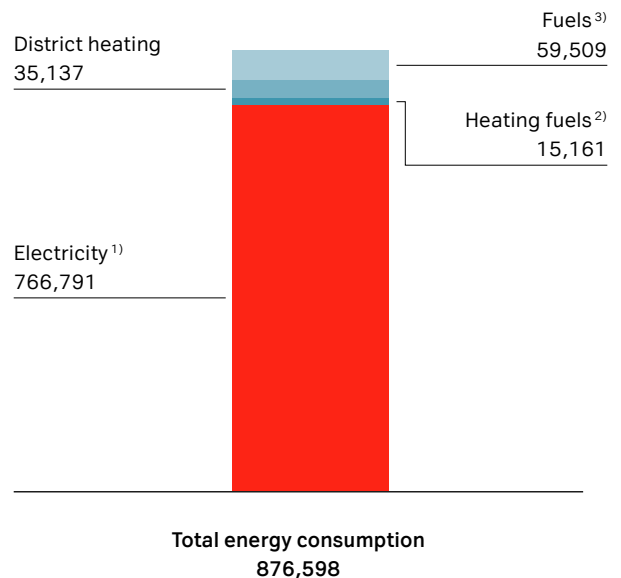
Mobile communication customers and RGUs by segment

in '000 / as of December 31, 2020



Total energy consumption by sources

in MWh / in 2020



- 1) Purchased and in-house production as well as diesel for (emergency)generators.
- 2) Includes oil and gas.
- 3) Includes diesel, petrol, CNG, LPG and natural gas without diesel for (emergency)generators.

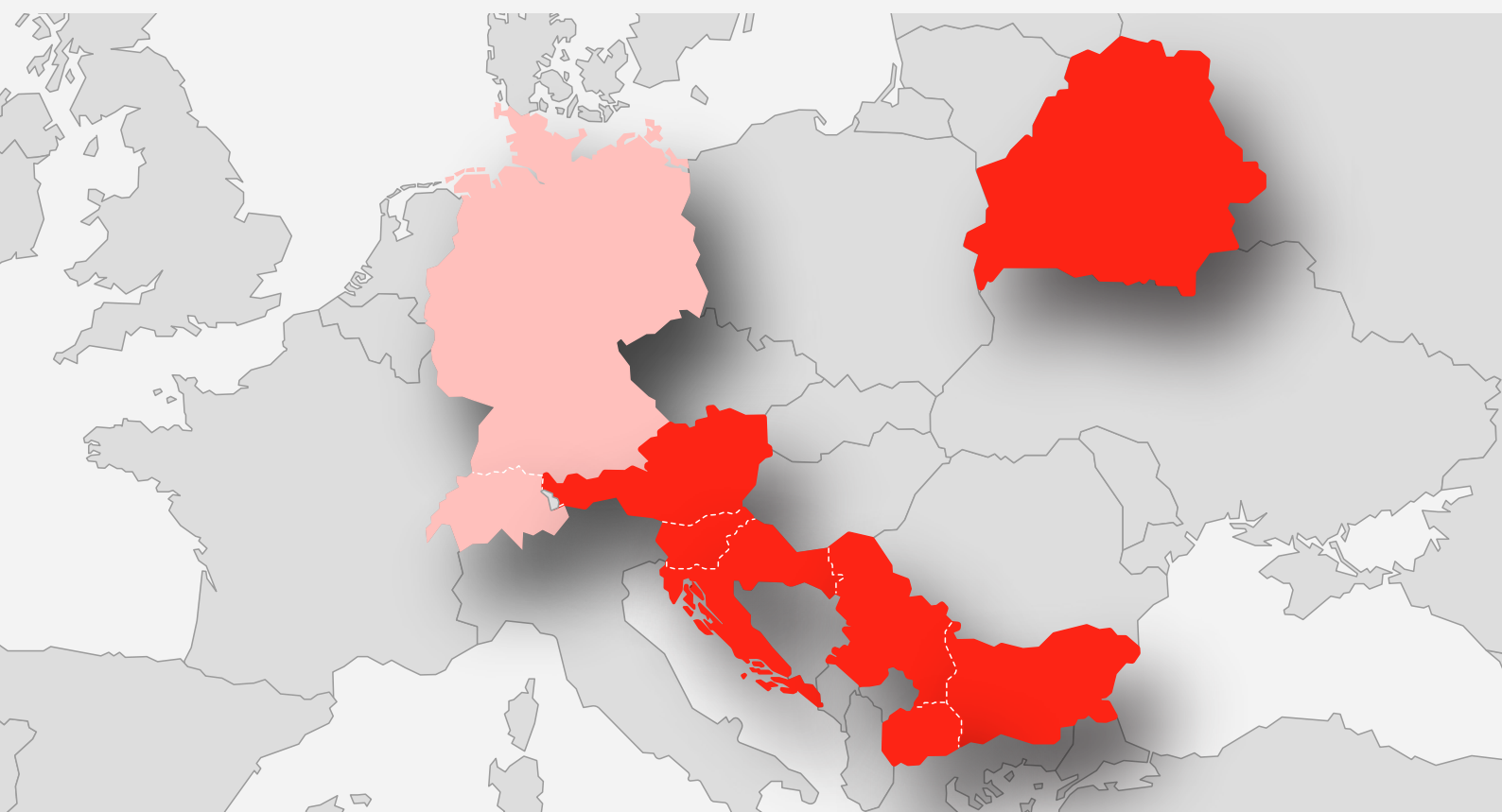
A1 Telekom Austria Group Overview

As a leading telecommunications provider in the CEE region, the A1 Telekom Austria Group provides its approximately 25 million customers in its seven core markets with products and services in areas including voice telephony, broadband Internet, mobile and home entertainment as well as smart home, data and IT solutions, wholesale, payment solutions and digital services. In the Group's six convergent markets, customers also benefit from tailor-made product combinations comprising fixed-line and mobile services. The group company A1 Digital advises companies in the core markets of A1 Telekom Austria Group as well as in Germany and Switzerland in questions of digital transformation with a focus on industry-specific applications in the field of Internet of Things (IoT), cloud-based products for the modern workplace as well as security solutions.

	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia
Mobile communication subscribers (in '000)	5,061.2	3,752.8	1,936.3	4,916.1	707.1	2,350.4	1,074.7
Market share mobile (in %)	37.5	38.1	37.0	41.9	28.5	25.5	50.6
Mobile market position	#1	#1	#2	#2	#2	#3	#1
RGUs (in '000)	3,117.3	1,081.0	671.9	627.4	214.8	-	337.9
Market share fixed-line broadband (in %)	52.1	23.5	25.0	7.2	13.9	-	25.6
Convergent since	2007	2011	2011	2016	2015	-	2014

Product portfolio for retail customers

Products	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia
Mobile	✓	✓	✓	✓	✓	✓	✓
Fixed-line	✓	✓	✓	✓	✓		✓
Convergent products	✓	✓	✓	✓	✓		✓
Internet	✓	✓	✓	✓	✓	✓	✓
TV (IPTV, Sat, DVB-T)	✓	✓	✓	✓	✓		✓
OTT TV	✓	✓	✓	✓	✓		✓
OTT Music	✓	✓	✓	✓	✓		✓
Smart Home	✓	✓	✓		✓	✓	✓



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Resilience and Trustworthiness

A reliable partner for customers, the economy, and society even when times are especially challenging.

2020 was dominated by the COVID-19 pandemic, which placed an extraordinary burden on practically all industries, companies, national economies and, in particular, the people behind them to an unexpected degree.

In this particularly challenging market environment, the A1 Telekom Austria Group proved to be a responsible and reliable partner to all of its stakeholders. Its consistently pursued vision with the strategic guiding principle, “Empowering digital life”, took on even greater importance in light of these developments.

More important than ever: Unleashing the potential of digitalization

The pandemic inevitably turned the spotlight on virtual, remote and flexible forms of business activity, cooperation and social interaction, for example in the course of mobile working, home schooling and e-government. This was accompanied by a significant increase in demand for transmission capacity and bandwidth and for innovative, digital business solutions. The A1 Telekom Austria Group’s physical and digital infrastructure again proved to be high-quality, reliable and future-proof.

The clear focus was and continues to be on the customers and the employees who work on their behalf to ensure security, stability, continuity, and positive options and prospects. The economic basis for this is provided by the Group’s solid operational and financial performance.

Robust business development in extraordinary conditions

Even in a market environment dominated by the COVID-19 pandemic, the A1 Telekom Group demonstrated its strength in 2020, recording stable development in terms of both financial and operating performance. Total revenues remained stable year-on-year at EUR 4,549 mn (-0.3%) despite the massive downturn in roaming revenues and exchange rate losses. EBITDA grew by 1.0% year-on-year to EUR 1,577 mn; among other things, this was due to the focus on operating efficiency.



Alejandro Plater
COO

Thomas Arnoldner
CEO

Siegfried Mayrhofer
CFO

Free cash flow increased to EUR 504 mn (EUR +160 mn) on the back of solid operating performance and, in particular, significant investment savings.

The number of mobile contract subscribers at the end of 2020 was 17.8 mn (+5.1%). In the fixed-line segment, there was a slight upturn in the number of revenue generating units (RGUs) excluding voice RGUs of 0.3% to 4.2 mn.

Telekom Austria’s share price declined by 13.0% year-on-year to close 2020 at EUR 6.33. This performance was in line with the benchmark ATX index in Austria (-12.8%) and ahead of the telecommunications sector index (-16.0%).

The Management Board intends to propose a dividend of EUR 0.25 per share for the financial year 2020 at the 2021 Annual General Meeting. For the financial year 2021, the management expects total revenues to increase by around 1% and is forecasting capital expenditures (excluding frequencies and acquisitions) of around EUR 800 mn.

Broadband as the backbone of digitalization: 5G and fiber

Although COVID-19 overshadowed almost every other topic around the world in 2020, January 2020 saw the start of 5G operations at the A1 Telekom Austria Group with the launch of A1's 5G network in Austria. Following the acquisition of spectrum in the 3.5 GHz range at the auction in March 2019 as well as in the multiband auction in September 2020 (1,500 MHz, 2,100 MHz) and supplemented by the existing spectrum, this frequency allocation provides an excellent basis for future 5G applications and capacity expansions. A1 already supplies around 25% of the Austrian population with 5G and the roll-out of 5G will be accelerated significantly in 2021. In combination with Austria's most extensive fiber network, which already covers more than 60,000 kilometers, the Group is bringing together the best technologies as part of its "A1 5Gigant".

5G allows hugely increased bandwidths of up to 1 Gbit/s at present and up to 10 Gbit/s in the future. 5G also offers the lowest response times (latency) of around one millisecond, making real-time communication solutions a reality. In addition, it will increase the maximum number of connected devices to one million per square kilometer. With 5G also offering greater energy efficiency, this serves to underline its importance for the "Internet of Things" (IoT). 5G can also speed up broadband coverage in rural areas considerably.

To ensure that the A1 Telekom Austria Group's high-performance broadband infrastructure remains future-proof and scalable, the Group invested in increasingly intelligent and powerful networks with capital expenditures (excluding frequencies) of EUR 586 mn in the year under review. However, this number came in substantially lower than in previous years due to CAPEX cuts following the COVID-19 outbreak as a measure of safeguarding financial flexibility. Together with a compelling customer experience and innovative use cases in areas such as Industry 4.0, smart cities or cyber security, the Group's networks have the potential to better combine growth and prosperity with an efficient, resource-conserving and hence more sustainable way of working and living.

Responsible attitude toward the environment, people and society

The A1 Telekom Austria Group played a key role in securing communication, contact and interaction even during the coronavirus crisis with its reliable physical and digital infrastructure

and, in particular, thanks to the essential commitment of its employees, not least of all those working in field and customer service roles and at its stores. The Group also adopts ambitious sustainability targets as part of its environmental, social and corporate governance (ESG strategy).

These ESG goals include a commitment to contributing to the achievement of global climate targets throughout the company. This means, for example, aiming for net carbon neutrality (including compensation) and an 80% reduction in the electricity consumed per terabyte of data volume transferred (compared with 2019) by 2030. The Science Based Targets initiative (SBTi) has confirmed that these CO₂ reductions are an active contribution towards the Paris Climate Agreement. At the same time, initiatives in the area of digital literacy will address a further 100,000 participants by 2023. The Group's ESG strategy also includes a clear focus on the advancement of women and gender equality throughout the Group and in management positions as well as a strong corporate compliance culture.

Proven, future-proof strategic orientation

The potential of digital technologies to open up positive options for the future will remain at the heart of the A1 Telekom Austria Group's corporate strategy: "Empowering digital life" (see "Vision and Strategy").

System-critical infrastructure such as that operated by the A1 Telekom Austria Group has demonstrated its critical importance in times like the ongoing COVID-19 pandemic in particular. The Group's infrastructure is built on its high-performance, future-proof fixed-line and mobile networks, data centers and the associated product and service portfolio, which ensure digital communication, continuity and interaction for companies and their employees, the public sector and private individuals even under significantly increased load. The Group takes active responsibility for the digital backbone of the economy and society. At the same time, it demonstrates its resilience to all of its stakeholders in the sense of stability, reliability and trustworthiness.

Our employees have made and continue to make a vital contribution to achieving this, even in the particularly challenging conditions that persist. We would like to express our gratitude to them, and we look forward to their continued commitment as we work to safeguard and further strengthen the A1 Telekom Austria Group in the future.

Reasons to Invest

Strong market positions to leverage growth opportunities from digitalization

- ▶ Mostly #1 or #2 positions
- ▶ Strong and reliable business in Austria, growth markets in CEE
- ▶ Successful upselling and data growth monetization
- ▶ High demand for ICT solutions

Top-quartile operational revenue and EBITDA growth rates within the peer group

- ▶ Outstanding track record of operational efficiency
- ▶ 1.9% operational revenue and 2.4% EBITDA CAGR in 2016–2020
- ▶ EBITDA margin and FCF expansion

Fostering more sustainable ways of living via digitalization with distinct ESG targets

- ▶ Targeting net zero CO₂ emissions by 2030
- ▶ Driving digital education
- ▶ Promoting diversity

Profound balance between value and growth reflected in sustainable dividend policy

- ▶ Reliable minimum dividend of EUR 20 cents since 2016
- ▶ Sustainable growth closely related to FCF CAGR (EUR 23 cents for 2019, EUR 25 cents for 2020)
- ▶ Net debt/EBITDA (pre-IFRS 16) ambition level of 1.5x (1.7x as of YE 2020) and solid liquidity position secured

Strong market positions in its main markets provide a unique foundation for **long-term growth** by leveraging the potential provided by ongoing digitalization. A1 operates mostly as **number one or number two player** in **three-player markets**. As an incumbent operator in its **home market Austria** and with a strong footprint in **CEE**, A1 differentiates itself through **best-in-class customer service and well-recognized network quality**. This translates into a strong track record in terms of the **monetization of the constantly rising demand for data and**

bandwidth. Valuable add-on products as well as market-relevant and efficiently invested **content** constitute another source of growth. In the **business customer segment**, the Group benefits from **providing a combination of connectivity and industry-specific solutions**, including growth areas like IoT, cloud, and cyber security services. Furthermore, the Group aims to **leverage the potential of data analysis** while strictly following a **digital trust** approach, i. e. handling data in a trustworthy way.

A1 Telekom Austria Group has proven itself a **top-quartile performer** in the sector for several years when it comes to **operational revenue and EBITDA growth**.

Digital transformation, also pushed within the company, is key for further increasing operational efficiency, which provides another source of strength.

This supports the **long-term EBITDA margin expansion and free cash flow growth** in a sustainable way. The “Digital First” approach focuses on **ongoing simplification and automation** in order to safeguard a **lean and efficient organizational structure**, increased flexibility, and **faster rollout cycles**.

The A1 Telekom Austria Group **actively assumes responsibility for people, society, and the environment**. The Group **aims to reduce its CO₂ emissions to net zero by 2030**. Improving energy efficiency by 80% helps to mitigate the impact from the sharp increase in data consumption. Clear sustainability goals are also defined to promote diversity and by

maintaining a best practice compliance management system. Besides that, the **inclusion of ESG targets** as well as of **long-term targets like ROIC in management remuneration** ensures a disciplined approach towards growth and value creation. This emphasizes the importance of actively taking responsibility to safeguard a more sustainable life.

And it also provides for a long-term maximization of the total shareholder return. This results in a **dividend policy** which is **sustainable and strikes a balance between value and growth**: While the minimum dividend of EUR 20 cents set in 2016 secures a reliable pay-out, the close correlation with FCF CAGR provides opportunities for continuing growth (EUR 23 cents for FY 2019, EUR 25 cents for FY 2020). Overall, it aims at **long-term stability**, with the dividend being well covered by FCF—also after spectrum investments.

The Group follows a conservative leverage approach in a sector comparison with the **ambitious level of**

1.5x net debt / EBITDA (both pre leases). A1 Telekom Austria Group can rely on undrawn committed credit lines of EUR 1.1 bn, resulting in a strong liquidity position. Maintaining a solid investment grade rating of BBB (S & P) and Baa2 (Moody's), with current ratings of BBB+ / Baa1 provides a reliable framework for every investment decision. The **M & A strategy prioritizes bolt-on acquisitions** in the existing footprint and expansion of the portfolio in the field of digital services. The dividend policy together with the **strong balance sheet structure** provide a **disciplined long-term approach to make room for future growth opportunities**.

Vision and Strategy

The potential of digital technologies for sustainable positive future opportunities continues to be the focus of the A1 Telekom Austria Group's corporate strategy.

The enormous importance of system-critical digital infrastructure such as that of the A1 Telekom Austria Group for economic and social development has not only been known since the COVID-19 crisis.

However, this pandemic has clearly underlined their importance. With its high-performance mobile and fixed networks as well as data centers and the applications based on this

infrastructure, the Group has underpinned the digital transformation of companies, the public sector, private customers and the society as a whole, a process that has been accelerated further by the COVID-19 pandemic.

Digital services have very quickly become an essential part of economic and social life during the crisis. For example, for innovative business models, mobile working, distance learning,

and e-government, and, of course, to stay in touch with family and friends.

In addition to its proven reliable physical and digital infrastructure, the employees of the A1 Telekom Austria Group, not least in the field and customer service or in the shops, made a significant contribution to ensuring communication and interaction even in times of “corona crisis”.

Far beyond providing the fundamental connectivity and bandwidth, the Group has once again proven itself to be a competent and trustworthy partner.

Empowering Digital Life

At the heart of the A1 Telekom Austria Group’s corporate strategy is the Group-wide common purpose “Empowering digital life”. This includes, in particular, helping to shape a sustainable future through technology. The Group actively assumes its ecological and social responsibility by promoting more efficient, resource-friendly, and thus more sustainable ways of working and living and has set itself ambitious goals like reaching net carbon neutrality by 2030 (see “Environmental and Climate Protection”).

A1 Telekom Austria Group continues to consequently and successfully execute its corporate strategy, which is underpinned

by a significant improvement of its operational performance and a strengthened financial profile in recent years. Even during the COVID-19 pandemic, the Group showed resilient development in large parts of its business.

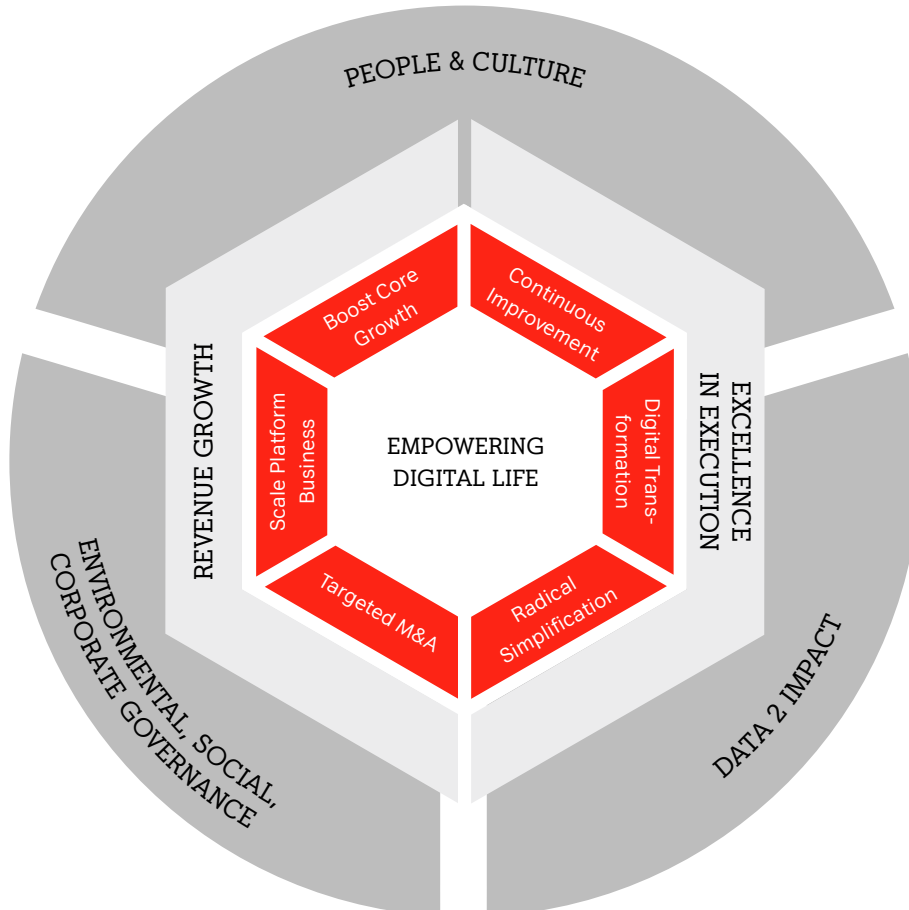
In the year under review, Telekom Austria sharpened its corporate strategy, while retaining the proven fundamental directions. While the Group continues to focus on further strengthening its core business, it is also targeting additional growth opportunities, for example through platform business, in order to obtain market potential from digital services via strong partnerships (see “Scale platform business”) or by efficiently unleashing the potential of data while maintaining the highest standards of data privacy and information security.

Additionally, the focus is on “Continuous improvement”, “Digital transformation”, and “Radical simplification” to ensure a future-proof operating model.

Corporate strategy

With a view to its growth strategy, the Group does not only rely on its leading role in the CEE region. As part of América Móvil, it can also count on the strength of one of the biggest telecommunications providers in the world. This offers synergies in areas such as purchasing and shared platforms (see “A1 Telekom Austria Group: Part of América Móvil”).

Corporate strategy



In pursuing its common purpose of “Empowering digital life”, the A1 Telekom Austria Group applies a corporate strategy based on two pillars: revenue growth and excellence in execution – supported by three strategy enablers “People & Culture”, “Environmental, Social & Corporate Governance” and “Data 2 Impact”.

Revenue growth

In striving for revenue growth, the corporate strategy is focused on three elements: boost core growth, scale platform business, and targeted M&A.

Boost core growth

The A1 Telekom Austria Group aims to boost core growth through sweating its assets and increasing products per customer as well as data-driven marketing and sales. A key feature to reach that goal is the excellent infrastructure that sets the Group apart and represents a competitive advantage. A key goal is to increasingly win over households that have already been reached technically as customers.

Convergence is another central link in ensuring an excellent customer experience and increasing customer loyalty. The A1 Telekom Austria Group already offers convergent services in six of its seven core markets. At the same time, it is focusing on targeted cross- and upselling to boost its core business, for example by attracting customers for higher bandwidths. Marketing automation helps to interact with customers at the right time via the right channel with the right content in order to drive significant uplift in customer experience and business value.

The Group is convinced that a superior end-to-end customer experience is the foundation for successfully pursuing its corporate strategy. Its offer ranges from attractive tariffs and product bundles to content, entertainment, and smart home solutions, as well as state-of-the-art ICT, cloud, security, and IoT solutions.

Scale platform business

The A1 Telekom Austria Group serves as a platform for digital services such as TV, cloud, security, and ICT solutions as well as in the field of the Internet of Things (IoT). In this context, the focus is on driving Industry 4.0 business and developing a platform for digital services. This allows shorter product launch cycles and increased synergies. The Group offers a gateway for its partners’ products, which reduces time and costs of product development and improves quality control at the same time.

It aims to be the preferred first point of contact and key partner for the digital transformation of companies. The A1 Telekom Austria Group’s connectivity and hard-to-replicate local assets such as strong customer relationships and sales channels form the solid basis of its platform business and the vision is to evolve from a connectivity provider to a digital ecosystem provider.

Solutions tailored to the respective market allow the Group to augment the customer experience and promote customer loyalty. The content offering is also playing an ever more important role. Therefore, it selectively invests in content rights and in-house production, but it also serves as a platform for third-party products.

A prime example of scaling platform business and the power of partnering is the development of the “A1 Xplore TV” platform, where several digital services are aggregated in one platform based on A1 Telekom Austria Group’s infrastructure and the services are delivered to a large customer base in its footprint.

Targeted M&A

Alongside measures for fostering organic growth, the A1 Telekom Austria Group will continue to expand its sphere of activity with targeted, value-accretive M&A activities in line with its conservative finance strategy. Its focus remains on in-market consolidation in its existing markets, pursuing its convergence strategy, and subsequently expanding into new geographical areas in CEE. Additionally, the Group is also expanding its portfolio and exploiting new growth areas in the field of digital services.

Excellence in execution

Operational excellence in the execution of the corporate strategy is at the heart of the Group’s transformation into a digital service provider. The Group has committed itself to greater efficiency, flexibility, security, and sustainability. The central tenets of this are continuous improvement, digital transformation, and radical simplification.

Continuous improvement

All structures, processes, and investment decisions are continuously evaluated, scrutinized, and improved – with the aim of optimizing operational efficiency. This includes challenging external expenses and partnering in areas where it makes sense in order to become more efficient every single day. The development of new skills also plays a key role in a constantly changing environment.

Digital transformation

Digital transformation is a central prerequisite for the future success of the A1 Telekom Austria Group and thus a key strategic issue. Therefore, the Group’s Digital Transformation Center of Excellence (CoE) drives digitalization both internally and externally in order to foster a mindset shift within the organization and successfully shape business trends. Customer Value Management enabled by data, enhancing digital channels, and digitalizing the customer experience are focus topics.

Radical simplification

Across all markets, the goal of the A1 Telekom Austria Group is to simplify and automate standardized processes. The optimization of internal processes is driven by simplifying, harmonizing, and automating processes using smart systems (e.g. chatbots, robotics). Big Data, analytics, and artificial intelligence are tools that lay the foundation for the Group-wide use of smart automation solutions by implementing a central data architecture and infrastructure. Implementing the new platform operating model and excelling in partnering are important targets to foster excellence in execution.

Strategy enablers

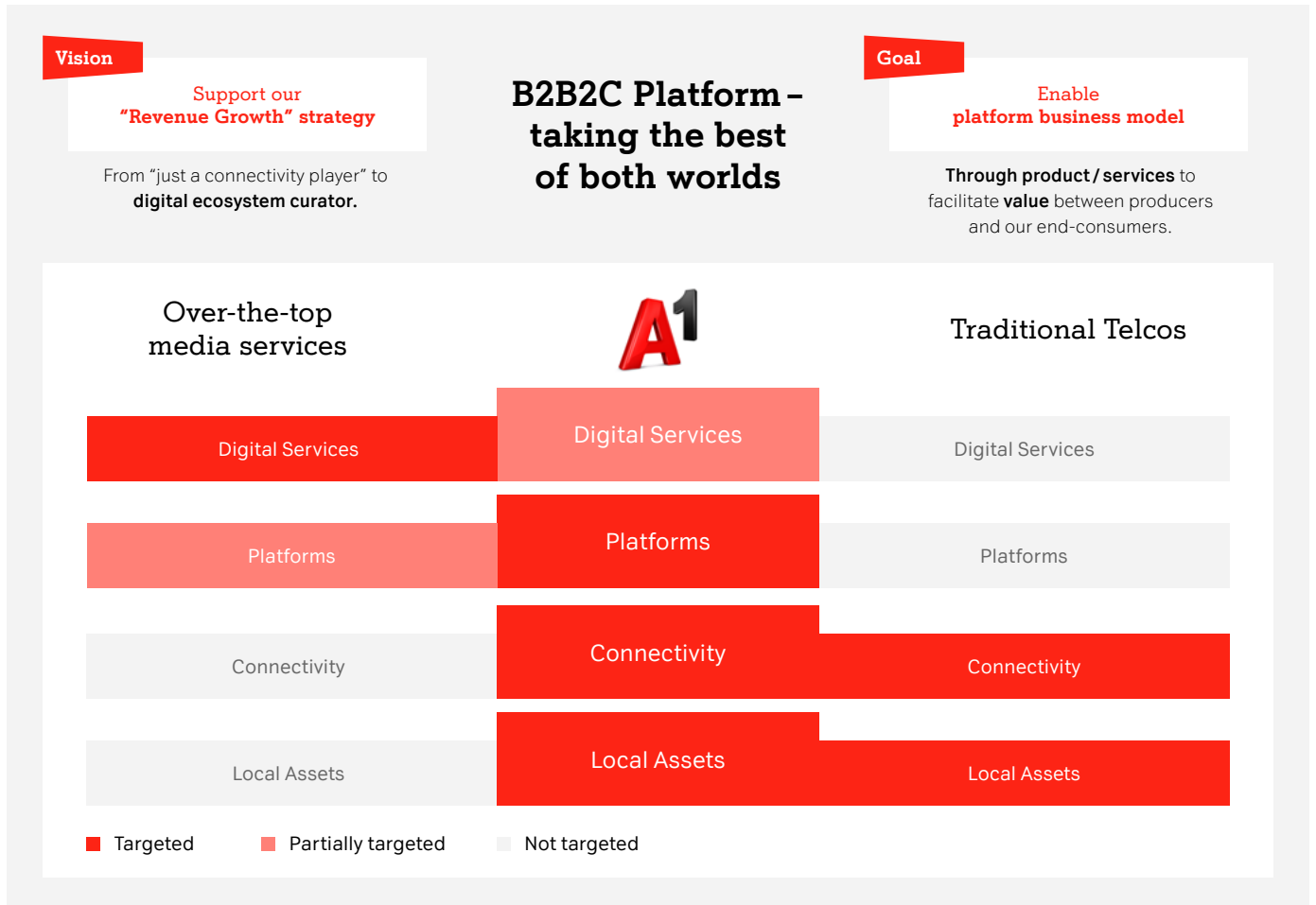


Strategy enablers

The A1 Telekom Austria Group is facing intense market dynamics, changing customer behavior, and rapid technological evolution. In order to ensure successful execution of the corporate strategy in this environment, the Group relies on three strategy enablers: “People & Culture”, “Environmental, Social & Corporate Governance”, and “Data 2 Impact”.

People & Culture

Within the next few years, people, corporate culture, and leadership will become more important compared with structural



factors such as organization and processes. Leadership will transform from manager decisions to team decisions, where employees take over more responsibilities. In this new ecosystem, an evolved culture is needed, moving away from a waterfall hierarchy towards agile setups.

To promote agility in the company, the Group is implementing new organizational setups that are more adaptive and cross-functional, while hierarchies are to be reduced. The cultural transformation will be supported by the definition of new roles and new ways of working.

Environmental, Social & Corporate Governance

A1 Telekom Austria Group's common purpose is "Empowering digital life". Contributing to shaping a sustainable future through technology has a crucial role to play in this respect. The Group actively assumes its ecological and social responsibility by

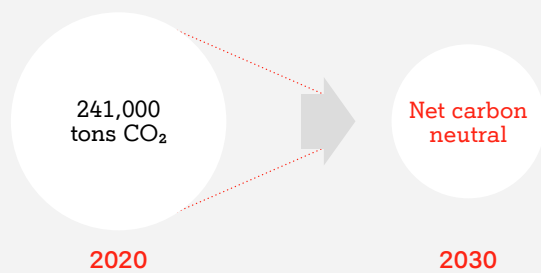
promoting more efficient, resource-friendly, and thus more sustainable ways of working and living. Environmental, Social & Corporate Governance (ESG) are seen as long-term value drivers that also entail economic benefits. For example, lower energy consumption reduces both environmental impact and costs.

The A1 Telekom Austria Group aligns its activities in order to support the United Nations' Sustainable Development Goals (SDGs; see "Sustainable Development Goals"), which were issued in 2015. The Group's sustainability strategy is derived from the materiality analysis last updated in 2019 (see "Materiality analysis") and seeks to leverage the potential of digitalization for the climate, people, and society while minimizing its own ecological footprint.

The ambitious ESG targets (see box "Clear objectives in pursuing the ESG strategy") are based on three pillars. A strong

Environmental, Social & Corporate Governance: Clear objectives in pursuing the ESG strategy

Environment ¹⁾



CO₂ emissions by 2030

- ▶ Reach net carbon neutrality by decreasing the own carbon footprint and gradually switching to energy from renewable sources.

Energy efficiency by 2030

- ▶ Increase energy efficiency by 80%.

Circular economy by 2030

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

Society ²⁾

Digital education by 2023

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

Governance

Diversity by 2023

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

Compliance

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

For information on target achievement and measures, see "ESG".

1) Targets based on 2019 figures.

2) In the period from 2020 to 2023.

commitment in the fight against climate change is forming the first pillar. In this context, the A1 Telekom Austria Group has set company-wide targets for the period up to 2030. The CO₂ reduction target is in-line with the Science Based Targets initiative (SBTi) to keep global warming to 1.5°C and to contribute to the Paris Climate Agreement. In the second pillar, initiatives in the field of digital education is showing the Group's social self-perception. A clear focus on supporting women and gender equality throughout the Group and in leadership positions as well as a strong corporate compliance culture are the third pillar of the A1 Telekom Austria Group's ESG strategy.

Data 2 Impact

Data 2 Impact enables business to convert data into value and supports all strategic business programs. Big Data and advanced analytics enable real-time decision-making and a better understanding of customer behavior. They also provide unique insights and spawn new use cases. A consolidated data stack (data warehouse, big data platform) enables this, using a common design, local realization of data assets as well as central and local advanced analytics models.

A convincing example of the Data 2 Impact approach is the development of the advanced analytics platform SARA (Superior Analytics for Radio Access). This was developed to support the rollout and operation of the current A1 Telekom Austria Group RAN networks as well as the technological evolution towards 5G. SARA is designed and used as a group platform and deployed in all countries. Based on data analytics and machine learning algorithms, SARA is able to predict service quality, costs of deployment and even revenues returned before the network is actually expanded. With this one of its kind innovation, A1 Telekom Austria Group is pioneering data driven network deployment and taking it to the next level.

Enabling seamless offline / online customer interaction is of key importance, and for this it is crucial to understand and satisfy customer needs. This also means simplifying and automating processes and activities as well as unleashing the full potential of data by fostering a data-driven mindset and the development of appropriate know-how among employees.

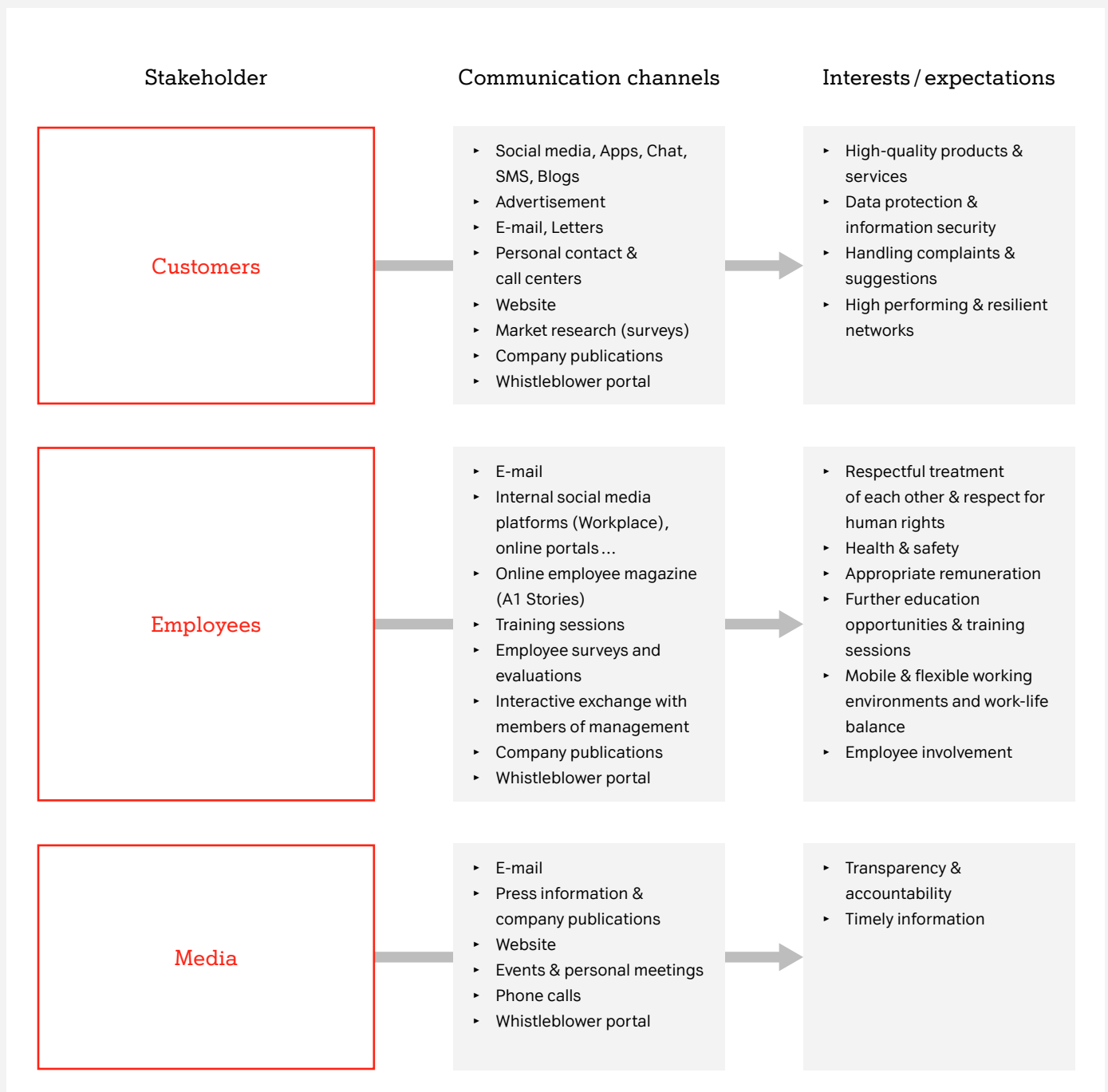
Additionally, fulfilling the legal requirements of data integrity and transparency is not only a mandatory necessity but also an opportunity. The A1 Telekom Austria Group is able to leverage data potential while strictly following data privacy regulations (GDPR). It also supports its business customers to be compliant with data protection legislation.

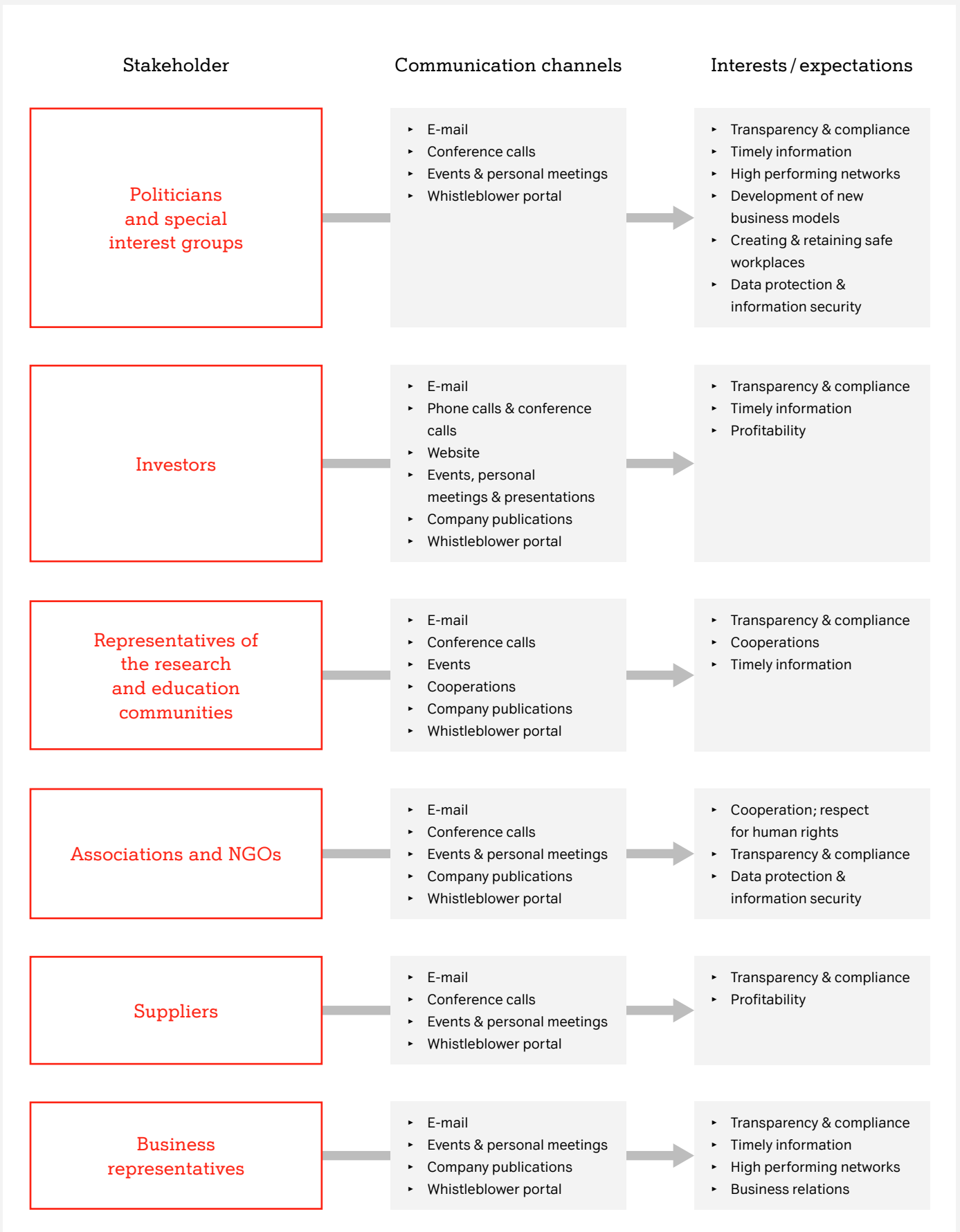
Finance strategy and cash use policy

The A1 Telekom Austria Group pursues a conservative finance strategy with a solid investment grade rating of at least Baa2 from Moody's and BBB from Standard & Poor's at its core. This orientation ensures a solid balance sheet structure with moderate leverage. It is underpinned by the mid-term ambition level of 1.5x net debt (excl. leases) / EBITDA after leases to ensure the financial flexibility for investments in pursuit of growth opportunities. The dividend policy aims for a sustainable dividend distribution with the potential to grow in line with the operational and financial performance of the Group. ■

Stakeholder engagement

The A1 Telekom Austria Group sees itself as a responsible shaper of its entire corporate “ecosystem” – in both economic and social terms as well as with regard to environmental and climate protection. To this end, it actively and cooperatively works with a wide range of interest groups (stakeholders). The most important of these include customers, employees, media, politicians and special interest groups, investors, representatives of the research and education communities, associations and NGOs, suppliers and business representatives. Stakeholders are selected in consultation with the respective departments. The following table explains the channels through which the A1 Telekom Austria Group is in continuous contact with its stakeholders, as well as the associated interests and expectations.





ESG – an integral part of the corporate strategy

The A1 Telekom Austria Group actively assumes responsibility for people, society and the environment by setting specific targets.

As part of its strategy enabler “Environmental, Social & Corporate Governance (ESG)”, the A1 Telekom Austria Group aims to foster more efficient, resource-preserving and thus more sustainable ways of working and living.

In addition to an explicit commitment to the fight against climate change and to equal treatment and diversity, the A1 Telekom Austria Group’s ESG targets also focus on promoting digital skills – especially those of the younger generation. After all, the full potential of digitalization for society, the economy and the environment can only be unleashed with such expertise and with equal, comprehensive and high-quality access to digital media, services and business models.

In 2020, the A1 Telekom Austria Group took further specific measures in the implementation of its ESG strategy. With the step to include ESG as a strategy enabler, ESG issues are now integrated into the corporate strategy (see “Vision and Strategy”). This was supported by a redefinition of ESG targets and an internal campaign under the slogan “Empowering a sustainable future” to raise employee awareness. As a result, the issue was brought into even sharper focus in 2020.

Selected memberships

- ▶ 5GAA - 5G Automotive Association e. V. (A1 Telekom Austria Group)
- ▶ Next Generation Mobile Networks Allianz (A1 Telekom Austria Group)
- ▶ UN Global Compact (A1 Telekom Austria Group)
- ▶ ETNO (A1 Telekom Austria Group)
- ▶ respACT (A1 Telekom Austria Group)
- ▶ Croatian Business Council for Sustainable Development (Croatia)
- ▶ Co-founder of the Business Leaders Forum Serbia (Serbia)
- ▶ National Alliance for Local Economic Development (NALED) (Serbia)
- ▶ AmCham Serbia - leading business hub (Serbia)

The “E” in ESG

Environment

Targets for 2030¹⁾

- ▶ Reduction of CO₂ emissions to net zero by reducing our own CO₂ footprint and a gradual switch to energy from renewable sources (2020: +3% CO₂ emissions).
- ▶ Increasing energy efficiency by 80% (2020: improvement of 22%).
- ▶ Promoting the circular economy within the company by recycling of around 50,000 old devices per year (2020: 84,880 collected).

ESG strategy: “E” focus in 2020

The following milestones for achieving the long-term environmental goals were included in the 2020 target agreements for the members of the Management Board of the A1 Telekom Austria Group and the CEOs of the subsidiaries:

- ▶ It was confirmed by the “Science-based targets” initiative that A1 Telekom Austria Group’s CO₂ reduction target is contributing to achieving the Paris Climate Agreement.
- ▶ First-time external audit of 100% of scope 1 and 2 emissions.
- ▶ Definition of clear responsibilities in each subsidiary of the A1 Telekom Austria Group.

The “S” in ESG

Social

Target for 2023²⁾

- ▶ Reaching 100,000 people – with a special focus on children and young people – as part of the digital education focus. Providing confidence and skills in their active creation of digital worlds (2020: 9,239).

ESG strategy: “S” focus in 2020

- ▶ Developing online-only concepts such as webinars to promote digital literacy among teens and young adults.
- ▶ Expansion of workshop series on the topic of programming, coding and making.
- ▶ First online information evenings for parents.

The “G” in ESG

Governance

Targets for 2023

- ▶ Increasing the proportion of women in management positions to 40% (2020: 36%) and raising and maintaining the proportion of women at the company at 40% (2020: 40%).
- ▶ Maintaining a best-practice and externally certified Compliance Management System to ensure integrity and trust within the A1 Telekom Austria Group.

ESG strategy: “G” focus in 2020

- ▶ Creation of an inclusive working environment (“Unconscious Bias Initiative” as a first step; see “Employees”).
- ▶ Specifically in Austria: active parental leave management to make it easier for parents to return to work after parental leave; diversity networks with active participation of employees to develop and implement further measures.
- ▶ KPMG confirms that the principles and measures of the Compliance Management System meet the requirements of ISO 19600 (Compliance Management System) and ISO 37001 (Anti-corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European antitrust law and the UN Global Compact.

1) Targets based on 2019 figures. % changes on year-to-year rate.

2) In the period from 2020 to 2023.

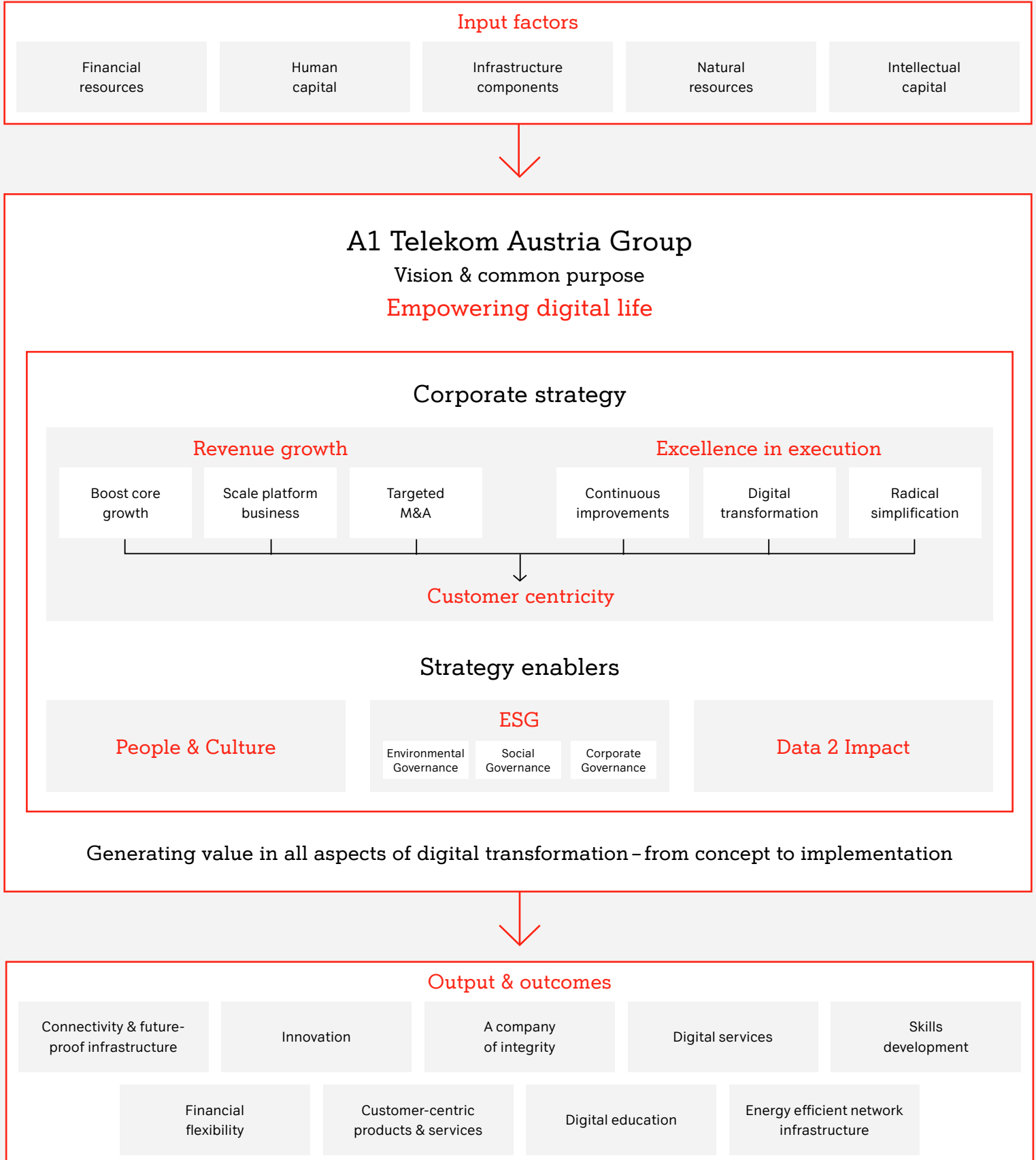
Sustainable Development Goals

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



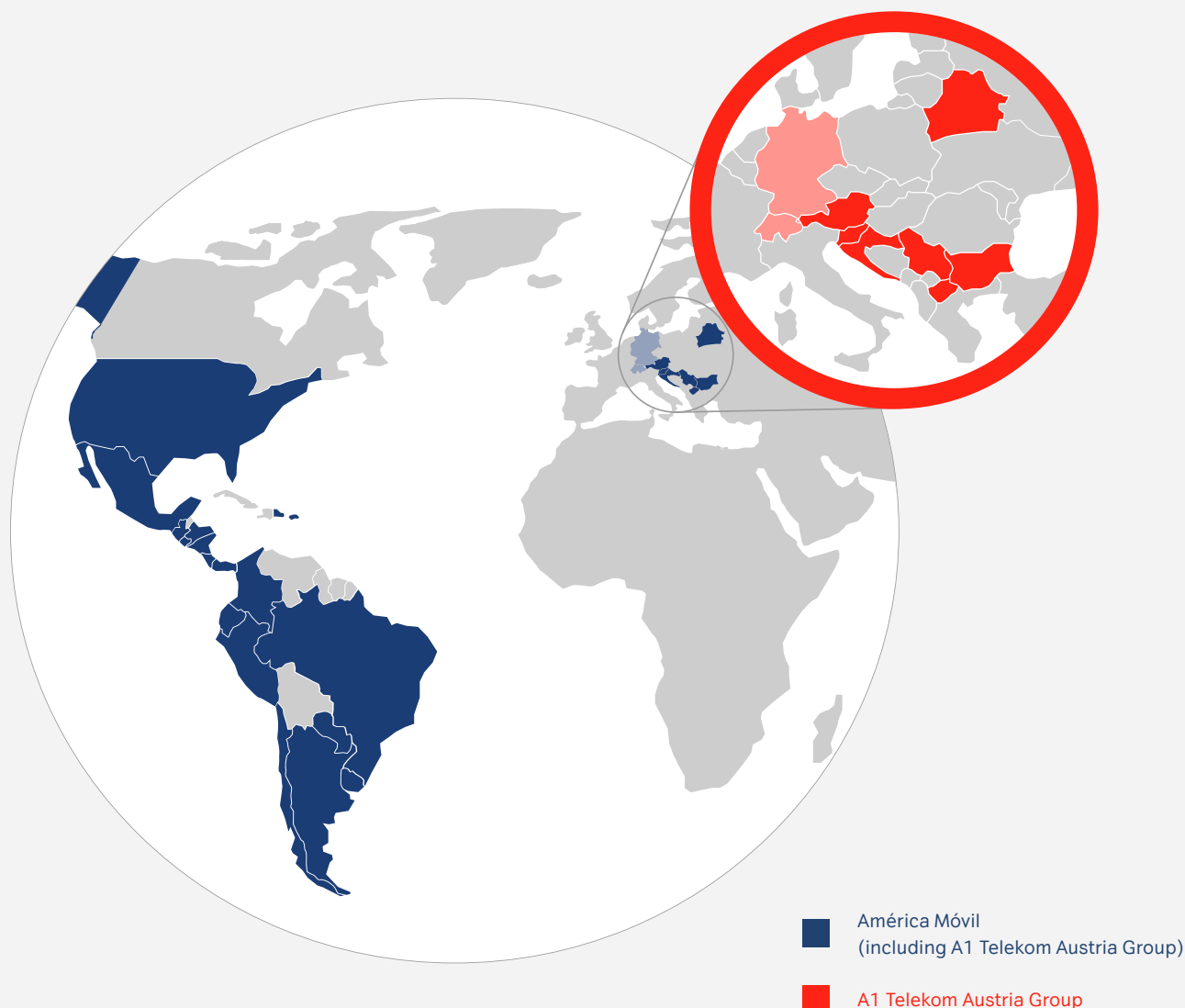
Value Chain

The value chain of the A1 Telekom Austria Group shows an overview of input factors, the value generation and its output and outcomes. The resources needed for this are presented as input factors and the subsequent results are shown as output and outcomes. The topics identified along the value chain were factored into the materiality analysis.



A1 Telekom Austria Group: Part of América Móvil

The A1 Telekom Austria Group has around 25 million mobile and fixed-line customers in seven core markets in Central and Eastern Europe and is a converged operator in six of these markets already. With América Móvil as its majority shareholder, the Group forms part of a world-leading multinational telecommunications group. América Móvil has 287 million mobile customers and 81 million fixed-line RGUs as well as subsidiaries in 25 countries in North, Central and South America and Europe. As part of América Móvil, the A1 Telekom Austria Group also benefits from economies of scale and the strength of a global corporation, giving it advantages and synergies in areas including product development, technology and procurement.



2020	Total revenues (in EUR bn)	EBITDA (in EUR bn)	Market potential ¹⁾ (in million)	Mobile communi- cations customers (in million)	Revenue generating units (RGUs) (in million)
A1 Telekom Austria Group	4.5	1.6	40.4	21.9	6.1
América Móvil	41.5	13.4	958.8	287.5	80.7

1) Population in footprint

Exchange rate EUR / MXN (Mexican peso, period average): 24.51



Technology and Innovation

Innovative technologies and future-proof infrastructure form a solid basis even in challenging times.

The age of digital transformation is characterized by steadily rising demand for increased bandwidth and more data. Thanks to innovative digital products and services, connectivity is playing a key role in a growing number of areas of professional and private life. The high-performance, future-proof infrastructure of the A1 Telekom Austria Group has proven its reliability during the coronavirus lockdowns in 2020. The Group also pressed ahead with its network rollout in 2020, although

the pace of this development was slowed by the COVID-19 pandemic.

Convergence, i. e., the intelligent combination of mobile and fixed-line, remains a key pillar of the infrastructure strategy and enables efficient and extended regional coverage with increasingly large bandwidths. The A1 Telekom Austria Group is a convergent provider in six of its seven core operating markets

(Austria, Bulgaria, Croatia, Belarus, Slovenia and North Macedonia). The fiber rollout is also establishing important foundations for 5G mobile communication and the new services that will use it. 5G, the Internet of Things (IoT) and cloud-based services for the B2B market also require high computing capacities. As a result, data centers are continuing to gain in importance as part of the A1 Telekom Austria Group's infrastructure strategy. Capital expenditures (CAPEX) excluding frequencies of the A1 Telekom Austria Group amounted to EUR 585.6 mn in the financial year 2020, with broadband expansion being one of the focus areas.

Launch of 5G

Following the successful acquisition of the 3.5 GHz frequencies in 2019, A1 upgraded hundreds of base stations in Austria with state-of-the-art 5G technology. In January 2020, A1 launched its 5G network in Austria with more than 350 5G base stations.

The acquisition of additional frequency resources by A1 in Austria in the 2.1 GHz and 1.5 GHz bands as part of the multi-band auction in September 2020 forms a solid basis for the continued development of 5G in terms of broader coverage, improved capacity and reduced latency. A1 aims to achieve comprehensive coverage with its 5G network in Austria by the end of 2023.

Some of the 5G auctions in the countries in which the A1 Telekom Austria Group operates were postponed as a result of the COVID-19 pandemic and are now expected to take place in 2021 and 2022.

The opportunities opened up by 5G were demonstrated in the form of private and secure 5G campus networks, smart 5G factories, 4G/5G network slicing and various other methods. 5G Playground Carinthia provides innovative firms with a test lab for developing future services under real-life conditions.

A1 in Croatia is currently conducting a 5G trial. The government and the regulatory authority decided that Osijek would be Croatia's first 5G city.

In Bulgaria, A1 marked an important milestone in its technological development with the launch of 5G in the 3.6 GHz spectrum. In the first phase, Sofia and Burgas were covered by December 2020 under a test license.



“Leading Lights Award 2020” for SARA as “Most Innovative AI and Analytics Strategy”

The A1 Telekom Austria Group received the “Leading Lights Award 2020” in the “Most Innovative AI and Analytics Strategy” category for its strategy of using data-driven platforms throughout the Group. The prestigious award program for the telecommunications industry encompasses 21 categories for outstanding performance in the areas of next-generation communication technology, applications, services, strategies, and innovation.

SARA (Superior Analytics for Radio Access) was developed to support the expansion and operation of the A1 Telekom Austria Group's current RAN networks and the technological development toward 5G. SARA was designed as a Group platform and is already being used in Austria, Slovenia, Serbia and North Macedonia. Based on data analysis and machine learning, SARA is able to predict service quality, provision costs and even revenue prior to actual network expansion. This innovation is unique on the market and is taking the A1 Telekom Austria Group's pioneering work in the field of data-driven network expansion to the next level.

The idea for SARA originated in the subsidiary in Serbia in response to the need to secure capacity for customers. Subsequently, it has evolved into a complete analysis platform based on the Group-wide data pool. SARA is an outstanding example of how the A1 Telekom Austria Group is using artificial intelligence in its day-to-day decision-making, from radio network planning through to investments.

2020 frequency auction in Austria

A1 took part in the multi-band auction for the 700 MHz, 1,500 MHz and 2,100 MHz frequency ranges in the year under review, acquiring spectrum for a total of EUR 65.6 mn. As part of the latest auction, the 2,100 MHz core band was secured and even expanded. Along with its existing leading position in the 800 MHz band and the newly acquired 1,500 MHz band, these frequency resources offer an outstanding basis for future 5G applications and capacity expansions. This development serves to underline A1's leading position: At 38%, it holds the largest share of total spectrum. As part of the auction, A1 also entered into a commitment to supply 349 highly rural communities, thereby making an additional contribution to further enhancing rural regions.

Solid network performance during the COVID-19 crisis

In 2020, the world's telecommunication networks were faced with their greatest challenge to date. As the COVID-19 pandemic spread around the world, numerous governments imposed lockdowns in order to curb the virus. Behavioral patterns changed from one day to the next, and developments and empirical data that had held true for many years suddenly no longer applied. Mobile networks in particular were confronted with an increased level of customer demand that put their performance capacity to the test.

A1 Telekom Austria Group's networks coped extremely well with the dramatic changes in network traffic in terms of location, services and times of day. In the case of the small number of mobile cells that were overloaded, a rapid response on the part of the network and management teams ensured that there were only isolated network disruptions. In addition, certain core systems were upgraded with new capacity in the space of just a few hours. This underlines the resilience and adaptability of the A1 Telekom Austria Group's networks. In Austria, the data volume transmitted via the 4G network increased by 65% and capacity expansion in voice and data traffic peaked at 25%. As lockdowns were imposed in March, in certain countries in the Group's operational footprint, voice and data traffic increased by up to 200% year-on-year.

Although development began returning to the old patterns following the initial lockdown phase, a new normal established itself: more working from home and home schooling, more video conferences, less travel for business and leisure. Advanced and automated traffic modeling using the award-winning SARA tool enabled quick adaptation to this new situation and allowed resources to be allocated accordingly.

While the COVID-19 pandemic is not over, lockdown measures might continue to be necessary. The A1 Telekom Austria Group is well positioned for such developments and is making a valuable contribution above and beyond regular telecommunications services, such as by providing the Austrian authorities with valuable services, mass testing platforms and upgrading of authority call centres in the fight against COVID-19. The big data product A1 Mobility Insights was used to deliver anonymous, GDPR-compliant and TÜV-certified information on movement flows, thus providing insights into the effectiveness of social distancing and contact restrictions. This required the network to run smoothly, as well as necessitating the capacity to transmit and process millions of data records.

Customer-specific, private 5G mobile networks

One of the key promises of the 5G age is the development of particularly customer-oriented solutions for mobile connectivity. Concepts for private mobile networks are an important step in achieving this, as they will pave the way for ultra-reliable low-latency communication (URLLC). Local campus networks and large-scale network slicing are using special, optimized end-to-end network resources to ensure the reliable operation of critical business processes. A1 in Austria is a pioneer when it comes to launching these solutions on the market.

Campus networks

In 2020, A1 in Austria harnessed the potential of this technology for pilot projects with one of the country's most important high-tech companies. The first pre-5G campus network was rolled out at Vienna Airport in 2018. Following the installation of an application-optimized 5G test platform at 5G Playground Carinthia in 2019, the company continued to successfully pursue its goal of being the premium partner for corporate 5G.

A1 Digital

Specialized partner when unleashing the potential of digitalization

A1 Digital combines the agility of a relatively young organization with the stability and reliability of a large corporation. As part of the A1 Telekom Austria Group, and thus of América Móvil, the company relies on the physical and the digital infrastructure as well as the expertise and synergies offered by a leading communications company.

At A1 Digital, specialized partners for customers view digitalization as a triad: On the one hand, it consists of IoT solutions for smart assets such as the optimization of the maintenance cycle for freight cars of Rail Cargo Group. Such IoT customer projects are complemented by cloud services based on a secure and powerful purely European platform. For example, the successful start-up School Fox, whose digital booklets are used by more than 5,000 educational institutions in Europe, relies on the Exoscale cloud solution from A1 Digital. With data centers in Geneva, Zurich, Vienna, Frankfurt, Munich and Sofia, Exoscale's particular advantage is that it complies both with Swiss and European data protection regulations and thus fulfills all EU GDPR directives. The services are accompanied by specific security solutions, primarily for three areas: end device security, user security, and vulnerability analysis.

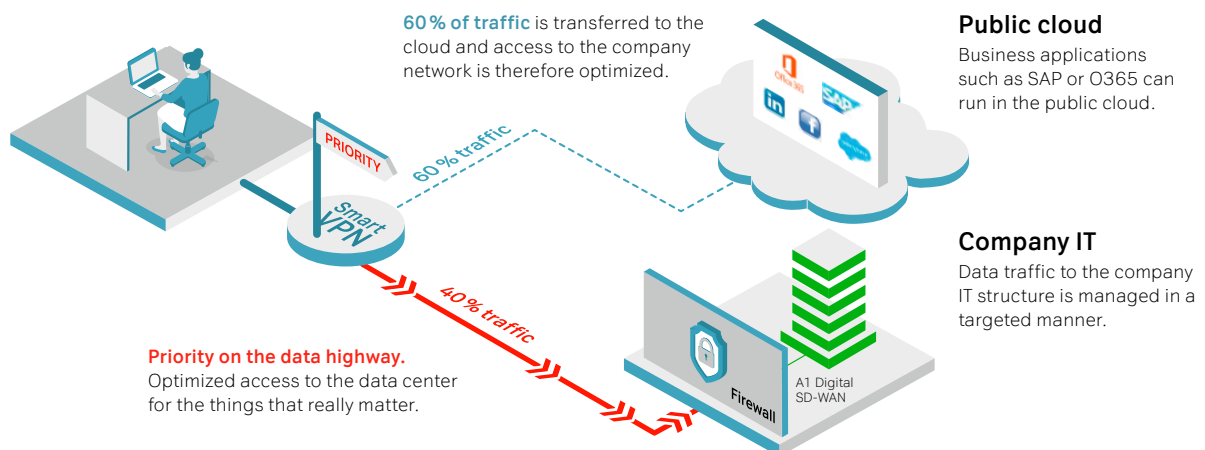
Home Office Boom: Smart VPN increases capacity of corporate networks

As a result of the sharp increase in home office activity due to the coronavirus pandemic, existing capacities could sometimes reach their limits: Business-critical applications might be running too slowly – with corresponding effects on productivity. For example, VPN connections between end devices and the corporate network channel all data traffic through the corporate IT. This includes connections that are not actually in-house but access resources on the public Internet, such as access to cloud applications, search engines, social media or websites. Smart VPN analyzes the data stream and automatically re-routes external data traffic directly, thus relieving the company's IT department of this data traffic. This reduces the amount of bandwidth required via the VPN by up to 60%. In this way, time-consuming and cost-intensive bandwidth upgrades are avoided, the company servers are relieved and business-relevant data are being transmitted without limitations.

Smart VPN: Advantages through Managed Service

- ▶ Reduces traffic from home office to the corporate data center by up to 60%.
- ▶ High performance-ensuring bandwidth for the availability of business-critical applications.
- ▶ Higher security through included websecurity product.

Network booster for the home office: A1 Digital Smart VPN





Network slicing

In July 2020, A1 in Austria announced a partnership with ÖBB Infrastruktur AG for the provision of a national network slice for rail apps. This technology provides customer-specific mobile network capacity in order to enable new applications and innovations. The partnership also includes a pilot project on the use of digitalized signal systems and the connection of infrastructure components on a railway line in Austria's federal state Burgenland.

Campus networks are private mobile networks that offer highly available, redundant connectivity in a local environment. A fully-featured mobile network core is implemented in a virtualized infrastructure and integrated locally as an edge computing or edge cloud element. Private mobile data traffic can be transported to a local data center via direct fiber connections. This sets new standards in terms of security and ensures that internal data remains within the campus.

Campus network technology is also being used to accelerate IoT- and data-driven retail in cooperation with A1 Digital. Together with the Austrian retail chain Spar, an end-to-end concept for data connectivity is being implemented with the aim of creating a perfect digital environment at a flagship store in Vienna. High-performance mobile connectivity within the store and a virtualized edge computing infrastructure allow shopping carts to be tracked and their movements analyzed, as well as enabling applications for monitoring checkout lines. In this way, the full mobility of carrier-grade IoT solutions is being made available at retail outlets.

Fixed-line broadband expansion in Austria

In Austria, the fixed-line broadband expansion was driven forward by the fiber roll-out in the form of FTTC (fiber to the curb), FTTB (fiber to the building) and FTTH (fiber to the home). Fiber is getting ever closer to the customer, and newly developed areas are being connected to fiber. In addition, the capacity of existing copper lines is being increased through the use of modern transmission technologies. In 2020, A1's fiber infrastructure in Austria was extended to a total of around 60,500 kilometers. 95% of municipalities in Austria now have at least one fiber access point. In the past year, more than 235,000 households were connected to the fiber network.

Dedicated FTTN and FTTH network in Slovenia

In 2020, A1 in Slovenia began to roll out its own FTTN (fiber to the node) and FTTH infrastructure, thereby enabling optimized customer service and long-term cost savings. The dedicated FTTN network covers the major Slovenian cities of Maribor and Celje and means a reduction in the number of leased fiber-optic lines.

Network innovation in Croatia

A1 in Croatia introduced a MIMO (multiple input multiple output) microwave radio link across a distance of 27 kilometers. The introduction of the improved antenna technology means higher access speeds and increased capacity and will enable further FMS (fixed-mobile substitution) and 5G development on isolated islands off the Croatian coast.

After workflow management (WFM) was established in all processes of the fixed-line supply chain, a new, intelligent planning tool and WFM for routing optimization were introduced in order to improve the routing, planning and dispatch of technicians. The greater overall efficiency of field service means reduced travel times and allows optimized time slots to be assigned to customer visits for installation or problem solving.

Digitalization along the value chain

In recent years, A1 in Austria has generated continuous growth in the ICT services market segment with its range of products and managed services for IT infrastructure, unified communications and managed networks. With customer requirements, complexity and the order volume increasing continuously and demand for cloud integration on the rise, there is a growing focus on the entire value chain.

The global, cross-sector challenges arising from the COVID-19 pandemic made 2020 the “year of digitalization”. A1 in Austria and its customers saw a significant acceleration in the pace of digitalization. During the first lockdown, which involved rapidly transitioning all employees to working from home, business activities continued practically unimpaired and the uninterrupted availability of services was guaranteed. Field service adapted its procedures and customer interactions to the COVID-19 pandemic at an early stage in order to ensure that it was able to work safely and meet customer orders and requirements. Thanks to swift protective measures and quick decision-making, field service was active every single day. In the area of managed services, customers requiring increased bandwidth, remote working capacity (such as virtual private networks (VPN) and resources for desktop virtualization) or safety precautions were served within just a few days.

A1 in Austria is executing a comprehensive package of measures for digitalization and automation aimed at effective growth. In the pre-sales phase, the offer process was already redefined using automated price quotations. This is intended to ensure quicker offer preparation with higher quality and stability. The digitalization of query processing, the introduction of an automatic system detection function and the automation of customer service channels (e. g. chatbots) are increasing customer satisfaction and efficiency and providing the basis for additional automation projects.

Data centers as a pillar of the infrastructure strategy

For many businesses, authorities and private individuals, the A1 Telekom Austria Group’s high-performance communication infrastructure is what provides their digital lifeline. Data processing at state-of-the-art data centers plays a key role in this process.

Multiple initiatives involving the building and upgrading of data centers within the A1 Telekom Austria Group and the refinement of its edge computing capabilities are a visible sign of this strategy.

To give one example, A1 in Austria is pursuing a location consolidation strategy to consolidate the current portfolio of five IT data centers across three locations in Vienna. The construction of a new data center was the cornerstone for the Vienna data center association, which is laying the foundations for georedundancy and high availability that will facilitate cutting-edge communication and IT services and pave the way for market and technology innovations.

The following technology trends play an important role here:

- ▶ Increasing customer demand for cloud-based solutions (e. g. SaaS, PaaS, IaaS) via secure local data centers
- ▶ Managed service ICT services for IT infrastructure, communications and security
- ▶ Network function virtualization (NFV) and containerization (container-based software solutions), which can be implemented in IT data centers with greater flexibility and standard IT hardware
- ▶ Use of edge computing and the edge cloud to maximize the full potential of applications such as IoT, advanced analytics and 5G

Customer focus

The technology and infrastructure of the A1 Telekom Austria Group form the basis for a broad and innovative portfolio that is geared toward its customers' specific requirements.

In order to identify current and future customer requirements and to evaluate how its products and services are being received by the market, the A1 Telekom Austria Group uses various information channels, including shops and service points, social media such as Facebook, Twitter and YouTube, customer apps and dedicated customer forums.

Around 70% of the customers who contact one of the customer interfaces would "definitely recommend" the A1 Telekom Austria Group. The Group also maintained a high level of overall customer satisfaction in 2020.

The Group's Internet portfolio offers attractive solutions for all customer requirements. The traditional fixed-line broadband product range in Austria is supplemented by a hybrid modem that combines the performance of DSL fixed-line broadband with LTE as required. This enables transmission rates of up to 150 Mbps and allows more households to be provided with higher bandwidths. In addition, mobile WiFi routers (Net Cubes) offer maximum flexibility across the mobile network and round off the broadband range.

The A1 Telekom Austria Group is responding to the dynamically changing lifestyle and usage habits in the age of digitalization by continuously expanding its product portfolio. Innovations such as A1 Smart Home, A1 Xplore TV and mobile payment solutions illustrate this approach perfectly. The new TV platform A1 Xplore TV has already been available in four markets (Austria, Bulgaria, Croatia and Slovenia) since 2020, and work is continuing on the development of the product and its comprehensive rollout.

A1 Smart Home automates everyday household processes and optimally adjusts to customers' lifestyle habits. It also helps to increase security in the home. The smart home solution has

been successfully in use in six countries since 2018 (Austria, Bulgaria, Croatia, Slovenia, Serbia and North Macedonia) and is continuously adapted to reflect the requirements of the respective markets.

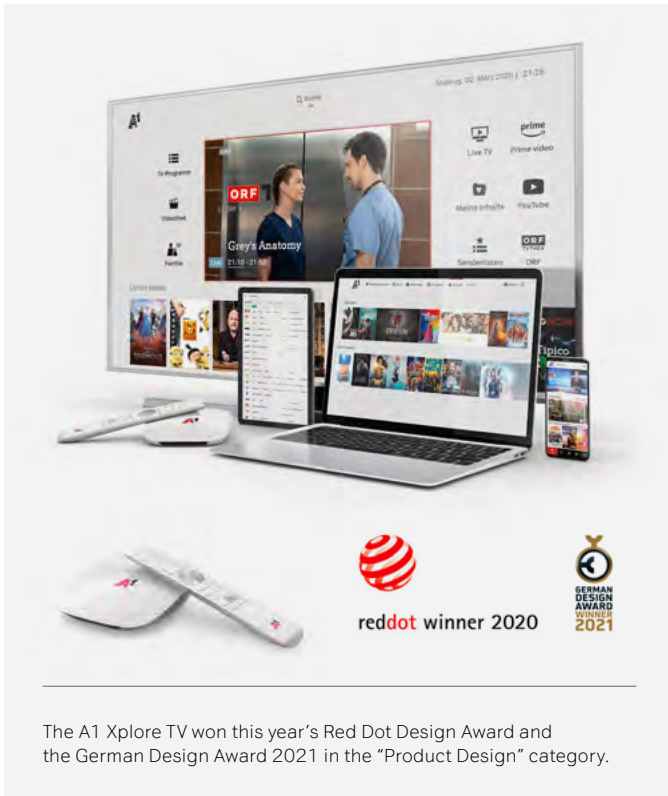
A1 in Bulgaria was the first company on the telecommunications market to introduce a mobile application allowing consumers to pay at POS terminals using their smartphone (via Apple Pay and NFC for Android). The app, A1 Wallet, also offers a complete range of mobile payment services, such as QR code payments and real-time peer-to-peer transactions.

As part of initiatives such as Connect Plus, convergent customers of A1 in Austria are offered attractive benefits such as extra data, discounts, exclusive products and TV content. Mobile customers can also obtain smartphones at discounted prices via the My Next program. In addition, loyalty programs like A1 Smile in Austria, A1 Club in Bulgaria and Vip Plus in Serbia provide incentives such as offers from third-party providers and invitations to exclusive events.

With more than 2.2 million active users every month, the self-care app is an important service channel for many customers. It allows them to obtain a quick and easy overview of their free units, view invoices, change tariffs, manage add-on packages and much more.

The A1 Telekom Austria Group's new shop design is also aimed at achieving the best possible digital customer experience. In addition to benefits such as in-person support and a physical presence, the innovative concept offers the ideal atmosphere for trying out products and discovering exciting solutions for bringing digitalization to life. Visitors to the modern shops can also find out about offers via interactive touch screens.

The A1 Live Shop gives customers the option of talking to A1 employees via video call in case they need more information than is available in the online shop. The online shops saw increased visitor numbers during the lockdowns in particular, with customer feedback proving to be extremely positive.



The A1 Xplore TV won this year's Red Dot Design Award and the German Design Award 2021 in the "Product Design" category.

A1 Xplore TV – the A1 Telekom Austria Group's content and streaming platform

A1 Xplore TV was initially launched in Bulgaria in October 2019. The Austrian subsidiary of the A1 Telekom Austria Group followed with the publication of A1 Xplore TV in March 2020. The platform was made available in Croatia and Slovenia in summer 2020.

The roll-out forms part of A1's one-brand strategy and represents another important step in its platform business. It also serves as an example of cooperation and the exchange of knowledge throughout the entire A1 Telekom Austria Group.

In light of the rapid changes in the way content is used, the Group is working with its development partners to take account of user feedback and adapt the user interface across all devices to reflect the needs of the local markets.

View Control allows customers to restart programs from 40 channels of their choice or view them for up to seven days from the initial broadcast. Customers can catch up on shows they have missed via A1's video-on-demand platform and are shown individual recommendations.

Innovation and intrapreneurship at A1

The A1 Start Up Campus and joint research projects serve to promote innovation. The A1 Telekom Austria Group addresses various focus areas when it comes to research and development. Innovation is a topic of key importance. As part of the A1 Start Up Campus initiative, A1 in Austria is providing young companies with the expertise and infrastructure they need to help them realize innovations. In addition to free office facilities with state-of-the-art technology, the A1 Start Up Campus offers data center services and cloud space for selected start-ups. The young entrepreneurs are also advised by A1 specialists on all relevant business topics, such as marketing, sales and controlling. Support for media relations rounds out the services offered by the A1 Start Up Campus.

The A1 Telekom Austria Group has created the intrapreneurship program in order to enshrine the entrepreneurial mindset within the company and encourage employees to contribute their ideas. Every year, three teams made up of A1 Telekom Austria Group employees are given the opportunity to qualify for the program. The selected teams can implement their ideas on full pay while exempted from their regular activities. The products developed by two of the winning teams from the first intrapreneurship program, which was entitled Empowering Ideas, are now enjoying success on the market: Universal Lock developed the A1 Paketstation parcel lockers, which can be used by multiple parcel services, local companies and individuals simultaneously. Parcel service providers can use the lockers as an alternative delivery location that is available at all times. Communication between parcel services and their customers takes place directly. Collecting parcels is free of charge for A1 Paket customers. Individuals and companies can rent a locker easily using the free A1 Paket app and pay by credit card. A QR code for opening the locker is sent to the sender and the receiver in the A1 Paket app, or by SMS and e-mail in the case of unregistered customers.



SchoolFox

SchoolFox was the first school messenger for teachers, parents, students, and school management to respond to the new situation of school closures in March 2020 by integrating additional features for distance learning, such as video lessons, cloud storage, and class chats. As a result, in just one year, SchoolFox usage has doubled to more than 5,000 schools. In addition, SchoolFox was named the most secure messenger app in the school sector by app security specialists APPVISORY from mediaTest digital. Other countries in Europe have already recognized this and the app is now available in 24 languages. In addition to schools, kindergartens have also become a rapidly growing user group, which is why an app specially tailored to kindergartens called KidsFox was released. Almost 2,000 kindergartens are already using the app.

Offensity RED improves IT security in complex and large-scale infrastructures by continuously searching for exploitable security vulnerabilities and risks and working in close cooperation with the customer to identify, prioritize and eliminate risks. In addition to automatically examining security breaches, Offensity RED allows the customer infrastructure to be checked manually. The externally accessible IT infrastructure and the internal infrastructure can both be reviewed. Customers receive a standardized, comprehensive presentation of the automated and manual test results in a dashboard.

Partnerships for future-oriented technologies

Research cooperations with prominent partners from science and industry and joint projects with national and international institutions support the A1 Telekom Austria Group to launch technologies of the future for market- and customer-oriented communications solutions.

The Group is also involved in projects on autonomous driving and partnerships with innovation labs (e. g. ALPlab and DigiTrans). In addition, the A1 Telekom Austria Group is working on AI-based network planning to support the expansion and management of mobile networks as part of its internal Superior Analytics of RAN (SARA) project. SARA is already used in Austria, Slovenia, Serbia and North Macedonia and will play a key role in the 5G rollout.

Furthermore, the A1 Telekom Austria Group is cooperating with 5G Playground Carinthia, a test lab that provides education and research institutions, companies and start-ups with the unique opportunity to test products and applications in the area of 5G and the related Internet of Things (IoT) under laboratory conditions and in live trials and develop them to market readiness.

Ecological network design

At the A1 Telekom Austria Group, the greatest environmental impact results from electricity consumption in the operation of its networks, which accounts for around 80% of its total energy requirements. The new 5G mobile communication standard enables even quicker data transmission and larger bandwidths. Although 5G also offers improved efficiency in terms of the electricity required for data transfer, the rollout of 5G communication will mean increased electricity consumption due to the resulting growth in the overall data volume.

The A1 Telekom Austria Group has been focused on improving its energy efficiency for a number of years in order to decouple

rising data volumes from the associated energy consumption. In addition to high service quality, energy efficiency at the company is ensured through the use of state-of-the-art, software-defined RAN (radio access network) components at the A1 Telekom Austria Group subsidiaries.

With this in mind, old components are being replaced as part of the current LTE and 5G rollout. Overall energy efficiency is improved every time old components are replaced with newer, more energy-efficient components. Additionally, a considerable part of electricity consumption comes from power supply units, air conditioning systems and cooling fans. An energy efficiency program is aimed at lowering the energy costs not primarily relating to data transport. A modern base station in today's A1 network does not use any air conditioning, instead working solely with passive cooling. Its power supply units have an efficiency of 98%. At the same time, the growing use of fiber in the fixed-line network is helping to lower the energy requirements of old copper-based technologies.

At A1's data centers in Austria, innovative cooling methods like hot-spot suction, cold-aisle containment and heat recovery systems yield a reduction in energy consumption of up to 75% when compared with conventional cooling systems.

In the period from 2020 to 2030, the A1 Telekom Austria Group aims to improve the energy efficiency per terabyte of transported data by 80%. Energy efficiency already improved by 22% between 2019 and 2020. The total energy consumption of the A1 Telekom Austria Group amounted to around 876,600 MWh in 2020. Electricity consumption amounted to around 767,000 MWh, of which 43% was covered by renewable energy sources.

When it comes to lifecycle management, the A1 Telekom Austria Group pursues the fundamental ecological principles of preventing waste, conserving resources, and keeping valuable raw materials in circulation for as long as possible (reduce-reuse-recycle). Equipment and devices that no longer work are systematically disassembled and their components are properly recycled (see "Environmental and Climate Protection").

Electromagnetic fields

Controversial statements about a potential health impact of electromagnetic fields (EMF) repeatedly raise questions. The A1 Telekom Austria Group is aware of its responsibility in the debate on health consequences. The latest research findings are continuously evaluated by national and international institutions like the WHO and ICNIRP (International Commission on Non-Ionizing Radiation Protection). This research also forms the extensive basis for evaluating 5G technology and the defined limits. In Austria, the international limit value recommendations from the EU, WHO and ICNIRP are implemented in the current OVE (Österreichischer Verband für Elektrotechnik - Austrian Electrotechnical Association) Guideline R 23-1 from 2017, the application of which is mandatory. This covers a broad range of frequencies including all 5G frequencies. The respective local statutory conditions and requirements are strictly observed in all operational units; in other words, all of the A1 Telekom Austria Group's mobile communications systems and devices comply strictly with the relevant safety standards and statutory requirements.

In March 2020, ICNIRP published its new guidelines on limiting human exposure to high-frequency electromagnetic fields. Following 20 years of research, the existing limits for the protection of humans (which were accepted as the basis for the European Council Recommendation of 1999 and for Guideline R 23-1) were reevaluated and confirmed. This means the current limits continue to apply. The main changes in the latest guidelines with relevance to 5G are for frequencies above 6 GHz. ICNIRP came to the conclusion that average exposure to high frequencies below the ICNIRP limits on every day of the year does not have a detrimental effect on the health of humans, including small children. This applies to the entire frequency range from 100 kHz to 300 GHz, and hence to all 5G frequency ranges. ■

5G fact check

- ✓ 5G is a new transmission protocol; not a new technology.
- ✓ The form and medium of transmission (radio) have already been in use for a long time and are very well-known.
- ✓ Previous results from research on mobile communications can therefore be transferred to 5G.
- ✓ The international limit values for personal protection were re-evaluated and confirmed in 2018.
- ✓ In Austria, these are described in the OVE guideline R 23-1 and include a 50-fold safety margin.
- ✓ International measurement results show that exposure levels will hardly change with 5G.

Data Protection and Information Security

All companies within the A1 Telekom Austria Group are committed to maintaining high standards of data protection and information security. They take comprehensive and wide-ranging measures to safeguard the security of customer data.

The A1 Telekom Austria Group consistently adheres to current regulatory framework in its operational footprint on data privacy and information security and uses data only when there is a legal basis for doing so. In addition to the statutory requirements in the respective countries, all companies must also adhere to the information security standards created for this purpose and any other country-specific data security guidelines. At A1 in Austria, for example, comprehensive certificates such as ISO 27001, ISAE 3402 and European Standard EN 50600 attest to these high security standards. A1 in Bulgaria was one of the first companies in the world to implement the new ISO 27701 standard for data protection management and obtained certification in November 2020.

The respective companies of the A1 Telekom Austria Group also cooperate on a regular basis with authorities in the interest of continuously improving cyber security. For example, A1 in Austria was involved in the sector risk analysis conducted by the regulatory authority "Rundfunk- und Telekom-Regulierungsbehörde" (RTR), which aims to analyze risks inherent in the telecommunications industry and use the findings as a basis to develop recommendations for network and service operators and public authorities.

A1's CERT (Computer Emergency Response Team) shares relevant security information within the national CERT association ATC (Austrian Trust Circle). Security expertise is exchanged within the A1 Telekom Austria Group itself and at expert conferences.

A1 Telekom Austria Group certifications

Austria

- ▶ ISO 27001
- ▶ ISAE 3402
- ▶ European Standard EN 50600

Bulgaria

- ▶ ISO 27001
- ▶ ISO 27701

Croatia

- ▶ ISO 27001

Belarus

- ▶ ISO 27001
- ▶ PCI DSS

Slovenia

- ▶ ISO 27001

North Macedonia

- ▶ ISO 27001
- ▶ ISO 27018

A1 Digital

- ▶ ISO 27001
- ▶ ISO 27018

Cyberattack on A1 Austria successfully thwarted

In December 2019, A1's CERT (Computer Emergency Response Team) detected an attack in the internal office system in Austria. A1 immediately informed the data protection authorities and voluntarily notified the incident in adherence with the Network and Information Systems Security Act (NIS Act).

A team of internal and external international experts immediately took care of localizing, analyzing and tracking the attacker's activities. The experts performed in-depth analysis and did not uncover any evidence that A1 customer data or third party data had been affected. All passwords across the entire company were reset in the second quarter of 2020, the password requirements for all employees have been tightened and additional security measures were introduced.

Communicating on a large scale also leads to a lot of data

The European Union's General Data Protection Regulation (EU GDPR) has been in force since May 25, 2018. The A1 Telekom Austria Group places particular emphasis on rigorously implementing legal data protection provisions like this, using data privacy and information security standards as a guideline, as well as consistently adhering to the latest directives and regulations because handling customer data securely and sensitively is a top priority for the Group.

All employees of the A1 Telekom Austria Group are committed to maintaining confidentiality and are well aware of the importance of information security and data privacy. Such behavior is fostered through internal and external guidelines, e.g. Code of Conduct, and training.

At Group level, there is a wide array of policies and guidelines related to information security and data privacy. In particular, management has approved the A1 Group Data Privacy Governance, which aims at harmonizing the understanding of obligations that are binding to the operating companies. The governance also provides a thorough analysis of local legislation on data governance and establishes the specific requirements of the reliable basis that the A1 Group uses for the lawful and secure processing of personal data. ■



Investor Relations

As well as impacting the stock market environment, the COVID-19 pandemic has sustainably changed the way companies communicate with the financial community.

Share price performance and sector comparison

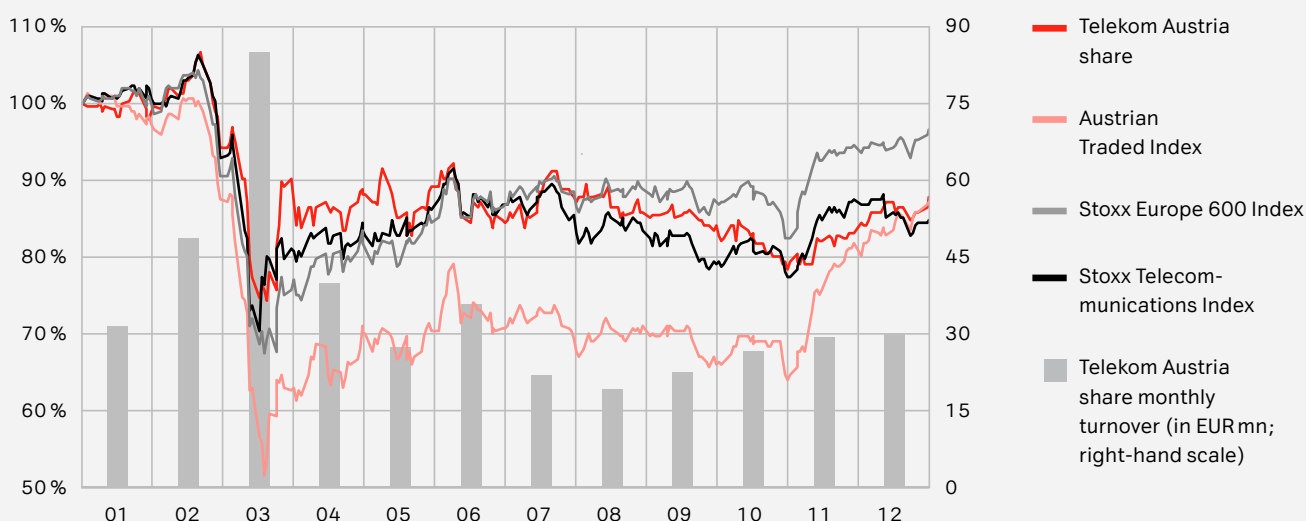
The stock market year began relatively calmly, but the situation changed considerably as 2020 progressed. The initial outbreaks of COVID-19 already cast a shadow on the global stock markets in January. However, the positive economic outlook and signs of an easing in the conflicts between the USA and its trading partners, China and Europe, initially made for a friendly stock market environment from which the Telekom Austria share also benefited. The positive trend continued following

the publication of the annual results for 2019, with the share price reaching a high for the year of EUR 7.79 on February 20.

However, the full force of the COVID-19 pandemic hit Europe and the rest of the world in late February. With infection numbers growing rapidly every day, governments introduced strict lockdown measures and travel restrictions that had a huge impact on economic output. The global stock markets responded with massive share price losses, and the Austrian benchmark index, the ATX, recorded its highest ever single-day loss of -13.7% on March 12. The Telekom Austria share was unable to escape this development, reaching its low in 2020

Development of Telekom Austria share price

indexed from January 1, 2020



Key figures of the Telekom Austria share

	2020	2019
Share price low (in EUR)	5.26	5.90
Share price high (in EUR)	7.79	7.54
Share price as of December 31 (in EUR)	6.33	7.28
Market capitalization as of December 31 (in EUR bn)	4.2	4.8
Average daily stock market turnover (in EUR mn)	1.7	1.6
Number of shares of common stock as of December 31	664,500,000	664,500,000
Number of shares outstanding as of December 31	664,084,841	664,084,841
ATX weighting as of December 31 (in %)	1.9	2.0

of EUR 5.26 on March 16. In the second half of the month, governments and central banks put together packages of measures to cushion the dramatic economic impact of the virus. This lifted some of the pressure on the markets, although volatility remained high. The European stock markets recovered from their lows in the weeks that followed, and the relaxation of COVID-19 restrictions in many countries accompanied by the agreement of an EU stimulus package in the amount of EUR 750 bn in late May helped to stabilize the markets. The Telekom Austria share and the entire telecommunications sector benefited from this recovery.

In the summer months, the stock markets saw a volatile sideways trend that was shaped to a large extent by the development of the COVID-19 pandemic and its impact on the global economy. In this challenging environment, the presentation of solid half-yearly figures by the A1 Telekom Austria Group on July 14 led to a temporary strengthening of the share price. However, the stock market environment became more difficult again from mid-September following a renewed rise in COVID-19 cases in Europe and revised growth outlooks. Record infection rates in October and accompanying fears of new lockdown measures put the stock markets under further pressure. In November, the breakthrough in vaccine development by Pfizer-BioNTech, whose vaccine was subsequently approved

Shareholder structure

as of December 31, 2020

Shareholders ¹⁾	Ordinary shares	Holdings in %
América Móvil	338,895,000	51.00
ÖBAG (Republic of Austria)	188,876,602	28.42
Free float incl. employee stocks and treasury shares	136,728,398	20.58
Total number of shares	664,500,000	100.00

1) As registered for the Annual General Meeting on September 24, 2020.

There were no shareholding notifications in accordance with section 130 et seq. of the Austrian Stock Exchange Act in the 2020 financial year.

in the USA and Europe, prompted a rally on the stock markets that continued until the end of the year, from which cyclical stocks in particular benefited. The Telekom Austria's share price was also boosted by this positive market sentiment, albeit to a lesser extent, closing the year at EUR 6.33. The Telekom Austria share price recorded a year-on-year decline of 13.0%.

This performance was in line with the benchmark ATX index in Austria (-12.8%) and ahead of the telecommunications sector index (-16.0%).

Communication in challenging times

The COVID-19 pandemic has sustainably changed the way companies communicate with shareholders and demonstrated the importance of active and transparent communication with the financial markets, especially in challenging times. Virtual roadshows, video conferences and conference calls made it possible to maintain and even intensify the regular dialog with investors. These tools will continue to be of great importance in the future and offer a very effective alternative to face-to-face meetings. The COVID-19 pandemic also impacted the 2020 Annual General Meeting, which was held in virtual form on September 24.

Dividend

Based on improved operational and financial performance of the Group, an expected dividend level was agreed by América Móvil and Österreichische Beteiligungs AG (ÖBAG) in 2016. Starting with the 2016 financial year, the expected dividend entails the payment of EUR 0.20 per share, with this figure to be increased on a sustainable basis in line with the operational and financial development of the Group. In this context, the Management Board plans to propose a dividend of EUR 0.25 per share for the 2020 financial year to the Annual General Meeting in 2021. The Management Board and the Supervisory Board will continuously evaluate the further development of

Basic information on the Telekom Austria share

ISIN	AT0000720008
Symbol	TKA
Reuters	TELA.VI
Bloomberg	TKA AV
Listing	Vienna Stock Exchange ATX Prime Market
American Depositary Receipts (ADR)	1 ADR = 2 ordinary shares

the COVID-19 pandemic in terms of its financial and general business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.

2021 financial calendar

April 27	Results for the first quarter of 2021
May 4	Annual General Meeting record date
May 14	Annual General Meeting
Week of May 17	Ex-dividend date
Week of May 17	Dividend record date
Week of May 17 (earliest)	Dividend payment date
July 13	Results for the first half of 2021
October 19	Results for the first nine months of 2021

As of March, 2021.

External ratings and outlook

	Rating	Outlook
Moody's	Baa1	Stable
S & P	BBB+	Stable

Debt and ratings

The A1 Telekom Austria Group makes active use of the international and local debt capital markets in order to ensure that its financing is broadly diversified both regionally and in terms of its investor base.

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

Telekom Austria AG is regularly rated by Moody's Investors Service and Standard & Poor's Global Ratings. On July 27, 2020, Moody's confirmed its Baa1 rating (outlook: stable). On April 10, 2020, Standard & Poor's confirmed its BBB+ rating (outlook: stable). ■

A1 Telekom Austria Group bonds

as of December 31, 2019 (issuer: Telekom Finanzmanagement GmbH)

ISIN	Launch date	Maturity	Volume (in EUR mn)	Coupon
XS0767278301	March 26, 2012	April 4, 2022	750	4.000%
XS0950055359	June 27, 2013	July 4, 2023	300	3.500%
XS0999667263	November 26, 2013	December 3, 2021	750	3.125%
XS1405762805	November 30, 2016	December 7, 2026	750	1.500%



Employees

Competence, agility and reliability.

Not only did the extraordinary challenges in the wake of the COVID-19 pandemic in 2020 show that the infrastructure of the A1 Telekom Austria Group is pivotal, especially in times like these, and fit for the future. They also made digital living and working even more of a priority. In recent years, the company has already offered employees the flexibility of digital and virtual working conditions, allowing them to work whenever and

wherever they want, with new ways of working (remote / home working, etc.) and open-space working environments. This was one of the main reasons why, when the pandemic situation escalated, the majority of employees were able to start working from home practically “overnight” with nearly no detrimental impact to their work.

The employees working in field services, the shops and in customer service, etc. played a vital role in ensuring that the company remained a reliable and available partner for its customers. Nor should it be forgotten that the A1 Telekom Austria Group, as an operator of system-critical infrastructure, had a particularly important role to play in delivering maximum performance to its customers to allow them to work from home and shift their lives – both personally and professionally – to the digital sphere. The Group underscored the overall importance of its employees, services and infrastructure for business and wider society in its operational footprint.

Accordingly, it is not only its outstanding infrastructure and services with which the A1 Telekom Austria Group has made a significant contribution to successfully meeting these challenges. Above all, it is also the people behind it. Conveying trust and reliability – as defined in the corporate culture – and providing employees with information in a transparent way were extremely important right at the outset of the COVID-19 pandemic. In the first few weeks of the crisis, for example, a daily e-mail from the respective leadership team containing the latest information and guidelines on new rules was sent out to all employees. The internal social media platform was also used intensively for important updates and informal interaction. These live sessions were very well received and became a constant feature of the Group's communications.

As early as in February 2020, crisis teams were activated in all countries and a Group-wide crisis coordination unit was established. The first acute phase required action to be taken very quickly on different local scales, because the pandemic situation was different from one country to the next and different rules were imposed by the different national governments. All companies of the A1 Telekom Austria Group were united in the opinion that the health and safety of their employees, customers and partners was paramount, as was maintaining reliable services.

A1 occupational health and safety, A1 occupational medicine and A1 occupational psychology worked together to formulate a guideline on customer service interactions. The hygiene and social distancing measures apply to all employees and suppliers across all A1 locations. Personal protective equipment, gloves, disinfectant and masks were made available and training was also provided on how to use these properly.

Skills to tackle exceptional challenges and dynamic digital transformation

Of course, transparent and timely communication with employees and teaching of knowledge and skills did not just start to take on particular significance at the A1 Telekom Austria Group as a result of the COVID-19 pandemic. Digital networks and the digital learning platform of the Group's eCampus foster skills development and productivity, but they also promote the attractiveness of the working environment as a whole.

Constant learning is a key concept in the light of dynamically changing jobs and associated job requirements. The eCampus allows employees across the Group to complete training courses flexibly and on-demand, removing time and location constraints. The extensive range of courses shows the extent to which digital learning is championed and targeted at the A1 Telekom Austria Group. This platform features learning formats and content that were developed in-house and procured from external sources. Interested employees can make a request to receive access to content from external learning providers such as O'Reilly, Udemy, Bookboon and LinkedIn Learning.

In 2020, A1 employees from across the Group completed or attended a total 131,223 eCampus courses (2019: 116,631). External A1 partners also have access to these courses to ensure uniform transfer of knowledge and consistent quality standards, particularly in the case of product training. The A1 learning topics act as signposts for employees amongst the wide variety of digital courses. These topic clusters teach basic knowledge, but also further, more in-depth content on strategic future-related topics. They are offered alongside a series of specific expert training programs that cover all the topics.

A1 Learning Topics – Focus in 2020

- Cloud
- Advanced Analytics & AI
- 5G
- Agility
- Marketing Automation
- Robotic Process Automation
- Process Mining
- Remote Working and Leading

A1 in Austria has created a learning journey for employees entitled "Now: DIGITAL" to familiarize them with digitalization issues. In 2020, six modules were offered. The focus is on digital basics to illustrate the many areas in which digitalization plays an important role. 1,975 A1 employees in Austria have completed at least two modules.

Diversity as the key to agility, creativity and innovation

Initiatives like this underline how employees – and particularly employee diversity – are taking on a special significance in A1 Telekom Austria Group's corporate culture. The argument that diverse teams work more creatively and are able to achieve better results is also reflected in its corporate strategy, with "People & Culture" named as one of the key strategic enablers (see "Vision and Strategy"). The Group promotes an inclusive culture in which differences in people, teams and organizations are appreciated, and it regards diversity as an important criterion for pursuing its corporate objectives.

With this in mind, the A1 Telekom Austria Group has set itself the goal to increase the share of women in leadership positions to 40% by 2023 (2020: 36%). At the same time, it aims to raise and maintain the proportion of women at the company at the 40% mark (2020: 40%).

Additionally, A1 in Austria agreed to be evaluated on its advancement of women on the basis of the Women's Career Index ("Frauenkarriere-Index"; "FKI") to achieve greater comparability with other companies. The independent index examines the career development of women at various management levels and which cultural changes in the company precede this development. The findings of the index ranking put A1 in Austria, which achieved 78 (out of a maximum 100) points, which is above average compared with other telecommunications and service provider companies in Europe. The index also provides confirmation that the company has comprehensive and successful corporate communications and diverse flexibility



"Unconscious Bias"

In the 2020 reporting year, the Group also held its first digital diversity training entitled "Unconscious Bias". The purpose of this learning format is to raise awareness of the fact that humans unconsciously act and make decisions in a biased way thousands of times a day. It is aiming to identify blind spots, challenge people's perceptions and reevaluate past experiences. The aim of all this is to create an inclusive corporate culture in which A1's employees can develop their individual talents. A total of 1,718 employees took part in this training. More detailed virtual workshops were also organized for managers and other multipliers to enable an in-depth treatment of this subject.

measures. At the same time it seen as an impetus to further ramp up efforts to put in place even more attractive working conditions for women.

Family-friendly initiatives such as a versatile parental leave scheme or different networking formats including the women's network and internal platforms addressing maternity leave and diversity aim to enhance the overall position of women at the Group.

The A1 Telekom Austria Group's Guiding Principles

Team

In working together, we combine our abilities and strengths in order to meet our customers' expectations. It is important for us to communicate openly and transparently and to act as a team. Everyone's opinion matters – and everyone is encouraged to take action.

Trust

Through trust, we create an environment that promotes curiosity, openness, and cooperation. We stand by what we say and we keep our promises. We believe in the knowledge and abilities of all employees. We act with integrity in our dealings with each other, with customers, suppliers, and partners. This helps us to get a little better every single day.

Agility

The digital world is not going to wait for us to be ready for it. So we make decisions and implement them quickly. We learn in our day-to-day work, talking with co-workers and on our internal learning and social collaboration platform. We learn from our mistakes and are constantly striving to take the next step.

New ways of working: A core aspect of the corporate culture

Diversity plays an important role in the organizational structuring within the A1 Telekom Austria Group as well. The process of digital transformation that the Group is undergoing calls for multifunctional, diverse, agile, adaptable and less hierarchical teams. This presents managers with the challenge, for example, of giving employees clear guidance under the new conditions of a more virtual world. In a volatile environment, it is important to take a flexible approach to different circumstances, be proactive and deliver inclusive measures that take account of multiple perspectives.

By applying agile methods and adopting an appropriate mindset, managers have the potential to expand their own leadership skills and empower their teams to be more self-organized. The aim is to lead more and manage less. This aim was addressed, for example, with different formats such as leadership circles – a format for a hosted peer exchange among managers on current challenges.

The A1 Telekom Austria Group firmly believes that the COVID-19 pandemic has changed the world of work substantially. Certain aspects of the "crisis period" will stay with us long into the future, such as a higher proportion of home and virtual working. New concepts and models for this "New Ways of Working" at A1 are currently being developed to respond to this disruption. This requires a more all-encompassing and changed understanding of management. Work results are becoming much more central than ever, and location and time are continuing to become less relevant factors.

Team, trust and agility

Especially in the course of an organizational realignment, teams are the smallest and yet the most important unit. Teams therefore became an issue of particular focus at the A1 Telekom Austria Group in 2020. When looking at new tasks and issues specifically, but also organizational adjustments, the Group devoted particular attention to the ways in which it could help people work together more effectively across the organization. After all, more and more often, daily work tasks are not only being carried out within individual teams – as set out in the organizational structure – but rather in cross-functional, "agile" teams referred to as "squads", many of which are temporary and have changing set-ups. Cross-functional collaboration in international project groups and virtual teams and the transfer of know-how is continuously encouraged on the internal social media platform "Workplace" and via Microsoft Teams.

Agility is one of the Group's three "guiding principles": Team, trust and agility. It encapsulates the idea that the employees of the A1 Telekom Austria Group are flexible, adapt their ways of

working to the current circumstances and break new, untrodden ground to find new ways of optimizing customer benefit or internal processes.

“Agile coaches” were trained up across the Group to support agile teamwork and prepare the organization as a whole so that it can aspire to greater levels of agility. Furthermore, managers were invited to take part in an “Agile Leadership” program and all employees were offered e-learnings on the subject. Agility was already an A1 learning topic in 2019, and the next round will begin in January 2021.

Active employee engagement

So called “pulse surveys” in April / May revealed how employees are coming to terms with the new ways of working – particularly in an environment dominated by the COVID-19 pandemic. A short A1 pulse survey asked employees how they are coping with the coronavirus crisis. They were asked to give (anonymous) responses to questions such as what new challenges they were facing in their work, how they felt in the current situation and what lessons they wanted to take away from this period into the “new normal” or the future. Well over half the employees who were contacted took part in the surveys. Having to shift the majority of their work tasks to a digital setting for an extended period of time was a challenge that employees and managers alike felt they had handled well.

Nearly two-thirds of the respondents said they felt “very good” or “good” in the current climate. Specific challenges that were mentioned included the lack of personal contact with colleagues, striking a balance between work and home life and an increased workload. The survey showed that the home schooling situation was particularly challenging. Technical conditions were rated very positively. In response to the question on what employees would like to retain from the initiatives that were put in place after the first wave of the pandemic, the most commonly mentioned items were: workplace flexibility, flexibility of working hours and transparent

communication from management. The survey results were used as a basis to formulate and implement measures for the roll-out of “New Ways of Working” at A1. This is aimed at utilizing positive findings in the management of the exceptional situation also for the time after the pandemic and to consolidate them in the design of the working environment in the long term.

In the wake of the extraordinary challenges that arose in the reporting year, the A1 Telekom Austria Group significantly emphasized its role as a trustworthy and extremely reliable partner. The competence, engagement and agility of its employees were instrumental in this. 2020 will undoubtedly have a lasting impact on the ways in which people work. Even before this year, the Group had been making increased use of digital and agile teamwork, flexible working hours and workplaces as well as providing direct and transparent information on all the new developments. All in all, this forms a solid basis for an optimistic outlook for the future at and with the A1 Telekom Austria Group. ■

Health & Safety

- ▶ BGF – Berufliche Gesundheitsförderung / Seal of approval for occupational health promotion (Austria)
- ▶ ISO 45001 (Bulgaria)
- ▶ ISO 45001 (Croatia)
- ▶ OHSAS 18001 (Belarus)
- ▶ ISO 45001 (Slovenia)
- ▶ ISO 45001 (Serbia)
- ▶ ISO 45001 (North Macedonia)



Environmental and Climate Protection

A credible commitment to increased ecological sustainability and resource preservation in the interests of mankind and the environment.

Digitalization offers huge potential in terms of economic growth, improved efficiency and customer-oriented services. Furthermore, it can reduce negative environmental impacts and the waste of resources, thereby helping to combat climate

change. Digital solutions have proven particularly resilient during the COVID-19 pandemic, with the imposition of lock-downs prompting people to switch quickly and successfully to virtual forms of cooperation and ways of staying in touch with

friends and family. At the same time, the beneficial environmental implications of digitalization and the potential it offers have become even more visible. These positive experiences are expected to have a long-term impact on the way we live and work even after the pandemic is over.

The A1 Telekom Austria Group is aware of its responsibility to mankind and the environment and the positive and negative consequences of its business activities. As an expression of its commitment to this, it has made environmental and climate protection a key element of the ESG (environmental, social and corporate governance) strategy enabler within its corporate strategy (see "Vision and Strategy").

Ambitious targets for digitalization as a contributor to climate protection

The main drivers of climate change and global warming are anthropogenic greenhouse gas emissions – in particular CO₂. With this in mind, digitalization and the underlying technologies are considered to have the potential to reduce negative environmental impacts such as CO₂ emissions and resource scarcity, thereby helping to combat climate change. On the other hand, the establishment of an increasingly powerful infrastructure and the use of digital technologies can lead to

the increased consumption of energy – particularly electricity – and resources. Accordingly, the aim must be to make the use of resources as efficient as possible so that increased data volumes do not lead to proportionately higher energy requirements and CO₂ emissions.

To this end, the A1 Telekom Austria Group has set itself the goal of reaching net carbon neutrality by 2030, increasing energy efficiency¹⁾ by 80% in the same period, and collecting and recycling 50,000 mobile telephones a year as part of its ESG strategy.

At companies like the A1 Telekom Austria Group, CO₂ emissions result from the vehicle fleet, heating and air conditioning, but in particular from the electricity required by the network infrastructure. Accordingly, measures to improve energy efficiency play a key role when it comes to making the infrastructure and the products and solutions that use it as sustainable as possible (see "Technology and Innovation"). To reduce the CO₂ emissions it generates, the A1 Telekom Austria Group purchases and generates electricity from renewable energy sources. This accounted for a share of 43% in 2020. The A1 Telekom Austria Group operates two large in-house photovoltaic farms – one in Belarus (since 2016) that produces around 26 million kWh of electricity per year, and one in Austria (since 2013) that produces more than 215,000 kWh of electricity per year. In addition, approx. 100 of the Group's mobile base stations are powered by self-generated electricity from wind or solar power.

CDP rating 2020

Once a year, companies supply the Carbon Disclosure Project (CDP) with data and information for stakeholders on CO₂ emissions, climate risks and reduction targets and strategies on a voluntary basis. Thanks to its sustainable business activity and targeted measures, the A1 Telekom Austria Group achieved a disclosure score of "Performance B" in 2020.

Sustainable mobility

Operating the network infrastructure does not consume fuel directly. However, it involves mobility requirements for maintenance, continuous expansion, quality assurance and customer service. As such, the Group also takes various steps to reduce the CO₂ emissions in its vehicle fleet. The aim is the same as for electricity: to achieve the greatest possible efficiency levels. As a first step, the number of kilometers driven is reduced. For example, this is achieved using innovative logistics concepts

1) Energy efficiency is defined as the electricity consumed per terabyte of data volume transferred (2019: 0.18 MWh / terabyte; 2020: 0.14 MWh / terabyte).

and telepresence solutions as well as other digital solutions to support flexible and mobile forms of work (see “Employees”). Self-installation solutions for customers also help to reduce the number of kilometers driven and the number of vehicles in the fleet. The second step involves using vehicles with sustainable drive models: Natural gas, hybrid and electric vehicles already form part of the A1 Telekom Austria Group’s fleet. The increased use of vehicles with sustainable drive models is being evaluated in the countries in the Group’s operational footprint. In Austria, for example, A1 has set itself the target of switching entirely to electric vehicles by 2030. In 2020, the A1 Telekom Austria Group reduced the number of kilometers driven by 14 % compared with 2019, while the CO₂ emissions caused by the vehicle fleet fell by 15 % in the same period. This was achieved due to the significantly lower number of journeys made because of the COVID-19 pandemic.

A responsible approach to energy demand: Efficiency and renewable sources

The effects of heating office buildings play a relatively minor role when it comes to the A1 Telekom Austria Group’s carbon footprint. Nevertheless, the Group also takes steps to reduce its CO₂ emissions in this area, e. g. by switching from higher-emission heating systems to environmentally friendly district heating. A1 in Austria is also gradually moving over to heat pumps that can significantly lower CO₂ emissions when run entirely on electricity from renewable energy sources.

In 2020, the A1 Telekom Austria Group increased its energy efficiency by 22 % year-on-year (measured in MWh / terabyte). While transported data volumes – as a result of dynamically rising demand – increased by 34 % compared to 2019, electricity consumption rose by 5 %. CO₂ emissions, on the other hand, only rose by 3 %. Activities in 2021 will focus on reduction measures as well as increasing the share of renewable energy in both electricity consumption and the vehicle fleet.



Green telephone exchanges

In 2020, A1 in Austria continued to expand its “Energy-efficient telephone exchanges” pilot project. A further 75 exchanges were equipped with photovoltaic systems in the year under review. Electricity from solar power is fed in directly and used to operate the exchange.

Actively harnessing the ecological potential of digitalization

The A1 Telekom Austria Group is convinced that digital progress offers considerable opportunities for environmental and climate protection. Digital communication solutions that are now well established, such as video conferencing and telepresence, are making communication more efficient and more environmentally friendly in many areas of work and life. The coronavirus lockdown in particular illustrated the importance of such digital applications for keeping in touch with customers, business partners, friends and family.

By outsourcing infrastructure to data centers, hosting services use electricity more efficiently and hence reduce CO₂ emissions. In any case, attention is increasingly turning to smart solutions with a view to increasing efficiency or reducing CO₂ emissions and other environmental impacts. This is opening up a wide range of promising options in the sphere of the Internet of Things (IoT) in particular, including smart home, smart office, smart city and smart farming solutions. For example, smart hot water storage tanks can be used to absorb peaks in renewable energy output.

Circular economy

One consequence of the dynamic digital transformation is the continuous development and utilization of new technologies and devices as well as components to optimize efficiency and potential. As a result, mobile devices are being replaced at increasingly faster rates. The A1 Telekom Austria Group makes fundamental ecological principles such as continuous lifecycle management a top priority by preventing waste, conserving resources, and keeping valuable raw materials in circulation for as long as possible, for example. The subsidiaries in Austria and Bulgaria also reuse devices that have been returned to them and that are still functional and technologically current. When devices or equipment can no longer be used, they are dismantled, separated systematically by category of waste (circuit boards, copper, iron, tin, etc.), and properly recycled.

The A1 Telekom Austria Group also contributes to preserving resources by recycling mobile phones - even though the Group itself does not manufacture mobile devices. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, in some cases already since 2004. Between 70% and 80% of the components of these old devices can be recycled and reused as raw materials by specialist recyclers to whom they are passed on. In Austria, for example, all of the revenues generated from mobile phone recycling are donated to environmental protection projects. The A1 Telekom Austria

Certified environmental management systems

Austria

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

Slovenia

- EMAS (since 2014)
- ISO 14001 (since 2009)

Serbia

- ISO 14001 (since 2015)

Bulgaria

- ISO 14001 (since 2018)

North Macedonia

- ISO 14001 (since 2016)

Croatia

- ISO 14001 (since 2019)

Selected cooperations

- Code of Conduct on Data Centres Energy Efficiency (Austria)
- Research cooperation with the University of Natural Resources and Life Sciences Vienna (Austria)
- Center for Environmental Solutions (Belarus)
- Green Network Slovenia (Slovenia)

Group has set itself the goal of promoting a circular economy within the company and recycling a minimum of 50,000 old devices every year until 2030. On a Group-wide basis, around 85,000 devices were collected in 2020.

The digitalization of internal work processes also enjoys high priority when it comes to resource preservation. In field service, for example, digital logbooks for drivers, plans, and assembly orders are increasingly being used. In addition to the digitalization of internal work processes and the use of follow-me printers, internal campaigns raise environmental awareness among employees and get them actively involved in green activities. ■



Digital Education

A competent and trustworthy partner for the promotion of digital media literacy: A1 Internet for All

The dynamic digital transformation is accompanied by the continuous introduction of innovative applications that are enriching our working conditions, our lives and our communications. However, this requires users to keep pace through continuous learning. This is leading to substantial changes in

today's vocational landscapes and the basic skills required, and hence also in our educational systems. This is particularly relevant for children and young people, as digitalization will shape and change the future of working life more than ever before – with corresponding consequences in terms of

training and further education requirements. For teachers in the compulsory education system in particular, training and further education are the key to a future-proof digital educational system. To this end, a series of workshops for teachers and educators was arranged as part of a cooperation between A1 in Austria and the University College of Teacher Education in Vienna, with a focus on teaching digital skills and the use of digital media in class. Another target group when it comes to digital literacy is kindergarten teachers, who face the enormous demand of helping very young children to grow up in the digital world. 72% of children aged six or younger already use digital media.¹⁾

Taking active responsibility for equal opportunity in digitalization

With this in mind, the A1 Telekom Austria Group seeks to offer added value and build bridges beyond its core business. It regards this as part and parcel of its responsibility to actively support people as they take their first steps in the digital world and to promote digital literacy. In particular, it aims to get children and young people enthusiastic about digitalization and the technologies involved from as early an age as possible. The “A1 Internet for All” media literacy initiative was established in Austria back in 2011 to equip them with the necessary skills and has since been rolled out with similar projects and measures in other countries where the Group operates. By the end of 2020, at these workshops around 228,000 participations had been counted.

The COVID-19 pandemic has seen rapid growth in digitalization around the world as home schooling, working from home and socializing with family and friends virtually have become a part of everyday life. This has led to a high level of demand for training in digital teaching concepts, particularly for schools. To address this, A1 in Austria expanded its range of established virtual workshops for kindergarten teachers to include additional series of “First Aid” Online Workshops for teaching in the digital classroom – this aimed specifically at educators during the lockdown and the summer months ahead of the 2020/2021 school year. Activities increasingly also focused on the development of interactive online formats specially designed for children and young people as an alternative to the existing regular program.

1) Source: saferinternet.at, study: „Die Allerjüngsten und digitale Medien“, 2020.

Arousing interest, lowering barriers, identifying risks

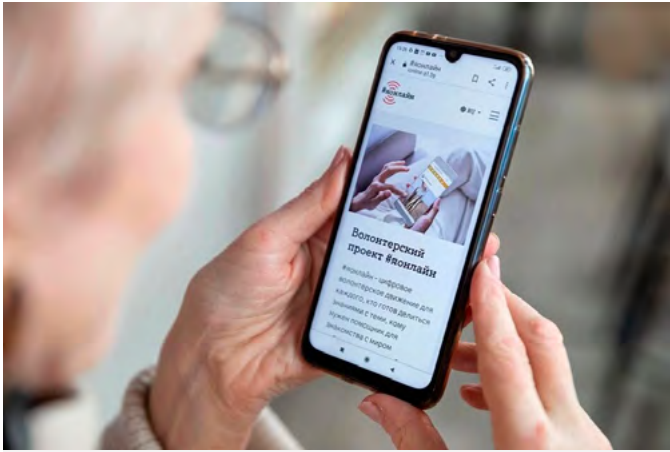
As part of its digital education focus, the A1 Telekom Austria Group has set itself the target of addressing 100,000 people by 2023, especially children and young people, with offerings to help them safely navigate and actively shape the digital world. A wide range of workshops for school classes provide an introduction to the safe and skilled use of technology through the medium of play. Additional one-week courses on core topics teach a basic understanding of programming and computational thinking. Pupils create simple programs or web applications to solve complex tasks and problems. Some of the workshop contents are also made available to teachers as educational material for the classroom.



“A1 FerienLabs” throughout Austria

In 2020, the children of A1 employees throughout Austria were given the opportunity to participate in exciting and creative “A1 FerienLabs” (vacation labs) for the first time. Held at “A1 Internet for All” locations and other A1 locations across a total of 15 weeks, the vacation labs offered a wide range of vacation activities in small groups – programming games, creating cool videos, protecting passwords, recognizing fake news, and much more besides. Around 120 children aged between 7 and 14 took part in the “A1 FerienLabs”.

During the “A1 FerienLabs”, the applicable COVID-19 guidelines and hygiene measures were adhered to at all times and coordinated with the A1 health and crisis team.



A1 Belarus #ionline

At the beginning of October 2020, A1 in Belarus launched the #ionline campaign with the aim of providing training to actively support older people in particular as they take their first steps in the digital world. Anyone can take part and register as a volunteer trainer at ionline.A1.by. Volunteers will receive a 1 GB bonus for a friend or family member. The ionline.A1.by website is the core of the campaign. This is where all interested parties will find tips and tools for successful internet training alongside information about the project.

Information events held as part of the “A1 Internet for All” initiative in Austria provide parents with information about the positive aspects of the digital world as well as the online usage habits of children and how to protect them from potential dangers. They also shed light on negative aspects such as cyberbullying, hate speech and excessive Internet use. The educational initiative shows parents how to identify common hazards at an early stage and works with partners to provide assistance as required.

Digital products for social inclusion and health care

The A1 Telekom Austria Group wants as many people as possible to enjoy the benefits of digitalization. Needless to say, this also includes people with special needs and people from disadvantaged social backgrounds, some of whom lack the necessary media literacy or access to technology on account of their circumstances. In order to make an active contribution in this area, the A1 Telekom Austria Group works with various social institutions to jointly offer optimized introductory training for the respective target groups.

For example, new information and communication technologies can help to integrate blind and severely visually impaired people into mainstream education without the use of Braille. A1 in Croatia also offers visually impaired people mobile telephones with larger screens or simplified menu navigation. SMS and chat messages are beneficial for deaf people, which is why A1 in Belarus offers a reduced special tariff for people who are hearing impaired.

Health naturally plays an important role in an aging society. E-health solutions are the future in many areas of the health care system. A1 in Austria is already facilitating a “medical data network” and supplying the infrastructure for large parts of the Austrian e-card system. The medical data network connects physicians, hospitals, laboratories and other health care institutions. The multimedia hospital bed, also known as the “E-Care Terminal”, brings variety to the patient’s bedside, introduces additional services to everyday hospital life and assists nursing staff in their work. The connection of pharmacies throughout Austria and the accompanying roll-out of e-medication are helping to improve patient safety when taking medication and ensuring that physicians and pharmacists have a good overview of prescribing and dispensing. ■

Selected cooperations

- Kinderbüro of the University of Vienna (Austria)
- Stoptline (Austria)
- Saferinternet.at (Austria)
- Innovative Community Centers Association (Bulgaria)
- Centar za sigurniji Internet (“Safer Internet Center”) (Croatia)
- Digital Communications Institute (Serbia)
- Safe.si (Slovenia)
- Bureau for Development of Education (North Macedonia)

Compliance

Integrity is a guarantee of trustworthiness – especially during challenging times.

For the A1 Telekom Austria Group, it is a given that impeccable conduct is the only way to pursue and achieve its targets. The Group approaches all its challenges with this attitude, and the COVID-19 crisis in the 2020 reporting year was no different.

Compliance is firmly anchored in corporate governance as well as in the corporate culture and strategy (see “Vision and Strategy”) of the A1 Telekom Austria Group for this purpose. Compliance defines the attitudes and conduct of all managers and employees through a set of clear, embodied values and measures to promote good conduct.

Compliance: A constant element of the active embodiment of good corporate governance

Maintaining and improving an externally certified compliance management system (CMS) in line with best practice is an essential element of actively embodied corporate governance, because impeccable conduct from an ethical and legal perspective is crucial for trustworthiness in the eyes of customers and other stakeholders.

Regular reviews of the compliance management system’s appropriateness and effectiveness aim to ascertain whether current compliance requirements are being met and where there still may be potential for improvement. The A1 Telekom Austria Group had its CMS audited for the first time in 2012 / 2013 by PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and again in 2018 / 2019 by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

For the areas of anti-corruption and integrity, antitrust law and capital market compliance across the whole A1 Telekom Austria Group, KPMG issued an unqualified audit opinion for the design, implementation and effectiveness of the CMS in accordance with IDW PS 980 (German audit standard for compliance) and rated the CMS in the highest maturity level.

KPMG also confirmed that the principles and measures of the A1 Telekom Austria Group’s CMS meet the requirements of ISO 19600 (Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European anti-trust legislation and the UN Global Compact.

Compliance as the foundation for fair and successful business development over the long term

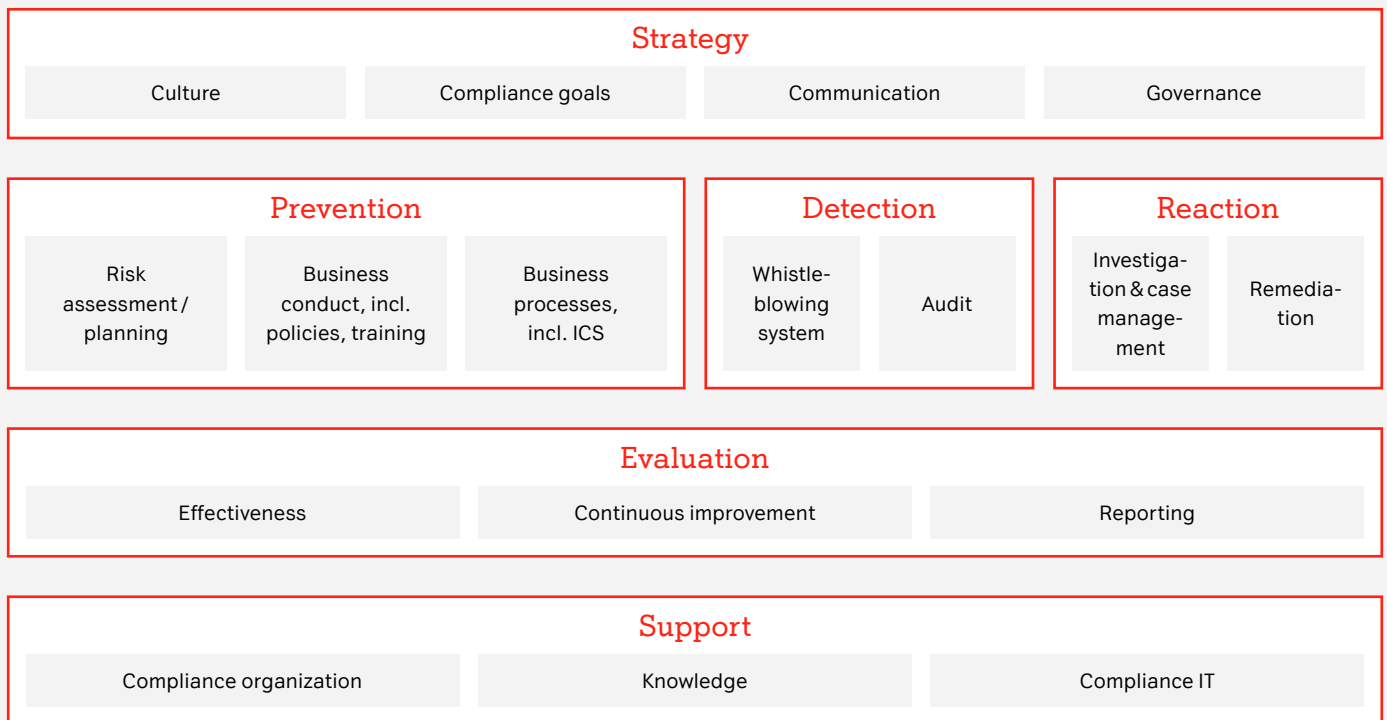
The A1 Telekom Austria Group believes it has a duty to all its stakeholders to enforce its own standard of integrity as a key part of the corporate culture, because honest, fair and transparent business conduct is the only way to secure the economic success and reputation of the Group over the long term.

To avoid potential misconduct, the A1 Telekom Austria Group has defined clear rules for ethically sound conduct and integrity in all its business relationships and incorporated appropriate controls within its business processes. Group Compliance is aided by local compliance officers based at the subsidiaries in its mission to consistently implement the relevant measures and tools within all the business units.

To ensure sustained prevention and cover potential risks within the A1 Telekom Austria Group, employees – and also external parties – are given the option to report information on possible misconduct via the “tell.me” whistleblower platform – where they can remain anonymous, if they prefer. In 2020, roughly 30 compliance-related tips were received through this compliance tool and other channels, and they were treated with the utmost care and confidentiality.

The A1 Telekom Austria Group responds immediately to individual cases by implementing appropriate measures and sanctions. When a case of actual misconduct is identified, the potential consequences range from awareness and training

Compliance Management System



measures, process improvements and reprimands to dismissals or the termination of business relationships.

Embedding of compliance in the corporate culture: Code of Conduct

Compliance is a central element of the corporate culture at the A1 Telekom Austria Group as it sets out clear rules and guidelines for conduct in the day-to-day running of the company. Important factors include senior management and all the managers setting an example and all employees taking responsibility for their own actions.

The Code of Conduct is a vital tool associated with the A1 Telekom Austria Group compliance management system. It is directed at all employees and managers, and helps to promote impeccable conduct from an ethical and legal perspective in the many decisions that need to be taken on a daily basis. With this in mind, it contains information and rules on integrity, fair dealings with stakeholders, protection of personal and confidential data, reporting and prevention of conflicts

of interest, gifts and personal favors, protection of company assets, communication of the Code of Conduct contents and the Group's whistleblower principles.

Guidelines that apply across the Group also provide in-depth guidance on specific issues such as anti-corruption and conflicts of interest, data protection, antitrust law and capital market compliance.

Regular training, optimized for each target group, is provided to permanently embed the principle of integrity in the minds of everyone at the Group. Group-wide training sessions explain the practical aspects of compliance topics and provide tangible case studies. In 2020, the company focused its efforts on developing target-group-specific e-learning programs on compliance. In 2020, more than 2,800 employees and managers took part in compliance training, the majority of which was conducted virtually or online – not least of all because of the coronavirus. Employees and managers also completed more than 24,200 compliance e-learning in 2020. Employees at the A1 Telekom Austria Group can contact the compliance helpdesk “ask.me” if they would like to have any outstanding questions resolved, and in 2020 the helpdesk responded to approximately 280 questions. ■

Report by the Supervisory Board

Dear Shareholders,

2020 was without doubt a challenging year. Despite the difficult conditions in the face of the COVID-19 pandemic, the A1 Telekom Austria Group was able to achieve solid results and demonstrate its resilience in the crisis. System-critical and strong infrastructure as well as innovative products emphasize the central importance of the A1 Telekom Austria Group for the digitalization of society.

The good operating and financial performance shows not only that the established strategy is being followed successfully, but also that the company initiated and implemented the appropriate measures and adjustments for the crisis at the right time.

In the 2020 financial year, the Group recorded a slight decrease in sales of 0.3% to EUR 4,549 mn. The decrease was attributable to other operating income being lower and lower revenues from the sale of end devices. It proved possible to keep revenues from services stable thanks to the strong demand for broadband solutions despite considerable losses in the roaming business as a result of restricted mobility and negative FX effects. The negative roaming effect caused by COVID-19 amounted to approximately 4% of the Group EBITDA, yet the year under review also saw EBITDA before restructuring increase by 1% to EUR 1,661.3 mn. Excluding one-off and FX effects, EBITDA grew by 3.5%.

Operating income (EBIT) rose by 3.9% compared to the previous year, reaching EUR 638.9 mn. A1 Telekom Austria Group reported a net result of EUR 388.8 mn in 2020, an increase of 18.7% compared to the previous year.

Net debt (excluding leases) fell by 10.7% to EUR 2,331 mn. The ratio of net debt to EBITDA (both excluding leases) was further reduced from 1.9x as of December 31, 2019, to 1.7x as of December 31, 2020.

In September 2020, A1 Telekom Austria AG, the Austrian subsidiary of the A1 Telekom Austria Group, took part in the multi-band auction for the 700 MHz, 1500 MHz and 2100 MHz bands and acquired frequencies for a total of around EUR 66 mn. In combination with its existing leading position in the 800 MHz band, this frequency allocation offers an outstanding basis for future 5G applications and capacity expansions. A1 also made a commitment to supply 349 rural communities, thereby making an important contribution to enhancing rural regions.

The Supervisory Board appointments of Dr. Karin Exner-Wöhrer and Alejandro Cantú Jiménez were extended at the Annual General Meeting on September 24, 2020. In October 2020, Walter Hotz, who was appointed by the Central Works Council, left the company and Gerhard Bayer was appointed in his place.

The Supervisory Board also adapted its working practices to the special circumstances of the COVID-19 pandemic in 2020 and has held its Supervisory Board meetings virtually via video-conference since late February 2020.

In the 2020 financial year, the Supervisory Board addressed matters such as strategic orientation, also with regard to ESG and sustainability aspects; investment and financing decisions; and business performance in detail at six meetings of the Supervisory Board – including one strategy meeting – and various committee meetings. Following an extensive discussion on

strategic opportunities and challenges as well as potential courses of action to optimize business performance, the budget for 2021 was approved in December 2020.

At five meetings in 2020, the Audit Committee performed its supervisory duties to monitor the effectiveness of the internal control system, the risk management system and internal auditing, and audited the Annual Financial Statements for 2020 in the presence of the auditors.

The Remuneration Committee of the Supervisory Board held four meetings at which it addressed the remuneration of the Management Board and the contracts of the Management Board members. The main focus of its work here was on evaluating the remuneration of the Management Board, particularly with regard to the implementation of ESG and sustainability criteria, and devising the remuneration policy, which was approved by the Annual General Meeting on September 24, 2020, with 99.2% of the votes cast.

The Supervisory Board of Telekom Austria AG is committed to compliance with the Austrian Corporate Governance Code (ACGC) and to responsible corporate management and control aimed at generating sustainable enterprise value. All ten shareholder representatives have declared their independence within the meaning of Rule 53 of the ACGC.

As provided in Rule 62 of the ACGC, the A1 Telekom Austria Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The last evaluation carried out by Ernst & Young Wirtschaftsprüfungs-GmbH in the first half of 2020 found no facts that are at variance with the

declaration made by the Management Board and Supervisory Board in the 2019 financial year regarding observance of and adherence to the "Comply or Explain" rules or the recommendations of the ACGC.

The Supervisory Board approves the Management Board's proposal for the distribution of profit, namely the distribution of a dividend of EUR 0.25 per eligible share for the 2020 financial year, with the remaining amount being carried forward to new account.

As Chair of the Supervisory Board, I would like to extend my thanks to the management and all employees on behalf of the entire Supervisory Board. With their commitment, they made a vital contribution to allowing the A1 Telekom Austria Group to continue on its successful trajectory in the 2020 financial year despite all of the challenges it faced.

In closing, I wish to express my gratitude to the customers and shareholders of the A1 Telekom Austria Group for the confidence they have placed in us. The Supervisory Board will continue to address in detail and actively press ahead with the long-term strategic orientation and development of the A1 Telekom Austria Group going forward.

Dr. Edith Hlawati
Chair of the Supervisory Board
Vienna, March 2021

Consolidated Corporate Governance Report 2020

Commitment of the A1 Telekom Austria Group to the Corporate Governance Code

The shares of Telekom Austria AG (in the following also "A1 Telekom Austria Group") have been listed on the Vienna Stock Exchange since November 2000, where the Austrian Corporate Governance Code (ACGC) is generally accepted. The current version of this Code (January 2021) can be viewed at www.corporate-governance.at or www.a1.group.

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

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

- Ad C Rule 36: Given the culture of open discussion within the Supervisory Board, the annual self-assessment of the Supervisory Board as stipulated in Rule 36 of the ACGC is performed every two years. The Supervisory Board in its current form last conducted the self-assessment in the 2019 financial year.
- Ad C Rule 42: The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and Österreichische Beteiligungs AG (ÖBAG). The Nomination Committee or the entire Supervisory Board submit nomination proposals to the Annual General Meeting as stipulated by these terms, where required by law.
- Ad C Rule 54: The free float of the company (including treasury shares) is 20.58%. The shareholder representatives on the Supervisory Board are appointed in line with the terms of the shareholders' agreement between the controlling shareholder América Móvil and ÖBAG.

In accordance with Rule 62 of the ACGC, the A1 Telekom Austria Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The last

evaluation was performed by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. in the first half of 2020. This evaluation found that the Consolidated Corporate Governance Report of the company for the 2019 financial year ended December 31, 2019 satisfies the legal provisions of section 243b UGB and section 267a UGB in addition to the requirements of the ACGC and the statements made therein.

From the 2020 financial year onwards, information on Management Board remuneration and the main contractual conditions as well as Supervisory Board remuneration can be found in the remuneration policy and in the company's remuneration report to be submitted annually to the Annual General Meeting.

The current valid remuneration policy for the Management Board and Supervisory Board, which was voted on by the Annual General Meeting on September 24, 2020, is available on the A1 Telekom Austria Group website.¹⁾

The remuneration report for the Management Board and the Supervisory Board for the 2020 financial year will be presented to the 2021 Annual General Meeting for the first time.

Composition of Executive Bodies

The Management Board

The members of the Management Board of Telekom Austria AG as of the end of 2020 were Thomas Arnoldner, Chief Executive Officer (CEO), Alejandro Plater, Chief Operating Officer (COO), and Siegfried Mayrhofer, Chief Financial Officer (CFO).

Thomas Arnoldner

Chief Executive Officer (CEO):

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

Thomas Arnoldner was born in 1977. He studied business administration at the Vienna University of Economics and Business and at the Stockholm School of Economics.

1) See https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Management_Board.pdf or https://cdn1.a1.group/final/en/media/pdf/agm2020_Remuneration_policy_Supervisory_Board.pdf

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

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

Alejandro Plater

Chief Operating Officer (COO):

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

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

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

Siegfried Mayrhofer

Chief Financial Officer (CFO):

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

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

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

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

Siegfried Mayrhofer holds Supervisory Board mandates at the following subsidiaries: A1 Telekom Austria (Austria), A1 Bulgaria (Bulgaria), A1 Hrvatska (Croatia), A1 Slovenija (Slovenia), Vip mobile (Serbia), A1 Makedonija (North Macedonia).

Siegfried Mayrhofer is also a member of the Management Board of the parent company (SB Telecom) of A1 Belarus (Belarus). Siegfried Mayrhofer does not hold any supervisory board mandates outside the A1 Telekom Austria Group.

Supervisory Board

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

The Supervisory Board appointments of Dr. Karin Exner-Wöhrer and Alejandro Cantú Jimenez were extended at the Annual General Meeting on September 24, 2020. In October 2020, Walter Hotz, who was appointed by the Works Council, left the company and Gerhard Bayer was appointed to the company's Supervisory Board in his place.

In accordance with section 86 (7) AktG, the Supervisory Board must consist of at least 30% women and at least 30% men (gender quota). Based on the declarations by members of the Supervisory Board in accordance with section 86 (9) AktG, singular fulfillment of the gender quota in the Supervisory Board is required. Consequently, at least three of the ten members of the Supervisory Board elected by the Annual General Meeting or Supervisory Board mandates must be women. As of the end of 2020, three of the ten members of the Supervisory Board elected by the Annual General Meeting are women.

The "Arbeitsverfassungsgesetz" (Austrian Labor Constitutional Act) imposes special regulations for the fulfillment of the gender ratio among employee representatives, namely that the gender ratio does not apply to employee representatives if there is no group works council.

Members of the Supervisory Board of Telekom Austria AG

as of December 31, 2020

Name (year of birth)	Profession
Edith Hlawati, Chairperson (1957)	Senior Partner at CERHA HEMPEL Rechtsanwälte GmbH
Carlos García Moreno Elizondo, Deputy Chairperson (1957)	CFO América Móvil, S.A.B. de C.V. (Mexico)
Alejandro Cantú Jiménez (1972)	General Counsel América Móvil, S.A.B. de C.V. (Mexico)
Karin Exner-Wöhrer (1971)	CEO Salzburger Aluminium AG
Peter Hagen (1959)	Business Consultant
Carlos M. Jarque (1954)	Executive Director of International Affairs, Government Relations and Corporate Affairs, América Móvil, S.A.B. de C.V. (Mexico)
Peter F. Kollmann (1962)	CFO Verbund AG
Daniela Lecuona Torras (1982)	Head of Investor Relations, América Móvil, S.A.B. de C.V.
Thomas Schmid (1975)	CEO Österreichische Beteiligungs AG
Oscar Von Hauske Solís (1957)	CEO Telmex Internacional (Mexico), Chief Fixed-Line Operations Officer América Móvil, S.A.B. de C.V. (Mexico)

Members of the Supervisory Board delegated by the Staff Council

Walter Hotz (1959)	Chairperson of the Staff Committee Vienna, Lower Austria and Burgenland of A1 Telekom Austria AG Chairperson of the European Works Council of A1 Telekom Austria Group
Gerhard Bayer (1967)	Deputy Chairperson of the Central Works Council of A1 Telekom Austria AG
Gottfried Kehrer (1962)	Member of the Central Works Council of A1 Telekom Austria AG
Werner Luksch (1967)	Chairperson of the Central Works Council of A1 Telekom Austria AG Member of the European Works Council of A1 Telekom Austria Group
Renate Richter (1972)	Member of the Central Works Council of A1 Telekom Austria AG
Alexander Sollak (1978)	Chairperson of the Staff Council Committee of Telekom Austria AG Secretary-General of the European Works Council of A1 Telekom Austria Group

- 1) Term of office ends at the Annual General Meeting dealing with the 2020 financial year (provisionally May 2021).
- 2) Term of office ends at the Annual General Meeting dealing with the 2021 financial year (provisionally May 2022).
- 3) Term of office ends at the Annual General Meeting dealing with the 2022 financial year (provisionally May 2023).
- 4) Term of office ends at the Annual General Meeting dealing with the 2023 financial year (provisionally May 2024).

Independence of the Supervisory Board

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

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

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

Other Supervisory Board mandates and similar functions at other listed companies (as per the ACGC)	First appointed	End of current term of office on Supervisory Board of Telekom Austria AG or date of departure	Independence as per Rule 53 of the ACGC
Österreichische Post AG (Chairperson)	May 30, 2018 Chairperson; June 28, 2001–May 29, 2013 Member of the Supervisory Board	2023 ³⁾	yes
	August 14, 2014	2023 ³⁾	yes
	August 14, 2014	2023 ³⁾	yes
	May 27, 2015	2023 ³⁾	yes
	May 25, 2016	2021 ¹⁾	yes
	August 14, 2014	2022 ²⁾	yes
	September 20, 2017	2021 ¹⁾	yes
	May 30, 2018	2022 ²⁾	yes
Verbund AG (Chairperson), OMV AG (Deputy Chairperson)	May 29, 2019	2024 ⁴⁾	yes
	October 23, 2012	2023 ³⁾	yes
	Re-delegated on May 6, 2011	October 4, 2020	
	October 5, 2020		
	October 27, 2020		
	August 3, 2007 to October 20, 2010 Re-delegated on January 11, 2011		
	October 12, 2018		
	November 3, 2010		

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

The A1 Telekom Austria Group complies with established principles to ensure sustainable, value-enhancing corporate development and is committed to the principles of transparency and a policy of open communication. The group-wide areas of competence and responsibility are clearly regulated by the Articles of Association of Telekom Austria AG and the relevant statutory provisions. In addition, the duties, responsibilities and working methods are also described in greater detail in the Rules of Procedure for the Management Board and the Supervisory Board.

The Management Board defines the strategic focus of the Group in consultation with the Supervisory Board and provides the latter with regular reports on the implementation of the strategy as well as on the company's current situation, including its risk situation. Furthermore, the Supervisory Board is authorized to demand reports from the Management Board at any time on matters concerning the A1 Telekom Austria Group.

The Supervisory Board has set up three committees, which provide effective support by carrying out preparatory work on selected tasks and issues on behalf of the Supervisory Board:

- In the 2020 reporting year, the **Remuneration Committee** consisted of Edith Hlawati (Chair), Carlos García Moreno Elizondo (Deputy) and Oscar Von Hauske Solís. This committee is responsible for regulating relationships between the company and the members of the Management Board and thus for structuring and implementing Management Board remuneration based on the remuneration policy. Resolutions concerning the appointment of Management Board members (or revocation thereof) and granting share-based remuneration elements are resolved by the Supervisory Board as a whole.

In 2020, the Remuneration Committee held four meetings. It particularly focused on developing the remuneration policy for the Management Board and the Supervisory Board, which was approved by the Supervisory Board on the recommendation of the Remuneration Committee and presented to the Annual General Meeting for the first time in 2020.

- In line with the statutory provisions, at five committee meetings in 2020 the **Audit Committee** dealt primarily with the audit of and preparation for the adoption of the Annual Financial Statements, the audit of the Consolidated Financial Statements, the proposal for the distribution of profit, the Management Report, the Group Management Report, and the consolidated Corporate Governance Report and the consolidated non-financial report. High priority was also given to monitoring the accounting process, the effectiveness of the internal control system, the internal audit system, and the risk management system. Furthermore,

the Audit Committee prepared the appointment of the auditor and verified the independence of the auditor of the Annual and Consolidated Financial Statements, particularly with regard to the performance of additional services.

As of the end of 2020, the Audit Committee consisted of Carlos García Moreno Elizondo as its Chairman and financial expert (in accordance with section 92 (4a) AktG), Thomas Schmid, Oscar Von Hauske Solís, Carlos M. Jarque, Peter Hagen, Peter Kollmann and Gerhard Bayer (since October 5, 2020; previously Walter Hotz), Werner Luksch and Alexander Sollak as the employee representatives.

- The **Staff and Nomination Committee** submits proposals to the Supervisory Board for appointments to positions on the Management Board and Supervisory Board²⁾ that have become vacant, and also deals with questions of succession planning. Its members are Oscar Von Hauske Solís (Chairman), Edith Hlawati, Carlos García Moreno Elizondo, Carlos M. Jarque, Alejandro Cantú Jiménez and Peter Kollmann in addition to Gerhard Bayer (since October 5, 2020; previously Walter Hotz), Werner Luksch and Alexander Sollak. The Staff and Nomination Committee did not hold any meetings in the 2020 financial year.

In the 2020 financial year, the Supervisory Board addressed the strategic orientation of the A1 Telekom Austria Group and its business performance in detail at six meetings of the Supervisory Board and nine committee meetings. The main activities of the Supervisory Board in 2020 are compiled in the Supervisory Board's report to the Annual General Meeting. In the year under review, no member of the Supervisory Board attended fewer than 50 % of the Supervisory Board meetings.

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

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

Women account for three of the ten shareholder representatives and one of the five employee representatives on the Telekom Austria AG Supervisory Board. There is no female representation on the Management Board of Telekom Austria AG. At the subsidiaries of the A1 Telekom Austria Group, seven management positions (out of a total of 16) and eight Supervisory Board positions are held by women. The proportion of female managers was 36 % as of the end of 2020.

2) See also information on C Rule 42.

The A1 Telekom Austria Group has set itself the goal of increasing the share of women in management positions to 40% by 2023, while also raising and keeping the overall share of women in the company at above 40%.

The A1 Telekom Austria Group sees a transparent attitude towards diversity and the achievement of equal opportunities as part of its social responsibility. Diverse teams with different personalities, perspectives and proficiencies have been proven to deliver better, customer-centric results. Diversity is thus not just a matter of social responsibility issue, but also represents an essential criterion in the pursuit of our corporate goals. In the future, the A1 Telekom Austria Group will particularly focus more on diversity as part of the topic of "gender diversity." While diversity itself is broadly defined, special attention is paid to gender diversity. In Austria especially, there is a low share of women on account of the company's history and social circumstances. To raise the number of women and to get more women into management positions, work/life balance has been a key point of focus in the last few years especially. Flexible working time models and the chance to work from home have been available since long before the COVID-19 pandemic. To achieve greater comparability with other companies, the A1 Telekom Austria Group agreed to be evaluated on its advancement of women on the basis of the Women's Career Index (FKi) in Austria. The independent index examines the career development of women at various management levels and the cultural changes that are moving things forward. The findings of the index ranking put A1 in Austria, which achieved 78 points (out of a maximum of 100), in an above-average position (75 points) compared with other telecommunications and service provider companies in Europe. The study also confirms that the company has comprehensive and successful corporate communications and diverse flexibility measures. At the same time, it is an incentive to create even more attractive working conditions for women.

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

Appointments to the Management Board and Supervisory Board of the A1 Telekom Austria Group

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

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

Changes after the Reporting Date

A1 Telekom Austria Group is currently working on the development of alternatives that would allow it to reap more benefits from its passive mobile infrastructure (the so-called "Tower Business") through a targeted management focus on internal efficiencies and higher tenancy ratios of mobile sites.

January 2021 was characterized by lockdown measures in all segments in which A1 Telekom Austria Group operates. It also cannot be precluded that these measures will continue for a longer period of time. As in previous lockdown periods, A1 Telekom Austria Group does not expect a significant impact on operating income (EBIT). For the full year 2021, roaming revenues are expected to recover partly, although it is assumed that travel activity will continue to be strongly reduced compared to the times before the outbreak of the pandemic.

Vienna, February 2021
The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

3) See also information on C Rule 4.2.

Group Management Report

General economic environment

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

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

Development of real GDP in the markets of A1 Telekom Austria Group (in %) ¹⁾

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

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

Industry trends and competition

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

such as mobile WiFi routers and VPN connections. Mobile network providers offered their customers additional offerings at reduced cost or free of charge. The market environment remained intensively competitive in both fixed-line and mobile communications throughout this period. One example of this can be seen in the no-frills²⁾ segment in Austria, where there was sustained pressure on prices due to the aggressive pricing policy of mobile virtual network operators (MVNOs).

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

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

1) Sources: European Union, Austria, Bulgaria, Croatia, Slovenia, Serbia, and North Macedonia: European Commission

https://ec.europa.eu/info/sites/info/files/economy-finance/ip136_en.pdf, page 215; Belarus: IMF IWF <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>, page 55

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

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

4) Broadband in Austria. 2019 evaluation report (page 50)

<https://www.bmlrt.gv.at/dam/jcr:5de13346-e12a-4ff8-9c83-30b14c5000e3/Evaluierungsbericht2019.pdf>; Broadband strategy 2030 (page 9 and 12) https://www.bmlrt.gv.at/dam/jcr:8ee598ba-0172-4773-945f-73932957fc55/breitbandstrategie2030_ua.pdf

► According to the latest OECD report on the digital economy, Austria ranks in the middle compared with other OECD countries with fixed broadband coverage of > 30 Mbit/s in rural areas, but its number of fixed broadband connections of > 30 Mbit/s is in the lower third. In sharp contrast to this is the data consumption of mobile broadband connections, which ranks second after Finland at around 16 GB per month, compared with the OECD average of around 5 GB per month. Austria also ranks second, behind Sweden, in M2M⁵⁾ SIM cards at 56 per 100 inhabitants (OECD average: 24).⁶⁾

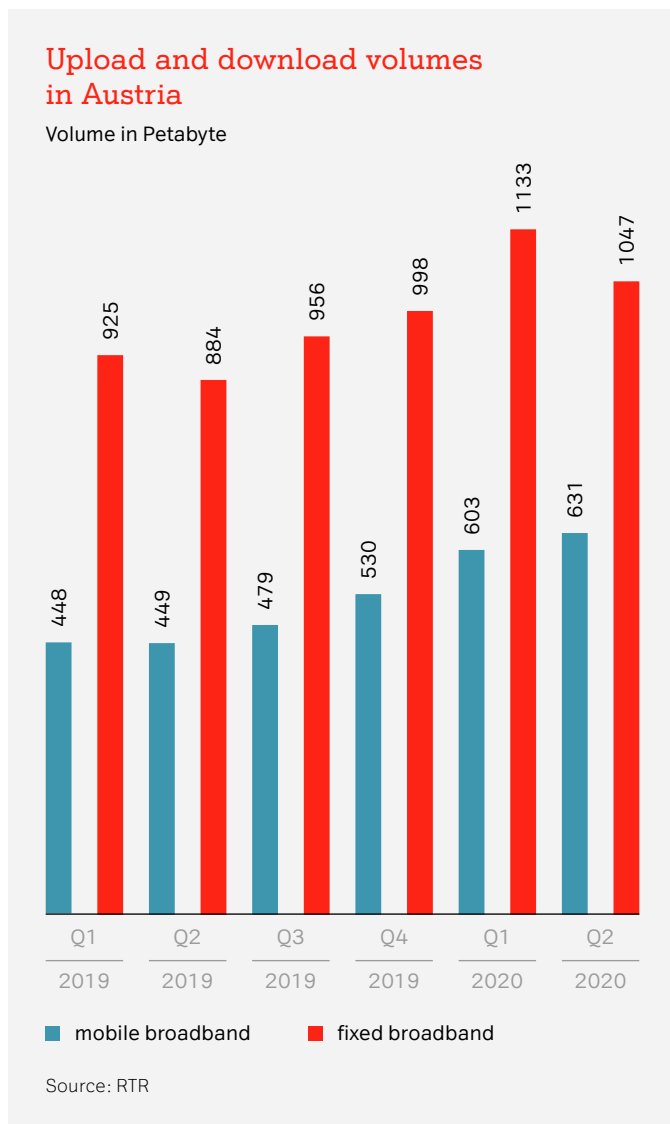
In Bulgaria, the trend seen in recent years continued, with the Internet penetration rate across all households increasing to 78.9% in 2020 compared with 75.1% in the previous year. While fixed-line penetration increased to 59.4% (2019: 57.8%), mobile penetration also continued to rise to 68.0% (2019: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

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

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

Regulation

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



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

5) Machine-to-machine (M2M) SIM cards are used for communication between devices, enabling IoT (Internet of Things) applications such as asset tracking services.
 6) https://www.oecd-ilibrary.org/sites/bb167041-en/1/3/3/index.html?itemId=/content/publication/bb167041-en&_csp_=509e10cb8ea8559b-6f9cc53015e8814d&itemIGO=oecd&itemContentType=book#section-38
 7) https://www.nsi.bg/sites/default/files/files/pressreleases/ICT_hh2020_en_PSRP7D5.pdf
 8) https://www.hakom.hr/UserDocImages/2020/e_trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q22020.eng.pdf
 9) <https://www.belstat.gov.by/upload/iblock/7d0/7d0ed3586722991264205df8d056cf60.pdf>, pages 395 and 399; Note: Figures for Belarus are available for 2019 only.
 10) <https://pxweb.stat.si/SiStatData/pxweb/en/Data/Data/2963309S.px/>; A1 Telekom Austria Group calculations
 11) <https://data.stat.gov.rs/Home/Result/270105?languageCode=en-US>
 12) http://www.stat.gov.mk/pdf/2020/8.1.20.31_mk.pdf; <http://www.stat.gov.mk/pdf/2019/8.1.19.32.pdf>

Fixed-line

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

The process regarding fixed-line termination¹³⁾ rates has been suspended to date, as the regulations set out in the new European legal framework (EECC) involve the definition of a low fixed-line termination rate to apply uniformly throughout Europe from the start of 2021. An absolute cap for this new termination rate was defined by the European Commission on December 21, 2020 in a separate legal act, a so-called "Delegated Regulation". This is associated with a significant reduction in fixed-network termination charges for all operators in Europe to a uniform EUR 0.07 cents / min as of January 1, 2022, although this value is to be achieved in a short transition phase in 2021 with an interim reduction in the current fixed-network termination charges. The amount of the charges for 2021 is specified in the regulation individually for each member state. This regulation will have a sustained negative impact on the respective revenues, but the impact on earnings should be limited.

Mobile communications markets

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

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

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

Mobile termination rates

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

1) National MTRs stated. International MTRs differ

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

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

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

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

Information on financial reporting

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

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

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

Impact of the COVID-19 pandemic

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

EU roaming glide path

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

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

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

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

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

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

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

Revenue and earnings development

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

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

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

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

Revenue and earnings development

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

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

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

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

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

Key Figures of A1 Telekom Austria Group

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

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

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

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

Key Figures of A1 Telekom Austria Group

in EUR million

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

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

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

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

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

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

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

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

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

Company Key Figures

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

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

Net assets and financial position

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

Net assets and financial position

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

Net debt

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

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

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

Cash flow

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

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

Net debt

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

Cash flow

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

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

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

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

Capital expenditures

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

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

Segment analysis

Segment Austria

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

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

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

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

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

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

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

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

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

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

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

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

Key performance indicators Austria

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

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

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

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

International operations

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

Segment Bulgaria

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

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

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

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

Key performance indicators International operations

Key financials in EUR million	2020	2019	Change in %
Total revenues	1,955.8	1,957.5	-0.1
Service revenues	1,514.7	1,525.4	-0.7
thereof mobile service revenues	1,138.0	1,161.8	-2.0
thereof fixed-line service revenues	376.6	363.7	3.6
Equipment revenues	402.2	395.2	1.8
Other operating income	38.9	36.9	5.5
EBITDA	697.4	701.1	-0.5
% of total revenues	35.7	35.8	-
EBIT	288.7	264.0	9.4
% of total revenues	14.8	13.5	-
Wireless indicators	2020	2019	Change in %
Wireless subscribers (thousands)	14,737.4	14,661.1	0.5
thereof postpaid	11,793.7	11,546.9	2.1
thereof prepaid	2,943.8	3,114.3	-5.5
Wireline indicators	2020	2019	Change in %
RGUs (thousands)	2,933.1	2,900.7	1.1

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

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

Segment Croatia

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

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

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

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

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

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

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

Segment Belarus

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

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

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

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

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

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

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

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

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

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

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

Other segments

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

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

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

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

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

Detailed figures

Information on alternative performance measures

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

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

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

Revenues

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

Service revenues

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

Mobile service revenues

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

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

Fixed-line service revenues

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

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

Other operating income

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

EBITDA

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

EBITDA after leases

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

Depreciation and amortization

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

EBIT

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

Capital expenditures

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

Capital expenditures: tangible

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

Capital expenditures: intangible

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

Free Cash Flow

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

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

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

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

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

Mobile subscribers

in thousands	2020	2019	Change in %
Austria	5,061.2	5,114.9	-1.0
thereof postpaid	3,963.1	3,895.5	1.7
Bulgaria	3,752.8	3,824.1	-1.9
thereof postpaid	3,359.9	3,406.4	-1.4
Croatia	1,936.3	1,839.6	5.3
thereof postpaid	1,184.0	1,103.2	7.3
Belarus	4,916.1	4,890.1	0.5
thereof postpaid	4,228.4	4,117.4	2.7
Slovenia	707.1	705.3	0.2
thereof postpaid	640.2	626.3	2.2
Serbia	2,350.4	2,311.0	1.7
thereof postpaid	1,637.1	1,574.3	4.0
North Macedonia ¹⁾	1,074.7	1,091.1	-1.5
thereof postpaid	744.1	719.3	3.4
Total wireless subscribers²⁾	21,864.2	21,288.1	2.7
 thereof postpaid²⁾	17,822.4	16,954.6	5.1

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

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

RGUs

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

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

Mobile churn

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

Mobile market share

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

EBITDA per segment

adjusted for FX, one-off effects and restructuring charges

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

Group EBITDA

adjusted for FX, one-off effects and restructuring charges

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

Austria EBITDA

adjusted for one-off effects and restructuring charges

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

Group EBITDA after leases

adjusted for FX, one-off effects and restructuring charges

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

ARPU

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

ARPL

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

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

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

Belarus: Key Financials in EUR and BYN

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

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

Consolidated non-financial statement

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

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

Shareholder structure and capital disclosures

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

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

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

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2020 financial year or up until the date at which this report was prepared.

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

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

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

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

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

Members of the Supervisory Board of Telekom Austria Aktiengesellschaft

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

Members of the Supervisory Board delegated by the Staff Council

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

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

Changes to the Management Board and the Supervisory Board

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

Cash use policy

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

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

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

Risk and opportunity management

Principles and methods

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

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

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

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

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

Risks in connection with the COVID-19 pandemic

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

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

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

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

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

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

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

Risks

1. Risks at macroeconomic, competitive, and strategic level

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

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

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

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

New growth areas

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

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

Regulatory risks

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

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

Net neutrality

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

Budget and business plan risks

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

2. Non-financial risks

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

Digitalization

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

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

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

Electromagnetic fields (EMF) and health risks

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

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

Environmental risks

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

3. Financial risks

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

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

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

4. Technical risks

Technology resilience (network)

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

IT transformation

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

Operating risks

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

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

Cyber risks and data security

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

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

5. Operational risks

Compliance risks

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

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

Legal risks

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

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

Risks of slow or no digital transformation

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

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

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

Structural development

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

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

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

Public image

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

Internal control system for financial reporting

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

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

Research and development

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

Outlook

A1 Telekom Austria Group outlook for 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vienna, February 8, 2021
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft

Consolidated Financial Statements 2020¹⁾

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1) The Consolidated Financial Statements and the Group Management Report are a translation from the original German versions, which are the decisive versions in all cases.

TELEKOM AUSTRIA AG – Consolidated Statement of Comprehensive Income

in TEUR	Notes	2020	2019
Service revenues		3,804,527	3,805,476
Equipment revenues		659,358	663,855
Other operating income		85,525	95,836
Total revenues (incl. other operating income)	(5)	4,549,409	4,565,166
Cost of service		-1,311,915	-1,302,516
Cost of equipment		-652,416	-653,812
Selling, general & administrative expenses		-997,375	-1,029,679
Other expenses		-10,912	-18,535
Total cost and expenses	(6)	-2,972,619	-3,004,542
Earnings before interest, tax, depreciation and amortization - EBITDA		1,576,790	1,560,624
Depreciation and amortization	(15) (16)	-774,335	-785,427
Depreciation of right-of-use assets	(30)	-163,515	-160,379
Operating income - EBIT		638,940	614,818
Interest income		3,777	5,350
Interest expense		-103,909	-102,935
Interest on employee benefits and restructuring and other financial items, net		2,474	-35,847
Foreign currency exchange differences, net		-18,871	535
Equity interest in net income of associated companies	(18)	-11,560	-316
Financial result	(7)	-128,088	-133,213
Earnings before income tax - EBT		510,851	481,605
Income tax	(29)	-122,027	-154,164
Net result		388,824	327,442
Attributable to:			
Equity holders of the parent		388,421	326,963
Non-controlling interests	(34)	403	479
Basic and diluted earnings per share attributable to equity holders of the parent in euro	(8)	0.58	0.49
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	-82,536	17,173
Realized result on hedging activities, net of tax	(33)	4,380	4,380
Unrealized result on debt instruments at fair value, net of tax	(19)	7	13
Realized result on debt instruments at fair value, net of tax	(7)	16	13
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	-9,490	-12,549
Total other comprehensive income (loss)		-87,622	9,030
Total comprehensive income (loss)		301,202	336,472
Attributable to:			
Equity holders of the parent		300,799	335,995
Non-controlling interests	(34)	403	477

See accompanying Notes to the Consolidated Financial Statements.

For impairment losses of accounts receivable: subscribers, distributors and other, see Note (6).

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

TELEKOM AUSTRIA AG – Consolidated Statement of Financial Position

in TEUR	Notes	December 31, 2020	December 31, 2019
Current assets			
Cash and cash equivalents	(9)	210,879	140,293
Short-term investments	(19)	164,821	0
Accounts receivable: Subscribers, distributors and other, net	(10)	782,628	873,048
Receivables due from related parties	(11)	495	920
Inventories, net	(12)	90,761	109,318
Income tax receivable	(29)	915	485
Other current assets, net	(13)	152,401	148,549
Contract assets	(14)	106,845	124,205
		1,509,745	1,396,819
Assets held for sale	(18)	0	33,476
Total current assets		1,509,745	1,430,295
Non-current assets			
Property, plant and equipment, net	(15)	2,753,145	2,840,257
Right-of-use assets, net	(30)	853,078	941,957
Intangibles, net	(16)	1,678,023	1,784,224
Goodwill	(17)	1,284,010	1,278,845
Long-term investments	(19)	12,425	14,317
Deferred income tax assets	(29)	96,487	168,940
Other non-current assets, net	(20)	25,062	27,181
Total non-current assets		6,702,229	7,055,722
TOTAL ASSETS		8,211,974	8,486,017
Current liabilities			
Short-term debt	(21)	-749,061	-123,000
Lease liabilities short-term	(30)	-154,374	-152,621
Accounts payable	(22)	-685,774	-909,461
Accrued liabilities and current provisions	(23)	-246,408	-239,406
Income tax payable	(29)	-23,992	-38,751
Payables due to related parties	(11)	-181	-608
Contract liabilities	(24)	-188,658	-173,954
Total current liabilities		-2,048,448	-1,637,802
Non-current liabilities			
Long-term debt	(25)	-1,793,703	-2,539,575
Lease liabilities long-term	(30)	-700,559	-788,222
Deferred income tax liabilities	(29)	-4,074	-6,653
Other non-current liabilities	(26)	-53,901	-65,730
Asset retirement obligation and restructuring	(23)	-586,018	-581,987
Employee benefits	(27)	-231,513	-220,130
Total non-current liabilities		-3,369,769	-4,202,297
Stockholders' equity			
Capital stock		-1,449,275	-1,449,275
Treasury shares		7,803	7,803
Additional paid-in capital		-1,100,148	-1,100,148
Retained earnings		-1,026,869	-791,187
Other comprehensive income (loss) items		776,877	689,254
Equity attributable to equity holders of the parent	(28)	-2,791,611	-2,643,552
Non-controlling interests		-2,146	-2,367
Total stockholders' equity		-2,793,757	-2,645,919
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		-8,211,974	-8,486,017

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2020	2019
Earnings before income tax - EBT		510,851	481,605
Depreciation	(15)	517,666	511,606
Amortization of intangible assets	(16)	256,669	273,821
Depreciation of right-of-use assets	(30)	163,515	160,379
Equity interest in net income of associated companies	(18)	11,560	316
Result on sale/measurement of investments	(7)	-793	-2,035
Result on sale of property, plant and equipment	(5) (6)	4,702	-1,579
Net period cost of labor obligations and restructuring	(7) (23) (27)	97,821	103,313
Foreign currency exchange differences, net	(7)	18,871	-535
Interest income	(7)	-3,777	-5,350
Interest expense	(7)	97,116	129,667
Other adjustments	(32)	-3,793	-7,481
Non-cash and other reconciliation items		1,159,556	1,162,122
Accounts receivable: Subscribers, distributors and other, net	(10)	54,445	-38,761
Prepaid expenses	(13)	-3,495	4,500
Due from related parties	(11)	425	462
Inventories	(12)	14,844	22,569
Other assets	(13) (20)	2,276	-14,067
Contract assets	(14)	17,153	17,050
Accounts payable and accrued liabilities	(22) (23)	-113,253	-12,633
Due to related parties	(11)	-426	80
Contract liabilities	(24)	15,332	13,798
Working capital changes		-12,698	-7,003
Employee benefits and restructuring paid	(23) (27)	-115,259	-113,948
Interest received	(7)	3,814	5,391
Income taxes paid	(29)	-65,206	-70,142
Net cash flow from operating activities		1,481,059	1,458,026
Capital expenditures paid	(32)	-742,530	-873,872
Proceeds from sale of plant, property and equipment	(15)	17,761	14,271
Purchase of investments	(19)	-302,446	-1,791
Proceeds from sale of investments	(19)	137,757	977
Acquisition of businesses, net of cash acquired	(34)	-4,992	-1,018
Sale of shares of associated companies	(18) (34)	19,543	127
Net cash flow from investing activities		-874,906	-861,306
Interest paid	(7)	-100,615	-108,303
Change in short-term debt	(21) (32)	-119,812	121,158
Repayments of short-term debt	(21) (32)	0	-240,000
Dividends paid	(28)	-153,364	-140,063
Acquisition of non-controlling interest	(34)	0	-110
Deferred consideration paid for business combinations	(34)	0	-3,503
Lease principal paid	(30)	-153,802	-149,482
Net cash flow from financing activities		-527,593	-520,304
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	-7,975	246
Net change in cash and cash equivalents		70,585	76,662
Cash and cash equivalents beginning of period	(9)	140,293	63,631
Cash and cash equivalents end of period	(9)	210,879	140,293

See accompanying Notes to the Consolidated Financial Statements.
The use of automated calculation systems may give rise to rounding differences.

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

in TEUR	Common stock Par value	Treasury shares at cost	Additional paid-in capital	Retained earnings
At January 1, 2019	1,449,275	-7,803	1,100,148	603,632
Net result	0	0	0	326,963
Other comprehensive income (loss)	0	0	0	0
Total comprehensive income	0	0	0	326,963
Distribution of dividends	0	0	0	-139,458
Acquisition of non-controlling interests	0	0	0	50
At December 31, 2019	1,449,275	-7,803	1,100,148	791,187
Net result	0	0	0	388,421
Other comprehensive income (loss)	0	0	0	0
Total comprehensive income	0	0	0	388,421
Distribution of dividends	0	0	0	-152,740
Acquisition of non-controlling interests	0	0	0	0
At December 31, 2020	1,449,275	-7,803	1,100,148	1,026,869

See accompanying Notes to the Consolidated Financial Statements.

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

At December 31, 2019, TEUR 2,373 of the translation reserve relate to the investment in Telecom Liechtenstein, recognized as asset held for sale (see Note (18)).

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Remeasurement of defined benefit plans	Measurement of debt instruments	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
-31,335	-68	-19,709	-647,175	2,446,965	2,655	2,449,620
0	0	0	0	326,963	479	327,442
-12,549	27	4,380	17,175	9,032	-2	9,030
-12,549	27	4,380	17,175	335,995	477	336,472
0	0	0	0	-139,458	-605	-140,063
0	0	0	0	50	-160	-110
-43,884	-42	-15,329	-630,000	2,643,552	2,367	2,645,919
0	0	0	0	388,421	403	388,824
-9,490	23	4,380	-82,536	-87,622	0	-87,622
-9,490	23	4,380	-82,536	300,799	403	301,202
0	0	0	0	-152,740	-624	-153,364
0	0	0	0	0	0	0
-53,374	-18	-10,949	-712,535	2,791,611	2,146	2,793,757

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment Reporting

2020 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,602,651	507,229	422,509	402,599
Intersegmental revenues	19,456	6,580	5,553	2
Total revenues (incl. other operating income)	2,622,107	513,808	428,063	402,601
Segment expenses	-1,685,431	-321,401	-284,710	-229,763
EBITDA	936,676	192,407	143,352	172,838
Depreciation and amortization	-523,000	-117,772	-100,277	-63,508
Operating income - EBIT	413,677	74,635	43,075	109,330
Interest income	1,814	11	994	273
Interest expense	-26,134	-2,852	-6,327	-7,106
Other financial result	-5,919	9,278	-5,350	-11,058
Equity interest in net income of associated companies	0	0	0	0
Earnings before income tax - EBT	383,438	81,072	32,392	91,439
Income taxes	-112,811	7,997	-6,531	-15,557
Net result	270,627	89,069	25,861	75,882
EBITDA margin	35.7%	37.4%	33.5%	42.9%
Capital expenditures - intangible	134,435	10,697	8,584	7,678
Capital expenditures - tangible	321,990	46,500	41,029	19,111
Total capital expenditures	456,425	57,197	49,613	26,789
Addition to right-of-use assets	50,396	31,570	7,592	16,855
Assets by segment	5,470,276	1,017,038	649,117	359,660
Property, plant and equipment	1,924,925	221,778	235,246	137,770
Right-of-use assets, net	480,662	128,003	52,934	29,163
Goodwill	708,212	242,691	125,653	10,713
Brand names and patents	158,351	4,899	0	0
Licenses and other rights	870,650	16,191	38,809	44,651
Other intangible assets	207,798	37,195	48,049	14,649
Liabilities by segment	-2,768,065	-230,276	-416,398	-131,387
2019 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,624,025	476,970	424,082	426,111
Intersegmental revenues	24,088	9,254	8,750	24
Total revenues (incl. other operating income)	2,648,113	486,223	432,832	426,135
Segment expenses	-1,726,803	-306,829	-287,723	-235,189
EBITDA	921,310	179,395	145,109	190,946
Depreciation and amortization	-505,494	-112,503	-104,032	-90,289
Operating income - EBIT	415,816	66,891	41,077	100,657
Interest income	1,739	1	2,244	255
Interest expense	-26,197	-3,419	-6,696	-5,614
Other financial result	-10,566	-23,095	-1,813	2,118
Equity interest in net income of associated companies	127	0	0	0
Earnings before income tax - EBT	380,918	40,379	34,813	97,415
Income taxes	-107,428	-16,641	-10,477	-16,114
Net result	273,490	23,738	24,336	81,301
EBITDA margin	34.8%	36.9%	33.5%	44.8%
Capital expenditures - intangible	146,588	15,362	22,470	72,842
Capital expenditures - tangible	380,277	63,176	64,161	32,264
Total capital expenditures	526,865	78,539	86,631	105,106
Addition to right-of-use assets	47,638	26,647	8,506	22,631
Assets by segment	5,550,511	991,710	722,194	504,643
Property, plant and equipment	1,891,151	237,154	259,866	199,334
Right-of-use assets, net	533,053	133,413	62,112	42,228
Goodwill	708,212	242,691	127,298	14,405
Brand names and patents	158,351	6,235	0	0
Licenses and other rights	879,138	27,672	48,805	75,737
Other intangible assets	200,978	45,069	57,689	24,028
Liabilities by segment	-3,109,539	-293,290	-512,615	-198,930

CONSOLIDATED FINANCIAL STATEMENTS 2020

Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
202,095	281,483	120,788	10,055	0	4,549,409
2,946	4,692	1,121	10,905	-51,256	0
205,041	286,175	121,910	20,960	-51,256	4,549,409
-146,344	-198,541	-79,401	-76,887	49,859	-2,972,619
58,697	87,634	42,509	-55,927	-1,397	1,576,790
-44,289	-54,743	-28,956	-4,603	-703	-937,850
14,408	32,892	13,553	-60,530	-2,100	638,940
225	234	200	28,493	-28,467	3,777
-1,404	-2,914	-1,360	-84,396	28,584	-103,909
14	17	-267	316,174	-319,286	-16,397
0	0	0	-11,560	0	-11,560
13,242	30,229	12,126	188,181	-321,269	510,851
-2,262	31	-1,591	8,331	365	-122,027
10,980	30,260	10,535	196,513	-320,903	388,824
28.6%	30.6%	34.9%	n.a.	n.a.	34.7%
2,773	2,670	2,465	3,343	0	172,645
14,906	24,240	10,271	744	0	478,790
17,678	26,909	12,736	4,087	0	651,435
23,770	12,280	1,415	17	0	143,896
508,402	420,685	217,060	7,893,302	-8,323,567	8,211,974
64,245	90,872	74,446	2,248	1,615	2,753,145
70,881	63,802	26,790	842	0	853,078
150,723	0	29,963	16,055	0	1,284,010
1,415	4,139	0	2,525	0	171,329
60,161	100,370	19,694	243	-3,297	1,147,472
19,423	17,494	7,903	6,568	142	359,222
-134,407	-118,175	-61,744	-3,329,308	1,771,541	-5,418,217
Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
205,851	277,351	121,358	9,419	0	4,565,166
3,541	6,451	1,414	9,670	-63,192	0
209,392	283,803	122,772	19,089	-63,192	4,565,166
-150,354	-200,354	-79,579	-77,316	59,604	-3,004,542
59,038	83,449	43,193	-58,227	-3,588	1,560,624
-44,377	-55,722	-31,041	-3,775	1,428	-945,806
14,660	27,727	12,151	-62,002	-2,160	614,818
456	239	282	30,535	-30,401	5,350
-1,709	-3,583	-2,094	-84,168	30,545	-102,935
-61	619	22	524,414	-526,950	-35,312
0	0	0	-443	0	-316
13,347	25,002	10,362	408,336	-528,966	481,605
-819	-360	-1,361	-1,369	405	-154,164
12,528	24,642	9,001	406,967	-528,561	327,442
28.2%	29.4%	35.2%	n.a.	n.a.	34.2%
5,215	7,451	2,431	1,545	0	273,906
19,323	28,315	16,680	1,714	0	605,910
24,538	35,767	19,111	3,259	0	879,816
12,283	9,057	5,385	676	0	132,824
501,134	427,184	228,113	8,014,810	-8,454,282	8,486,017
74,217	90,224	80,703	4,094	3,514	2,840,257
70,524	67,584	31,774	1,269	0	941,957
148,024	0	30,065	8,151	0	1,278,845
746	4,446	0	2,056	0	171,834
64,735	114,470	22,109	0	-4,545	1,228,121
19,722	21,927	10,709	4,006	142	384,269
-138,064	-155,158	-82,843	-3,510,198	2,160,537	-5,840,098

A1 Telekom Austria Group has aligned its management structure and the resulting segment reporting on geographical markets and based on this reports its seven operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Serbia and North Macedonia.

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

The accounting policies of the segments are the same as those of A1 Telekom Austria Group. Intercompany lease transactions are not recognized as right-of-use assets and lease liabilities according to IFRS 16, but recognized as expense and revenue and eliminated such as other intercompany transactions. The segments offer the services and products disclosed in Note (5), for brand names, see Note (16).

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

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

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

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

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

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

Capital expenditures include additions to intangible and tangible assets including interest capitalized (see Notes (7), (15) and (16)), but do neither include additions related to asset retirement obligations nor additions to right-of-use assets according to IFRS 16 (see Notes (23) and (30)).

(2) The Company

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

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

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

(3) Basis of Presentation

Functional currency

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

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

Gains and losses that arise from exchange rate fluctuations between the recognition of the transaction and payment date or translation at year-end are recognized in the financial result.

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

	Exchange rates at December 31 ,		Average exchange rates for the year	
	2020	2019	2020	2019
Bosnian Convertible Mark (BAM)	1.9558	1.9558	1.9558	1.9558
Great Britain Pound (GBP)	0.8990	0.8508	0.8893	0.8771
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian Kuna (HRK)	7.5369	7.4395	7.5331	7.4181
Macedonian Denar (MKD)	61.6940	61.4856	61.6741	61.5056
Polish Zloty (PLN)	4.5597	4.2568	4.4438	4.2968
Romanian Leu (RON)	4.8683	4.7830	4.8382	4.7468
Swiss Franc (CHF)	1.0802	1.0854	1.0704	1.1122
Serbian Dinar (RSD)	117.5802	117.5928	117.5779	117.8463
Czech Koruna (CZK)	1.0802	25.4080	1.0704	25.6685
Turkish Lira (TRY)	9.1131	6.6843	8.0414	6.3664
Hungarian Forint (HUF)	363.8900	330.5300	351.1377	325.3942
US Dollar (USD)	1.2271	1.1234	1.1414	1.1189
Belarusian Ruble (BYN)	3.1680	2.3524	2.7873	2.3392

Accounting

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2020 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2020 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

Significant accounting policies

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

Changes in accounting policies

With the exception of the amendment to IFRS 16, the following amendments to existing and new IFRS are effective as of January 1, 2020.

IFRS 3	Amendments: Definition of a Business
IAS 1 and 8	Amendments: Definition of Material
Framework	Amendments: References to the Conceptual Framework
IFRS 9, IAS 39 and IFRS 7	Amendments: Interest Rate Benchmark Reform (Phase 1)
IFRS 16	Amendments: COVID-19-Related Rent Concessions

The amendments to IFRS 16 are effective as of June 1, 2020 and were applied retrospectively as of January 1, 2020.

The initial application of the standards (IAS, IFRS) mentioned above had an insignificant impact on the Consolidated Financial Statements since the amendments were only partially applicable. For the application of IFRS 16, see Impact of COVID-19.

Impact of COVID-19

The outbreak of the COVID-19 pandemic in the first quarter of 2020 and the resulting restrictions in public life triggered a global economic crisis that varied greatly depending on the sector of the economy. After a recovery during summer, a second wave of infection led to further economic disruption in the fourth quarter of 2020. In particular during the lockdown periods, the telecommunications industry provided essential communication services. Thus, A1 Telekom Austria Group's business was impacted to a relatively lower extent. Its stable networks enabled A1 Telekom Austria Group to deal with the increase in data and voice traffic without noteworthy shortfalls.

The Management Board of A1 Telekom Austria Group continually monitors health and economic developments with the assistance of an emergency task force in order to be able to quickly respond to changing conditions.

Revenues, Total Cost and Expenses, Capital Expenditures

Due to travel restrictions imposed by the governments, roaming traffic and thus roaming revenues decreased significantly. Total service revenues remained stable, as the decrease in roaming revenues was compensated by strong demand for higher fixed-line bandwidths and for mobile WiFi routers, both driven by increased home office and distance learning. Although in 2020 equipment revenues almost reached last year's level, the quantity of equipment sold declined, partially impacted by closed shops during lockdown (see Note (5)).

A1 Telekom Austria Group was able to reduce total cost and expenses by prudent spending policies (see Note (6)). Selling and marketing expenses declined due to fewer promotional campaigns during the COVID-19 pandemic. Roaming expense was also reduced due to travel restrictions. Furthermore, travel and training expense declined.

The described negative roaming impact on earnings before interest, tax, depreciation and amortization (EBITDA) amounts to approximately 4%.

In 2020, capital expenditures were reduced due to lower investments in network infrastructure and in information and communication technology ("ICT") customer projects as well as due to the Group-wide optimization of the internal project portfolio (see Note (1) and table "Reconciliation of capital expenditures paid to capital expenditures" in Note (32)).

Bad Debt

Since the beginning of the economic crisis, A1 Telekom Austria Group has been monitoring customer payment behavior more closely. In 2020, no significant changes were yet observed. It is assumed that liquidity in enterprises and the population was also maintained by government support in all countries. However, forecasts related to economic development and expected insolvencies show a negative trend. Due to this adverse outlook, A1 Telekom Austria Group estimates higher expected credit losses and thus increased its general loss allowance for accounts receivable not yet due from subscribers and from installment sales. The effect of this increase in the loss allowance was recognized in bad debt expense in the line item "Selling, general and administrative expenses" (see Notes (6) and (33)).

Relief and Support Measures

In the reporting period, A1 Telekom Austria Group recognized government assistance in the amount of TEUR 1,100 in employee expenses. These government assistances related mainly to exemptions of certain social security contributions in Slovenia and to refunds for specified employees who were unable to work from home in Austria (see Note (6)). For the investment grant recognized in property, plant and equipment, which was introduced in Austria to stimulate the economy, see Note (15).

Impairment Test

Even though COVID-19 caused an economic downturn, the telecommunications industry is expected to be quite resilient as many countries intend to focus their investments on digitalization due to the lockdown experiences. The analysis of internal sources indicates that the economic performance expected, net future cash flows and business models are expected to be stable due to the crises-proof demand for reliable connectivity. Due to temporary restrictions of international travel, short-term planning is based on reduced roaming revenues and expenses. In the medium term, the ongoing digitalization is expected to lead to an upturn. Effects of external sources such as market capitalization and market yields are reflected in the weighted average costs of capital (WACCs), which are disclosed in Note (17). Taking into account the effects described, the values in use of the cash-generating units continue to exceed their carrying amounts, and therefore no impairment was recognized in 2020.

COVID-19-Related Rent Concessions

Based on the amendment to IFRS 16 "COVID-19-Related Rent Concessions", lessees are exempted from assessing whether a COVID-19-related rent concession is a lease modification. Reductions in lease payments (such as forgiveness of payments) are reported as negative variable lease payments in the statement of comprehensive income in the period in which the event occurs and the lease liability is reduced correspondingly. Deferred lease payments only affect the timing of the individual payments. A1 Telekom Austria Group applied the practical expedient to all rent concessions meeting the requirements. The amount recognized in the statement of comprehensive income is disclosed in Note (30).

The following standards and interpretations were issued by the IASB, but were not effective at the reporting date. A1 Telekom Austria Group has not early adopted these standards and interpretations and will apply them as of their effective date.

		Effective*	Effective**
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments: Interest Rate Benchmark Reform (Phase 2)	January 1, 2021	January 1, 2021
IFRS 4	Amendments: Insurance Contracts - deferral of IFRS 9	January 1, 2021	January 1, 2021
IAS 37	Amendments: Onerous Contracts - Cost to Fulfilling a Contract	January 1, 2022	not endorsed
IFRS 3	Amendments: Reference to the Conceptual Framework	January 1, 2022	not endorsed
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements 2018-2020	January 1, 2022	not endorsed
IAS 16	Amendments: Proceeds before Intended Use	January 1, 2022	not endorsed
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	January 1, 2023	not endorsed
IFRS 17	Insurance Contracts	January 1, 2023	not endorsed

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

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

A1 Telekom Austria Group is evaluating the impact of these standards and interpretations on the Consolidated Financial Statements.

(4) Use of Estimates and Judgements

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

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

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

- b) Employee benefit plans: The measurement of pension plans as well as severance and service awards is based on a method that uses various parameters, such as the expected discount rate, salary and pension increases, mortality rate and rate of employee turnover. Changes in these parameters could result in higher or lower expenses (see Note (27)).
- c) Impairments: The impairment test for goodwill, other intangible assets, right-of-use assets and property, plant and equipment is generally based upon discounted estimated future net cash flows from the continuing use and ultimate disposal of the assets. Changes in the discount rates used, in the development of revenues, in cost drivers as well as in capital expenditures could lead to impairments or, to the extent permitted, to reversals of impairments (see Note (17)). For more information on the carrying amounts of goodwill, other intangible assets, right-of-use assets and property, plant and equipment, see Notes (17), (16), (30) and (15).
- d) The estimated useful lives of property, plant and equipment and intangible assets subject to depreciation and amortization represent the estimated periods during which the assets will be in use. With respect to changes in depreciation and amortization resulting from changes in the useful lives, see Notes (15) and (16).
- e) Income tax: In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets can be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences will become deductible. If A1 Telekom Austria Group does not generate sufficient taxable income, deferred tax assets cannot be realized and therefore will not be recognized (see Note (29)).
- f) Restructuring (includes provisions for onerous contracts according to IAS 37 as well as provisions for social plans according to IAS 19): The provision is based on various parameters such as discount rate, salary increase and the probability of the acceptance of termination offers. Changes in these parameters could result in higher or lower expenses (see Note (23)).
- g) Loss allowances for financial assets and contract assets are based on the estimated probability of default. Deviation of actual customer behavior may result in higher or lower expenses (see Note (33)).
- h) Asset retirement obligation: The calculation of the provision is based on parameters such as estimated decommissioning costs, estimated term until dismantling, discount rate and inflation rate. Changes in these parameters may result in higher or lower provisions (see Note (23)).
- i) Leases: IFRS 16 requires estimates that affect the measurement of right-of-use assets as well as lease liabilities. These include mainly the effects on the term of the leases from any options to extend or to terminate a lease contract and the incremental borrowing rate applied to discount the future payment obligations (see Note (30)).

(5) Revenues

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

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

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

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

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

2020 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	939,963	271,007	233,418	242,301	112,787	205,670	74,975	-9,057	2,071,064
Fixed-line service revenues	1,377,293	131,292	125,609	45,559	42,302	8,440	23,590	-20,621	1,733,463
Service revenues	2,317,256	402,299	359,028	287,859	155,088	214,110	98,565	-29,678	3,804,527
Mobile equipment revenues	218,343	99,761	56,920	87,246	42,789	65,994	21,942	582	593,577
Fixed-line equipment revenues	37,837	7,280	1,872	14,212	3,377	2	840	361	65,781
Equipment revenues	256,180	107,041	58,792	101,458	46,166	65,996	22,782	943	659,358
Other operating income	48,671	4,469	10,243	13,284	3,787	6,070	563	-1,561	85,525
Total revenues (incl. OOI)	2,622,107	513,808	428,063	402,601	205,041	286,175	121,910	-30,296	4,549,409

2019 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	926,142	260,566	240,225	272,466	119,971	196,215	74,906	-15,202	2,075,288
Fixed-line service revenues	1,394,176	117,890	128,187	47,801	37,809	8,224	24,031	-27,929	1,730,188
Service revenues	2,320,317	378,455	368,412	320,267	157,780	204,439	98,937	-43,131	3,805,476
Mobile equipment revenues	231,625	94,394	56,680	89,374	47,414	76,034	21,778	433	617,732
Fixed-line equipment revenues	36,969	5,053	1,647	1,672	794	0	561	-573	46,123
Equipment revenues	268,593	99,447	58,327	91,046	48,208	76,034	22,339	-140	663,855
Other operating income	59,202	8,321	6,094	14,822	3,404	3,330	1,495	-833	95,836
Total revenues (incl. OOI)	2,648,113	486,223	432,832	426,135	209,392	283,803	122,772	-44,103	4,565,166

*Other includes: Corporate & Other and Eliminations

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

in TEUR	2020	2019
Service revenues	3,792,454	3,792,663
Equipment revenues	657,454	661,361
Total customer contract revenues	4,449,908	4,454,023
Other service revenues	12,073	12,813
Other equipment revenues	1,904	2,494
Other operating income	85,525	95,836
Total revenues from other sources	99,501	111,143
Total revenues (incl. other operating income)	4,549,409	4,565,166

For the impact of COVID-19 on revenues, see Note (3).

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

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

Other operating income comprises mainly collection fees, penalties, revenues from the sale of solar energy, rental income and gain on disposal of tangible assets. The reduction in 2020 is due to income resulting from a real estate sale in Austria in 2019. Furthermore, income from collections of impaired receivables is included (see Note (33)). In 2020, other operating income includes tax exempted research bonuses amounting to TEUR 1,020 (2019: TEUR 1,026).

Accounting principles

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

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

Receivables and revenues from installment sales are not discounted if the period between the provision of goods and services and the payment is less than one year or if the discounting effect is insignificant. The materiality of the discounting effect of receivables with remaining terms of more than one year is assessed on an individual contract level. In 2020 and 2019, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 4,579 and TEUR 4,919, respectively, is recognized in equipment revenues.

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

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2020, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 837,187 (2019: TEUR 830,005), and will be realized over a contract term of twelve to 33 months as a general rule. For performance obligations recognized at the amount to which A1 Telekom Austria Group has a right to invoice, the transaction price of unfulfilled performance obligations and timing of revenue recognition are not disclosed. These disclosures refer to transactions within the scope of IFRS 15 only, thus they do not include those parts of the transaction price relating to performance obligations that are not within the scope of this standard, such as leasing.

(6) Cost and Expenses

The following table shows cost and expenses according to type:

in TEUR	2020	2019
Cost of equipment	652,416	653,812
Employee expenses, including benefits and taxes	908,175	913,394
Other operating expenses	1,412,027	1,437,337
Total cost and expenses	2,972,619	3,004,542

For the impact of COVID-19 on cost and expenses, see Note (3).

The cost of equipment corresponds to material expense. Employee expenses, including social benefits and taxes, comprise all benefits to employees excluding own work capitalized, which is reported on a net basis.

in TEUR	2020	2019
Own work capitalized	61,218	71,564

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

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

in TEUR	2020	2019
Impairment losses	59,519	48,357

The increase is due mainly to higher expected credit risk related to COVID-19 (see Note (3)).

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

in TEUR	2020	2019
Cost of service	796,606	774,839
Cost of equipment	16,058	16,503
Selling, general & administrative expenses	125,187	154,464
Depreciation and amortization	937,850	945,806

The decrease in selling, general and administrative expenses is due to the completion of the harmonization of brand names in 2019 (see Note (16)).

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

in TEUR	2020	2019
Audit fees	1,047	1,057
Other reviews	44	25
Other services	15	101
Fees EY	1,105	1,183

In 2020 and 2019, other reviews relate to expenses incurred for the certification of the internal control system according to ISAE3402-1 requested by customers.

(7) Financial Result

in TEUR	2020	2019
Interest income on financial assets at amortized cost	3,585	5,152
Interest income on investments at fair value through profit or loss	27	57
Interest income on investments at fair value through other comprehensive income	4	7
Interest income on finance lease	162	134
Interest income	3,777	5,350

in TEUR	2020	2019
Interest expense on financial liabilities at amortized cost	87,924	85,243
Interest expense on lease liabilities	14,914	17,494
Interest capitalized	-1,200	-3,177
Interest expense on asset retirement obligations	2,239	3,317
Interest expense on deferred consideration	32	57
Interest expense	103,909	102,935

Interest is recognized using the effective interest method. Interest expense on financial liabilities at amortized cost is primarily due to issued bonds and the release of the hedging reserve (see Notes (25) and (33)). For interest expense on lease liabilities and on asset retirement obligations, see Notes (30) and (23). For interest expense on deferred consideration, see Note (26).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is an asset that requires a substantial period of time to be prepared for its intended use. In 2020, interest capitalized on internally developed software as well as on qualifying assets of property, plant and equipment (see Notes (15) and (16)) was based on an interest rate of 3.0% (2019: 2.9%), while until 2019 the interest capitalized for licenses acquired in Austria in 2013 was based on an interest rate of 3.125%, which was derived from a specific financing facility.

in TEUR	2020	2019
Interest expense on employee benefit obligations	3,313	8,098
Interest expense on restructuring provisions	2,119	3,304
Fees for unused credit lines	2,364	2,409
Dividends received	-319	-252
Loss on disposal of debt instruments at fair value through other comprehensive income	22	18
Result from other investments	0	-240
Interest on taxes	-9,157	24,324
Income from measurement of instruments at fair value through profit or loss	-1,386	-1,835
Loss from measurement of instruments at fair value through profit or loss	571	22
Interest on employee benefits and restructuring and other financial items, net	-2,474	35,847

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

For information on the interest rate for restructuring provisions and employee benefit obligations, see Notes (23) and (27). In the years reported, interest on taxes mainly relates to a tax audit in Bulgaria (see Note (29)).

in TEUR	2020	2019
Foreign exchange gains	13,910	8,141
Foreign exchange losses	-32,781	-7,606
Foreign exchange differences	-18,871	535

The increase in foreign exchange losses in 2020 is mainly due to the development of the Belarusian ruble (see Note (3)).

(8) Earnings per Share

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

	2020	2019
Net result attributable to owners of the parent in TEUR	388,421	326,963
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	0.58	0.49

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

Due to the Supervisory Board's decision to settle all share-based compensation plans in cash, no related dilutive effect occurred as of December 31, 2020 and 2019.

(9) Cash and Cash Equivalents

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

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

(10) Accounts Receivable: Subscribers, Distributors and Other, Net

in TEUR, at December 31	2020	2019
Accounts receivable, gross	1,056,895	1,127,497
Loss allowance	-274,267	-254,448
Accounts receivable, net	782,628	873,048
Thereof remaining term of more than one year	58,838	62,175

At December 31, 2020 and 2019, accounts receivable: subscribers, distributors and other with remaining term of more than one year relate to installment sales of mobile handsets and tablets in all segments.

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

(11) Related Party Transactions

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

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

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

in TEUR	2020	2019
Revenues (incl. other operating income)	101,763	103,693
Expenses	86,168	82,843

In the years reported, revenues generated with Austrian related parties comprise the full service portfolio of A1 Telekom Austria Group, while services received from Austrian related parties include mainly energy, expenses for cable rights and rights of use, postage fees, transportation, commissions and fees to RTR. The increase in expenses is mainly due to higher energy use and costs as well as to expenses for cable rights and rights of use. In the years reported, revenues and expenses with the América Móvil Group relate mainly to interconnection and roaming as well as, in 2020, to IT service revenues and expenses for a music platform.

A1 Telekom Austria Group is obligated to provide communication services for low-income households and other entitled individuals at reduced tariffs for which it is compensated by the Republic of Austria on a contractual basis. The contract with the Republic of Austria entered into in July 2016 specifies the reimbursement of EUR 10.00 per customer per month for customers having a valid official notice. In 2020, the total reimbursement recorded as revenue in the service period was TEUR 10,177 (2019: TEUR 11,445).

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

The revenues from and expenses charged to the associated company Telecom Liechtenstein up to August 31, 2019 (see Note (18)) are set forth in the following table:

in TEUR	2019
Revenues (incl. other operating income)	881
Expenses	195

The revenues relate mainly to technical and roaming services, while the expenses relate mainly to interconnection and roaming.

At December 31, 2020 and 2019, accounts receivable due from related parties and accounts payable due to related parties, as recognized in the Consolidated Statement of Financial Position, relate primarily to subsidiaries of América Móvil. These receivables and payables relate to operating business activities.

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

in TEUR	2020	2019
Short-term employee benefits	9,392	8,574
Pensions	512	554
Other long-term benefits	50	150
Termination benefits	124	109
Share-based payments	62	1,003
Compensation of key management	10,140	10,391
Expenses for pensions and severance for other employees	20,107	24,229
Expenses for pensions and severance for Management Board	384	392

For members of the Management Board of Telekom Austria AG, see Note (36).

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

(12) Inventories

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

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

in TEUR	2020	2019
Write-down/ reversals of write-down of inventories	-445	1,364

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

The reversal of write-down of inventories in 2019 is due to lease and demonstration equipment that had been impaired by 100% in 2018.

(13) Other Current Assets, Net

Other current assets are broken down as follows:

in TEUR, at December 31	2020	2019
Prepaid expenses	52,621	50,242
Other current assets	57,465	55,518
Contract costs	42,315	42,788
Total	152,401	148,549

Prepaid expenses

in TEUR, at December 31	2020	2019
Advances to employees	15,296	16,846
Concession fees	14,079	16,205
Other	23,246	17,191
Prepaid expenses	52,621	50,242

Other current assets

in TEUR, at December 31	2020	2019
Finance lease receivables	1,584	1,749
Other financial assets	5,350	5,541
Financial assets	6,935	7,290
Fiscal authorities	1,820	1,258
Advance payments	3,545	3,004
Government grants	36,865	34,175
Other non-financial assets	13,309	14,065
Non-financial assets	55,539	52,502
Other current assets, gross	62,473	59,792
Less loss allowance for financial assets	-2,945	-1,715
Less loss allowance for non-financial assets	-2,063	-2,559
Other current assets	57,465	55,518

For finance lease receivables as well as the loss allowance recognized that is included in the loss allowance for financial assets, see Note (30).

The government grants are mainly attributable to the expansion of the broadband network in Austria (see Note (15)). Other current non-financial assets consist mainly of services not yet billed, claims against the Republic of Austria (see Note (11)), indemnification claims due from insurance companies and receivables due from employees.

Contract costs

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

in TEUR, at December 31	2020	2019
Contract costs, gross	43,315	43,669
Loss allowance contract costs	-1,001	-881
Contract costs, net	42,315	42,788
Thereof remaining term of more than one year	14,329	20,642

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2020, the amortization of TEUR 35,732 (2019: TEUR 35,047) was recognized in selling expenses.

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

in TEUR	2020	2019
At January 1	881	917
Foreign currency adjustment	-8	1
Reversed	-860	-801
Charged to expenses	988	764
At December 31	1,001	881

(14) Contract Assets

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

As contract assets are expected to be realized as part of A1 Telekom Austria Group's normal operating cycle, they are classified as current. Contract assets are reclassified to receivables when the right to the consideration becomes unconditional. At December 31, 2020, contract liabilities from customer loyalty programs and discounts granted for hardware amounting to TEUR 76,041 (2019: TEUR 69,867) are included in the multiple-element calculation and are therefore presented net in contract assets.

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

in TEUR	2020	2019
At January 1	127,502	144,910
Increases	214,149	234,836
Transfers to receivables	-231,633	-252,395
Foreign currency adjustments	-218	151
At December 31	109,800	127,502
Loss allowances	-2,955	-3,297
Contract assets, net	106,845	124,205
Thereof remaining term of more than one year	46,406	45,648

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

(15) Property, Plant and Equipment

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

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

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in TEUR	Telephonic plant in operation and equipment	Land and buildings & leasehold improvements	Other assets	Construction in progress and advances	Inventories for operation of the plant	Total
Cost						
At January 1, 2019	10,363,942	929,806	465,100	284,361	113,348	12,156,558
Additions	222,791	11,066	35,954	256,837	125,632	652,280
Disposals	-379,762	-8,068	-34,370	-1,272	-5,233	-428,705
Transfers	364,191	-9,681	-20,927	-210,110	-118,694	4,779
Translation adjustment	10,900	1,601	3,691	1,433	63	17,687
Changes in reporting entities	331	0	39	0	0	370
At December 31, 2019	10,582,394	924,723	449,487	331,249	115,116	12,402,968
Additions	266,848	6,615	22,078	119,404	101,572	516,517
Disposals	-232,563	-4,020	-47,259	-1,177	-2,488	-287,507
Transfers	314,984	3,272	6,820	-227,349	-108,939	-11,213
Translation adjustment	-85,042	-9,335	-18,732	-6,909	-979	-120,996
Changes in reporting entities	1,777	0	418	45	0	2,241
At December 31, 2020	10,848,397	921,256	412,812	215,263	104,282	12,502,010
Accumulated depreciation and impairment						
At January 1, 2019	-8,371,858	-677,825	-354,414	0	-36,377	-9,440,474
Additions	-443,165	-20,695	-46,646	0	-1,100	-511,606
Disposals	357,847	5,639	33,595	0	2,748	399,830
Transfers	-30,169	269	27,533	0	0	-2,368
Translation adjustment	-5,827	-209	-1,936	0	29	-7,944
Changes in reporting entities	-127	0	-24	0	0	-151
At December 31, 2019	-8,493,299	-692,820	-341,893	0	-34,699	-9,562,712
Additions	-454,445	-19,351	-43,018	0	-852	-517,666
Disposals	216,430	1,832	46,472	0	1,070	265,805
Transfers	139	-69	-69	0	0	1
Translation adjustment	52,038	2,730	12,272	0	263	67,304
Changes in reporting entities	-1,287	0	-310	0	0	-1,597
At December 31, 2020	-8,680,424	-707,677	-326,546	0	-34,218	-9,748,865
Carrying amount at						
December 31, 2020	2,167,973	213,579	86,266	215,263	70,063	2,753,145
December 31, 2019	2,089,095	231,903	107,594	331,249	80,416	2,840,257

Other assets include mainly office and business equipment as well as motor vehicles.

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

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

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

As of December 31, 2020, the carrying amount of land amounted to TEUR 60,054 (2019: TEUR 60,072).

In 2020, government grants for assets totaling TEUR 33,030 (2019: TEUR 37,379) were deducted from acquisition cost and relate essentially to the expansion of the broadband network in Austria and to an investment grant of TEUR 418, which was introduced as an incentive for business investments in Austria in 2020 due to the COVID-19 crisis.

At December 31, 2020, contractual commitments for the acquisition of property, plant and equipment amount to TEUR 159,428 (2019: TEUR 179,439).

Sensitivity analysis

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

in TEUR	2020	2019
Decrease due to extension by one year	96,560	95,628
Increase due to reduction by one year	163,163	154,171

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Advances/ construction in progress	Total
Cost						
At January 1, 2019	2,168,505	581,656	1,364,982	1,075,333	84,499	5,274,976
Additions	138,535	1,140	51,563	939	81,728	273,906
Disposals	-33,467	-15,094	-270,770	-13,710	-107	-333,148
Transfers	780	87	61,619	0	-67,266	-4,779
Translation adjustment	3,639	3,561	3,215	11,159	315	21,888
Changes in reporting entities	0	0	1	489	0	491
At December 31, 2019	2,277,992	571,350	1,210,612	1,074,210	99,169	5,233,332
Additions	68,075	893	45,073	79	58,525	172,645
Disposals	-13,052	-589	-89,113	0	-499	-103,254
Transfers	1,465	1,610	52,253	-36	-44,079	11,213
Translation adjustment	-34,555	-16,730	-22,955	-61,690	-2,205	-138,135
Changes in reporting entities	243	459	2	2,450	0	3,154
At December 31, 2020	2,300,166	556,992	1,195,872	1,015,014	110,911	5,178,955
Accumulated amortization and impairment						
At January 1, 2019	-956,355	-385,752	-1,149,662	-1,000,526	0	-3,492,295
Additions	-125,550	-26,647	-105,620	-16,004	0	-273,821
Disposals	32,795	15,094	270,430	13,695	0	332,015
Transfers	905	0	1,463	0	0	2,368
Translation adjustment	-1,667	-2,209	-2,565	-10,932	0	-17,373
Changes in reporting entities	0	0	-1	0	0	-1
At December 31, 2019	-1,049,871	-399,515	-985,954	-1,013,767	0	-3,449,108
Additions	-131,485	-2,888	-106,517	-15,780	0	-256,669
Disposals	12,728	0	79,119	0	0	91,847
Transfers	0	0	-1	0	0	-1
Translation adjustment	15,933	16,740	19,999	60,326	0	112,999
At December 31, 2020	-1,152,695	-385,663	-993,353	-969,221	0	-3,500,932
Carrying amount at						
December 31, 2020	1,147,472	171,329	202,518	45,792	110,911	1,678,023
December 31, 2019	1,228,121	171,834	224,657	60,443	99,169	1,784,224

Licenses not yet put into operation are included in licenses and rights of use.

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

	Years
Mobile communications and fixed net licenses	5-20
Other rights	2-30
Patents	5-7
Software	2-10
Subscriber base	5-14

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

A1 Telekom Austria Group holds mobile telecommunication licenses (GSM, UMTS, LTE and 5G) provided by regulatory authorities in Austria, Croatia, Slovenia, Serbia, Bulgaria, Belarus and North Macedonia. Licenses are recorded at cost and amortized on a straight-line basis. At December 31, 2020, the total cost incurred for the major license agreements, which will expire between 2023 and 2044 (2019: 2020 and 2035), amounted to TEUR 2,126,639 (2019: TEUR 2,079,453).

In 2020, A1 Telekom Austria Group acquired spectrum in Austria for TEUR 65,816 which will be used for the new 5G network. A1 acquired at auction 30 MHz in the new 1.5 GHz band and increased its share in the 2.1 GHz band from 20 MHz to 25 MHz. In addition, a commitment was made to supply 349 highly rural communities. Thus an additional contribution was made to further strengthen rural areas. The new licenses are valid from October 2020 and January 1, 2021, respectively, until December 31, 2044.

In 2019, A1 Telekom Austria Group acquired a 3.5 GHz band spectrum in Austria for TEUR 64,398, which is used for the new 5G network. Furthermore, a band spectrum was acquired in Belarus for TEUR 9,668 (2.1 GHz band) and in Croatia for TEUR 7,229 (2.1 GHz band). In the fourth quarter of 2019, A1 acquired from the Belarusian infrastructure company beCloud the exclusive use of the 10 GHz band in the 4G network in Belarus for a period of five years including the related infrastructure services. The right capitalized in the amount of TEUR 51,948 corresponded to the net present value of the future payments for the next five years (see Note (26)).

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

in TEUR	
2021	258,330
2022	215,680
2023	183,623
2024	152,818
2025	99,602
Thereafter	607,093

Sensitivity analysis

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

in TEUR	2020	2019
Decrease due to extension by one year	47,295	49,688
Increase due to reduction by one year	80,387	72,955

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

in TEUR	Austria	Bulgaria	Croatia	Belarus	North Macedonia	Corporate & Other	Total
At January 1, 2019	158,351	0	0	21,833	722	1,981	182,886
Amortization	0	0	0	-23,085	-722	0	-23,807
Translation adjustment	0	0	0	1,253	0	76	1,328
Changes in reporting entities	0	0	0	0	0	0	0
At December 31, 2019	158,351	0	0	0	0	2,056	160,407
Amortization	0	0	0	0	0	0	0
Translation adjustment	0	0	0	0	0	10	10
Changes in reporting entities	0	0	0	0	0	459	459
At December 31, 2020	158,351	0	0	0	0	2,525	160,876

Regarding the changes in business combinations, see Note (34).

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

If a brand name is intended for discontinuation in the foreseeable future, its carrying amount is amortized over its remaining estimated useful life. In September 2017, harmonization of the brands in the entire A1 Telekom Austria Group was decided. Depending on the respective markets and until the third quarter of 2019, the Austrian brand "A1" was rolled out to all segments where brand names had been capitalized and the local brands were therefore amortized accordingly in the relevant business segments (see amortization in the table on changes in the carrying amounts of brand names by segment).

The following table shows the recognized brand names:

in TEUR, at December 31	2020	2019
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	158,351	158,351
Exoscale	2,066	2,056
Invenium	459	0
Total Corporate & Other	2,525	2,056
Total brand names	160,876	160,407
Thereof with indefinite useful lives	160,876	160,407

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

The following table shows internally developed software included in the line item "Software":

in TEUR, at December 31	2020	2019
Cost of production	66,926	69,439
Accumulated amortization	-48,858	-48,895
Carrying amount	18,068	20,544
Additions	3,166	2,479

In 2020 and 2019, transfers include reclassifications of advances/construction in progress to tangible and intangible assets.

At December 31, 2020, contractual commitments for the acquisition of intangible assets amounted to TEUR 51,229 (2019: TEUR 35,446).

Impairment test

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

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

(17) Goodwill

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

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

in TEUR	Austria	Bulgaria	Croatia	Belarus	Slovenia	North Macedonia	Corporate & Other	Total
At January 1, 2019	708,212	242,691	127,762	13,703	147,632	30,060	7,851	1,277,910
Translation adjustment	0	0	-464	702	0	5	300	543
Acquisitions	0	0	0	0	392	0	0	392
At December 31, 2019	708,212	242,691	127,298	14,405	148,024	30,065	8,151	1,278,845
Translation adjustment	0	0	-1,645	-3,692	0	-102	39	-5,400
Acquisitions	0	0	0	0	2,699	0	7,865	10,564
At December 31, 2020	708,212	242,691	125,653	10,713	150,723	29,963	16,055	1,284,010

For details of acquisitions, see Note (34).

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

in TEUR, at December 31	2020	2019
Segment Austria	712,232	712,232
Segment Bulgaria	642,691	642,691
Segment Croatia	130,675	132,386
Segment Belarus	341,733	460,194
Segment Slovenia	178,647	175,948
Segment North Macedonia	35,057	35,176
Corporate & Other	16,055	8,151
Total cost	2,057,091	2,166,777

in TEUR, at December 31	2020	2019
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,022	5,088
Segment Belarus	331,021	445,789
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,094	5,111
Accumulated impairment	773,081	887,932

Impairment test

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

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

A1 Telekom Austria Group performs these impairment tests by calculating the value in use based on capital-market-oriented valuation methodology. The weighted average cost of capital (WACC) applied corresponds to the weighted average interest on equity and debt. Value in use is determined by estimating the future net cash flows of the cash-generating unit based on the business plans with a detailed planning period of five years. Significant assumptions to determine the value in use comprise the development of revenues, cost drivers, working capital changes, capital expenditure, growth rate and discount rate.

Assumptions in terms of revenue development are based on historical performance, industry forecasts, and external market data such as the development of gross domestic product (GDP), inflation rates, currency rates, population and other parameters.

Cost drivers and capital expenditure are based on past experience and internal expectations.

Growth rates applied to the perpetual annuity consider general growth rates and company-specific revenue growth rates of prior periods and those used in detailed planning, respectively.

The discount rate for each cash-generating unit is determined separately based on market data and taking into account specific risks associated with the cash-generating unit. The cost of equity is derived from the expected return on investment by the investors. The cost of debt as well as beta factors and capital structure are derived from the peer group based on publicly available market data. The beta factor used on the reporting date is the average of the 2-year beta of the last twelve months.

In 2020, the value in use was calculated including the application of IFRS 16, while in 2019 it was calculated excluding the application of IFRS 16: For this purpose, the depreciation of the right-of-use assets and the interest expense on lease liabilities for 2019 were reclassified to cost and expenses, which largely corresponded to the cash outflow. Lease liabilities were not included in net debt in 2019. The carrying amount of the cash-generating unit did not contain effects from the application of IFRS 16 in 2019.

The following parameters, which take into account the impact of COVID-19 (see Note (3)), were used to calculate the value in use:

	Growth rates perpetual annuity		Pre-tax interest rates	
	2020	2019	2020	2019
Segment Austria	0.7%	0.9%	4.6%	5.8%
Segment Bulgaria	2.0%	3.4%	6.7%	6.9%
Segment Croatia	1.5%	1.8%	8.4%	8.5%
Segment Belarus	6.1%	5.5%	17.0%	14.8%
Segment Slovenia	1.5%	1.1%	6.1%	6.8%
Segment North Macedonia	2.2%	2.6%	9.0%	8.8%
Corporate & Other	0.7%	0.9%	4.6%	5.8%

Pre-tax interest rates are based on a risk-free borrowing rate, adjusted for market, country and industry-specific risks. A standard discount rate is used for all planning periods.

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

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

At both December 31, 2020 and 2019, the values in use of all cash-generating units exceeded the carrying amounts, thus no impairment charges had to be recognized. The sensitivity analysis discloses the effect of changes in significant parameters which would cause the carrying amount to exceed the value in use.

Sensitivity analysis

The use of the following pre-tax interest rates would lead to the carrying amount equaling the value in use at December 31, 2020 and 2019:

Pre-tax interest rates	2020	2019
Segment Austria	9.8%	11.8%
Segment Bulgaria	15.4%	14.5%
Segment Croatia	11.7%	10.9%
Segment Belarus	30.9%	38.4%
Segment Slovenia	8.7%	8.1%
Segment North Macedonia	12.7%	14.2%
Corporate & Other	9.8%	11.8%

In the segment Austria, the sensitivity analysis was carried out for A1 Telekom Austria AG only.

The following table lists the changes in revenues, cost drivers, and capital expenditure that would lead to the carrying amounts equaling the value in use at December 31, 2020 and 2019 with respect to the key markets:

2020	Revenues	Costs	Capital expenditures
Segment Austria	-10.0%	19.0%	49.3%
Segment Bulgaria	-13.7%	29.9%	66.2%
Segment Croatia	-4.5%	8.3%	20.3%
Segment Belarus	-13.3%	35.6%	58.3%
Segment Slovenia	-7.0%	13.8%	45.3%
Segment North Macedonia	-7.9%	16.8%	40.7%
Corporate & Other	-9.4%	11.8%	103.7%

2019	Revenues	Costs	Capital expenditures
Segment Austria	-10.1%	16.8%	49.1%
Segment Bulgaria	-12.3%	22.2%	58.5%
Segment Croatia	-3.5%	5.7%	16.2%
Segment Belarus	-22.5%	54.3%	126.9%
Segment Slovenia	-3.3%	5.1%	20.7%
Segment North Macedonia	-10.5%	19.2%	58.1%
Corporate & Other	-12.9%	15.9%	242.8%

In the segment Austria, the sensitivity analysis was carried out for A1 Telekom Austria AG only.

(18) Assets Held for Sale/Investments in Associates

On July 21, 2020, the stake of 24.9% in Telecom Liechtenstein was sold for a consideration paid in cash of TEUR 19,543. The resulting loss of TEUR 11,560 was recognized in the line item "Equity interest in net income of associated companies". As the ordinary termination option contained in the syndicate agreement had been exercised, the investment in associates was accounted for according to the equity method for the last time at August 31, 2019 and was reclassified to assets held for sale in the segment Corporate & Other.

The following table shows the difference between the investment in associates and its proportionate equity as well as the translation reserve resulting from the foreign exchange translation of the proportionate equity for the last time of accounting according to the equity method. The reserve was released in profit or loss at the time of the sale and is recognized in the line item "Equity interest in net income of associated companies":

in TEUR, at December 31	2019
Proportionate equity	15,294
Goodwill	10,882
Purchase price allocation	7,300
Reclassification to assets held for sale	-33,476
Investments in associates	0
Translation reserve	2,373

At January 1, 2019, Telecom Liechtenstein AG was the only investment in associates accounted for using the equity method. The following table provides its development:

in TEUR	2019
At January 1	33,188
Recognized income	-443
Translation adjustment	731
Reclassification to assets held for sale	-33,476
At December 31	0

On July 18, 2017, A1 Telekom Austria Group sold its 25.3% stake in media.at. In 2019, a further payment of TEUR 127 was made and recognized in the line item "Equity interest in net income of associated companies" in the segment Austria.

(19) Investments

in TEUR, at December 31	2020	2019
Equity instruments at fair value through profit or loss - mandatory	5,091	6,791
Debt instruments at fair value through other comprehensive income - mandatory	2,550	2,556
Debt instruments at fair value through profit or loss - mandatory	1,534	1,699
Investments at amortized cost	168,071	3,271
Investments	177,246	14,317

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

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

"Debt instruments at fair value through other comprehensive income - mandatory" include quoted bonds with investment grade ratings, therefore the calculation of expected credit losses resulted in an insignificant amount, which was not recognized. Interest income is recognized in profit or loss and calculated the same way as interest income on financial assets at amortized cost, i.e. the premium is recognized in profit or loss over the remaining term according to the effective interest method (see Note (7)). The remaining changes in fair value are recognized in other comprehensive income (OCI), net of income tax.

"Debt instruments at fair value through profit or loss - mandatory" include other long-term financial investments that do not meet the solely payment of principal and interest ("SPPI") criterion and serve partially as coverage for the provision for pension obligations in Austria.

Financial assets at amortized cost include fixed-term deposits. The calculation of expected credit losses resulted in an insignificant amount which was not recognized (see also "Credit risk" in Note (33)). At December 31, 2020, TEUR 3,175 (2019: TEUR 3,196) serve as cash reserve for the subsidiary paybox Bank AG according to the requirements of the Capital Requirements Regulation, the "Internal Liquidity Adequacy Assessment Process" and contractual obligations to the licensor VISA.

(20) Other Non-current Assets

in TEUR, at December 31	2020	2019
Finance lease receivables	2,994	2,941
Other financial assets	16,841	17,363
Financial assets	19,835	20,305
Other non-financial assets	8,901	9,129
Other non-current assets, gross	28,735	29,433
Less loss allowance for financial assets	-3,673	-2,252
Other non-current assets	25,062	27,181

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

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

(21) Short-term Debt

in TEUR, at December 31	2020	2019
Current portion of long-term debt	749,039	0
Short-term debt	22	0
Multi-currency notes program	0	123,000
Short-term debt	749,061	123,000

For further information regarding long-term financial debt, see Note (25). For the multi-currency notes program and further funding sources, see Note (33).

(22) Accounts Payable

Accounts payable consist of the following items:

in TEUR, at December 31	2020	2019
Fiscal authorities	68,563	66,131
Social security	11,779	10,572
Employees	29,413	41,390
Long-term incentive program	690	843
Employees - transferred to government	41	144
Government	177	151
Other non-financial liabilities	5,426	4,912
Current non-financial liabilities	116,089	124,144
Suppliers	504,805	714,027
Accrued interest	29,990	41,289
Cash deposits received	11,129	10,483
Other current financial liabilities	23,760	19,519
Current financial liabilities	569,685	785,318
Accounts payable	685,774	909,461

Liabilities due to fiscal authorities include mainly value-added taxes and payroll taxes. Liabilities regarding social security relate to statutory contributions to the social security system. Liabilities due to employees relate mainly to salaries payable (including overtime and travel allowances), unused vacation days as well as liabilities for one-time termination benefits and service awards. The decrease is due to the consumption of vacation in 2020. For information on the long-term incentive program, see Note (31). The liabilities regarding employees - transferred to government include compensation for reductions in salaries, lump sum payments for any shortfall in pension payments, as well as one-off payments to civil servants of A1 Telekom Austria Group (see Note (23)).

At December 31, 2020, accounts payable - trade amounting to TEUR 1,705 (2019: TEUR 5,628) have a maturity of more than twelve months. The reduction in accounts payable due to suppliers is due essentially to the reduction in capital expenditures (see table "reconciliation of capital expenditures paid to capital expenditures" in Note (32)) as well as the reduction in roaming (see Note (5)). Accrued interest includes interest on bonds (see Note (25)). In 2019, it also includes interest related to a tax audit in Bulgaria (see Note (29)). In 2020 and 2019, other current financial liabilities include mainly customer deposits related to vouchers for shopping and parking.

(23) Accrued Liabilities and Provisions, Asset Retirement Obligation and Restructuring

in TEUR	Restructuring	Employees	Asset retirement obligation	Legal	Other	Total
At January 1, 2020	420,022	103,212	260,807	10,506	26,847	821,393
Additions	87,914	40,400	7,279	7,670	4,674	147,937
Changes in estimate	10,680	0	17,386	0	0	28,065
Used	-98,394	-37,046	-2,462	-343	-4,496	-142,741
Released	-18,818	-9,197	-1,189	-163	-5,546	-34,913
Accretion expense	2,119	836	2,239	0	0	5,194
Reclassifications*	0	11,255	0	0	0	11,255
Translation adjustment	0	-424	-3,222	-35	-135	-3,815
Changes in reporting entities	0	38	0	0	12	50
At December 31, 2020	403,522	109,075	280,838	17,634	21,355	832,426
Thereof long-term						
December 31, 2020	305,180	0	280,838	0	0	586,018
December 31, 2019	321,180	0	260,807	0	0	581,987

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

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

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

Restructuring

In 2008, a comprehensive restructuring program was initiated in the segment Austria. The provision for restructuring includes future compensation of employees who will no longer provide services for A1 Telekom Austria Group but who cannot be laid off due to their status as civil servants. These employment contracts are onerous contracts under IAS 37, as the unavoidable cost related to the contractual obligation exceeds the future economic benefit. The restructuring program also includes social plans for employees whose employment will be terminated in a socially responsible way. In 2009 and every year from 2011 to 2020, new social plans were initiated that provide for early retirement, special severance packages and golden handshake options. Due to their nature as termination benefits, these social plans are accounted for according to IAS 19. At December 31, 2020, the corresponding liability amounts to TEUR 395,425 (2019: TEUR 410,361) and includes 1,889 (2019: 1,886) employees.

Provisions for restructuring are recorded at their present value. In 2020 and 2019, the rates of compensation increase used to measure the provisions are the same as those used for employee benefit obligations (see Note (27)). The following table presents the discount rates used, which are determined on the basis of the yields of senior, fixed-interest industry bonds in 2020, respectively based on the Mercer Yield Curve Approach in 2019, both taking into account the respective maturities:

	2020	2019
Employees permanently leaving the service process	0.25%	0.75%
Social plans	0.25%	0.50%
Civil servants transferred to the government	0.25%	0.75%

Changes in the provision are recognized in employee expense and reported in the line item "Selling, general and administrative expenses", while the accretion expense is reported in the financial result in the line item "Interest expense on restructuring provision" (see Note (7)). The provision was reversed, mainly because a number of employees returned to regular operations or opted for plans such as golden handshakes, special severance packages and early retirement to an extent not foreseeable at the time of measurement in the previous year.

Based on the general agreement for the transfer of personnel, which was entered into with the Austrian government in 2013, civil servants transferring voluntarily to the government can apply for a permanent transfer after a probation period of six months. During this probation period, A1 Telekom Austria Group bears the salary expense. In case of a permanent transfer, A1 Telekom Austria Group must compensate the government for any excess expense arising due to differing professional classifications of workplaces. Furthermore, compensation payments (or one-off payments) must be made to civil servants up to the age of 62. At December 31, 2020, the provision for the transfer of civil servants to the government amounts to TEUR 8,097 (2019: TEUR 9,661) and comprises 113 (2019: 128) employees. For information on additional reported liabilities for employees transferred to the government, see Note (22).

Duration

The weighted average duration of the restructuring obligations is as follows in years:

	2020	2019
Employees permanently leaving the service process	6.0	6.5
Social plans	3.2	3.3
Civil servants transferred to the government	5.4	5.8

Sensitivity analysis

A change of one percentage point in the applied discount rate or in the rate of compensation would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR, at December 31	1 percentage point increase	1 percentage point decrease
2020		
Change in discount rate	-12,407	13,192
Change in rate of compensation	10,198	-9,810
2019		
Change in discount rate	-14,103	15,031
Change in rate of compensation	11,845	-11,335

Employees

The provisions for employees contain mainly bonuses and the short-term portion of employee benefit obligations for severance, service awards and pensions (see also Note (27)).

In its judgement of November 11, 2014, the European Court of Justice (ECJ) ruled that the Austrian law determining the reference date for salary increments for Austrian civil servants (this date determines the length of service and thus the date for advancing to the next salary level) conflicted with European Union law. In its judgement of May 8, 2019, the European Court of Justice (ECJ) once again ruled that the adapted Austrian law determining the reference date for salary increments for civil servants was still in conflict with European Union law. On July 8, 2019, a further change in the Austrian law was published in the Austrian Federal Law Gazette (N. 58/2019). A1 Telekom Austria Group recognized a provision of TEUR 29,845 at December 31, 2020 (2019: TEUR 36,026), for impending back payments of salaries to the civil servants assigned to it.

Asset retirement obligation

Liabilities for asset retirement obligations are measured at their net present value in accordance with IAS 37, the increase in the liability that reflects the passage of time is recognized in profit or loss (see Note (7)). The effects of changes in the measurement from existing provisions are accounted for in accordance with IFRIC 1. Changes in the measurement of these liabilities resulting from changes in the estimated timing or amount of the outflow of resources or changes in the parameters shall be added to or deducted from the cost of the assets in the current period. The amount deducted from the asset shall not exceed its carrying amount. Any excess amount is reported in profit or loss. If the adjustment results in an addition to the asset, the company must review whether there is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset shall be tested for impairment and any impairment losses shall be recorded.

A1 Telekom Austria Group records obligations for the retirement and decommissioning of wooden masts treated with tar or salt, base stations, payphones as well as land and buildings including rented premises.

For the assessment of obligations in connection with the retirement of wooden masts treated with tar or salt that are in operation, A1 Telekom Austria Group uses the expected settlement dates and future expected cash flows.

A1 Telekom Austria Group operates base stations on land, rooftops and on other premises under various types of rental contracts. In estimating the fair value of the retirement obligation for its base stations, A1 Telekom Austria Group has made a number of assumptions such as the time of retirement or an early cancellation as well as the percentage of base stations that will be retired early, the development of technology and the cost of remediating the sites.

Additionally, A1 Telekom Austria Group records obligations in connection with the disposal of hazardous substances as well as the decontamination of land when decommissioning a building. Obligations to return the premises to their original condition upon expiration of the lease contracts are reported for buildings and office premises that A1 Telekom Austria Group has rented as part of lease agreements.

The following table provides the parameters used for the measurement of the obligation:

	2020	2019
Discount rate	0.0%-11.0%	0.5%-8.5%
Inflation rate	1.5%-5.0%	1.5%-4.5%

The discount rate applied to the calculation reflects current market expectations with regard to interest effects as well as specific risks of the obligation. The discount rate in the non-eurozone is based on the interest rate of German federal bonds with a maturity of 30 years, adapted for each country with the Damodaran-rate-based default spread. For those countries whose currencies are not tied to the euro, the respective inflation differential according to the OECD is taken into account as well. In the eurozone, the discount rate is based on government bonds with matching maturities, as the specific risks were taken into account in the estimated cash flows. The inflation rates applied to the calculation reflect the general development in the individual countries.

In essence, the change in the specified parameters as well as the change in the estimated outflow of resources resulted in a change in the provision with no impact on income due to an adjustment in the book value of the related item of property, plant and equipment (see change in estimates in the table of provisions). In 2020, TEUR 2,416 (2019: TEUR 4,334) were recognized in other operating income as the related tangible assets are already fully depreciated.

Sensitivity analysis

A change of one percentage point in the discount rate or in the inflation rate would lead to the following changes in provisions (negative values indicate a reduction in provisions):

in TEUR at December 31	1 percentage point increase	1 percentage point decrease
2020		
Change in discount rate	-29,839	36,186
Change in inflation rate	35,376	-29,836
2019		
Change in discount rate	-28,059	30,141
Change in inflation rate	29,561	-28,146

Legal

Provisions relate mainly to expenses for legal advice and litigation.

Other provisions

Other provisions relate mainly to taxes (excluding income taxes), guarantees, rents and penalties.

(24) Contract Liabilities

A contract liability is recognized where a customer has paid an amount of consideration prior to goods or services being transferred by A1 Telekom Austria Group. Contract liabilities include prepaid fees, prepaid vouchers, fees for leased lines and site sharing, and discounts granted as well as one-time fees, activation fees and installation fees. As contract liabilities are expected to be realized as part of A1 Telekom Austria Group's normal operating cycle, they are classified as current.

The following table shows the development of contract liabilities:

in TEUR	2020	2019
At January 1	173,954	160,160
Increases due to payments received	1,124,561	1,057,419
Revenues recognized in the current period from:		
Amounts included in the contract liability at beginning of the period	-142,247	-137,129
Increases due to payments received in current period	-966,835	-906,494
Foreign currency adjustments	-774	-2
At December 31	188,658	173,954
Thereof remaining term of more than one year	21,613	19,820

At December 31, 2020 and 2019, contract liabilities with a remaining term of more than one year relate mainly to deferred rental income from base stations and data circuits as well as one-time fees, activation fees, and installation fees.

(25) Long-term Debt

The terms and conditions of long-term debt and its current portion are summarized in the following table:

Currency	Maturity	At December 31, 2020			At December 31, 2019		
		Nominal interest rate	Face value	Carrying amount	Nominal interest rate	Face value	Carrying amount
Bonds							
TEUR	2021	fixed 3.125%	750,000	749,039	fixed 3.125%	750,000	747,995
TEUR	2022	fixed 4.000%	750,000	748,545	fixed 4.000%	750,000	747,387
TEUR	2023	fixed 3.500%	300,000	299,364	fixed 3.500%	300,000	299,109
TEUR	2026	fixed 1.500%	750,000	745,794	fixed 1.500%	750,000	745,084
Total bonds			2,550,000	2,542,742		2,550,000	2,539,575
Financial debt			2,550,000	2,542,742		2,550,000	2,539,575
Current portion of long-term debt			-750,000	-749,039		0	0
Long-term debt			1,800,000	1,793,703		2,550,000	2,539,575

Bonds

Bonds are recognized at the actual amount received. Discount and issue costs are amortized over the related term using the effective interest rate method.

On April 2, 2012, A1 Telekom Austria Group issued a bond with a face value of TEUR 750,000, discount and the issue costs of TEUR 11,575, a maturity of ten years and a coupon of 4.0%.

On July 4, 2013, A1 Telekom Austria Group issued a bond with a face value of TEUR 300,000, discount and issue costs of TEUR 2,574, a maturity of ten years and a coupon of 3.5%.

On December 3, 2013, A1 Telekom Austria Group issued a bond with a face value of TEUR 750,000, discount and issue costs of TEUR 8,336, a maturity of eight years and a coupon of 3.125%.

On December 7, 2016, A1 Telekom Austria Group issued a bond with a face value of TEUR 500,000, a maturity of ten years and a coupon of 1.5%. On July 14, 2017, a tap issuance with a volume of TEUR 250,000 was settled. In August 2017, the outstanding bond and the tap were consolidated and have the same terms in all respects. Discount and issue costs amount to TEUR 6,990.

(26) Other Non-current Liabilities

in TEUR, at December 31	2020	2019
Cash deposits received	754	754
Deferred consideration from business combinations	7,053	1,179
Sundry other non-current financial liabilities	44,775	60,558
Other non-current financial liabilities	52,582	62,491
Long-term incentive program	892	1,225
Sundry other non-current non-financial liabilities	427	2,015
Other non-current non-financial liabilities	1,319	3,239
Other non-current liabilities	53,901	65,730

At December 31, 2020, the deferred consideration from business combinations relates to the acquisition of Invenium in 2020 and to the acquisition of Akenes in 2017 (2019: Akenes only), see Note (34) and table "Development of total liabilities from financing activities" in Note (32). Sundry other financial liabilities primarily include liabilities from the acquisition of rights and licenses (see Note (16)).

See Note (31) regarding the long-term incentive program. The decrease in other non-financial liabilities is due to the fact that pension contribution liabilities at December 31, 2020 are current.

(27) Employee Benefits

A1 Telekom Austria Group records employee benefit obligations under defined contribution and defined benefit plans.

In the case of defined contribution plans, A1 Telekom Austria Group pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Other than payment contributions, which are recognized in employee expenses in the respective functional area in the respective period, there are no further obligations.

All other obligations are unfunded defined benefit plans and are measured using the projected unit credit method in accordance with IAS 19.

in TEUR, at December 31	2020	2019
Service awards	55,415	59,414
Severance	169,904	155,366
Pensions	5,469	5,181
Other	726	169
Long-term employee benefit obligations	231,513	220,130

According to IAS 19.133, A1 Telekom Austria Group chooses to distinguish between current and non-current liabilities arising from employee benefit obligations (see also Note (23)).

For severance and pensions, A1 Telekom Austria Group recognizes remeasurement gains and losses in other comprehensive income (OCI), whereas remeasurement gains and losses for service awards are immediately recognized in profit or loss. The remeasurement of defined benefit plans relates to actuarial gains and losses only, as A1 Telekom Austria Group holds no plan assets. Accrued interest on employee benefit obligations is reported in the financial result, while service cost is reported in employee expenses in the respective functional area.

Actuarial assumptions

The key actuarial assumptions used to measure the obligations for service awards, severance and pensions are as follows:

	2020	2019
Discount rate service awards	0.25%	0.75%
Discount rate severance	0.75%	1.25%
Discount rate pensions	0.50%	1.00%
Rate of compensation increase - civil servants	4.10%	4.40%
Rate of compensation increase - other employees	3.00%	3.00%
Rate of compensation increase - civil servants released from work	3.50%	3.50%
Rate of increase of pensions	1.60%	1.60%
Employee turnover rate*	0.0%-1.31%	0.0%-1.38%

* Depending on years of service.

In 2020, the discount rates were determined on the basis of the yields of senior, fixed-interest industry bonds and a duration corresponding to the expected maturities of the defined benefit obligations. In 2019, the discount rates were determined on the basis of the Mercer Yield Curve Approach, taking into account the respective maturities.

Life expectancy in Austria is based on "AVÖ 2018-P - Rechnungsgrundlagen für die Pensionsversicherung - Pagler & Pagler". The obligations related to the international subsidiaries were measured on the same actuarial basis due to their insignificant proportion.

Duration

The weighted average duration of the obligations is as follows in years:

	2020	2019
Service awards	4.8	5.2
Severance	13.5	14.1
Pensions	11.5	10.1

Service awards

Civil servants and certain employees (in the following "employees") are eligible to receive service awards. In accordance with the legal regulations, eligible employees receive a cash bonus of two months' salary after 25 years of service and four months' salary after 40 years of service. Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on specific legal regulations are also eligible to receive the service award of four monthly salaries. The obligation is accrued over the period of service, taking into account the employee turnover rate for employees who leave employment prematurely. The main risk that A1 Telekom Austria Group is exposed to is the risk of development of salary increases and changes of interest rates.

The following table provides the components and a reconciliation of the changes in the obligation for service awards:

in TEUR	2020	2019
At January 1	66,092	69,811
Service cost	1,874	2,012
Interest cost	476	836
Actuarial gain/loss from experience adjustments	-365	-1,046
Actuarial gain/loss from changes in demographic assumptions	-11	-6
Actuarial gain/loss from changes in financial assumptions	825	1,677
Recognized in profit or loss	2,798	3,472
Benefits paid	-6,171	-7,191
Obligation at December 31	62,719	66,092
Less short-term portion	-7,304	-6,678
Non-current obligation	55,415	59,414

At December 31, 2020 and 2019, less than 1% of the non-current defined benefit obligation for service awards relate to foreign subsidiaries.

Severance

Defined contribution plans

Employees who started work for A1 Telekom Austria Group in Austria on or after January 1, 2003 are covered by a defined contribution plan. In 2020, A1 Telekom Austria Group paid TEUR 2,705 (2019: TEUR 2,548), 1.53% of the salary or wage, into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG).

Defined benefit plans

Severance benefit obligations for employees, whose employment commenced before January 1, 2003, excluding civil servants, are covered by defined benefit plans. Upon termination of employment by A1 Telekom Austria Group or upon retirement, eligible employees receive severance payments. Depending on their time in service, their severance amounts to a multiple of their monthly basic compensation plus variable components such as overtime or bonuses, up to a maximum of twelve monthly salaries. In case of death, the heirs of eligible employees receive 50% of the severance benefits. The primary risks to A1 Telekom Austria Group are salary increases and changes of interest rates.

The following table shows the components and a reconciliation of the changes in the obligation for severance:

in TEUR	2020	2019
At January 1	158,770	138,054
Service cost	4,405	4,503
Interest cost	1,947	2,719
Recognized in profit or loss	6,351	7,222
Actuarial gain/loss from experience adjustments	694	680
Actuarial gain/loss from changes in demographic assumptions	93	133
Actuarial gain/loss from changes in financial assumptions	11,166	15,490
Recognized in other comprehensive income	11,953	16,303
Benefits paid	-3,438	-2,813
Foreign currency adjustments	0	4
Other	-3,439	-2,809
Obligation at December 31	173,636	158,770
Less short-term portion	-3,732	-3,405
Non-current obligation	169,904	155,366

At December 31, 2020, approximately 4% (2019: 4%) of the non-current defined benefit obligation for severance relate to foreign subsidiaries.

Pensions

Defined contribution pension plans

In Austria, pension benefits are generally provided by the social security system for employees, and by the government for civil servants. The contributions of 12.55% of gross salaries that A1 Telekom Austria Group made in 2020 to the social security system and the government in Austria amount to TEUR 60,173 (2019: TEUR 61,895). In 2020, contributions of the foreign subsidiaries into the respective systems range between 7% and 29% of gross salaries and amount to TEUR 24,542 (2019: TEUR 24,619).

Additionally, A1 Telekom Austria Group offers a defined contribution plan for employees of some of its Austrian subsidiaries. A1 Telekom Austria Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. In 2020, the annual expenses for this plan amounted to TEUR 12,060 (2019: TEUR 13,063).

Defined benefit pension plans

A1 Telekom Austria Group provides defined benefits for certain former employees in Austria. All eligible employees are retired and were employed prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. A1 Telekom Austria Group is exposed primarily to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits. Furthermore, at December 31, 2020, approximately 20% (2019: 10%) of the obligation for pensions relate to the employees of the company Akenes in Lausanne, which was acquired in 2017.

The following table shows the components and a reconciliation of the changes in the obligation for pensions:

in TEUR	2020	2019
At January 1	5,583	5,624
Service cost	38	48
Interest cost	53	91
Recognized in profit or loss	91	140
Actuarial gain/loss from experience adjustments	271	-104
Actuarial gain/loss from changes in financial assumptions	295	334
Recognized in other comprehensive income	566	230
Benefits paid	-387	-428
Foreign currency adjustments	-3	18
Other	-389	-410
Obligation at December 31	5,851	5,583
Less short-term portion	-382	-402
Non-current obligation	5,469	5,181

Sensitivity analysis

The following table summarizes the short and long-term obligations recorded:

in TEUR, at December 31	2020	2019
Service awards	62,719	66,092
Severance	173,636	158,770
Pensions	5,851	5,583

A change in the discount rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2020		
Service awards	1,532	-1,474
Severance	12,183	-11,182
Pensions	574	-501
in TEUR, at December 31		
2019		
Service awards	1,747	-1,677
Severance	11,571	-10,590
Pensions	313	-283

A change in the rate of compensation of one percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	1 percentage point decrease	1 percentage point increase
2020		
Service awards	-2,781	2,937
Severance	-21,050	24,413
Pensions	-490	564
in TEUR, at December 31		
2019		
Service awards	-3,176	3,371
Severance	-20,148	23,519
Pensions	-447	516

A change in the employee turnover rate of half a percentage point would lead to the following changes in obligations (negative values indicate a reduction in obligations):

in TEUR, at December 31	0.5 percentage point decrease	0.5 percentage point increase
2020		
Service awards	21	-1,485
Severance	5,064	-5,803
Pensions	5	-5
in TEUR, at December 31		
2019		
Service awards	14	-1,711
Severance	5,014	-5,968
Pensions	3	-3

For pensions, the fluctuation is only applied to beneficiaries not yet retired. The calculation of a 0.5% decrease is limited to a maximum of 0.0% of the employee turnover rate.

(28) Stockholders' Equity

Capital management

The capital structure of A1 Telekom Austria Group consists of liabilities and equity attributable to the equity holders of the parent company, which is disclosed in the Consolidated Statement of Changes in Stockholders' Equity and comprises common stock, treasury shares, additional paid-in capital, retained earnings, remeasurement of defined benefit plans, measurement of debt instruments, hedging reserve as well as translation reserve.

A1 Telekom Austria Group manages its capital structure to safeguard its solid capital base in order to maintain investor, creditor and market confidence as well as to provide sustainable support to the future operational development of A1 Telekom Austria Group.

At Group level, maintaining a solid investment grade rating is the number one priority. This will allow the financial flexibility required for strategically important projects. A transparent dividend policy ensures the balance between shareholder remuneration and the utilization of cash to redeem outstanding debt.

Share capital

At December 31, 2020 and 2019, the common stock of Telekom Austria AG amounts to TEUR 1,449,275, and is divided into 664.5 million bearer shares. At December 31, 2020 and 2019, América Móvil indirectly holds a stake of 51.00% through its 100% subsidiary América Móvil B.V., Netherlands, while ÖBAG holds a stake of 28.42% and free floated shares including treasury shares amount to 20.58%. The shares have no par value.

According to the Austrian Banking Act and the Capital Requirements Regulation, a regulation for banks by the European Union, the subsidiary paybox Bank AG must fulfil regulatory minimum equity requirements regarding bank-related risks, notably credit risk and operative risks as well as liquidity coverage requirements. On December 31, 2020 and 2019, these requirements were fulfilled.

The number of authorized, issued and outstanding shares and treasury shares is presented below:

At December 31	2020	2019
Shares authorized	664,500,000	664,500,000
Shares issued	664,500,000	664,500,000
Treasury shares	-415,159	-415,159
Shares outstanding	664,084,841	664,084,841

The shares issued are fully paid.

Dividend payments

The following dividends were declared by the shareholders at the Annual General Meeting and distributed by Telekom Austria AG:

	2020	2019
Date of Annual General Meeting	September 24, 2020	May 29, 2019
Dividend per share in euro	0.23	0.21
Total dividend paid in TEUR	152,740	139,458
Date of payment	October 2, 2020	June 7, 2019

The net income of Telekom Austria AG according to Austrian GAAP amounts to:

in TEUR	2020	2019
Net income	-32,072	438,342
Release of reserves reported in retained earnings	246,194	0
Allocation to reserves reported in retained earnings	0	-215,148
Profit carried forward from prior year	174,702	104,248
Unappropriated retained earnings	388,824	327,442

The unappropriated retained earnings of Telekom Austria AG according to Austrian GAAP are not subject to a dividend limitation as the restrictions of Section 235 UGB do not apply. The Management Board plans to propose to the shareholders at the Annual General Meeting to distribute a dividend of EUR 0.25 per share from unappropriated retained earnings. The Management Board and the Supervisory Board will continuously evaluate the further development of the COVID-19 pandemic in terms of its financial and general business impacts. If the business operations of Telekom Austria AG continue to have noticeable positive or unforeseen negative effects until the invitation to the Annual General Meeting, the Management Board and the Supervisory Board do not rule out a subsequent adjustment of the proposal for the appropriation of profits 2020 in any direction.

Treasury shares

At the Annual General Meeting of Telekom Austria AG held on May 29, 2013, the Management Board was empowered to:

- (a) use these treasury shares to settle obligations under the share-based compensation plans disclosed in Note (31) and/or to transfer them for or without a consideration to employees, leading managers and members of the Management Board/management of Telekom Austria AG and of its affiliated companies;
- (b) use them as consideration for acquisitions, or
- (c) sell treasury shares at any time via the stock exchange or by public offer.

Treasury shares held at December 31	2020	2019
Number of treasury shares	415,159	415,159
Average price per share in euro	18.80	18.80
Deduction in equity in TEUR	7,803	7,803

Additional paid-in capital

The additional paid-in capital results from the incorporation of A1 Telekom Austria Group as well as the subsequent capital increase and reorganization measures. Furthermore, effects related to employee participation plans and the retirement of treasury shares are reported in additional paid-in capital.

Other comprehensive income (loss) items (OCI)

The other comprehensive income (loss) contains the remeasurement of severance and pension obligations (see Note (27)), measurement of debt instruments at fair value through other comprehensive income (see Note (19)), the hedging reserve (see Note (33)) as well as the translation reserve (see Note (3)). Their development is presented in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Stockholders' Equity. The foreign currency translation adjustment relates mainly to the consolidation of A1 in Belarus and Vip mobile in the Republic of Serbia.

(29) Income Taxes

Income taxes are calculated for each taxable entity based on the expected actual income tax rate applicable. For the purpose of calculating deferred tax assets and liabilities, A1 Telekom Austria Group uses the tax rates that have been enacted or substantively enacted at the reporting date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period the tax rate is effectively enacted. The distribution of dividends by Telekom Austria AG has no effect on the tax rate. Investment tax credits are recognized as a reduction in income taxes in the period in which these credits are granted.

In accordance with IFRIC 23, Management regularly reviews certain tax issues for uncertainties regarding the treatment under effective tax regulations by the relevant tax authorities. Correspondingly, income tax liabilities were recognized for possibly existing tax risks based on all information available including interpretations of tax law and experience.

Income tax attributable to income before income taxes consists of the following (negative values indicate an income tax benefit):

in TEUR	2020	2019
Current income tax	50,340	84,004
Deferred income tax	71,687	70,160
Income tax	122,027	154,164

The table below provides information about the allocation of total income tax in the Consolidated Financial Statements:

in TEUR	2020	2019
Continuing operations	122,027	154,164
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	8	9
Income tax on remeasurement of defined benefit obligations*	-3,035	-3,986
Effect of initial application of IFRS 16**	0	57
Total income tax	120,460	151,704

* Recognized in other comprehensive income (OCI).

** For IFRS 16, see Note (3) to the Consolidated Financial Statements 2019.

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The following table shows the major reconciling items between the reported income taxes and the amount of income taxes that would have resulted by applying the Austrian statutory income tax rate of 25% to earnings before income tax:

in TEUR	2020	2019
Income tax expense at statutory rate	127,713	120,401
Foreign tax rate differential	-30,778	-23,863
Non-tax-deductible expenses	9,944	11,944
Tax incentives and tax-exempted income	-5,944	-7,189
Tax-free income (loss) from investments	-76	-61
Change in tax rate	1,272	0
Tax benefit/expense prior periods	-9,905	14,357
Changes in deferred tax assets not recognized	9,107	1,531
Impairments (reversals of impairments) of investments in subsidiaries	19,825	37,743
Other	868	-699
Income tax	122,027	154,164
Effective income tax rate	23.89%	32.01%

In 2020 and 2019, non-deductible expenses consist mainly of non-deductible withholding taxes on dividends as well as various non-deductible expenses in the individual countries. In 2019, the tax effect of interest expense on taxes is also included, as this is not deductible for tax purposes (see Note (7)).

Tax incentives and tax-exempted income relate mainly to investment and other tax incentives in the individual countries. In 2020, the tax effect of interest income on taxes is included, as this is not subject to taxation (see Note (7)). Furthermore, both years reported include the tax-free income on the fictitious amortization of tax goodwill related to the Austrian tax group. Amortization of tax goodwill according to Section 9 (7) KStG is treated as a temporary difference on investments in subsidiaries for tax purposes. According to IAS 12.39, no deferred tax liabilities are recorded in that case. In 2020 and 2019, there are no taxable differences in this respect.

The change in tax rate is due to an increase in corporate income tax from 18% to 30% for mobile operators in Belarus for the years 2021 and 2022.

In 2020, the tax benefit for prior periods relates to the tax benefit for the tax audit in Bulgaria, explained below, and to the tax expense for a tax audit of the Austrian tax group covering the years 2010 to 2015. In 2019, the tax expense for prior periods related essentially to a tax audit in Bulgaria. In 2018, A1 Bulgaria received the tax assessments for a tax audit covering the years 2010 to 2012, which did not accept amortization of brand name and customer base to be tax deductible and also imposed related interest on taxes (see Note (7)). An appeal was filed against these tax assessments as the Supreme Court decided in favor of A1 Bulgaria regarding the amortization of customer base for the years 2007 to 2009. However, in April 2019, the Supreme Court disallowed both amortization of brand name and customer base for tax purposes in 2010. Following the decision for the year 2010, taxes and interest on tax related to the customer base for the years 2011 and 2012, which were not finally assessed, were additionally accrued, which resulted in a tax expense for prior periods in 2019. In February 2020, the Supreme Court decided conclusively for the year 2012 that the amortization of the customer base was tax deductible. In June 2020, the Supreme Court decided for the year 2011 that the amortization of both brand name and customer base was tax deductible. These decisions resulted in a tax benefit for prior periods and in income related to interest on taxes in 2020 as the accrual for tax and interest on tax related to the customer base for the years 2011 and 2012 and to the brand name for the year 2011 was released.

The tax effect of impairments (reversals of impairments) of investments relates to taxable write-downs and reversals of write-downs of investments in affiliated companies in Austria.

In accordance with IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. Furthermore, deferred taxes are recognized for current year tax losses and tax loss carry-forwards as well as certain impairment losses on investments for which recognition for tax purposes is deferred over a specified period. The tax effects of temporary differences that give rise to deferred tax assets and liabilities are set out below:

in TEUR, at December 31	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Loss carry-forwards	105,662	168,642	0	0
Impairments of investments	0	10,712	0	0
Property, plant and equipment	3,273	3,591	-50,042	-42,940
Right-of-use assets	0	0	-144,613	-157,733
Other intangible assets	30	37	-72,205	-77,493
Accounts receivable: Subscribers, distributors and other	9,250	8,513	-565	-538
Contract cost	0	0	-7,412	-7,522
Lease liabilities	147,029	158,950	0	0
Provisions, long-term	52,167	50,085	0	0
Employee benefit obligations	33,459	30,820	0	0
Accrued liabilities and accounts payable	17,813	19,175	-80	-8
Other	3,477	3,132	-4,829	-5,135
Total	372,160	453,657	-279,747	-291,370
Set off	-275,672	-284,717	275,672	284,717
Deferred tax assets/liabilities	96,487	168,940	-4,074	-6,653
Net deferred tax assets/liabilities	92,413	162,287		

In assessing the recoverability of deferred tax assets, the Management Board considers whether it is probable that all deferred tax assets will be realized. The realization of deferred tax assets is dependent upon the generation of sufficient future taxable income during the periods in which these temporary differences become deductible. These are based on business plans with a detailed planning period of five years. The Management Board considers the scheduled release of deferred tax liabilities and projected future taxable income when making this assessment.

In Austria, A1 Telekom Austria Group established a tax group according to Section 9 of the Austrian Corporate Tax Act (KStG), with Telekom Austria AG as the head of the tax group. The head of the tax group and its members have agreed on tax compensation. Positive taxable results are subject to a tax rate of 23%. Negative taxable results are not reimbursed but netted with future positive results of the tax group members. Deferred tax assets and liabilities for the members of the tax group (currently all significant Austrian subsidiaries) are reported on a net basis since the tax group is treated as one taxable entity.

The deferred tax assets on loss carry-forwards relate almost exclusively to the Austrian tax group. In Austria, the annual usage of loss carry-forwards, which can be carried forward indefinitely, is generally limited to 75% of the respective taxable income.

Impairments of investments relate to impairments of investments in subsidiaries for which the recognition of the expense is deferred over seven years according to Austrian tax law and for which deferred tax is recognized (according to the respective guidance in "Effects of tax write-downs according to Section 12 (3) No 2 of the Austrian Corporate Tax Act on the accounting of income taxes according to IAS 12 in consolidated or single IFRS financial statements" issued by the Austrian Financial Reporting and Auditing Committee).

Deferred tax liabilities on property, plant and equipment are mostly due to differences in the carrying amounts of retirement obligations for assets (see Note (23)) as well as to increases in carrying amounts in Belarus from 2011 to 2014 due to hyperinflation accounting according to IAS 29, which may not be recognized for tax purposes.

Right-of-use assets and lease liabilities according to IFRS 16 may not be recognized for tax purposes in some countries, resulting in deferred tax assets or liabilities.

Deferred tax liabilities on other intangible assets are mainly due to the recognition of assets according to IFRS 3 in the course of business combinations.

Contract costs may not be recognized for tax purposes in some countries, resulting in deferred tax liabilities.

Deferred tax assets on long-term provisions relate mostly to the provision for the asset retirement obligation, which may only be partly recognized for tax purposes, as well as to differences in the IFRS and tax value of the restructuring provision in Austria (see Note (23)).

Deferred tax assets on employee benefit obligations result from the difference between the amount recognized in accordance with Section 14 of the Austrian Income Tax Act (EStG) and the amount of the projected unit credit method in accordance with IAS 19 (see Note (27)).

The following deferred tax assets were not recognized as the realization in the near future is not probable according to tax planning.

in TEUR, at December 31	2020	2019
Net operating loss carry-forwards	381,615	381,991
Temporary differences related to impairments of investments in consolidated subsidiaries	2,593	26,571
Deferred tax assets not recognized	384,208	408,562

The deferred tax assets not recognized relate essentially to Austrian investment companies and are due to tax impairments of investments in subsidiaries. As these investment companies do not generate operating results, no future taxable income is expected and thus a realization in the detailed planning period and thereafter is unlikely, although the loss carry-forwards can be carried forward indefinitely.

At December 31, 2020, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 65,236 (2019: TEUR 64,463), since it is unlikely that these temporary differences will be reversed in the foreseeable future.

(30) Leases

Lessee

According to IFRS 16, a lessee recognizes a right-of-use asset and a lease liability upon lease commencement.

A1 Telekom Austria Group essentially leases telecommunication sites for fixed-line and mobile telephony as well as other infrastructure and buildings. The lease term is generally equal to the non-cancellable term of the contract. In addition, options to extend or terminate a contract are taken into account. For cancellable contracts with an indefinite term, A1 Telekom Austria Group determined a contract term of seven years which takes into account the planning period, technology, business strategy as well as probabilities. The period of seven years is also applied to options to extend lease contracts. For certain leases related to fixed infrastructure in Austria, 15 years was determined as the appropriate lease term.

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The following table provides a roll-forward of the right-of-use assets ("RoU") recognized, broken down into the respective asset classes:

in TEUR	RoU Land & buildings	RoU Telecommunication sites	RoU Other facilities	RoU Leased lines	Total
Cost					
At January 1, 2019	375,053	516,339	17,836	101,491	1,010,719
Additions	23,895	63,471	11,312	34,145	132,824
Disposals	-10,122	-31,601	-2,002	-5,815	-49,540
Translation adjustment	376	1,619	3	78	2,077
At December 31, 2019	389,202	549,829	27,150	129,899	1,096,079
Additions	36,011	53,209	8,621	46,055	143,896
Disposals	-15,167	-37,523	-2,738	-14,931	-70,360
Translation adjustment	-3,010	-11,720	-240	-545	-15,515
At December 31, 2020	407,035	553,795	32,793	160,478	1,154,101
Accumulated amortization and impairment					
At January 1, 2019	0	0	0	0	0
Additions	-48,728	-83,032	-8,236	-20,383	-160,379
Disposals	3,216	2,165	718	91	6,190
Translation adjustment	14	51	0	2	67
At December 31, 2019	-45,497	-80,817	-7,518	-20,290	-154,122
Additions	-46,419	-83,205	-8,875	-25,015	-163,515
Disposals	2,576	5,631	2,183	2,172	12,563
Translation adjustment	939	2,977	102	33	4,052
At December 31, 2020	-88,402	-155,414	-14,107	-43,100	-301,023
Carrying amount at					
December 31, 2020	318,633	398,381	18,686	117,378	853,078
December 31, 2019	343,705	469,012	19,632	109,609	941,957

In addition to new contracts, additions to right-of-use assets contain modifications and renewals of contracts as well as index adjustments.

Total cash outflow for leases is disclosed in the following table (for the development of lease liabilities, see Note (32)).

in TEUR	2020	2019
Lease principal paid	153,802	149,482
Lease interest paid	15,225	16,643
Prepaid right-of-use assets	8,641	4,741
Leases operating expense	4,642	9,714
Total cash outflow for leases	182,311	180,580

In 2020, operating leasing expense was reduced due to COVID-19-Related Rent Concessions by TEUR 732. These relate mainly to shops that were obliged to stay closed during the COVID-19 lockdown as well as to office premises (see Note (3)).

The following table provides a maturity analysis of lease liabilities:

in TEUR at December 31	2020	2019
2020	n.a.*	162,695
2021	165,408	152,982
2022	152,377	143,865
2023	141,125	135,431
2024	127,423	124,165
2025	115,994	n.a.*
Thereafter	199,939	286,030
Total minimum lease payments	902,266	1,005,168
Less amount representing interest	-47,333	-64,324
Present value of lease payments	854,933	940,844
thereof short-term portion	154,374	152,621
thereof long-term portion	700,559	788,222

*not applicable for the respective reporting period

A1 Telekom Austria Group elected to apply the recognition exemptions for low-value assets and short-term leases for certain lease assets that are insignificant for its business operations. The recognition exemptions were not applied to base stations, technical sites and facilities as well as buildings and vehicles. Non-lease components in contracts such as electricity, maintenance, etc. are excluded from the right-of-use calculation. The following table discloses the expenses recognized for:

in TEUR	2020	2019
Short-term leases	1,317	1,950
Leases of low-value assets	118	84
Variable lease payments	3,207	7,680

Interest recognized is disclosed in Note (7).

For lease contracts containing options to extend or terminate a lease, A1 Telekom Austria Group assesses at lease commencement date whether it is reasonably certain to exercise the options. A1 Telekom Austria Group reassesses whether it is reasonably certain to exercise the option to extend or terminate the lease if there is a significant event or significant changes in circumstances within its control. Generally, options to extend or terminate a lease exercisable within a period of seven years are considered exercised respectively not terminated for all substantial contracts for A1 Telekom Austria Group's business activity and thus included in the calculation of the right-of-use asset and the lease liability at commencement date respectively at initial adoption of IFRS 16 at January 1, 2019. Apart from this A1 Telekom Austria Group has no significant options for other leases in its portfolio. Some lease contracts are subject to restrictions, as the approval of the lessor is needed to sublease the leased asset or to extend an existing lease asset. However, this has no impact on current business operations.

Lessor

Lessors shall classify each lease as an operating lease or a finance lease:

Operating Leasing

If substantially all the risks and rewards incidental to ownership are attributable to A1 Telekom Austria Group as a lessor, the leased asset is recognized by A1 Telekom Austria Group. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. At December 31, 2020, the carrying amount of assets held exclusively under finance lease amounts to TEUR 18,327 (2019: TEUR 19,719). Furthermore, lease revenues are generated by renting out parts of buildings and telecommunication sites, e.g. mobile sites. The share in these leased out items of property, plant and equipment is not reported separately, thus their carrying amount is not included in the amounts disclosed above (see Note (15)).

Payments under operating leases are recognized as revenue on a straight-line basis over the terms of the contracts and amount to:

in TEUR at December 31	2020	2019
2020	n.a.*	22,336
2021	24,139	16,990
2022	17,048	17,192
2023	14,188	12,621
2024	12,377	7,272
2025	5,589	n.a.*
Thereafter	18,134	14,962
Total minimum lease payments	91,474	91,372

*not applicable for the respective reporting period

Finance Lease

Since 2019, A1 Telekom Austria Group leases out private automatic branch exchange equipment (PABX) under finance lease. The following table sets forth a maturity analysis of the lease payments as well as the recognized loss allowances on finance lease receivables (see Notes (13) and (20)):

in TEUR at December 31	2020	2019
2020	n.a.*	1,749
2021	1,727	1,374
2022	1,408	984
2023	1,003	734
2024	696	100
2025	13	n.a.*
Thereafter	47	34
Total minimum lease payments	4,894	4,975
Less amount representing interest	- 316	- 285
Present value of finance lease receivables	4,578	4,690
thereof short-term portion	1,584	1,749
thereof long-term portion	2,994	2,941
Loss allowances	90	90

*not applicable for the respective reporting period

Finance lease revenues are reported in equipment revenues (see Note (5)). Interest income on finance lease, which is recognized in the financial result, is disclosed in Note (7).

(31) Share-based Compensation

Long-term incentive (LTI) program

A1 Telekom Austria Group introduced a long-term incentive program (LTI) in 2010. In accordance with IFRS 2, share-based payments are measured at fair value at the grant date and at every balance sheet date. The expense is recognized over the vesting period. Due to the Supervisory Board's decision to settle bonus shares granted in the course of the long-term incentive program in cash (subsequently called fictitious bonus shares), the share-based payments are recorded as a liability.

The members of the Management Board of Telekom Austria AG (see Note (36)) are the participants of this program. They are required to invest an amount depending on the annual gross basic salaries in Telekom Austria shares and to hold these shares until the end of the holding period (at least three years). For each tranche, the number of fictitious bonus shares granted is calculated based on the average Telekom Austria stock price for a defined period. The performance period for meeting the performance targets was determined to be three years. The target values for these key indicators were determined by the Supervisory Board. At the vesting date (at the earliest three years after the grant date), fictitious bonus shares will be allocated to the participants and will be settled in cash. If the targets are fully met, fictitious bonus shares equal to the double personal investment will be allocated to the participants. If the targets are exceeded, proportionally additional fictitious bonus shares will be allocated up to a maximum of 350% of the shares on a pro rata basis. This maximum amount of fictitious bonus shares is allocated if the targets are overachieved by 175% or more. In case of a significant underperformance, no bonus shares will be allocated.

On August 1, 2020, the eleventh tranche (LTI 2020) was granted. Return on invested capital ("ROIC", weighted with 34%), the market revenue share of A1 Telekom Austria Group (weighted with 33%) and sustainable financing (long-term financing in the years 2020 to 2022 under a green bond or sustainable finance certificate, weighted with 33%) were defined as key performance indicators.

On September 1, 2018, the ninth tranche (LTI 2018) and on August 1, 2019, the tenth tranche (LTI 2019) were granted. Return on invested capital (ROIC) and the market revenue share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators.

On June 1, 2017, the eighth tranche (LTI 2017) was granted. ROIC and the market revenue share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators. The LTI 2017 was granted only to the members of the Management Board of Telekom Austria AG in 2017, Alejandro Plater and Siegfried Mayrhofer. The actual performance and the bonus shares allocated are summarized in the subsequent table; the settlement was effected in cash.

The following table summarizes the significant terms and conditions for the tranche settled this year and for each tranche not yet settled:

	LTI 2020	LTI 2019	LTI 2018	LTI 2017
Start of the program	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Grant date	August 1, 2020	August 1, 2019	September 1, 2018	June 1, 2017
End of vesting period	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Vesting date	August 1, 2023	August 1, 2022	September 1, 2021	June 1, 2020
Personal investment at grant date	75,770	77,618	58,719	54,271
Personal investment at reporting date*	75,770	77,618	58,719	54,271
Expected performance**	99.10%	94.80%	97.10%	71.20%
Expected bonus shares***	150,176	147,164	114,032	0
Maximum bonus shares***	265,195	271,663	205,517	0
Fair value of program in TEUR	879	898	690	0
Allocated bonus shares	0	0	0	77,281
Average stock price at end of vesting period in euro	0	0	0	7.08
Share-based compensation in TEUR	0	0	0	547

* For LTI 2017, personal investment at the end of the vesting period.

** For LTI 2017, actual performance at the end of the vesting period.

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

As of the reporting date, a liability measured at fair value for the portion of the expected future expense of the LTI program that has already vested, has been recognized. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for share price analysis, taking into account expected dividends. The liability is recognized over the vesting period (see Notes (22) and (26)). The following personnel expense is recognized in the Consolidated Statement of Comprehensive Income:

in TEUR	2020	2019
Personnel expense LTI	62	1,003

(32) Cash Flow Statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2020 and 2019 result from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2020 and 2019 and recognized in the financial result (see Note (7)) had already been settled in cash as of December 31 and are reported in cash flow from operating activities. Dividends paid in 2020 and 2019 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2020, cash and cash equivalents acquired in the course of business combinations amounted to TEUR 192 (2019: TEUR 182), (see Note (34)).

The following table provides a reconciliation of capital expenditures paid to total capital expenditures:

in TEUR	2020	2019
Capital expenditures paid	742,530	873,872
Reconciliation of additions in accounts payable	-79,763	13,898
Reconciliation of government grants	-2,690	-3,214
Reconciliation of right-of-use assets paid	-8,641	-4,741
Total capital expenditures	651,435	879,816

For the definition of capital expenditures, see Note (1). At December 31, 2020, TEUR 67,261 (2019: TEUR 180,831) of the additions to intangible assets and property, plant and equipment in the current year have not yet been paid (see Notes (15) and (16)).

In accordance with IAS 7.43, the reconciliation of additions to accounts payable includes the adjustment of capital expenditures of the current period not yet paid as well as capital expenditures of prior periods paid in the current period. The reconciliation of government grants contains grants not yet paid, which have already been deducted from capital expenditures as well as grants of prior periods paid in the current period (see Notes (13) and (15)). The reconciliation of right-of-use assets paid contains prepayments and other direct costs, which are paid up to the commencement date of the lease and are reported in the cash flow from investing activities.

The following tables show the development of the total liabilities from financing activities (see Notes (21), (25) and (30)):

in TEUR	December 31, 2020	Cash flow	Non-cash changes				January 1, 2020
			Foreign exchange differences	Accretion expense	Lease*	Additions	
Debt	2,542,764	-119,812	0	0	0	1	2,662,575
Lease liabilities	854,933	-169,027	-9,068	14,914	77,270	0	940,844
Deferred consideration from business combinations	7,053	0	5	32	0	5,837	1,179
Total liabilities from financing activities	3,404,750	-288,839	-9,063	14,946	77,270	5,838	3,604,598

in TEUR	December 31, 2019						January 1, 2019
Debt	2,662,575	-118,842	0	0	0	0	2,781,417
Lease liabilities	940,844	-166,125	1,339	17,494	85,109	0	1,003,026
Deferred consideration from business combinations	1,179	-3,503	25	57	0	0	4,600
Total liabilities from financing activities	3,604,598	-288,470	1,364	17,551	85,109	1,002,394	2,786,648

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts. The effect from the initial adoption of IFRS 16 is included in the opening balance 2019 (see Note (3) to the Consolidated Financial Statements 2019).

In 2020, additions to debt and to deferred consideration from business combinations relate to the acquisition of Invenium (see Note (34)). The following table discloses the payments in 2019 (see Notes (26) and (34)):

in TEUR	2019
Deferred consideration paid for Akenes	-2,232
Deferred consideration paid for Metronet	-1,271
Deferred consideration paid for business combinations	-3,503

(33) Financial Instruments

Classification of financial instruments

Financial assets and financial liabilities are classified at initial recognition.

Financial assets and financial liabilities are recognized when A1 Telekom Austria Group becomes a party to a financial instrument. A1 Telekom Austria Group uses the settlement date for recording regular purchases and sales of financial assets. Derivative financial instruments are recognized at the trade date and derecognized when settled. Financial assets and financial liabilities are initially recognized at the fair value of the consideration given or received. Transaction costs are included in the initial measurement, except for financial instruments, which are recognized at their fair value through profit or loss.

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

Financial assets include in particular cash and cash equivalents, investments, accounts receivable: subscribers, distributors and other, net as well as other receivables and receivables due from related parties, which are measured at the lower of cost or net realizable value. Furthermore, financial instruments are included that are measured at fair value (see Note (19)).

Financial liabilities include, in particular, accounts payable trade, issued bonds, other financial liabilities and payables due to related parties and are recognized initially in the amount corresponding to the financial inflow. Differences between the amount received and the amount to be repaid are recognized over the term of the liability in the financial result (amortized cost) using the effective interest rate method. For financial liabilities carried at amortized cost, gains or losses are recognized in profit or loss when the financial liability is derecognized.

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position only when A1 Telekom Austria Group has a contractual right to offset the recognized amounts and intends to settle on a net basis.

Fair value and fair value hierarchy of financial instruments

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability. A three-level hierarchy is to be applied. Level 1 contains financial assets and liabilities based on quoted prices in active markets for identical assets or liabilities. Level 2 contains financial assets and liabilities based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 contains financial assets and liabilities based on inputs that are unobservable. When determining the fair value, the credit risk is taken into account as well.

The following tables show the classification as well as the carrying amounts and fair values of financial assets and financial liabilities (debt) including information on their hierarchy level. Fair values are not disclosed in case the carrying amount is a reasonable approximation of the fair value:

in TEUR, at December 31	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Cash and cash equivalents	210,879	n.a.*	140,293	n.a.*
Accounts receivable: Subscribers, distributors and other	782,628	n.a.*	873,048	n.a.*
Receivables due from related parties	495	n.a.*	920	n.a.*
Other current financial assets	3,990	n.a.*	5,575	n.a.*
Other non-current financial assets	16,161	n.a.*	18,053	n.a.*
Investments at amortized cost	168,071	n.a.*	3,271	n.a.*
Financial assets at amortized cost	1,182,224	n.a.*	1,041,160	n.a.*
Equity instruments at fair value through profit or loss - mandatory	5,091	5,091	6,791	6,791
Debt instruments at fair value through other comprehensive income - mandatory	2,550	2,550	2,556	2,556
Debt instruments at fair value through profit or loss - mandatory	1,534	1,534	1,699	1,699
Financial assets at fair value	9,175	9,175	11,046	11,046

* Not applicable as the practical expedient of IFRS 7.29 (a) was applied.

The fair value hierarchy of financial investments measured at fair value reflects the market proximity of the inputs in such fair value measurements:

in TEUR	Level 1	Level 2	Level 3	Total
At December 31, 2020				
Financial assets measured at fair value	8,156	1,019	0	9,175
At December 31, 2019				
Financial assets measured at fair value	9,862	1,184	0	11,046

in TEUR, at December 31	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Liabilities to financial institutions	22	22	0	0
Bonds	2,542,742	2,709,357	2,539,575	2,748,776
Multi-currency notes program	0	0	123,000	123,035
Accounts payable - trade	504,805	n.a.*	706,955	n.a.*
Accrued interest	29,990	n.a.*	41,289	n.a.*
Payables due to related parties	181	n.a.*	608	n.a.*
Other current financial liabilities	34,890	n.a.*	37,074	n.a.*
Other non-current financial liabilities	52,582	52,447	62,491	62,437
Financial liabilities at amortized cost	3,165,212	n.a.*	3,510,991	n.a.*
Lease liabilities	854,933	n.a.*	940,844	n.a.*

* Not applicable as the practical expedients of IFRS 7.29 (a) respectively IFRS 7.29 (d) for lease obligations were applied.

The fair values of the quoted bonds (EMTN bonds and Eurobonds) equal the face value multiplied by the price quotations at the reporting date and are thus classified as Level 1 of the fair value hierarchy.

The fair values of the multi-currency notes and bank liabilities are measured at the present values of the cash flows associated with the debt, based on the applicable yield curve. The fair values of other non-current financial liabilities are measured at the present value of their cash flows based on current discount rates. Thus, these financial liabilities are classified as Level 2 of the fair value hierarchy.

Financial risk management

Overview

A1 Telekom Austria Group is exposed to various financial risks with respect to its financial assets, liabilities and anticipated transactions, including credit risk, liquidity risk and the market risk which comprises interest rate and foreign currency exchange rate risk.

The financial risk management is centrally organized. The guideline establishing policies, responsibilities and competences is valid for both the Group Treasury and the financial departments of the subsidiaries. The existing risks are regularly monitored and, if necessary, A1 Telekom Austria Group responds to changes in market conditions. A1 Telekom Austria Group neither holds nor issues derivative financial instruments for trading, hedging or speculative purposes.

At the reporting dates, A1 Telekom Austria Group did not have any significant concentration of business transacted with a particular supplier or customer or creditor which could, if suddenly eliminated, significantly impact operations. Furthermore, A1 Telekom Austria Group does not have any concentration of risk with respect to contractors, other services, franchises or other rights which could, if suddenly eliminated, severely impact operations.

A1 Telekom Austria Group operates in markets in the Central Eastern European (CEE) region. Operations in the CEE region involve uncertainties, including transfer, currency and tax uncertainties that may affect business activities. The accompanying Consolidated Financial Statements reflect the Management Board's assessment of the impact of the CEE business environment on the operations and the financial position of A1 Telekom Austria Group. The actual development of the future business environment may differ from this assessment.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from accounts receivable trade and investment activities.

Financial investments and cash and cash equivalents

A1 Telekom Austria Group invests its cash with various financial institutions with appropriate credit standings and its financial investments are generally of a short-term nature and entered into only with those counterparties holding investment grade ratings. If no such external rating is available, an internal rating is performed on the basis of quantitative ratios. Therefore, no exposure to a significant credit risk was identified for financial investments and cash and cash equivalents.

The carrying amount of financial investments and cash and cash equivalents represents the maximum credit risk exposure (see Notes (9) and (19)):

in TEUR, at December 31	2020	2019
Financial investments	177,246	14,317
Cash and cash equivalents	210,879	140,293
Carrying amount	388,124	154,610

Accounts receivable: Subscribers, distributors, contract assets and other financial assets

A1 Telekom Austria Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or group of customers. Within the framework of the applicable legal regulations, each new customer is analyzed individually for creditworthiness. Credit risk or the risk of late payment by contractual partners is monitored via credit checks, credit limits and routine controls. Due to the large number of customers and the high level of diversification of the portfolios, the default of any single customer would not have a significant impact (low concentration risk) on the Consolidated Financial Statements. Within A1 Telekom Austria Group, operative credit risk management functions are performed at the operating company level.

The maximum exposure to credit risk for accounts receivable: subscribers, distributors and other, net, as well as financial assets and contract assets equals their carrying amounts (see Notes (10), (13), (20) and (14)):

in TEUR, at December 31	2020	2019
Accounts receivable: Subscribers, distributors and other	782,628	873,048
Financial assets	20,151	23,627
Contract assets	106,845	124,205
Carrying amount	909,625	1,020,880

Accounts receivable from related parties are not included as they are immaterial.

As a result of the low concentration of credit risk described above, A1 Telekom Austria Group has no insurance for its accounts receivable. However, based on the credit assessment of retail and wholesale customers, A1 Telekom Austria Group requires bank guarantees and cash deposits (see Notes (22) and (26)).

in TEUR, at December 31	2020	2019
Cash deposits	11,883	11,237
Bank guarantees	2,954	3,693

Impairment losses of contract assets and accounts receivable: subscribers, distributors and other are measured at the expected lifetime credit loss (see Note (6)). A1 Telekom Austria Group uses an allowance matrix to determine the lifetime expected credit losses on accounts receivable: subscribers, distributors and other as well as contract assets. The following table shows the total gross carrying amounts ("Gross") and the average expected credit losses ("ECL") for accounts receivable: subscribers, distributors and other measured by using the allowance matrix:

in TEUR, at December 31	Gross 2020	ECL 2020	Gross 2019	ECL 2019
unbilled & billed, not yet due	715,800	21,878	777,227	15,586
Past due 0-30 days	49,005	5,538	61,317	5,350
Past due 31-60 days	16,706	5,430	19,644	5,958
Past due 61-90 days	10,925	4,401	9,653	4,252
More than 90 days	264,460	237,021	259,656	223,302
Total	1,056,895	274,267	1,127,497	254,448

A1 Telekom Austria Group has grouped accounts receivable according to similar default patterns based on past experience (accounts receivable: subscribers, installment sales, distributors, interconnection and roaming) and the loss rates are based on days past due. The loss allowance matrix is based on A1 Telekom Austria's historically observed default rates, which are updated annually. Due to the large number of customers and the high degree of diversification of the portfolios the default risk of individual industries in which customers operate, has less of an influence on credit risk. So far forward-looking information, such as forecasts of changes in unemployment rates or gross domestic product, was not taken into account, as there was no indication that actual credit losses would deviate significantly from historical average. However, in 2020, the forecast of a sharp increase in insolvencies in the following year was taken into account. As a result of this higher expected credit risk due to COVID-19, as described in Note (3), A1 Telekom Austria Group increased the general loss allowance for accounts receivable not yet due from subscribers and from installment sales, which led to additional bad debt expense of TEUR 6,662 (see "charged to expenses" in the following table presenting the development of the loss allowance as well as Note (6)).

The assessment of the correlation between historically observed default rates, forecasted economic conditions and expected credit losses represents a significant estimate. Customers' actual default in the future may differ from these estimates due to changes in the circumstances.

The following table shows the development of the loss allowance for accounts receivable: subscribers, distributors and other, net (see Note (10)):

in TEUR	2020	2019
At January 1	254,448	241,204
Foreign currency adjustment	-4,815	377
Change in reporting entities	84	0
Reversed	-4,566	-4,427
Charged to expenses	64,085	52,784
Amounts written-off	-34,969	-34,019
Reclassification	0	-1,471
At December 31	274,267	254,448

The reclassification in 2019 relates to deferred receivables (see Note (20)).

The maximum credit risk of accounts receivable: subscribers, distributors and other, net broken down by geographic region and the breakdown of the loss allowance was:

in TEUR, at December 31	2020	2019
Domestic	973,398	998,414
Foreign	83,497	129,083
Loss allowances	-274,267	-254,448
Accounts receivable: Subscribers, distributors and other	782,628	873,048
Thereof		
Specific loss allowance	5,015	4,349
General loss allowance	269,252	250,100

If there is objective evidence that A1 Telekom Austria Group will not be able to collect all amounts due according to the original terms, a default in payment is expected and an impairment is recorded (specific loss allowance). Serious financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered to be indicators that the receivable is impaired. A financial asset is impaired if the collection of contractual cash flows cannot be reasonably expected. In 2020, income from collections of impaired receivables subject to enforcement activity amounted to TEUR 2,613 (2019: TEUR 4,319) and was recognized in other operating income (see Note (5)).

At December 31, 2020, accounts receivable: subscribers, distributors and other from A1 Telekom Austria Group's customer with the highest turnover amount to TEUR 13,040 (2019: TEUR 11,815). Thus, there is no major concentration of risk of default respectively credit risk.

The following table shows the development of the loss allowance of contract assets (see Note (14)):

in TEUR	2020	2019
At January 1	3,297	3,796
Foreign currency adjustment	-13	3
Reversed	-5,056	-5,580
Charged to expenses	4,727	5,079
At December 31	2,955	3,297

Upon recognition of contract assets, the related impairment loss is recognized at the credit default rate of the receivables "not yet billed & billed and not yet due". Upon reclassification to receivables, the impairment of contract assets is derecognized.

Impairment losses on financial assets are based on the expected credit loss for twelve months and are disclosed in Notes (13) and (20). Loss allowances for finance lease receivables are measured at the expected credit loss and are disclosed in Note (30).

Liquidity risk

Liquidity risk is the risk that A1 Telekom Austria Group will not be able to meet its financial obligations as they fall due. A1 Telekom Austria Group's approach to managing liquidity is to ensure that A1 Telekom Austria Group will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions. A monthly rolling consolidated liquidity planning is drawn up for this purpose and serves as the basis for determining the liquidity requirement. Furthermore, there is a liquidity reserve in the form of committed credit lines.

Funding sources

A1 Telekom Austria Group's treasury department is responsible for the financial management and makes optimum use of potential synergies in financing the operations of A1 Telekom Austria Group's subsidiaries. Its primary objective is to secure liquidity in a cost-effective manner by pooling the cash flows and clearing group accounts. This ensures the management of short-term investments and loans at optimal interest rates with minimal administrative effort.

Cash flow from operations is the basis for securing sufficient liquidity of A1 Telekom Austria Group. Principal sources of external funding are bank loans and capital markets. For details of outstanding long-term debt and a description of the different types of debt as of the reporting date, see Note (25).

In order to diversify its short-term funding sources, A1 Telekom Austria Group implemented a multi-currency short-term treasury notes program ("multi-currency notes") with a maximum volume of TEUR 300,000 in 2007. The program was closed on May 25, 2020. At that date, no multi-currency notes had been issued under this program. For commercial papers issued at December 31, 2019, see Note (21). On July 31, 2020, a Euro Commercial Paper Program ("Euro Commercial Papers") with a maximum volume of TEUR 500,000 was concluded. In 2020, no Euro Commercial Papers were issued.

At December 31, 2020, A1 Telekom Austria Group had total credit lines of TEUR 1,115,000 (2019: TEUR 1,165,000), which were not utilized. Credit lines of TEUR 1,000,000 have a term until July 2026 (2019: July 2024), the remaining credit lines have a maximum term until September 2021 (2019: September 2020).

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. At December 31, 2020 and 2019, no variable interest-rate liabilities existed. Foreign currency amounts were translated at the rates valid on the reporting date.

in TEUR	Contractual cash flow	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
At December 31, 2020						
Bonds	2,732,438	30,000	795,188	801,750	344,250	761,250
Bank debt	21	21	0	0	0	0
Accounts payable - trade	505,162	500,455	3,002	1,181	524	0
Lease obligations	902,266	96,721	68,688	152,377	384,543	199,939
Other financial liabilities	97,892	42,589	856	18,981	25,229	10,237
At December 31, 2019						
Bonds	2,930,625	153,000	45,188	825,188	1,134,750	772,500
Accounts payable - trade	714,027	700,544	7,759	4,704	986	34
Lease obligations	1,013,213	93,187	69,509	152,982	403,461	294,075
Other financial liabilities	104,641	30,046	147	12,270	50,208	11,970

Multi-currency notes at December 31, 2019 are included in bonds.

It is not expected that the cash flows of the financial liabilities included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risks

Market risk is the risk of changes in market prices. A1 Telekom Austria Group faces the risk of market price changes in interest rates and foreign exchange rates.

Interest rate risk

Since A1 Telekom Austria Group's long-term and possible short-term debt has fixed interest rates, there is no cash flow exposure due to fluctuating interest rates and no sensitivity analysis is provided (see Notes (21) and (25)). The risk of changes in interest rates related to investment activities is also considered low due to the short-term nature of financial assets (see Notes (9) and (19)).

Hedging reserve

The hedging reserve results from the three forward-starting interest rate swap contracts (pre-hedges) entered into in 2011 with a face value of TEUR 100,000 each. The related hedging reserve is released in the Consolidated Statement of Comprehensive Income in accordance with the recognition of interest expense on the bond, which was issued on July 4, 2013, as the interest rate risk on that bond was hedged. In 2020 and 2019, the release of the hedging reserve through other comprehensive income resulted in interest expense amounting to TEUR 5,840 and a tax benefit amounting to TEUR 1,460.

Exchange rate risk

At December 31, 2020 and 2019, of all accounts receivable: subscribers, distributors and other, net as well as accounts payable trade, only the following are denominated in a currency other than the functional currency of the reporting entities (for foreign exchange rates, see Note (3)):

in TEUR, at December 31 denominated in	EUR	2020 USD	Other	EUR	2019 USD	Other
Accounts receivable: Subscribers, distributors and other	13,678	20,639	11,485	27,429	17,817	12,192
Accounts payable - trade	56,928	11,541	5,806	86,801	18,593	8,963

At December 31, 2020 and 2019, a change of 10% in the exchange rate for the monetary items listed above (see Note (3)) would increase/decrease foreign exchange rate differences as follows:

in TEUR	2020	2019
Croatian Kuna (HRK)	1,420	1,739
Serbian Dinar (RSD)	1,015	1,686
Belarusian Ruble (BYN)	422	715

No sensitivity analysis was performed for other accounts receivable or for accounts payable denominated in foreign currencies, as there is no significant risk.

(34) Companies and Business Combinations

Name and company domicile	Share in capital at December 31, 2020 in %	Method of consolidation*	Share in capital at December 31, 2019 in %	Method of consolidation*
Segment Austria				
A1 Telekom Austria Aktiengesellschaft, Vienna	100.00	FC	100.00	FC
Telekom Austria Personalmanagement GmbH, Vienna	100.00	FC	100.00	FC
A1 now TV GmbH, Vienna	100.00	FC	100.00	FC
CableRunner GmbH, Vienna	76.00	FC	76.00	FC
CableRunner Austria GmbH & Co. KG, Vienna	76.00	FC	76.00	FC
World-Direct eBusiness solutions Gesellschaft m.b.H., Vienna	100.00	FC	100.00	FC
paybox Bank AG, Vienna	100.00	FC	100.00	FC
paybox Service GmbH, Vienna	100.00	FC	100.00	FC
wedify GmbH, Vienna	100.00	FC	100.00	FC
mk Logistik GmbH, Vienna	100.00	FC	100.00	FC
JetStream Hungary Kft., Budapest	100.00	FC	100.00	FC
JetStream Slovakia s.r.o., Bratislava	100.00	FC	100.00	FC
JetStream RO s.r.l., Bucharest	100.00	FC	100.00	FC
JetStream TR Telekomünikasyon Hizmetleri Ve Ticaret Limited Sirketi, Istanbul	100.00	FC	100.00	FC
JetStream Switzerland GmbH, Zurich	100.00	FC	100.00	FC
JetStream Poland Spolka Z Ograniczona Odpowiedzialnoscia, Warsaw	100.00	FC	100.00	FC
JetStream Germany GmbH, Frankfurt on the Main	100.00	FC	100.00	FC
JetStream Italy S.r.l., Milan	100.00	FC	100.00	FC
TA CZ sitě s.r.o., Prague	100.00	FC	100.00	FC
JetStream BH d.o.o. drustvo za telekomunikacije, Sarajevo	100.00	FC	100.00	FC
JetStream England Limited, London	100.00	FC	100.00	FC
Segment Bulgaria				
A1 Bulgaria EAD, Sofia	100.00	FC	100.00	FC
Cabletel-Prima AD, Nessebar	51.00	FC	51.00	FC
Aprimis, Sofia	100.00	FC	-	-
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC

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Name and company domicile	Share in capital at December 31, 2020 in %	Method of consolidation*	Share in capital at December 31, 2019 in %	Method of consolidation*
Segment Belarus				
Unitary enterprise A1 , Minsk	100.00	FC	100.00	FC
Unitary enterprise TA-Engineering, Minsk	100.00	FC	100.00	FC
Unitary enterprise Solar Invest, Brahin	100.00	FC	100.00	FC
Vitebskiy oblastnoy technotorgovyi tsentr Garant i.Liqu, Vitebsk	-	ME	100.00	FC
A1 Content, Minsk	100.00	FC	100.00	FC
Segment North Macedonia				
A1 Makedonija DOOEL, Skopje	100.00	FC	100.00	FC
Telemedia DOOEL, Skopje	100.00	FC	100.00	FC
A1 TOWERS DOOEL Skopje, Skopje	100.00	FC	-	-
Segment Serbia				
Vip mobile d.o.o., Belgrade	100.00	FC	100.00	FC
Segment Slovenia				
A1 Slovenija d.d., Ljubljana	100.00	FC	100.00	FC
Telekomunikacijski sistem Radvanje Pekre Limuš d.d., Maribor	75.19	FC	75.19	FC
P&ROM, elektronika in telekomunikacije, d.o.o., Vrhnika	-	ME	100.00	FC
DOSTOP KOMUNIKACIJE d.o.o., Portorož	100.00	FC	100.00	NC
STUDIO PROTEUS, d.o.o., Postojna	100.00	FC	-	-
Corporate & Other				
Telekom Finanzmanagement GmbH, Vienna	100.00	FC	100.00	FC
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00	FC	100.00	FC
mobilkom Bulgarien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Mazedonien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
Kroatien Beteiligungsverwaltung GmbH, Vienna	100.00	FC	100.00	FC
SB Telecom Ltd., Limassol	100.00	FC	100.00	FC
A1 Digital International GmbH, Vienna	100.00	FC	100.00	FC
A1 Digital Deutschland GmbH, Munich	100.00	FC	100.00	FC
Akenes S.A., Lausanne	88.83	FC	88.83	FC
Akenes GmbH i.Liqu, Berlin	100.00	NC	100.00	NC
A1 Projektentwicklungs GmbH, Vienna	100.00	FC	-	-
Invenium Data Insights GmbH, Graz	51.00	FC	20.00	NC
Telecom Liechtenstein AG, Vaduz**	-	SO	24.9	NC

* FC - full consolidation, ME - merged, NC - not consolidated because not material respectively purchase price allocation not finalized yet, EQ - equity method, LIQ - liquidation, SO - sold

** Equity method of consolidation until August 31, 2019; at December 31, 2019 reported as held for sale in Corporate & Other (see Note (18))

All affiliated companies have December 31 as their reporting date.

According to IFRS 3, business combinations are accounted for using the acquisition method at the acquisition date, which is the date when the acquirer obtains control over the acquiree. Goodwill is measured as the difference between the aggregate of the fair value of the consideration transferred as of the acquisition date, the amount of any non-controlling interest, and, in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree less the fair value of the identifiable assets acquired and the liabilities assumed. Non-controlling interests are not measured at fair value but at their share of the fair value of identified net assets of the acquiree. In accordance with IFRS 3.45, goodwill may be adjusted for subsequent changes in the estimated purchase price. If the fair value of the net assets acquired exceeds the consideration transferred, the gain resulting from bargain purchase is immediately recognized in other operating income in profit or loss. Transaction costs are expensed as incurred. In case of an acquisition achieved in stages, the previously held interest is restated at fair value and any resulting difference is recognized in profit or loss. All transactions with non-controlling interest holders are recognized directly in stockholder's equity. No non-controlling interests are recognized for acquisitions where a put option is granted to the remaining minority shareholders for exit, as A1 Group applies the anticipated acquisition method. In the course of the allocation of the consideration transferred, fair values of assets and liabilities acquired are determined based on state-of-the-art discounted cash flow methods. The input factors used are categorized as Level 3 of the fair value hierarchy defined by IFRS 13.

On July 9, 2020, A1 Telekom Austria Group acquired 100% in STUDIO PROTEUS, d.o.o., Postojna ("Studio Proteus") via its Slovenian subsidiary A1 Slovenija. Studio Proteus, a provider of telecommunication services and cable TV in Slovenia, is reported in the segment Slovenia.

On July 17, 2020, A1 Telekom Austria Group acquired an additional stake of 31% in Invenium Data Insights GmbH, Graz ("Invenium"), which provides movement analyses based on big data, and now holds in total 51% in Invenium. The benefit related to the revaluation of the former stake is reported in the financial result in the line item "Income from measurement of instruments at fair value through profit or loss" (see Note (7)). The agreement also includes a put-option of the minority shareholders for the remaining 49%, exercisable for the first time on September 1, 2023, with a variable price depending on certain performance indicators of the company. The fair value of the put option is part of the total consideration recognized (see Notes (26) and (32)). Due to the put option no non-controlling interests are recognized, as the anticipated acquisition method was applied. The fair values of assets acquired and liabilities assumed are reported in Corporate & Other.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition of the entities acquired.

Acquisitions in TEUR	Fair values on acquisition date
Property, plant and equipment	644
Intangible assets	3,153
Accounts receivable: Subscribers, distributors and other	565
Other assets and receivables	222
Cash and cash equivalents	192
Loans and short-term borrowings	-1
Deferred tax liabilities	-600
Accounts payable	-794
Other liabilities	-396
Net assets acquired	2,986
Goodwill	10,564
Total purchase consideration	13,551
Shares already held	-2,530
Purchase price not yet paid	-5,837
Cash and cash equivalents acquired	-192
Net cash outflow	4,992

Property, plant and equipment and intangible assets acquired are disclosed in the line item "Changes in reporting entities" in the Notes (15) and (16). Brand names acquired as well as the resulting goodwill are disclosed by segment in the Notes (16) and (17).

Since the acquisition dates, the acquired entities have contributed revenues of TEUR 1,030 and a net loss of TEUR 258 to the Consolidated Comprehensive Income. Acquisition-related costs of TEUR 48 are reported in the line item "Selling, general and administrative expenses". Since the effect of the acquired entities on the Consolidated Financial Statements of A1 Telekom Austria Group is not considered significant, no pro-forma information is presented.

(35) Contingent Assets and Liabilities

In the normal course of business, Telekom Austria AG and its subsidiaries are subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to network access. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty. Consequently, the Management Board is unable to ascertain the ultimate aggregate amount of the monetary liability or the impact on the financial position of A1 Telekom Austria Group with respect to these matters at December 31, 2020. These matters could affect the results or cash flows of any quarter when resolved in future periods. However, the Management Board believes that, after final settlement, any monetary liability or financial impact on A1 Telekom Austria Group, beyond such provided for at year-end, would not be material to its Consolidated Financial Statements.

In the course of a tax audit in Austria the provision related to the reference date for salary increments of Austrian civil servants was not accepted for tax purposes for the financial year 2015. A1 Telekom Austria Group filed an appeal against the assessment which could result in an additional tax payment of TEUR 11,600. As the Austrian law regarding the reference date was repeatedly repealed later on by the European Court of Justice (see also Note (23)), A1 Telekom Austria Group expects with a high degree of probability that the appeal will be successful. Thus no tax liability was recognized.

In Serbia, three lawsuits regarding copyright infringement are pending. A1 Telekom Austria Group filed statements of defense in response to the lawsuits. In case the lawsuits are decided in favor of the plaintiff, A1 Telekom Austria Group expects a maximum payment of TEUR 11,520. As A1 Telekom Austria Group expects with a high degree of probability that the cases will be dismissed, no provision was recognized.

(36) Remuneration Paid to the Management Board and Supervisory Board

At December 31, 2020 and 2019, the Management Board of Telekom Austria AG consists of three members: Thomas Arnoldner as Chief Executive Officer (CEO) took office on September 1, 2018. Alejandro Plater as Chief Operating Officer (COO) has been a member of the Management Board since March 6, 2015 and Siegfried Mayrhofer as Chief Financial Officer (CFO) since June 1, 2014.

The following table summarizes the remuneration of members of the Management Board and Supervisory Board:

in TEUR	2020	2019
Base salary (incl. remuneration in kind)	1,670	1,624
Variable yearly remuneration (Short Term Incentive - "STI")	1,337	1,661
Multi-year share-based remuneration (Long Term Incentive Program)*	547	781
Total	3,554	4,066
Compensation Supervisory Board	371	369

* In 2020, the remuneration relates to the payment of the tranche for LTI 2017 (2019: LTI 2016), see Note (31).

The variable yearly remuneration does not include bonus prepayments for 2020, while in 2019 prepayments for 2019 amounting to TEUR 939 were included.

Günther Ottendorfer's CTO contract with a term until August 31, 2016 was prematurely terminated as per March 5, 2015. The share-based compensation for LTI 2016 amounting to TEUR 84 and paid to Günther Ottendorfer in 2019 is not included in the table of management remuneration.

(37) Employees

The average number of employees during the year 2020 was 18,153 (2019: 18,535). At December 31, 2020, A1 Telekom Austria Group employed 17,949 (2019: 18,344) employees (full-time equivalents).

(38) Subsequent and Other Events

A1 Telekom Austria Group is currently working on the development of alternatives that would allow it to reap more benefits from its passive mobile infrastructure (the so-called "Tower Business") through a targeted management focus on internal efficiencies and higher tenancy ratios of mobile sites.

January 2021 was characterized by lockdown measures in all segments in which A1 Telekom Austria Group operates. It also cannot be precluded that these measures will continue for a longer period of time. As in previous lockdown periods, A1 Telekom Austria Group does not expect a significant impact on operating income (EBIT). For the full year 2021, roaming revenues are expected to recover partly, although it is assumed that travel activity will continue to be strongly reduced compared to the times before the outbreak of the pandemic (see also Impact of COVID-19 in Note (3)).

(39) Release for Publication

On February 8, 2021, the Management Board of Telekom Austria AG approved the Consolidated Financial Statements for submission to the Supervisory Board. The Supervisory Board will review the Consolidated Financial Statements and report its decision on approval.

Vienna, February 8, 2021



CEO Thomas Arnoldner



COO Alejandro Plater



CFO Siegfried Mayrhofer

Auditor's Report ¹⁾

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of **Telekom Austria Aktiengesellschaft, Vienna**, and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2020 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

- ▶ 1. Valuation of property, plant and equipment and intangible assets, including goodwill
- ▶ 2. Revenues and related IT systems

1. Valuation of property, plant and equipment and intangible assets, including goodwill

Description

A1 Telekom Austria Group shows significant amounts of goodwill (mEUR 1,284.0), intangible assets (mEUR 1,678.0) and property, plant and equipment (mEUR 2,753.1) in its consolidated financial statements as of December 31, 2020.

Under IFRS, an entity is required to annually test the amount of goodwill and intangible assets with an indefinite life for impairment. For intangible assets with a definite life as well as property, plant and equipment, it is required to assess on each balance sheet date whether impairment indicators exist and if they exist, an impairment test is required for these assets.

A1 Telekom Austria Group's disclosures about goodwill, intangibles assets and property, plant and equipment and related impairment testing are included in Note 4 (Estimations), Note 15 (Property, plant and equipment), Note 16 (Intangibles) and Note 17 (Goodwill) in the consolidated financial statements.

We considered the impairment testing of property, plant and equipment and intangible assets, including goodwill, as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and requires

judgment. The impairment tests include assumptions that are affected by future market or economic conditions. We refer among others in general to the continuing uncertainty relating to the COVID-19 pandemic as well as in particular to the political development in Belarus, which is a relevant market for A1 Telekom Austria Group.

How our audit addressed the matter

Our audit procedures included, among others, the following:

We tested the design and operating effectiveness of the controls over the impairment testing process and evaluated management's identification of cash generating units.

With the assistance of EY valuations specialists, we challenged the main assumptions in management's valuation models (including forecasted revenues, EBITDA margins, capital expenditure and changes in working capital as well as discount rates and growth rates). We considered potential impacts due to the COVID-19 pandemic. Moreover we analyzed possible risks in the context of the political development in Belarus during the assessment of the future development included in the business plans to determine the appropriateness of the projections. Furthermore, we reconciled the key assumptions to the plans submitted to the audit committee and tested the mathematical accuracy of the models.

We also assessed the adequacy of disclosures made regarding impairment testing and related assumptions.

2. Revenues and related IT systems

Description

A1 Telekom Austria Group's revenues in 2020 resulted from various revenue streams and IT systems processing millions of records per day.

A1 Telekom Austria Group's disclosures about revenues are included in Note 5 (Revenues) in the consolidated financial statements.

Revenues and related IT systems were important for our audit as there is an industry inherent risk around the accuracy of revenues recorded given the complexity of systems and the large volume of data processed as well as the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).

How our audit addressed the matter

Our audit procedures included, among others, the following:

We verified the accounting policies relating to revenue recognition (including multiple element contracts as well as customer loyalty programs) and the impact of new business models in particular for accordance with IFRS 15.

Furthermore, we tested IT general controls for revenue related IT systems (rating, billing and other support systems) as well as the design and operating effectiveness of the controls over the revenue processes with involvement of EY IT specialists.

We performed substantive audit procedures on revenues to corroborate the results of the design and implementation assessment of controls over revenue related processes and IT systems.

Finally, we also evaluated the adequacy of disclosures made regarding revenues.

Other Information

The legal representatives are responsible for the other information. The other information comprises all information in the combined annual report, except for the consolidated financial statements, the group management report and the auditor's report.

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements Comments on the Management Report for the Group

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

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

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

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional information in accordance with article 10 EU regulation

We were elected as auditor by the ordinary general meeting at September 24, 2020. We were appointed by the Supervisory Board on October 22, 2020. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Erich Lehner, Certified Public Accountant.

Vienna, February 8, 2021

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner mp
Wirtschaftsprüfer / Certified
Public Accountant

ppa Mag. Marion Raninger mp
Wirtschaftsprüferin / Certified
Public Accountant

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

Consolidated non-financial report

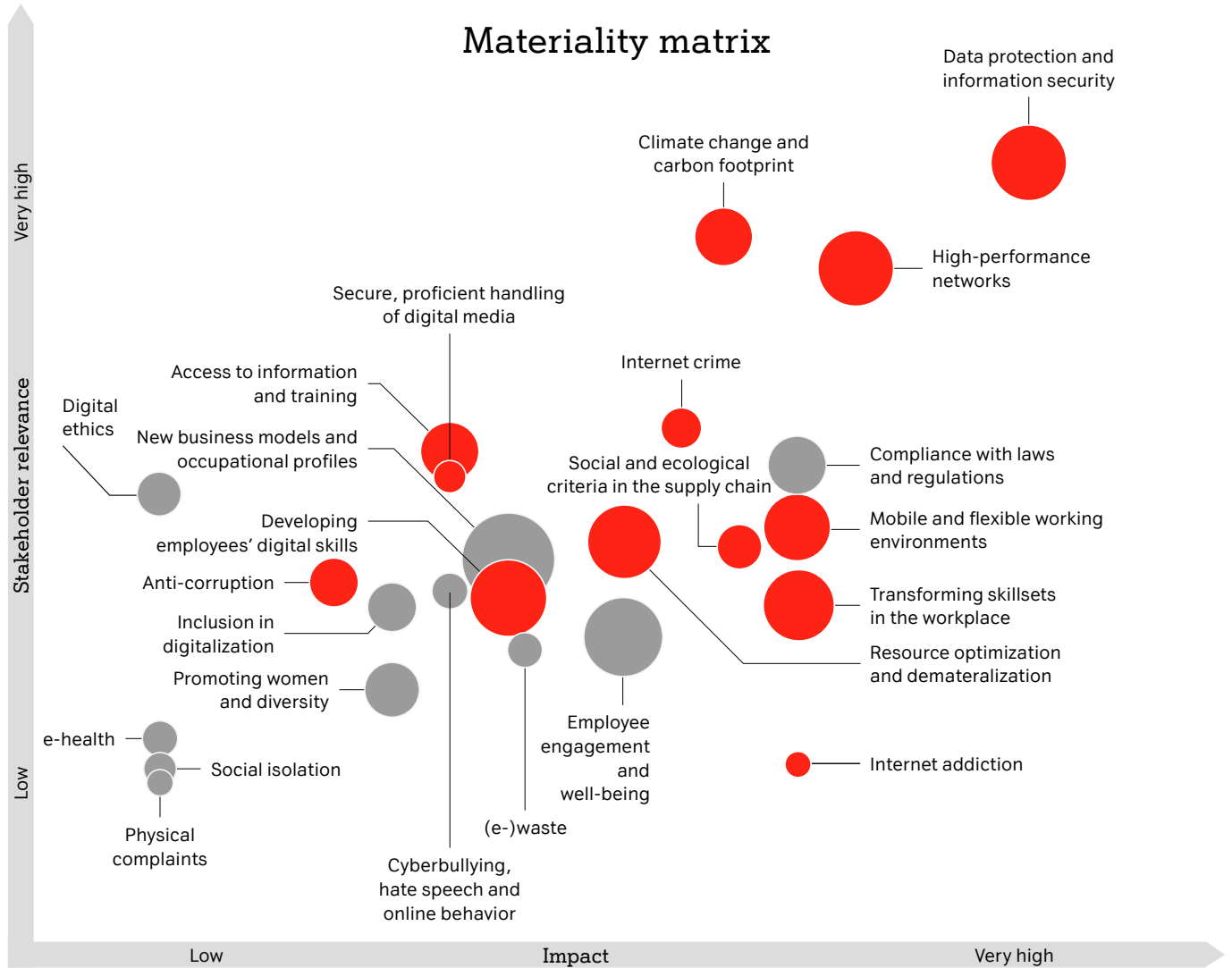
Consolidated non-financial report¹⁾ of Telekom Austria Aktiengesellschaft in accordance with section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights and combating corruption and bribery

Telekom Austria AG, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with around 25 million customers in seven countries: Austria, Bulgaria, Croatia, Slovenia, Belarus, North Macedonia (A1) and Serbia (Vip mobile). Via its affiliated company A1 Digital International GmbH (hereinafter referred to as A1 Digital), Telekom Austria AG offers digital solutions in its core markets as well as in Germany and Switzerland. The scope of the consolidation according to the Group Management Report and the Consolidated Financial Statements for 2020 was referenced for the non-financial reporting. See the Group Management Report 2020 and Consolidated Financial Statements for information on business operations and the companies included in consolidation.

Telekom Austria AG and its affiliated companies, hereinafter referred to as the A1 Telekom Austria Group, strive to increase enterprise value in a sustainable manner, while taking into account all relevant economic, ecological and social aspects. This goal is supported by the Group's commitment to the Austrian Corporate Governance Code and the application of all the requirements of the internal control system, the Code of Conduct, and the compliance guidelines as well as integrated sustainability management. Compliance with the principles of the UN Global Compact and respect for human rights ensure the development of sustainably oriented strategies and goals with the involvement of all business units and hierarchies.

A materiality analysis was conducted with the help of various interest groups to identify central sustainability issues and their material impact. The materiality analysis is regularly repeated (every two to three years). The topics covered in this report and the focus areas for sustainable development were derived from the results of this materiality analysis.

1) The German text of the signed statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation.



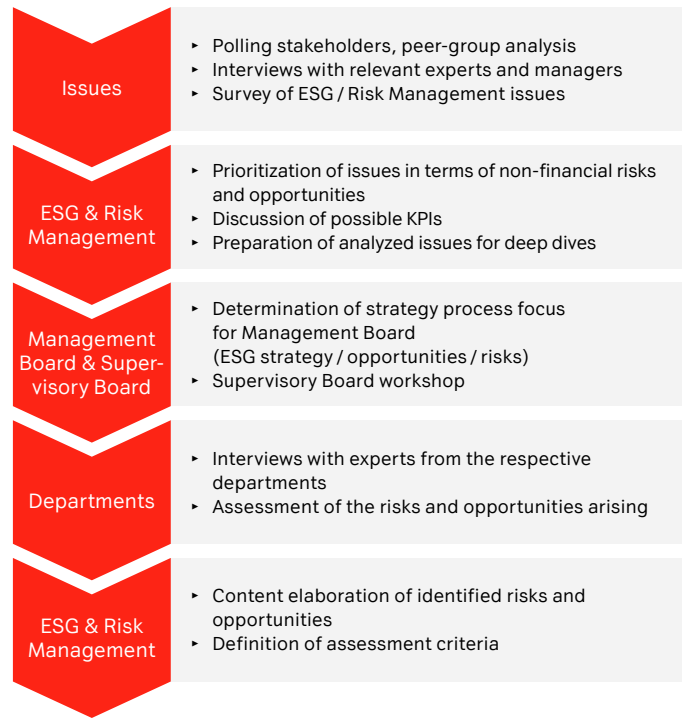
Red points represent the topics relevant to the A1 Telekom Austria Group, on which is reported in the course of the non-financial report. The size of the points shows their relevance to the business of the A1 Telekom Austria Group. A topic's materiality is based on its impact on the environment, society and the economy, and on how relevant it is to the A1 Telekom Austria Group's stakeholders. Thus, the topics most important to the A1 Telekom Austria Group are those that have the biggest impact and those that are most relevant to stakeholders. As an additional dimension, the topics were assessed with regard to their business relevance for the A1 Telekom Austria Group. This allows an integrated perspective that takes into account the topics' sustainability context and their economical significance for the company.

1. Information on the issues derived for the A1 Telekom Austria Group from the 2019 materiality analysis

In order to identify the relevant topics, a topic research with respect to potential impacts and risks in terms of environmental, social, and employee matters was undertaken. The topics from the 2017 materiality analysis were also considered and an industry analysis was performed. These topics were analyzed in multiple rounds of internal consultation and subsequently condensed into 24 relevant topics that were assessed by internal and external stakeholders in an online survey. The stakeholders invited by the A1 Telekom Austria Group to participate in the online survey included customers, suppliers, media, politicians and special interest groups, representatives of the research, education and business communities, associations and NGOs, and employees. To evaluate the impacts, a workshop was conducted with selected internal and external experts. In order to assess business relevance, the management of A1 Telekom Austria Group was involved by means of an online survey. All in all, more than 900 stakeholders and managers of the A1 Telekom Austria Group participated in the 2019 materiality analysis.

The topics prioritized in advance were allocated to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) areas of social matters, employee matters, environmental matters, respect for human rights, combating corruption and bribery as well as an additional matter, business operations. The two topics with the highest score for each area were considered to be material for the purposes of non-financial reporting. Due to overlap between the respective content, the topics of cyber-crime, access to information and education, internet addiction, and safe and skilled interaction with digital media have been combined to form a single topic cluster that is discussed jointly under social matters. On account of their compatibility, the topics of employee digital skills development and the skill shift on the employment market have been combined and are discussed jointly under employee matters. Information on diversity is also reported under employee matters. Under the method used, the topic of compliance with laws and regulations was not identified as material, though the A1 Telekom Austria Group nonetheless regards it a basic requirement.

Identification of risks – procedural perspective



Risks and chances – identification mitigation and assessment

Initial non-financial risks and opportunities were prepared on the basis of a materiality analysis – derived from an assessment of internal and external peers. The risk assessment for business activities as regards the issues concerned was developed further in an internal discussion between Risk Management, the ESG team and the experts in charge within the company. The annual strategy discussion between the Supervisory Board and the Management Board also focused on issues of greater concern to the public that require more management attention. Additional issues relating to COVID-19 were added at short notice throughout 2020. Peer-group analysis provides further sources for identification purposes; at the end of the risk and opportunity identification process, Risk Management, ESG and experts produce a list, then analyze, mitigate, and perform a final assessment of risks and opportunities.

Business operation matters	Social matters	Employee matters	Environmental matters	Respect for human rights	Combating corruption and bribery
<ul style="list-style-type: none"> ▶ Data protection and information security ▶ High performing networks 	<ul style="list-style-type: none"> ▶ Internet crime + access to information and training + Internet addiction + secure, proficient handling of digital media 	<ul style="list-style-type: none"> ▶ Mobile and flexible working environments ▶ Transforming skillsets in the workplace + developing employees' digital skills 	<ul style="list-style-type: none"> ▶ Climate change and carbon footprint ▶ Resource optimization and dematerialization 	<ul style="list-style-type: none"> ▶ Social and ecological criteria in the supply chain 	<ul style="list-style-type: none"> ▶ Anti-corruption

Risks and opportunities assessed with at least a qualitatively high impact are covered in the following report, corresponding activities and mitigation measures have been compiled and presented. The assessment arises from the discussion with the responsible experts and managers within the company.

2. Material business operation matters

Data protection and information security

Concept

Compliance with high data protection standards is a fundamental requirement for the A1 Telekom Austria Group and serves to safeguard customers' trust in the Group. All companies of the A1 Telekom Austria Group undertake to comply with stringent data protection standards. They take comprehensive and wide-ranging measures to safeguard the security of customer data.

Various measures and management systems are used to mitigate risks (see Group Management Report 2020) and make the best possible use of opportunities. These range from access policies and user access management to standardized and Group-wide policies (e. g. information security policy) and employee training. The management approaches applied include certifications such as ISO 27001 (in Austria, Bulgaria, Croatia, Belarus, Slovenia and North Macedonia), the security information policy, security information standards and business continuity plans (see also the Group Management Report 2020). In particular, management has approved the A1 Group Data Privacy Governance, which aims at harmonizing the understanding of obligations binding to the operating companies, provides a thorough analysis of local legislation on data governance and establishes the specific requirements of the reliable basis that the A1 Group uses for the lawful and secure processing of personal data. These aim to ensure state-of-the-art data protection and a high security standard in order to avoid negative impacts to the greatest possible extent. The A1 Telekom Austria Group makes continuous adjustments due to extended data protection requirements with the involvement of the data protection officer. In particular, processes for projects and products, and for risk assessment, are adjusted on an ongoing basis.

The management systems are regularly evaluated. For example, ISO certification is carried out annually. Effectiveness is regularly reviewed and monitored on the basis of predefined indicators that are not disclosed for competition reasons. Adjustments are made as necessary throughout the year. A1 in Bulgaria was one of the first companies in the world to implement the new ISO 27701 standard for data protection management and obtained certification in November 2020.

Key performance indicator

The A1 Telekom Austria Group continuously promotes training and further education regarding security and data protection. More than around 22,200 e-learning modules on data protection were completed throughout the Group in 2020 (2019: around 22,000).

Opportunities and risks

Key risks relating to data security and protection include the unauthorized use of personal data and cyberattacks on IT infrastructure. The A1 Telekom Austria Group sees opportunities in the form of the trust gained among customers and the improvement to its reputation, which can result in a market and competitive advantage.

Mitigating measures include system updates in response to security issues, simulated hacker attacks, simulated phishing attacks and their processing in training and system settings (e. g. two-factor authentication), state-of-the-art encryption of passwords and personal information and privacy by design in reporting systems – the preferred use of pseudonymized or anonymous data. Standard controls and audits are used to continuously monitor the function and effectiveness of these measures. Also, cross-functional projects are likewise constantly working on minimizing risks through policies, process updates and system renewal.

Implementation / results 2020

In December 2019, A1's CERT (Computer Emergency Response Team) detected an attack in the internal office system in Austria. A1 immediately informed the data protection authorities and voluntarily notified the incident in adherence with the Network and Information Systems Security Act (NIS Act). A team of internal and external international experts immediately took care of localizing, analyzing and tracking the attacker's activities. The experts did various in-depth analyzes and did not find any evidence that customer data of A1 or third parties had been affected. All passwords across the entire company were reset in the second quarter of 2020, the password requirements for all employees have been tightened and additional security measures were introduced.

High-performance networks

Concept

The age of digital transformation is characterized by steadily rising demand for increased bandwidths and more data. Thanks to innovative digital products and services, connectivity is playing a key role in a growing number of areas of professional and private life. The high-performance, future-proof infrastructure of the A1 Telekom Austria Group proved to be a reliable basis during the coronavirus lockdowns in 2020. The Group also pressed ahead with its network rollout in 2020, although the pace of this development was slowed by the COVID-19 pandemic. Convergence, i. e., the intelligent combination of

mobile and fixed-line, remains a key pillar of the infrastructure strategy and enables efficient and extended regional coverage with increasingly large bandwidths. The fiber rollout is also establishing important foundations for 5G mobile communication and the new services that will use it. 5G, the Internet of Things (IoT) and cloud-based services for the B2B market also require high computing capacities. As a result, data centers are continuing to gain in importance as part of the A1 Telekom Austria Group's infrastructure strategy.

In the area of management systems, the A1 Telekom Austria Group has initiated the development of the future operations support system (future OSS). Systems of this type will increasingly automate the operation of networks and bring more flexibility in the coming years. In addition, the use of established management systems such as ISO 9001 will also continue. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully carried out again in 2020.

Key performance indicator

Investment (CAPEX) made by the A1 Telekom Austria Group amounted to EUR 651.4 mn in the financial year 2020 (2019: EUR 879.8 mn), with broadband expansion being one of the focus areas.

Opportunities and risks

The uninterrupted availability of Internet access, products and services is the fundamental requirement for customer satisfaction. The key risks in providing this include the failure of parts / layers of the network due to physical damage (e. g. construction work, natural disasters), technical problems (hardware or software errors) or human error / sabotage.

In terms of opportunities, perfect performance is the key factor for further increasing customer satisfaction. Short latency, high data throughput even under heavy load and thus highly professional network management and fast services / information in the event of problems are required in order to use the networks as an opportunity. Ongoing protection and continuous improvement of the communications infrastructure and supply performance mean a significant quality advantage and thus enhanced image and reputation. Potential market and competitive advantages can be leveraged by seizing this opportunity.

Mitigating measures include network redundancy, certified service and update processes, testing and documentation and a close-knit control system. Carrying out these points ensures product and service delivery without interruption.

Implementation / results 2020

The unimpaired continuation of business operations and uninterrupted availability of our services were ensured even in the first lockdown when all employees quickly transferred to working

from home. The field service was quick to adapt its working methods and customer interactions in line with COVID-19 pandemic conditions to guarantee safe working practices, to complete customer orders and to satisfy their requirements. In the field of managed services, customers requiring increased bandwidth, remote work capacity (such as virtual private networks (VPN) or resources for desktop virtualization) or security precautions were served within a matter of days.

Mobile

As the COVID-19 pandemic spread around the world, numerous governments imposed lockdowns in order to curb the virus. Behavioral patterns changed from one day to the next, and developments and empirical data that had held true for many years suddenly no longer applied. Mobile networks in particular were confronted with an increased level of customer demand that put their performance capacity to the test. A1 Telekom Austria Group's networks coped extremely well with the dramatic changes in network traffic in terms of location, services and times of day. In the case of the small number of mobile cells that were overloaded, a rapid response on the part of the network and management teams ensured that there were only isolated network disruptions. In addition, certain core systems were upgraded with new capacity in the space of just a few hours. This underlines the resilience and adaptability of the A1 Telekom Austria Group's networks. In Austria, the data volume transmitted via the 4G network increased by 65% and capacity expansion in voice and data traffic peaked at 25%. As lockdowns were imposed in March, in certain countries in the Group's operational footprint, voice and data traffic increased by up to 200% year-on-year.

Some of the 5G auctions in the countries in which the A1 Telekom Austria Group operates were postponed as a result of the COVID-19 pandemic and are now expected to take place in 2021 and 2022. A1 took part in the multi-band auction for the 700 MHz, 1,500 MHz and 2,100 MHz frequency ranges in the year under review, acquiring spectrum for a total of EUR 65.6 mn. As part of the latest auction, the 2,100 MHz core band was secured and even expanded. Along with its existing leading position in the 800 MHz band and the newly acquired 1,500 MHz band, these frequency resources offer an outstanding basis for future 5G applications and capacity expansions. A1 is thus consolidating its leading position and holds the largest share of the total spectrum at around 38%.

Following the successful acquisition of 3.5-GHz frequencies in 2019, A1 upgraded hundreds of base stations in Austria with the state-of-the-art 5G technology. In January 2020, A1 launched its 5G network in Austria with more than 350 5G base stations. A1 in Croatia is currently conducting a 5G trial. The government and the regulatory authority decided that Osijek would be Croatia's first 5G city. A1 achieved a key milestone in its technological development with the launch of 5G in the 3.6-GHz range in Bulgaria.

Fixed-line

In Austria, the fixed-line broadband expansion was driven forward by the accelerated fiber roll-out in the form of FTTC (fiber to the curb), FTTB (fiber to the building) and FTTH (fiber to the home). Fiber is getting ever closer to the customer, and newly developed areas are being connected to fiber. In addition, the capacity of existing copper lines is being increased. A1's fiber infrastructure in Austria was extended to around 60,500 km in total in 2020. A1 began introducing its own fiber to the node (FTTN) and FTTH infrastructure in Slovenia in 2020, achieving optimization in customer service and long-term cost savings.

3. Material environmental matters

Climate change and carbon footprint

Concept

The A1 Telekom Austria Group's energy consumption and the resulting CO₂ emissions represent the Group's biggest impact in terms of climate change. One of the most important environmental measures is to achieve maximum efficiency in this regard and to reduce energy requirements as far as possible. The A1 Telekom Austria Group therefore pursues an approach of enhancing efficiency and stabilizing or reducing energy requirements while simultaneously reducing CO₂ emissions. Depending on the framework conditions, it seeks to ensure that its network design is as ecological as possible - including by using electricity from renewable energies. The A1 Telekom Austria Group has summarized its commitment in a Group-wide environmental policy. Furthermore, in the remuneration policy for members of the Management Board of the company adopted by the Supervisory Board and the Annual General Meeting 2020, it was determined to include ESG targets in remuneration criteria, which have already been taken into account in the 2020 target agreements for Management Board members and for the CEOs of all national companies. The achievement of environmental goals therefore has a direct influence on management remuneration.

The environmental management systems in Austria, Croatia, Slovenia, Serbia and North Macedonia are certified according to ISO 14001. Furthermore, EMAS (eco management and audit scheme) requirements are complied with in Austria and Slovenia. Energy management in Austria is also certified according to ISO 50001. In addition, since 2014, A1 has been the first carbon-neutral network in Austria to be audited and validated annually by TÜV SÜD according to the PAS 2060 international standard. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully carried out again for 2020. Effectiveness is regularly reviewed and monitored on the basis of predefined indicators. Adjustments are made as necessary throughout the year.

Key performance indicator

The A1 Telekom Austria Group has set the target to reduce CO₂ emissions to net zero by 2030 by reducing its own carbon footprint and by gradually switching to energy from renewables. The Science Based Targets initiative has confirmed that this target contributes to achieving the Paris Climate Agreement and the 1.5°C target. Activities in 2020 and 2021 will focus on carbon reduction measures such as increasing the share of renewables in electricity and evaluating eco-friendly drive models in the vehicle fleet.

The A1 Telekom Austria Group did not achieve its target of reducing carbon emissions by 25% by 2020 - as against the base year of 2012 - to the desired extent (increase of 13%). Despite significant energy efficiency enhancements, the rise in carbon emissions proved unavoidable due to acquisitions on the one hand and the massive rise in data volumes on the other. The definition of clear responsibilities at every subsidiary of the A1 Telekom Austria Group in 2020 will ensure that targets are pursued more actively and more systematically in the future.

The A1 Telekom Austria Group is aiming to increase its energy efficiency by 80% as against 2019 by 2030. The energy efficiency indicator (electricity required per transferred terabyte) was 0.14 MWh / terabyte in 2020 (2019: 0.18 MWh / terabyte).

Targets for 2030¹⁾

Reduction of CO₂ emissions to net zero by reducing our own CO₂ footprint and by gradually making the transition to energy from renewable sources
Energy efficiency enhancement of 80%²⁾

Status in 2020

Increase of 3% in scope 1 and scope 2 (market-based) emissions
Improvement of 22%

1) Base year 2019

2) Measured as electricity required per transferred terabyte (in MWh / terabyte)

Fuel consumption by the vehicle fleet of the A1 Telekom Austria Group was reduced by 14 % year-on-year as a result of lower travel volumes, in particular on account of the COVID-19 lockdown months. Heating in office buildings – also on account of the COVID-19 pandemic and increased working from home – also declined (fuels for heating down 3 %; district heating down 5 %). By contrast, electricity requirements rose in all countries of the A1 Telekom Austria Group on account of the infrastructure expansion.

Energy demand is not only the A1 Telekom Austria Group’s most significant environmental impact, but also the biggest source of CO₂. In addition to improving energy efficiency, the use of renewable energies is one of the measures taken to reduce CO₂ emissions. The A1 Telekom Austria Group’s scope 1 emissions include CO₂ emissions from the combustion of fossil fuels for heating and mobility. Scope 2 emissions are emissions arising from energy consumption and district heating.

Direct and indirect energy (in MWh)

According to the GRI Standard for Sustainability Reports: 302-1, 302-4

2020	Electricity ¹⁾	Fuels for Heating ²⁾	District heating	Fuels ³⁾	Total energy consumption
Austria	323,374	14,105	28,454	35,117	401,051
Bulgaria	126,996	95	302	10,061	137,455
Croatia	86,413	499	2,845	5,137	94,894
Belarus	99,010	329	3,039	3,392	105,770
Slovenia	33,814	0	277	1,172	35,264
Serbia	64,619	132	218	2,472	67,442
North Macedonia	32,564	0	0	2,158	34,722
A1 Telekom Austria Group	766,791	15,161	35,137	59,509	876,598

2019

Austria	309,466	14,496	29,006	42,798	395,766
Bulgaria	120,578	124	418	10,528	131,648
Croatia	84,534	497	3,437	5,484	93,952
Belarus	91,966	375	3,768	4,074	100,183
Slovenia	32,253	0	289	1,489	34,031
Serbia	62,739	143	219	2,932	66,034
North Macedonia	31,477	0	0	2,255	33,731
A1 Telekom Austria Group	733,013	15,635	37,138	69,559	855,346

Change (in %)

Austria	4	-3	-2	-18	1
Bulgaria	5	-23	-28	-4	4
Croatia	2	0	-17	-6	1
Belarus	8	-12	-19	-17	6
Slovenia	5	n.a	-4	-21	4
Serbia	3	-7	-1	-16	2
North Macedonia	3	n.a	n.a	-4	3
A1 Telekom Austria Group	5	-3	-5	-14	2

The environmental indicators for fiscal year 2020 were not yet available at the time of reporting. The above table contains the figures for the period from November 1, 2019 to October 31, 2020, which can be considered a representative comparison period for fiscal year 2020. If no data were available for this period, the most recent data from the past were used. While figures were compiled with the utmost care, inaccuracies may occur, for instance due to estimates. The indicators “District heating” and “Fuels” for Serbia and “Fuels” and “Electricity” for Croatia were recalculated for 2019 on the basis of an improvement in data quality.

Tables are subject to rounding differences.

- 1) Purchased and own production, plus diesel for (emergency) power generators
- 2) Including oil and gas, not adjusted for climate factors
- 3) Including diesel, gasoline, CNG, LPG and natural gas, not including diesel for (emergency) power generators

Scope 1 emissions were cut by 14% as a result of reduced fuel consumption in the fleet. In Slovenia, scope 1 and scope 2 CO₂ emissions (market-based) were reduced by 43% as against the previous year by increasing the share of renewables in electricity. The Group-wide rise in scope 2 emissions is due to higher electricity requirements. Overall, the scope 1 and scope 2 (market-based) emissions of the A1 Telekom Austria Group rose by 3% year-on-year.

Opportunities and risks

In addition to natural disasters partly caused by climate change, CO₂ emissions due to the energy requirements of the communication infrastructure represent an environmental risk. In terms of opportunities, digital and ICT products can help to lower emissions by increasing the efficiency of processes and either preventing or significantly reducing the consumption of resources, e. g. due to less travel being required.

Direct and indirect greenhouse gas emissions including biogenic emissions (in t CO₂-equivalent)

According to the GRI Standard for Sustainability Reports: 305-1, 305-2, 305-5

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)		Total (Scope 1+2+Comp.)	
		location- based	market- based	location- based	market- based	location- based	market- based
2020							
Austria	12,536	85,270	9,143	97,807	21,679	85,324	9,196
Bulgaria	3,168	64,981	64,962	68,149	68,130	68,149	68,130
Croatia	2,191	18,373	35,815	20,565	38,006	20,565	38,006
Belarus	1,340	37,708	37,708	39,048	39,048	39,048	39,048
Slovenia	311	7,931	4,809	8,242	5,120	8,242	5,120
Serbia	852	50,925	50,925	51,778	51,778	51,778	51,778
North Macedonia	1,012	22,931	22,931	23,943	23,943	23,943	23,943
A1 Telekom Austria Group	21,411	288,120	226,294	309,531	247,705	297,048	235,222
2019							
Austria	14,482	80,953	9,132	95,435	23,614	80,351	8,530
Bulgaria	3,811	56,620	57,550	60,430	61,361	60,430	61,361
Croatia	2,535	19,864	40,655	22,398	43,189	22,398	43,189
Belarus	1,647	35,305	35,305	36,952	36,952	36,952	36,952
Slovenia	396	7,758	8,598	8,154	8,993	8,154	8,993
Serbia	972	45,813	45,813	46,784	46,784	46,784	46,784
North Macedonia	1,083	18,932	18,932	20,015	20,015	20,015	20,015
A1 Telekom Austria Group	24,925	265,244	215,984	290,169	240,909	275,051	225,791
Change (in %)							
Austria	-13	5	0	2	-8	6	8
Bulgaria	-17	15	13	13	11	13	11
Croatia	-14	-8	-12	-8	-12	-8	-12
Belarus	-19	7	7	6	6	6	6
Slovenia	-21	2	-44	1	-43	1	-43
Serbia	-12	11	11	11	11	11	11
North Macedonia	-7	21	21	20	20	20	20
A1 Telekom Austria Group	-14	9	5	7	3	8	4

The environmental indicators for fiscal year 2020 were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2019 to 31 October 2020, which can be considered a representative comparison period for fiscal year 2020. If no data were available for this period, the most recent data from the past were used. According to the GHG Protocol, "location-based scope 2" figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used. According to the GHG Protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product. The 2019 scope 1 figures were recalculated for all countries on the basis of an improvement in data quality. The scope 2 emissions ("market based" and "location based") were also recalculated on the basis of an improvement in data quality.

Tables are subject to rounding differences.

To reduce the risks, 100% of electricity is sourced from renewable energy in Austria, solar power is promoted throughout the Group and various measures are taken to use the required energy as efficiently as possible. These range from using low-consumption equipment to increasing average temperatures at IT locations in order to reduce the need for cooling. A transition to cloud solutions for the more efficient processing and storage of data contributes to the reduction, as does active network management, which supports the most efficient technology for data transfer in addition to the investment in new technologies.

Implementation / results 2020

The A1 Telekom Austria Group therefore believes that it has an obligation to make its infrastructure as sustainable as possible. Measures to enhance energy efficiency play a key role in this regard. Another important aspect is for the Group to meet its energy requirements as sustainably as possible. It does this in particular by using electricity from renewable sources, such as solar power, hydropower or wind power, which accounted for around 43% of the A1 Telekom Austria Group's total electricity requirements in 2020. The Austrian subsidiary, which has operated its entire network on a fully carbon-neutral basis since 2014, is a major factor in this. The A1 Telekom Austria Group also operates two large photovoltaic farms of its own: one in Aflenz, Austria, (since 2013) that produces more than 215,000 kWh of electricity per year, and one in Belarus (since 2016) that produces around 26 million kWh of electricity per year. In 2020, responsibilities were also defined by local CEOs at each subsidiary of the A1 Telekom Austria Group (tone at the top), Group-wide ESG steering was established and Group-wide standards were optimized and rolled out for tracking and calculating CO₂ emissions. Parallel to this, the "Empowering a sustainable future" campaign in particular raised employees' environmental awareness. As part of this campaign, a separate Group-wide ESG community was created on the internal collaboration platform Workplace to actively involve employees in the implementation of the ESG strategy.

Resource optimization and dematerialization

Concept

Digitalization offers huge potential for the environment in terms of resource conservation. Digital communication solutions that

are now well established, such as videoconferencing and telepresence, are making communication more efficient and more environmentally friendly in many areas of work and life. The COVID-19 lockdown in particular illustrated the importance of such digital applications for keeping in touch with customers, business partners, friends and family. Virtualization can thus make work processes digital and prevent the use of physical resources. Dematerialization can also increase process efficiency. One consequence of the dynamic digital transformation is the continuous utilization of new technologies and devices / components to optimize efficiency and potential. The A1 Telekom Austria Group makes fundamental ecological principles such as continuous lifecycle management a top priority by preventing waste, conserving resources and keeping valuable raw materials in circulation for as long as possible (reduce-reuse-recycle). To this end, the A1 Telekom Austria Group offers a cellphone recycling program on almost all its markets. Continuous lifecycle management ensures that resources in circulation can be used for as long as possible. The subsidiaries in Austria and Bulgaria also reuse devices that have been returned to them and that are still functional and technologically current. When devices or equipment can actually no longer be used, they are dismantled, separated systematically by category of waste (circuit boards, copper, iron, tin, etc.) and properly recycled.

The environmental management systems in Austria, Slovenia, Serbia and North Macedonia are certified according to ISO 14001. Furthermore, EMAS (eco management and audit scheme) requirements are complied with in Austria and Slovenia.

Key performance indicator

Between 70% and 80% of the components of old mobile devices can be recycled and reused as raw materials by specialist recyclers to whom they are passed on. In 2020 alone, the Group as a whole ensured the proper recycling of around 84,880 devices (2019: around 64,000). The A1 Telekom Austria Group has set itself the goal of promoting a circular economy within the company and recycling at least 50,000 old devices every year until 2030.

Opportunities and risks

The A1 Telekom Austria Group sees dematerialization and resource conservation as an opportunity, as the development of innovative solutions could open up new business areas and possibilities for revenue growth. Improving process efficiency means resources such as raw materials can be used more

Target for 2030

Promoting the circular economy within the company by recycling around 50,000 old devices per year

Status in 2020

84,880 devices

effectively or their use can be prevented altogether. The COVID-19 pandemic made an unplanned contribution to accelerating this development. Increasing targets for recycling and their underlying activities contribute to the resource cycle and mitigate the risk of recycling requirements. In addition to this, active involvement in activities such as refurbishment of set top boxes also protects own investments in equipment.

Implementation / results 2020

The digitalization of internal work processes is a top priority at the A1 Telekom Austria Group for dematerialization and resource preservation. In field service, for example, digital log-books for drivers, plans and assembly orders are increasingly being used. And the central Follow Me printer system can sustainably reduce paper requirements: print jobs are carried out only after an access card is scanned. Uncollected jobs are deleted after 24 hours. The use of Follow Me printers has resulted in 180,000 such print-outs being avoided. Also, internal campaigns raise environmental awareness among employees for programs such as cellphone recycling and get them actively involved in green activities. The A1 Telekom Austria Group also contributes to conserving resources with its cellphone recycling initiative – even though the Group itself does not manufacture mobile devices. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some have even been doing this since 2004.

4. Social matters

Secure, proficient handling of digital media, Internet crime, Internet addiction, access to information and training

With regard to social matters, the A1 Telekom Austria Group fulfills its responsibility to society with a special focus on teaching media literacy and reducing the digital gap in the countries in which it operates. The following significant issues are discussed jointly in the following section: access to information and education, secure, proficient handling of digital media, Internet crime, Internet addiction.

Concept

The dynamic digital transformation is accompanied by the continuous introduction of innovative applications that are enriching our working conditions, our lives and our communications. However, this requires users to keep up through continuous learning – not just the older generation, but children and young people as well. This is leading to substantial changes in today’s vocational landscapes and the basic skills required, and hence also in our educational systems. This is particularly relevant for children and young people, as digitalization will shape and change the future of working life more than ever before – with corresponding consequences in terms of training and further education requirements. For teachers in the compulsory education system in particular, training and further education are the key to future-proof digital literacy.

With this in mind, the A1 Telekom Austria Group seeks to offer added value and build bridges beyond its core business. It

Target for 2023

Reaching 100,000 people – with a special focus on children and young people – as part of the digital education focus. Providing confidence and skills in their active creation of digital worlds.

Status in 2020

9,239

Participations: initiative “A1 Internet for All”

	2020	2019	Change (in %)
Austria	8,936	29,522	-70
Bulgaria	n. a.	3,000	n. a.
Croatia	143	24	496
Belarus	n. a.	n. a.	n. a.
Slovenia	n. a.	1,340	n. a.
Serbia	90	140	-36
North Macedonia	70	1,300	-95
A1 Telekom Austria Group	9,239	35,326	-74

regards this as part and parcel of its responsibility to actively support people as they take their first steps in the digital world and to promote digital literacy. Parallel to this, the Group aims to get children and young people enthusiastic about digitalization and the technologies it involves from as early an age as possible, and equip them with the necessary skill sets. The “A1 Internet for All” initiative was established in Austria in 2011 with these very objectives, and similar projects and activities have since been rolled out in other countries where the Group operates. The initiative offers free workshops that help people to take their first steps in the digital world and teach them how to protect themselves effectively against potential risks, such as cybercrime, in addition to training programs for educators.

Target attainment is regularly reviewed and the initiative controlled on the basis of predefined key figures, such as the number of participants in media literacy training sessions. The responsibility and steering of the Group-wide media literacy initiative is ensured by the Group ESG department.

Key performance indicator

In the reporting year, due to COVID-19, not all workshops took place to the planned extent: In total, more than 9,200 participants attended workshops in 2020. The “A1 Internet for All” initiative has already been attended more than 227,900 times in total since 2011. As part of its digital education focus, the A1 Telekom Austria Group has set itself the target of addressing 100,000 people from 2020 to 2023, especially children and young people, with offerings to help them safely navigate and actively shape the digital world.

Opportunities and risks

The Telekom Austria Group sees promoting interaction with digital media as an opportunity. The safe and skilled use of new media is increasingly essential for employability, and therefore also contributes to closing the digital gap.

Above all, risks in handling digital media pose challenges to exposed groups – children, young people and digital beginners – which those affected can solve themselves to a limited extent only – this can range from addiction, bullying or isolation to rising cybercrime. With its initiatives, the A1 Telekom Austria Group is helping to teach people how to use new media properly and safely.

Implementation / results 2020

For children and young people in particular, the digital transformation is giving rise to new skills requirements that are decisive for their future employability. At the same time, the COVID-19 pandemic has seen rapid growth in digitalization

around the world as home schooling, working from home and socializing with family and friends virtually have become a part of everyday life. This has led to a high level of demand for training in digital teaching concepts, particularly for schools. To address this, in Austria A1 expanded its range of established webinars for elementary school teachers to include additional series of “First Aid Online Workshops” for teaching in the digital classroom aimed specifically at educators during the lockdown and the summer months ahead of the 2020 / 2021 school year. Activities increasingly also focused on the development of interactive online formats specially designed for children and young people as an alternative to the existing regular program. There are also online parents’ evenings where parents can learn about both the positive aspects of the digital world and the online usage habits of children, and how to protect them from potential dangers. They also shed light on negative aspects such as cyberbullying, hate speech and excessive Internet use. Moreover, in cooperation with Sigmund Freud University, the education initiative in Austria published the guidebook “Digital Worlds. When Fun Becomes Dependence” in 2020. This is about growing up in the digital world and tells parents all about the risks and opportunities to be found on the Internet. In particular, the book is intended to serve parents as a compass with which they can guide their children as they grow up confidently and with media skills in the digital and real worlds. A1 in North Macedonia is also focusing on safety workshops for preschool children. Digital brochures are also available for download on the website. For the older generation especially, at the beginning of October 2020, A1 launched the #ionline campaign in Belarus with the aim of providing training to actively support Internet beginners as they take their first steps in the digital world.

5. Employee matters

The materiality analysis established that fair and flexible working conditions within the company are another core element in the area of employee matters. Fair and flexible working means creating a framework that enables flexible work in terms of time and location while satisfying all the statutory conditions.

The A1 Telekom Austria Group had 17,949 employees / full-time equivalents (FTE) as of the end of 2020 (2019: 18,344). FTEs in the Austria segment were reduced by 4.0% to 7,320 employees as part of the ongoing restructuring measures. 38% of employees in the Austria segment have civil servant status (2019: 42%).

Employees¹⁾ as of 31 December 2020

	2020	2019	Change (in %)
Austria	7,320	7,625	-4.0
Bulgaria	3,329	3,620	-8.0
Croatia	1,872	1,908	-1.9
Belarus	2,385	2,412	-1.1
Slovenia	532	513	3.6
Serbia	1,370	1,127	21.6
North Macedonia	776	768	1.0
Holding incl. A1 Digital	366	372	-1.6
A1 Telekom Austria Group	17,949	18,344	-2.2

1) Full-time equivalents

Mobile and flexible working environments

Concept

Not only did the extraordinary challenges in the wake of the 2020 COVID-19 pandemic in 2020 show that the infrastructure of the A1 Telekom Austria Group is pivotal, especially in times like these, and fit for the future. They also made digital living and working even more of a priority. In recent years, the company has already offered employees the flexibility of digital and virtual working conditions, allowing them to work whenever and wherever they want, with new ways of working (remote working / working from home, etc.) and open-space working environments. This was one of the main reasons why, when the pandemic situation escalated, the majority of employees were able to start working from home practically “overnight” with actually no detrimental impact to their work. In addition to enabling mobile and flexible ways of working, the health of employees always was and still is the top priority.

The principle of crisis management at the A1 Telekom Austria Group is to safeguard a reliable infrastructure and quality of service while preserving employees’ lives, health, motivation and productivity. Based on this, action was taken in each country according to the locally applicable (and rapidly changing) regulations while sharing information at Group level. Additionally, an internal traffic light system was developed using the internationally applied and established figures for the pandemic, such as the number of positive tests and the rate of new infections. Depending on the traffic light situation, there are other recommendations for protective measures (e.g. moderate distancing for green or strong distancing for yellow). This standardized crisis management framework ensures that all companies of the A1 Telekom Austria Group can flexibly switch between the necessary measures according to the respective local situation.

The employees working in field service, the stores and customer service, etc. played a vital role as a reliable and personally available partner for its customers. Nor should it be forgotten that the A1 Telekom Austria Group, as an operator of system-critical infrastructure, had a particularly important role to play

in delivering maximum performance to its customers to allow them to work from home and shift their lives – both personally and professionally – to the digital sphere. Also, flexible working reflects the various working time models (e.g. flexitime, part-time, mobile working, virtual working, mini-sabbaticals).

Opportunities and risks

Among other things, the increased competitiveness resulting from higher employee productivity is seen as an opportunity. Satisfied employees deliver better results and employee satisfaction also improves the perception of the A1 Telekom Austria Group as an attractive employer. This likewise lays the groundwork for ensuring a work / life balance and a healthy working environment. At the same time, however, the growing flexibilization of working life is posing new challenges for employers and employees alike. When working flexibly, work and leisure time often overlap and blend into each other. The risks of the rapid transition from open offices to working from home, in particular owing to COVID-19, include:

- ▶ A possible drop in productivity due to a lack of personal responsibility / decision-making flexibility for employees – though with its “daily stand-ups”, the A1 Telekom Austria Group used this risk more as an opportunity to get everyone more involved with frequent interaction and employee empowerment
- ▶ The risk of isolation, particularly for activities that are already highly digital
- ▶ In addition to quick-wins in process digitalization (e.g. e-signature), the transition to digital can also work decelerate the ongoing development of processes and methods on account of the reduced cross-divisional communication and difficult terrain for creative work
- ▶ A similar risk is the possible increase in “silo thinking” due to having less contact with interfaces
- ▶ Overloading due to dual work / life responsibilities, for single parents in particular, is a gradual risk that can become a stress factor for employees in more prolonged lockdowns especially
- ▶ Increased workload

Risk mitigation measures include:

- New collaboration platforms such as MS Teams were rapidly rolled out and employees were trained in how to use it properly
- Pilot platforms for creative cooperation were put to selection committees
- Daily stand-ups and virtual coffees were implemented in a number of areas to ensure contact with and control over all employees
- Best practice sharing was extended for management
- Cross-divisional / high-communication forms of work (e. g. agile working) were expanded further
- Transparent communication by management

To improve work / life balance, the A1 Telekom Austria Group allowed employees to take advantage of special care time, increased vacation use, etc. A Memorandum of Understanding on Flexible Working from the European Works Council outlined a basic Group-wide approach that is defined and implemented in local (works) agreements.

Implementation / results 2020

So called "Pulse surveys" in April / May revealed how employees are coming to terms with the new ways of working – particularly in an environment dominated by the COVID-19 pandemic. A short A1 pulse survey asked employees how they are coping with the COVID-19 crisis. They were asked to give (anonymous) responses to questions such as what new challenges they were facing in their work, how they felt in the current situation and what lessons they wanted to take away from this period into the "new normal" or the future. Well over half the employees who were contacted took part in the surveys. Nearly two thirds of the respondents said they felt "very good" or "good" in the current climate. Specific challenges that were mentioned included the lack of personal contact with colleagues, striking a balance between work and home life and an increased workload. The survey showed that the home schooling situation was particularly challenging. Technical conditions and factors were rated very positively. In response to the question on what employees would like to retain from the initiatives that were put in place after the first wave of the pandemic, the most commonly mentioned items were: workplace flexibility, flexibility of working hours and transparent communication from management. The survey results were used as a basis to formulate and implement measures for the roll-out of "New Ways of Working" at A1.

Transforming skillsets in the workplace and developing employees' digital skills

Concept

Of course, transparent and timely communication with employees and teaching of knowledge and skills did not just start

to take on particular significance at the A1 Telekom Austria Group as a result of the COVID-19 pandemic. Digital networks and the eCampus digital learning platform foster skills development and productivity, but they also promote attractive working environments in an overall sense. Constant learning is a key concept in the light of dynamically changing jobs. The eCampus allows employees across the Group to complete training courses flexibly and on a self-organized basis whenever they wish, removing time and location constraints. The wide range of material available shows how much digital learning is fostered and championed within the A1 Telekom Austria Group. The platform features learning formats and content that were developed in-house and procured from external sources. Those interested can make a request to receive access to content from external learning providers such as O'Reilly, Udemy, Bookboon and LinkedIn Learning.

Opportunities and risks

Digitalization – and the associated development of digital skills – is a central aspect of corporate strategy. The ongoing development of employee skills is a key pillar of advancing digitalization.

Increased personal responsibility and thus employee satisfaction – also as a result of being able to work anywhere and at any time – is seen as an opportunity of a digital business model. A wide range of courses is available on eCampus for acquiring skills. There is an additional view for management showing an overview of the training completed by assigned employees, thereby allowing positive intervention to counter low usage of the training available. Multiple mandatory employee interviews (on goals and development) also define training objectives and offer a structure for regularly discussing progress. The courses available are rounded off by special "A1 Learning Topics", from analytics and process automation to new technologies such as 5G. Regular live formats with top management also provide an insight into strategy and goal attainment activities, as well as motivating participants to play an active role in shaping their future. Virtual classroom training is still in the portfolio as well, to facilitate communication across functions and to actively advance digitalization issues. One opportunity of this growth of the training portfolio is that training can be done anywhere and at any time, allowing better learning conditions and improved concentration on the content. One risk is that, when workloads are high, employees may be more likely to shirk eCampus training than classroom sessions. Another risk is that specialist knowledge cannot be offered online to the necessary extent, and that employees generally do not yet have the skills that will be needed in the future.

Implementation / results 2020

In 2020, more than 131,200 courses (2019: around 116,600) have been completed. External A1 partners also have access to these courses to ensure uniform transfer of knowledge and consistent quality standards, particularly for product training.

The A1 learning topics act as signposts for employees in amongst the wide variety of digital courses. These clusters teach basic knowledge, but also further, more in-depth content on strategic future-related issues. They are offered alongside a series of specific expert training programs that cover the most important issues. New training and employee upskilling is becoming an ever more central issue in light of the fast pace of change in jobs and the skills required. For their targeted and individual development, employees and management need information on these skills and how they can be developed. Skills management systems can help. At A1 Austria and A1 Croatia, employees have the chance to trial such a tool and give feedback as part of a pilot project. The following functionalities are available: tool-aided creation of the employee's own skills profile and comparing this profile against selected job profiles, such as agile roles (agile master, product owner) and expert roles (machine learning, process automation). Employees can see which skills they already have and which they have yet to develop. Specific learning proposals are made to help them develop their skills. Ongoing development in employees' current jobs is also supported by learning at skills level. This knowledge facilitates individual and self-organized learning for all. In 2020, 587 employees participated in this pilot project.

Promoting women and diversity

As a digitalization enabler, the A1 Telekom Austria Group helps to shape society in its operational footprint. It sees a transparent attitude towards diversity and the achievement of equal opportunities as part of its social responsibility. Diverse teams

with different personalities, perspectives and proficiencies have been proven to deliver better, customer-centric results. There is also evidence that employee diversity leads to customer wishes being better accommodated. Diversity is thus not just a matter of social responsibility, but is also increasingly being seen as a competitive factor. For this reason, it is especially important to the A1 Telekom Austria Group to identify and avoid any form of bias in internal and external collaboration.

While diversity itself is broadly defined (age, equality, sexual orientation, disabilities and skills, etc.), special attention is paid to gender diversity. In Austria especially, there is a low share of women on account of the company's history and social circumstances. To raise the number of woman and to get more women into management positions, work / life balance has been a key point of focus in the last few years especially. Flexible time models and the chance to work from home have been available since long before the COVID-19 pandemic. In the future, the A1 Telekom Austria Group will focus more on "100% equality" in order to even better accommodate diverse customer requirements.

Establishing diversity as an issue relevant to all parts of the company across the board assists the A1 Telekom Austria Group in its ongoing development as an attractive employer and leading telecommunications provider.

Targets for 2023¹⁾

	Status
Increasing the share of women in management positions to 40%	36%
Raising and maintaining the share of women in the company at 40%	40%

1) Basis year: 2019

Share of female employees and female managers as of 31 December 2020

in %	Share of female employees		Share of female managers ¹⁾	
	2020	2019	2020	2019
Austria	26	26	18	19
Bulgaria	46	48	47	49
Croatia	43	43	41	37
Belarus	55	54	43	41
Slovenia	44	43	46	45
Serbia	62	60	51	51
North Macedonia	52	47	42	42
A1 Telekom Austria Group²⁾	40	39	36	35

1) Managers include all persons with staff responsibility for at least one employee.

2) Including Holding and A1 Digital

Opportunities and risks

Functionally, thanks to leadership teams, the management structure is positioned much more broadly compared to traditional management board structures that usually have two to three members. In addition to the classic leadership teams, further functions are presented: Consumers, Enterprise and Transformation & Market, to allow more flexible, more focused and less bureaucratic working methods. With the additional participation of Human Resources, Technology and Sales, leadership teams make cross-functional decisions.

One of the opportunities this affords is that diversity leads to better decisions, as it allows broader access to the issues. Studies prove that less diverse teams can result in revenue losses. Different perspectives allow risks to be identified more quickly. Diverse teams often consider more options, find more creative solutions, make decisions based on more comprehensive criteria and are less prone to one-dimensional thinking. Diverse teams are also considered a strong engine for innovation. Companies with a high level of diversity are more likely to be highly profitable, as multiple studies have now shown. The risk of homogeneous teams lies in the limited viewpoints. In general, employees from different backgrounds need longer to work together well, as first they must get to know and understand each other while learning what makes them different. One of the opportunities this affords is that diversity allows risks to be avoided more effectively.

Implementation / results 2020

In the 2020 reporting year, the Group held its first digital diversity training entitled "Unconscious Bias". The purpose of this learning format is to raise awareness of the fact that humans unconsciously act and make decisions in a biased way thousands of times a day. The purpose of this is to make such blind spots transparent, challenge people's perceptions and reevaluate past experiences. The aim of all this is to create an inclusive corporate culture in which A1's employees can develop their individual talents. A total of 1,718 employees took part in this training. More detailed virtual workshops were also organized for managers and other multipliers to enable an in-depth treatment of this subject.

Also, to achieve greater comparability with other companies, A1 in Austria agreed to be evaluated on its advancement of women on the basis of the Women's Career Index (FKi). The independent index examines the career development of women at various management levels and the cultural changes that are moving things forward. The findings of the index ranking

put A1 in Austria, which achieved 78 (out of a maximum 100) points, in an above-average (75 points) position compared to other telecommunications and service provider companies in Europe. The study also confirms that the company has comprehensive and successful corporate communications and diverse flexibility measures. At the same time, it is an incentive to create even more attractive working conditions for women.

Key performance indicators

The A1 Telekom Austria Group has set itself the goal of increasing the share of women in management positions to 40% by 2023, while also raising and keeping the overall share of women in the company at above 40%.

6. Human rights

Having joined the UN Global Compact, the A1 Telekom Austria Group is committed to implementing fundamental requirements in the areas of human rights, labor, the environment and combating corruption. This commitment has been acknowledged by being integrated into the Austrian subsidiary's Terms and Conditions, for example. In some countries in which the A1 Telekom Austria Group operates, national laws can make it difficult to ensure that human rights are respected absolutely. Where national law diverges from the A1 Telekom Austria Group's commitment to human rights and sets a lower standard, the Group always endeavors to achieve the higher standard, though the wellbeing of employees is the top priority. In the event of a conflict, the A1 Telekom Austria Group applies national law, at the same time attempting to respect human rights as much as possible.

In Belarus, A1 is the biggest non-state-owned telecommunications company and makes an important contribution to supplying the country's Internet, making it a pathfinder for digitalization. A1 is greatly appreciated as an employer in Belarus, and it supports its employees even in these democratically challenging times. As a company, the A1 Telekom Austria Group does not get involved in political affairs, but it supports the constitutional rights of its employees, including the right to freedom of speech or the right to peaceful demonstration, and it also provides practical assistance, such as a Crisis Committee that helps employees in a difficult situation in the country.

The A1 Telekom Austria Group's commitment in Belarus makes a vital contribution to civil society, and it provides the country's population with a link to Western Europe. It also gives its employees the chance of an international career path.

As in every country in which the A1 Telekom Austria Group operates, as a company it must obey local legal and regulatory requirements. As the country's primary provider, in Belarus A1 brought transparency to the state stipulations limiting Internet availability.

Human rights complaints can be submitted on the compliance whistleblowing platform "tell.me" – even anonymously if so desired – and are carefully processed in conjunction with compliance processes. One complaint was submitted and processed in the 2020 reporting year.

7. Compliance and anti-corruption

Acting with honesty, fairness, and transparency is an important component of the corporate culture at the A1 Telekom Austria Group. In order to achieve this standard of integrity, the company has a comprehensive compliance management system. The example set by top management and the responsibility of all employees for their own actions are particularly important. With the aim of avoiding potential misconduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner complying with the law and with integrity in all business relationships.

The Group-wide Code of Conduct and the Group-wide compliance guidelines for the areas of anti-corruption and conflicts of interest, data protection, antitrust law and capital market compliance help to ensure that acting with integrity is a natural part of day-to-day work. Furthermore, the effectiveness of the compliance management system is supported by regular communication measures and training, the "ask.me" helpdesk, internal audits and the whistleblowing platform "tell.me", which can be used anonymously if so desired. The needs-based further development of the compliance program is ensured by the annual compliance risk assessment, which defines a catalog of risk-focused measures for the coming year. In addition, appropriate controls have been integrated within its business processes.

The design, implementation and effectiveness of the A1 Telekom Austria Group's compliance management system were audited in accordance with IDW PS 980 (German audit standard for compliance) by PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2012/2013 and again by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2018/2019 for the areas of anti-corruption and integrity, antitrust law and capital market

compliance, and were issued with an unqualified audit opinion. KPMG also confirmed that the principles and measures of the A1 Telekom Austria Group's CMS meet the requirements of ISO 19600 (Compliance Management System) and ISO 37001 (Anti-Corruption Management System), the US Foreign Corrupt Practices Act (FCPA), European antitrust legislation and the UN Global Compact.

Group Compliance is aided by local compliance officers based at the subsidiaries in its mission to consistently implement the relevant measures and tools within all the business units. Regular training, optimized for each target group, is provided to permanently embed the principle of integrity in the minds of everyone at the Group. Group-wide training explains the practical aspects of compliance issues and provides tangible case studies. The focus in 2020 was on developing compliance e-learning programs for specific target groups. In 2020, 2,800 employees and managers took part in instructor-led compliance trainings, the majority of which was conducted virtually or online – not least on account of COVID-19. Employees and managers also completed more than 24,200 compliance e-learning courses in 2020 (2019: around 21,300). Employees at the A1 Telekom Austria Group can contact the compliance helpdesk "ask.me" if they would like to have any outstanding questions resolved, and in 2020 the helpdesk responded to approximately 280 (2019: around 530) questions.

Vienna, 8 February 2021

The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Douglass Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

Report about the Independent Assurance of the “Consolidated non-financial Report” and of the GHG emissions 2020

To the members of the Board of Management and the Supervisory Board of Telekom Austria AG

Vienna

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

We have performed a limited assurance engagement regarding “Consolidated non-financial Report” 2020 in accordance with the requirements of the § 267a UGB Nachhaltigkeits- und Diversitätsverbesserungsgesetz (NaDiVeG) and of the GHG emissions 2020 in accordance with the GHG Protocol of Telekom Austria.

The assurance engagement covers “Consolidated non-financial Report” 2020 of Telekom Austria AG as a part of the Combined Annual Report as well as the Scope 3 emissions data published in the Combined Annual Report of the A1 Telekom Austria Group for the reporting period 2020.

The objective of our assurance engagement regarding the disclosures and data in the “Consolidated non-financial Report” 2020 of Telekom Austria were processes and internal systems of capturing, collecting and consolidating of the figures at Group level.

At the site level, only disclosures and data for Austria were the objective of our engagement. For other locations, no assurance of these disclosures and data has been made – except assurance of the Scope 1 and Scope 2 GHG emissions published in the “Consolidated non-financial Report” 2020. The assurance of the published Scope 1 and Scope 2 GHG emissions covered the entire A1 Telekom Austria Group.

The objective of our assurance engagement regarding the Scope 3 GHG emissions published in the Combined Annual Report of the A1 Telekom Austria Group were processes and internal systems of capturing, collecting and consolidating of the figures at Group level. At the site level, only disclosures and data for Austria were the objective of our engagement. For other locations, no assurance of these disclosures and data has been made.

Responsibilities of the Legal Representatives

Telekom Austria’s legal representatives are responsible for the proper compilation of the “Consolidated non-financial Report” 2020 in accordance with the requirements of the § 267a¹⁾ UGB (NaDiVeG) and of the published GHG emissions in accordance with the requirements of the GHG Protocol.

The legal representatives have signed the Letter of Representation, which we have added to our files.

Responsibilities of the Assurance Providers

Based on our assurance procedures deemed necessary and our evidence we have obtained, it is our responsibility to assess whether any matters have come to our attention that cause us to believe, that in all material matters the “Consolidated non-financial Report” 2020 according to the defined scope of our assurance is not in accordance with the requirements of the § 267a UGB (NaDiVeG).

Furthermore, based on our assurance procedures deemed necessary and our evidence we have obtained, it is our responsibility to assess whether any matters have come to our attention that cause us to believe, that in all material matters the published GHG emissions 2020 according to the defined scope of our assurance are not in accordance with the requirements of the GHG Protocol.

Our assurance engagement has been conducted in accordance with the “International Federation of Accountants’ ISAE 3000 (Revised)” Standards.

Our professional duties include requirements in relation to our independence as well as planning our assurance engagement based on the materiality considerations in order to allow us to obtain a limited level of assurance.

According to the “General Conditions of Contract for the Public Accounting Professions” our liability is limited. An accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence, the maximum liability towards the client and any third party together is EUR 726,730 in the aggregate.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- ▶ Obtain an overview over the industry as well as the operational and organizational structure of the organization;
- ▶ Interview a selection of senior managers and executives to understand systems, processes and internal control procedures related to the content of the Sustainability Reporting assured, which support the data collection;
- ▶ Review relevant group level, board and executive documents to assess awareness and priority of issues in the Sustainability Reporting and to understand how progress is tracked and internal controls are implemented;
- ▶ Examine risk management and governance processes related to sustainability and critical evaluation of the disclosure in the Sustainability Reporting;
- ▶ Perform analytical procedures at group level;
- ▶ Perform virtual meetings with the responsible persons at sites in Bulgaria, Croatia, Serbia and Austria to obtain evidence on performance indicators. In addition, we reviewed data samples in the non-financial Reporting at site level according to the defined scope of our assurance for completeness, reliability, accuracy and timeliness;
- ▶ Review data and processes on a sample basis according to the defined scope of our assurance to assess whether they have been collected, consolidated and reported appropriately at group level. This included obtaining an opinion whether the data had been reported in an accurate, reliable and complete manner;

1) <https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189009/NOR40189009.pdf>

- ▶ Review the coverage of material issues which have been raised in stakeholder dialogues, in media reports and environmental and social reports of peers;
- ▶ Evaluate the materiality assessment, including sector specific megatrends and
- ▶ Assessment whether the Requirements according to § 267a UGB (NaDiVeG) have been adequately addressed.

The objective of our engagement was neither a financial audit nor a financial audit review of past-oriented financial information. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report and the risk reporting. We merely checked this data was presented in accordance with the Standards. Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement. We did not test data derived from external surveys.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

We submit this report based on our assurance engagement for which, also regarding third parties, the "General Conditions of Contract for the Public Accounting Professions"²⁾, are binding.

Conclusion

Based on our assurance procedures and our evidence we have obtained no matters have come to our attention that cause us to believe that in all material matters the "Consolidated non-financial Report" 2020 according to the defined scope of our assurance is not in accordance with the requirements of the § 267a UGB (NaDiVeG).

Furthermore, based on our assurance procedures and our evidence we have obtained no matters have come to our attention that cause us to believe that in all material matters the published GHG emissions 2020 according to the defined scope of our assurance are not in accordance with the requirements of the GHG Protocol.

Vienna, 08. February 2021

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner

Georg Rogl

2) Fassung vom 18. April 2018, herausgegeben von der Kammer der Wirtschaftstreuhänder, Kapitel 7, http://www.kwt.or.at/PortalData/1/Re-sources/aab/AAB_2018_de.pdf

Auditor's Report ¹⁾

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of **Telekom Austria Aktiengesellschaft, Vienna**. These financial statements comprise the balance sheet as of December 31, 2020, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2020 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matter as key audit matter for our audit:

Valuation of investments

Description

Telekom Austria Aktiengesellschaft shows significant investments in subsidiaries (mEUR 7,880.1) in its single financial statements as of December 31, 2020 according to Austrian GAAP and recorded impairments (mEUR 270.1) as well as reversals of impairments (mEUR 76.1) in the 2020 income statement.

Telekom Austria Aktiengesellschaft's disclosures related to investment in subsidiaries as well as the corresponding reversal of impairments are included in Note 1.2 (Long-term Assets), Note 2.1 (Long-term Assets), Note 3.6 (Income from the Reversal of Impairment Losses on Long-Term Financial Assets) as well as Note 3.7 (Expenses for Long-Term Financial Assets).

We considered the valuation of investments as a key audit matter as the related asset amounts are significant and the assessment process itself is complex and requires judgment. The impairment tests include assumptions that are affected by future market and economic conditions. We refer among others in general to the continuing uncertainty relating to the COVID-19 pandemic as well as in particular to the political development in Belarus, where Telekom Austria AG shows significant investments in subsidiaries.

How our audit addressed the matter

Our audit procedures included, among others, the following:

We assessed the design and implementation of the controls over the impairment process.

With the assistance of EY valuations specialists, we challenged the main assumptions in management's valuation models (including forecasted revenues, EBITDA margins, capital expenditure and changes in working capital as well as discount rates and growth rates). We considered potential impacts due to the COVID-19 pandemic. Moreover we analyzed possible risks in the context of the political development in Belarus during the assessment of the future development included in the business plans to determine the appropriateness of the projections. Furthermore, we reconciled the key assumptions to the plans submitted to the audit committee and tested the mathematical accuracy of the models.

We also evaluated the adequacy of disclosures made regarding impairment.

Other Information

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements Comments on the Management Report

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

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

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

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at September 24, 2020. We were appointed by the Supervisory Board on October 22, 2020. We are auditors without cease since 2015.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Responsible Austrian Certified Public Accountant

The engagement partner is Mr. Erich Lehner, Certified Public Accountant.

Vienna, February 8, 2021

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

GRI Content Index

with reference to the GRI Standards

The following GRI Content Index lists all topics that have been identified as material for A1 Telekom Austria Group as a whole in the course of the materiality assessment in 2019. Information concerning the role of the supervisory board is provided in the Corporate Governance Report, which is part of Combined Annual Report 2020 of the A1 Telekom Austria Group. Unless indicated otherwise, page numbers refer to the Combined Annual Report 2020 of the A1 Telekom Austria Group.

	Description	Reference / response
GRI 102 General Disclosures 2016		
Organizational profile		
102-1	Name of the organization	see page 4
102-2	Activities, brands, products and services	see page 4f and Group Management Report 2020
102-3	Location of headquarters	see page 194
102-4	Countries in which the organization operates to a significant extent	see page 4f
102-5	Ownership and legal form	see page 4f, 35ff and Group Management Report 2020
102-6	Markets served	A1 Telekom Austria Group offers its products and services to business and private customers from all sectors. see page 4 and Group Management Report 2020
102-7	Scale of the organization	A1 Telekom Austria Group has seven operating companies which are in accordance with the GRI definition of 'operation'. In some cases the holding company fulfills these criteria and is highlighted accordingly. see page 35ff and Group Management Report 2020
102-8	Information on employees and other workers	see page 191f
102-9	Supply chain	see page 22 and www.A1.group/en/csr/sustainable-supply-chain-management
102-10	Significant changes to the organization	There were no significant changes to the organization's size, structure and supply chain in the reporting period. See page 35ff for details on the ownership structure.
102-11	Precautionary Principle or approach	In all its activities, A1 Telekom Austria Group honors the precautionary principle by taking into account potential future developments and findings in its decisions (e. g. scenario analysis in the context of risk management, please see Group Management Report 2020)
102-12	External initiatives	see page 32, 46 and 49
102-13	Membership of associations	see page 19
Strategy		
102-14	Statement from senior decision-maker	see page 6f

Ethics and integrity

102-16	Values, principles, standards and norms of behavior	see page 10ff, 38ff, 50f Code of conduct: www.A1.group/en/group/compliance-guidelines
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Governance

102-18	Governance structure	Since 2010, A1 Telekom Austria Group has been using a group-wide, integrated sustainability management system. The ESG Team, as part of Group Communications and Sustainability, reports directly to the CEO. With the introduction of an internal social media platform, A1 Telekom Austria Group established a digital group-wide knowledge platform through which sustainable activities are communicated and coordinated.
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Stakeholder engagement

102-40	List of stakeholder groups	see page 17f
102-41	Collective bargaining agreements	50% of all employees are covered by the provisions of collective bargaining agreements. National requirements are observed at all subsidiaries. see page 38ff
102-42	Identifying and selecting stakeholders	see page 17f
102-43	Approach to stakeholder engagement	see page 17f
102-44	Key topics and concerns raised	see page 17f

Reporting practice

102-45	Entities included in the consolidated financial statements	see Consolidated Financial Statements 2020
102-46	Defining report content and topic Boundaries	Boundaries for material topics were defined according to an impact assessment inside and/or outside the organization. A1 Telekom Austria Group's ability to influence the topic was considered as well. see A1.group/en/csr/sustainability-strategy
102-47	List of material topics	see page 16
102-48	Restatements of information	No re-phrasing of information from past reports took place.
102-49	Changes in reporting	No changes to the extent and topical boundaries compared to earlier reporting periods.
102-50	Reporting period	The report refers to the 2020 financial year, unless otherwise stated. Environmental indicators were collected for the period 01 November 2019 to 31 October 2020. This period is considered representative for the 2020 financial year.
102-51	Date of most recent report	The report for the 2019 period was published in June 2020.
102-52	Reporting cycle	The Combined Annual Report is published once a year.
102-53	Contact point for questions regarding the report	see page 5
102-54	Claims of reporting in accordance with the GRI Standards	The report was published with reference to the GRI Standards.
102-55	GRI content index	see page 181 ff
102-56	External assurance	Due to the Austrian Sustainability and Diversity Improvement Act (NaDiveG) a separate Consolidated Non-Financial Report is published and audited by an external, independent auditor since 2018.

GRI 103 Management Approach 2016

103-1	Explanation of the material topic and its boundary	see Consolidated Non-Financial Report 2020
103-2	The management approach and its components	
103-3	Evaluation of the management approach	

GRI 201: Economic Performance 2016

201-1	Direct economic value generated and distributed	Net added value 2020: EUR 894 mn to employees, EUR 743 mn for paid investments, EUR 237 mn to capital providers and EUR 142 mn to public agencies.
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GRI 202: Market Presence 2016

202-2	Proportion of senior management hired from the local community	see page 192
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GRI 203: Indirect Economic Impacts 2016

203-1	Infrastructure investments and services supported	see page 24ff and Group Management Report 2020
203-2	Significant indirect economic impacts	see page 24ff, 38ff, 43ff, 47ff

GRI 205: Anti-corruption 2016

205-1	Operations assessed for risks related to corruption	In 2020, the holding company as well as the seven operating companies A1 (Austria, Bulgaria, Croatia, Belarus, Slovenia, North Macedonia) and Vip mobile (Serbia) as well as A1 Digital and almost 100% of the subsidiaries of these companies were internally assessed with regard to corruption risks. The companies generated almost 100% of A1 Telekom Austria Group's overall turnover of the A1 Telekom Austria Group. All locations of the above mentioned subsidiaries were taken into account. In the course of the risk analysis, 21 generic anti-corruption risks with around 100 specific corruption scenarios were assessed by management and risk-minimizing measures were defined. No significant remaining risks were identified, taking into account the measures already implemented. see page 50f
205-2	Communication and training about anti-corruption policies and procedures	All employees and business partners are given access to information on compliance as well as corruption prevention (see www.A1.group/en/group/compliance). Almost 100% of employees, managers and suppliers were actively informed. Approximately 11,000 (approx. 62%) employees and managers (including board members) received training on corruption prevention. The Holding's Supervisory Board and Executive Board as well as all subsidiaries receive corruption prevention information at least once per year, the entire Executive Board receives training annually. see page 50f, 193

GRI 301: Materials 2016

301-3	Reclaimed products and their packaging materials	see page 43ff, 189
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GRI 302: Energy 2016

302-1	Energy consumption within the organization	see page 43ff, 187
302-2	Energy consumption outside of the organization	In 2020, energy consumption outside the organization was 109,503 MWh. This includes the power used by mobile phones sold to customers as well as A1 Telekom Austria Group business trips by private car, taxi, train or aero planes.
302-3	Energy intensity	see page 43ff, 187
302-4	Reduction of energy consumption	see page 24ff, 43ff, 187
302-5	Reductions in energy requirements of products and services	see page 24ff

GRI 305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	Biogenic Scope 1 emissions amounted to 849 tons of CO ₂ ; no data is available for Scope 2 and Scope 3 emissions. see page 188
305-2	Energy indirect (Scope 2) GHG emissions	see page 188
305-3	Other indirect (Scope 3) GHG emissions	see page 188
305-4	GHG emissions intensity	see page 188
305-5	Reduction of GHG emissions	see page 188
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	see page 188

GRI 306: Effluents and Waste 2020

306-2	Waste by type and disposal method	A1 Telekom Austria Group is committed to proper waste disposal and complies with the regulations in the respective countries. see page 189
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GRI 401: Employment 2016

401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Discounts and other benefits are handled differently at each subsidiary, but are equally available to all employees in the respective country.
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GRI 404: Training and Education 2016

404-2	Programs for upgrading employee skills and transition assistance programs	see page 38ff
404-3	Percentage of employees receiving regular performance and career development reviews	At A1 Telekom Austria Group, a Group-wide performance management standards process makes sure that based on goals the quantifiable performance of employees is given just as much attention as the 'how' aspect of their daily work based on A1 Telekom Austria Group's Guiding Principles. Thereby personal development is a major aspect and will be even more in focus in the years to come. Contemporary styles of leadership strongly includes the use of feedback during daily work. A1 Telekom Austria Group encourages employees to appreciate each other using peer-to-peer feedback based on behavioral best practice examples in line with the Guiding Principles. see page 38ff

GRI 405: Diversity and Equal Opportunity 2016

405-1	Diversity of governance bodies and employees	see page 192 see Corporate Governance Report 2020 and Consolidated Financial Statements 2020
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GRI 418: Customer Privacy 2016

418-1	Number of substantiated complaints concerning breaches of customer privacy and loss of customer data	see page 34
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ESG KPIs

Environment

Calculation method—emissions

In its calculation method for direct, indirect and other indirect emissions, A1 Telekom Austria Group follows the internationally recognized definition of the Greenhouse Gas Protocol of the WRI/WBCSD (World Resources Institute and World Business Council for Sustainable Development). Included in the calculation for direct emissions are all greenhouse gases, not just those covered by the Kyoto Protocol. The calculation methods are based on data published by various databases for example the International Energy Agency or ecoinvent (AR4 100-year (IPCC 2007-4th Assessment Report)). Figures are given as CO₂ equivalents. Nature of gases and source of emission factors and of Global Warming Potentials (GWP) reported by energy providers for Scope 2 emissions as well as calculated Scope 3 emissions are unknown.

Calculation method—energy

The calculation method is—unless it is a self-production—based on the invoices issued by the respective energy providers. For conversion to kilowatt hours, the factors of the Federal Environment Agency and the ecoinvent database were used for further calculation. When data was not available, estimates were made in some cases. Furthermore, term inaccuracies may occur if invoices do not exactly match the reporting period. For the energy share of fuels the heating value was considered. Neither steam nor cooling energy was purchased.

Direct and indirect energy

2020 (in MWh)	Electricity ¹⁾	Heating fuels ²⁾	District heating		Total energy consumption	
			Fuels ³⁾	(in MWh)	(in TJ)	
Austria	323,374	14,105	28,454	35,117	401,051	1,444
Bulgaria	126,996	95	302	10,061	137,455	495
Croatia	86,413	499	2,845	5,137	94,894	342
Belarus	99,010	329	3,039	3,392	105,770	381
Slovenia	33,814	0	277	1,172	35,264	127
Serbia	64,619	132	218	2,472	67,442	243
North Macedonia	32,564	0	0	2,158	34,722	125
A1 Telekom Austria Group	766,791	15,161	35,137	59,509	876,598	3,156

2019 (in MWh)						
Austria	309,466	14,496	29,006	42,798	395,766	1,425
Bulgaria	120,578	124	418	10,528	131,648	474
Croatia	84,534	497	3,437	5,484	93,952	338
Belarus	91,966	375	3,768	4,074	100,183	361
Slovenia	32,253	0	289	1,489	34,031	123
Serbia	62,739	143	219	2,932	66,034	238
North Macedonia	31,477	0	0	2,255	33,731	121
A1 Telekom Austria Group	733,013	15,635	37,138	69,559	855,346	3,079

Change (in %)						
Austria	4	-3	-2	-18	1	1
Bulgaria	5	-23	-28	-4	4	4
Croatia	2	0	-17	-6	1	1
Belarus	8	-12	-19	-17	6	6
Slovenia	5	n.a.	-4	-21	4	4
Serbia	3	-7	-1	-16	2	2
North Macedonia	3	n.a.	n.a.	-4	3	3
A1 Telekom Austria Group	5	-3	-5	-14	2	2

Table may include rounding differences. 1 Joule = $2,77777778 \times 10^{-10}$ MWh. At the time of preparation, the environmental key figures for the 2020 financial year were not yet available. The key figures presented in the table cover the period 01.11. 2019 to 31.10. 2020, which is considered a representative comparison period for the 2020 financial year. Where data from this period was not available, the most recent data available from the past was used. There were no significant changes in demand, which is why no fluctuations are assumed. The key figures were collected with the utmost care. However, inaccuracies, for example due to estimates, may exist. Due to improved data quality, the key figures "district heating" and "fuels" were recalculated for 2019 for Serbia and "fuels" and "electricity" for 2019 for Croatia. 1) Purchased and in-house production as well as diesel for (emergency) generators 2) Includes oil and gas, not climatically adjusted 3) Includes diesel, petrol, CNG, LPG und natural gas without diesel for (emergency) generators

Energy and fuel consumption¹⁾

A1 Telekom Austria Group (in MWh)	From non-renewable energy	From renewable energy ²⁾
2020	80,400	3,183
2019	93,440	3,507
Change (in %)	-14	-9

- 1) Oil, diesel, petrol, LPG, CNG and natural gas, including diesel for (emergency) generators
2) Share of biogenic fuels in diesel and petrol

Further environmental KPIs

A1 Telekom Austria Group	Energy efficiency Index ¹⁾ (in MWh(el) per terabyte)	Share of e-billing (in %)	Water consumption (per FTE, in m ³)
2020	0.14	85	250,957
2019	0.18	76	232,293
Change (in %)	-22	11	8

- 1) Energy Efficiency Index is defined as A1 Telekom Austria Groups total electrical energy consumption, divided by total transported data volume of fixed and mobile telecommunication networks.

Direct and indirect greenhouse gas emissions (in t CO₂-equivalents)

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)		Total (Scope 1+2+Comp.)		Other Scope 3
		location- based	market- based	location- based	market- based	location- based	market- based	
2020								
Austria	12,536	85,270	9,143	97,807	21,679	85,324	9,196	213,345
Bulgaria	3,168	64,981	64,962	68,149	68,130	68,149	68,130	65,565
Croatia	2,191	18,373	35,815	20,565	38,006	20,565	38,006	40,066
Belarus	1,340	37,708	37,708	39,048	39,048	39,048	39,048	45,219
Slovenia	311	7,931	4,809	8,242	5,120	8,242	5,120	22,904
Serbia	852	50,925	50,925	51,778	51,778	51,778	51,778	42,119
North Macedonia	1,012	22,931	22,931	23,943	23,943	23,943	23,943	16,779
A1 Telekom Austria Group	21,411	288,120	226,294	309,531	247,705	297,048	235,222	445,997

2019

Austria	14,482	80,953	9,132	95,435	23,614	80,351	8,530	238,412
Bulgaria	3,811	56,620	57,550	60,430	61,361	60,430	61,361	68,516
Croatia	2,535	19,864	40,655	22,398	43,189	22,398	43,189	49,334
Belarus	1,647	35,305	35,305	36,952	36,952	36,952	36,952	46,755
Slovenia	396	7,758	8,598	8,154	8,993	8,154	8,993	25,324
Serbia	972	45,813	45,813	46,784	46,784	46,784	46,784	43,831
North Macedonia	1,083	18,932	18,932	20,015	20,015	20,015	20,015	18,005
A1 Telekom Austria Group	24,925	265,244	215,984	290,169	240,909	275,051	225,791	490,176

Change (in %)

Austria	-13	5	0	2	-8	6	8	-11
Bulgaria	-17	15	13	13	11	13	11	-4
Croatia	-14	-8	-12	-8	-12	-8	-12	-19
Belarus	-19	7	7	6	6	6	6	-3
Slovenia	-21	2	-44	1	-43	1	-43	-10
Serbia	-12	11	11	11	11	11	11	-4
North Macedonia	-7	21	21	20	20	20	20	-7
A1 Telekom Austria Group	-14	9	5	7	3	8	4	-9

Direct Scope 1 includes direct emissions from combustion of fossil fuels; emissions from cooling agents are not considered. Scope 2 includes indirect emissions from electric energy and district heating. Scope 3 includes emissions from the following categories purchased goods and services, capital goods, fuel- and energy related activities and business travel. According to the GHG Protocol, "Location-based Scope 2" indicators refer to the average emission factors of the area in which the electricity consumption takes place. The average value of the country levels is used. According to the GHG Protocol, "Market-based Scope 2" indicators refer to the emission factors of the electricity supplier, if these are available, or those of an individual electricity product. Due to improved data quality, the Scope 1 indicators were recalculated for all countries in 2019. Similarly, due to improved data quality, the Scope 2 emissions ("market-based" and "location-based") were recalculated. Table may be subject to rounding differences. The calculation of Scope 3 emissions was updated in the course of the 2020 data collection. The Scope 3 key figures for 2019 were adjusted to the calculation.

Vehicle fleet

	Number of vehicles	Consumption of petrol (in l)	Consumption of diesel (in l)	Cons. of alterna- tive fuels (in l)	Mileage (in thousand km)
A1 Telekom Austria Group					
2020	4,800	1,025,154	5,372,439	153,285	89,762
2019	5,064	824,288	6,490,484	192,900	104,903
Change (in %)	-5	24	-17	-21	-14

Air pollutants generated by the vehicle fleet¹⁾

A1 Telekom Austria Group (in g/km)	NO _x	SO ₂	PM ₁₀
2020	0.708	0.403	0.034
2019	0.714	0.396	0.034
Change (in %)	-0.9	1.6	0.8

1) Air pollutants are assessed according to the calculation method of ecoinvent. They include the emissions of the vehicle fleet. The reported emissions shown above represent the main pollutants for the A1 Telekom Austria Group. Due to improved data quality, the key figures "air pollutants generated by the vehicle fleet" were recalculated for 2019.

Waste

A1 Telekom Austria Group (in kg)	Recyclable			Hazardous waste			Residual waste	Total
	Paper	Metal	Other ¹⁾	Electronic waste	Batteries	Other ²⁾		
2020	814,888	981,613	249,753	509,320	508,554	395,262	1,182,222	4,641,612
2019	1,100,768	637,534	379,702	605,815	542,831	515,423	1,861,082	5,643,155
Change (in %)	-26	54	-34	-16	-6	-23	-36	-18

Quantities were defined according to invoices of waste management companies or if this was not possible according to volumina of waste containers as well as intervals of waste disposal. 1) Other recyclable waste includes plastic, glas and biological waste. 2) Other hazardous waste includes mainly mobile phones and other hazardous materials.

Waste – paper consumption

2020 (in kg)	Printing & copy paper	Other ¹⁾	Total
Austria ²⁾	55,742	377,143	432,885
Bulgaria	89,511	79,159	168,670
Croatia	11,915	150,900	162,815
Belarus	30,995	40,615	71,610
Slovenia	2,577	52,636	55,213
Serbia	17,595	159,341	176,936
North Macedonia	32,422	53,087	85,509
A1 Telekom Austria Group	240,757	912,881	1,153,638

2019 (in kg)			
Austria	43,601	415,356	458,958
Bulgaria	91,028	109,183	200,211
Croatia	10,900	184,918	195,818
Belarus	42,265	32,266	74,531
Slovenia	4,016	60,160	64,176
Serbia ²⁾	19,713	160,289	180,002
North Macedonia	34,013	65,853	99,866
A1 Telekom Austria Group	245,536	1,028,026	1,273,562

Change (in %)			
Austria	28	-9	-6
Bulgaria	-2	-27	-16
Croatia	9	-18	-17
Belarus	-27	26	-4
Slovenia	-36	-13	-14
Serbia	-11	-1	-2
North Macedonia	-5	-19	-14
A1 Telekom Austria Group	-2	-11	-9

1) Other includes mainly paper for customer invoices and paper for packaging.

2) Change in collection method compared to the previous year

Waste – mobile phone recycling

2020 (in pcs.)	Collected old mobile phones
Austria	12,653
Bulgaria	3,587
Croatia	n. a.
Belarus	66,028
Slovenia	604
Serbia	2,008
North Macedonia	n. a.
A1 Telekom Austria Group	84,880

2019 (in pcs.)	
Austria	13,315
Bulgaria	3,905
Croatia	n. a.
Belarus	44,638
Slovenia	337
Serbia	2,309
North Macedonia	n. a.
A1 Telekom Austria Group	64,504

Change (in %)	
Austria	-5
Bulgaria	-8
Croatia	n. a.
Belarus	48
Slovenia	79
Serbia	-13
North Macedonia	n. a.
A1 Telekom Austria Group	32

Relative indicators

2020	Share of renewable energy in electricity ¹⁾ (in %)	Recycling quota ²⁾ (in %)	CO ₂ intensity ³⁾ (t CO ₂ e / FTE)	Average paper consumption (kg / FTE)
Austria	99	71	3	7
Bulgaria	15	11	20	27
Croatia	34	81	20	6
Belarus	2	33	16	13
Slovenia	72	77	10	5
Serbia	31	62	38	13
North Macedonia	34	84	31	42
A1 Telekom Austria Group	43	69	14	13
2019				
Austria	96	61	3	6
Bulgaria	17	8	17	25
Croatia	48	72	23	6
Belarus	6	59	15	18
Slovenia	50	86	17	8
Serbia	12	33	42	17
North Macedonia	57	80	26	44
A1 Telekom Austria Group	43	62	13	13

1) Share of electricity consumption; due to improved data quality, the key figure was recalculated for 2019. 2) Fractions handed over to be recycled (non-hazardous waste, electronic waste and batteries) in relation to total waste. 3) CO₂ intensity includes the CO₂ emissions from Scope 1 and Scope 2 market-based (excluding compensation) divided by the number of employees by end of the year.

Society

A1 Internet for All

	Courses	Participations	Supporting employees
Austria			
2020	520	8,936	82
2019	2,052	29,522	354
Change (in %)	-75	-70	-77

Participation in media literacy trainings

	2020	2019	Change (in %)
Austria	8,936	29,522	-70
Bulgaria	n. a.	3,000	n. a.
Croatia	143	24	496
Belarus	n. a.	n. a.	n. a.
Slovenia	n. a.	1,340	n. a.
Serbia	90	140	-36
North Macedonia	70	1,300	-95
A1 Telekom Austria Group	9,239	35,326	-74

Employees

Employees¹⁾ as of 31 December 2020

in FTE	2020	2019	Change (in %)
Austria	7,320	7,625	-4.0
Bulgaria	3,329	3,620	-8.0
Croatia	1,872	1,908	-1.9
Belarus	2,385	2,412	-1.1
Slovenia	532	513	3.6
Serbia	1,370	1,127	21.6
North Macedonia	776	768	1.0
Holding incl. A1 Digital	366	372	-1.6
A1 Telekom Austria Group	17,949	18,344	-2.2

1) Full-time equivalents

Number of employees by employment contract

in FTE	permanent		temporary		temporary positions (Leasingkräfte)	
	female	male	female	male	female	male
Austria	1,892	5,344	42	43	519	754
Bulgaria	1,484	1,767	48	31	0	0
Croatia	659	927	151	134	199	170
Belarus	1,416	970	0	0	0	0
Slovenia	217	289	14	12	52	37
Serbia	732	462	123	52	0	0
North Macedonia	271	302	134	69	120	57
A1 Telekom Austria Group¹⁾	6,815	10,233	538	362	913	1,054

1) including Holding and A1 Digital

Number of employees by employment type

in FTE	full-time		part-time	
	female	male	female	male
Austria	1,392	5,204	542	182
Bulgaria	1,473	1,769	58	29
Croatia	800	1,058	10	4
Belarus	1,392	949	24	20
Slovenia	214	299	17	2
Serbia	855	512	0	2
North Macedonia	404	372	0	0
A1 Telekom Austria Group¹⁾	6,670	10,336	683	259

1) including Holding and A1 Digital

Age structure employees¹⁾

2020 (in FTE)	below 30	30-50	above 50
Austria	702	3,593	3,025
Bulgaria	743	2,371	215
Croatia	405	1,337	129
Belarus	706	1,571	108
Slovenia	67	427	37
Serbia	267	1,077	26
North Macedonia	113	612	51
A1 Telekom Austria Group²⁾	3,053	11,284	3,612

2019 (in FTE)	below 30	30-50	above 50
Austria	679	3,881	3,065
Bulgaria	973	2,457	190
Croatia	430	1,367	111
Belarus	799	1,484	129
Slovenia	78	406	29
Serbia	163	942	21
North Macedonia	57	651	61
A1 Telekom Austria Group²⁾	3,197	11,458	3,688

- 1) Apprentices not included
2) including Holding and A1 Digital

Share of local persons in senior management positions^{1) 2)}

2020 (in %)	
Austria	100
Bulgaria	89
Belarus	57
Cluster Croatia / Macedonia	75
Cluster Serbia / Slovenia	100
A1 Telekom Austria Group³⁾	84

2019 (in %)	
Austria	100
Bulgaria	89
Belarus	57
Cluster Croatia / Macedonia	75
Cluster Serbia / Slovenia	100
A1 Telekom Austria Group³⁾	84

- 1) Local includes all those who have citizenship for the country in which they work. A1 leadership team consists of Senior Directors and respective Chief Executive Officers.
2) Persons in senior management positions correspond to local leadership team.
3) including Holding and A1 Digital

Employee turnover rate by age, gender and region

in %	below 30		30-50		above 50	
	female	male	female	male	female	male
Austria	6	6	3	2	13	12
Bulgaria	35	38	22	13	23	12
Croatia	15	16	11	9	10	13
Belarus	25	37	10	12	8	7
Slovenia	14	15	6	6	7	9
Serbia	7	10	5	6	0	0
North Macedonia	21	32	7	10	0	5
A1 Telekom Austria Group¹⁾	21	22	10	7	12	12

- 1) including Holding and A1 Digital

Composition of the governance body¹⁾ (Age structure)

A1 Telekom Austria Group	Governance body 2020	Governance body 2019
below 30 (in HC)	0	0
30-50 (in HC)	4	4
above 50 (in HC)	6	6
Total (in HC)	10	10
Share women (in %)	30	30

- 1) Capital representatives in the Supervisory Board

Gender diversity

	Share of female employees (in %)		Share of female managers ¹⁾ (in %)	
	2020	2019	2020	2019
Austria	26	26	18	19
Bulgaria	46	48	47	49
Croatia	43	43	41	37
Belarus	55	54	43	41
Slovenia	44	43	46	45
Serbia	62	60	51	51
North Macedonia	52	47	42	42
A1 Telekom Austria Group²⁾	40	39	36	35

1) Managers includes all persons with staff responsibility for at least one employee

2) including Holding and A1 Digital

Accident statistics

2020 (number or in working days)	Accidents	Fatal accidents	Days lost to accidents
Austria	40	0	1,075
Bulgaria	0	0	0
Croatia	9	0	402
Belarus	0	0	0
Slovenia	2	0	13
Serbia	0	0	0
North Macedonia	1	0	11
A1 Telekom Austria Group	52	0	1,501

2019 (number or in working days)	Accidents	Fatal accidents	Days lost to accidents
Austria	122	0	1,820
Bulgaria	7	0	747
Croatia	17	0	298
Belarus	0	0	0
Slovenia	2	0	17
Serbia	0	0	0
North Macedonia	4	0	289
A1 Telekom Austria Group	152	0	3,171

Compliance

Anti-corruption Trainings

2020	Anti-corruption trainings	Share of trained employees (in %)
Austria	10,598	138
Bulgaria	59	2
Croatia	351	19
Belarus	379	16
Slovenia	49	9
Serbia	151	11
North Macedonia	274	35
A1 Telekom Austria Group¹⁾	11,861	66

1) Includes all anti-corruption and face-to-face trainings and anti-corruption e-learning courses (including A1 Digital and Holding)

Forward-looking Statements

Disclaimer for forward-looking statements: This document contains forward-looking statements. These forward-looking statements are usually accompanied by words such as “believe”, “intend”, “anticipate”, “plan”, “expect” and similar expressions. Actual events may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Neither A1 Telekom Austria Group nor any other person accepts any liability for any such forward-looking statements. A1 Telekom Austria Group will not update these forward-looking statements, whether due to changed factual circumstances, changes in assumptions or expectations. This report does not constitute a recommendation or invitation to purchase or sell securities of A1 Telekom Austria Group.



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