Annual Financial Report 2021

The following documents are translations from the original German versions, which are solely valid.

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Group Management Report

General economic environment

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

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

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

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

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

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

Industry trends and competition

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

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

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

1) Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022, page 5.
2) Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021, page 112-114
Outlook data at the country level is from October's publication, as it was not available with the latest January's report.
3) https://www.rtr.at/TKP/aktuelles/publikationen/publikationen/m/pm/RTR_Post_Monitor_Q2-2021.en.html

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

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

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

In Serbia, mobile broadband data volumes increased by 13.3 % in the second quarter of 2021 compared to year-end 2020, which on average represents the consumption of 250 MB per user per day or 7.42 GB per user per month. The share of FTTx ("Fiber To The X: fiber to the point X: generic term for fiber optic networks to the end customer") connections increased from 13.7% at the end of 2020 to 16.5 % in Q2 2021, while the share of (advertised) internet speeds above 100 Mbit/s increased from 27.0 % to 32.4 % in the first half of 2021. [7]

Upload and download volumes in Austria

Volume in Petabyte

Source: RTR

Regulation

The A1 Telekom Austria Group is subject to various regulatory frameworks on its markets. For certain product and service markets in Austria, it is classified as a provider with substantial market power and is therefore subject to the corresponding regulatory measures. These include extensive network access and price regulations. The international subsidiaries of the A1 Telekom Austria Group are also subject to far-reaching regulatory provisions on their respective national markets. In particular, for any business activities by subsidiaries in countries that are part of the European Union (Austria, Bulgaria, Croatia, Slovenia), regulatory decisions are made not just at national level, but also at European level, for instance to guarantee harmonized conditions within the EU. This applies especially to the EU-level roaming and net neutrality regulations as well as the harmonization of mobile and fixed-line termination rates as a result of the European Electronic Communications Code (EECC), which apply equally to all EU Member States.

4) https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance
5) https://nsi.bg/sites/default/files/files/pressreleases/ICT_hh2021_en_WB3N3IL.pdf
6) https://www.hakom.hr/UserDocsImages/2021/e-trziste/Croatian%20Quarterly%20electronic%20communications%20data,Q22021.eng.pdf?vel=443104
7) https://www.ratel.rs/uploads/documents/empire_plugin/6128f1222713c.pdf

Fixed-line

Market analysis in Austria. In line with the statutory requirements of the market analysis cycle, the Austrian regulator began the sixth round of the market analysis procedure in March 2020. It first focused on the two wholesale markets for local and central access, and on the existing market for certain stand-alone business tariffs at retail level. In spring 2021, the regulatory authority published the first economic reports on this subject prepared by the official experts. One economic report envisages lifting the regulatory requirements still in force on the market for business customer tariffs at retail level in the future. The economic report on the wholesale markets for central and local (broadband) access includes future geographic differentiation in Austria, with deregulation of residential products at the wholesale level and a reduction in the forms of access (physical unbundling, bitstream) being envisaged in many urban areas. In both markets, the procedures are expected to be completed in the course of the year 2022.

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

Fixed-line termination rates in the EU. The process regarding fixed-line termination rates [8] was suspended until the date from which a low fixed-line termination rate was set uniformly throughout Europe on the basis of the new European legal framework (EECC). The European Commission set an absolute upper limit for this new termination charge in a separate legal act on December 21, 2020. This is associated with a significant reduction in the fixed-network termination charge for all operators in Europe to a uniform EUR 0.07 cents/min as of January 1, 2022, with this value being achieved in a short transition phase in 2021 with an interim reduction in the current fixed-network termination charges. The amount of the charges for 2021 is specified in the regulation individually for each member state. This regulation will have a sustained negative impact on the respective revenues, but the impact on earnings should be limited. Now that the uniform price regulations have been implemented at European level, the regulatory authority has continued the market analysis procedure for fixed-network termination and published the economic report on this as early as the beginning of October 2021. The latter envisages the future lifting of the remaining regulatory requirements on this market. The process is expected to be completed by the end of the first quarter of 2022.

Mobile communications markets

The mobile communications markets of the A1 Telekom Austria Group are subject to various regulatory systems. As EU Member States, Austria, Bulgaria, Croatia and Slovenia are subject to the regulations of the EU and the European Economic Area (EEA). These essentially relate to roaming charges and termination rates between individual market players.

EU roaming glide path

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

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

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

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

Roaming. The European Union regulation on roaming in its current form has been in force in the European Union since 2016. The requirements of this EU regulation have been fully implemented at all A1 Telekom Austria Group companies that operate in EU Member States and have had a sustained negative impact on roaming revenues. The COVID-19 crisis also led to a dramatic reduction in roaming revenues in 2020 and 2021. A revised roaming regulation is likely to extend the "Roam Like at Home" regulation and further reduce wholesale roaming rates in the coming years.

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

Mobile termination. As for fixed-line regulation, the mobile termination procedure was suspended until the date from which a low mobile termination rate was set uniformly throughout Europe on the basis of the new European legal framework (EECC). The European Commission set an absolute upper limit for this new termination charge in a separate legal act on December 21, 2020. This is associated with a significant reduction in mobile termination charges for all operators in Europe to a uniform EUR 0.2 cents/min as of January 1, 2024. This value will be achieved by means of a glide path, which was also defined in the EU Regulation and provides for annual reduction steps. This regulation will have a sustained negative impact on the respective revenues, but the impact on earnings should be limited. Now that the uniform price regulations have been implemented at the European level, the regulatory authority has continued the market analysis procedure in Austria for mobile termination and published the economic report on this as early as the beginning of October 2021. The latter envisages the future lifting of the remaining regulatory requirements on this market. The process is expected to be completed by the end of the first quarter of 2022.

Net neutrality

The European Union regulation on net neutrality has been in force in the European Union since 2016. This requires Internet access service providers to treat all data traffic equally. In addition to Internet access services, specialized services can also be offered subject to certain limitations.

Implementation of the new EU legal framework (EECC)

The new European legal framework for (tele) communications EECC (European Electronic Communications Code) was issued in its final form in December 2018 and was to be transposed into national law by the individual Member States by the end of 2020. Due to the COVID-19 crisis, the implementation of the regulatory framework in Austria and many other EU member states was delayed. In Austria, a new completely revised Telecommunications Act was adopted in 2021, which entered into force on November 1, 2021 (and contains only a few transitional provisions). This new Telecommunications Act is based almost entirely on the EECC.

Information on financial reporting

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

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

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

Mobile termination rates

	March 2019	January 2020	April 2020	August 2020	July 2021	January 2022
Austria (EUR)	0.008049	0.008049	0.008049	0.008049	0.007	0.0055
Bulgaria (BGN)	0.014	0.014	0.014	0.014	0.007	0.0055
Croatia (HRK)	0.047	0.045	0.045	0.045	0.006	0.0055
Belarus (BYN)	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009	MTS: 0.025/0.0125 BeST: 0.018/0.009
Slovenia (EUR)	0.0114	0.0114	0.0114	0.00882	0.007	0.0055
Republic of Serbia (RSD)	1.43	1.43	1.43	1.43	1.43	1.43
Republic of Macedonia (MKD)	0.63	0.63	0.63	0.63	0.63	0.63

Impact of the COVID-19 pandemic

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

A1 has sought collaborations with government agencies in its respective countries regarding vaccination and testing of employees. The home office and on-site prevention measures established in 2020 were targeted in line with pandemic developments and expanded to include additional measures such as vaccination and regular testing services to protect employee health and ensure business continuity. The impact of the pandemic on business development in 2021 was well compensated by the mix of measures in the Group's footprint.

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

Revenue and earnings development

Key performance indicators in EUR million	2021	2020	Change in %
Total revenues	4,748.3	4,549.4	4.4
Total service revenues	3,956.5	3,804.5	4.0
Total equipment revenues	709.5	659.4	7.6
Other operating income	82.4	85.5	-3.7
Wireless revenues	2,816.0	2,664.6	5.7
Service revenues	2,181.1	2,071.1	5.3
Equipment revenues	634.9	593.6	7.0
Fixed-line revenues	1,850.0	1,799.2	2.8
Service revenues	1,775.4	1,733.5	2.4
Equipment revenues	74.6	65.8	13.3
EBITDA before restructuring[1]	1,790.3	1,661.3	7.8
% of total revenues	37.7	36.5	–
EBITDA	1,706.1	1,576.8	8.2
% of total revenues	35.9	34.7	–
EBIT	753.4	638.9	17.9
% of total revenues	15.9	14.0	–
Net result	455.0	388.8	17.0
% of total revenues	9.6	8.5	–

Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	22,765.5	21,864.2	4.1
Postpaid	18,890.4	17,822.4	6.0
Prepaid	3,875.1	4,041.9	-4.1
ARPU[2] (in EUR)	8.1	8.1	1.0
Mobile churn (%)	1.3	1.4	–

Wireline indicators	2021	2020	Change in %
RGUs[3] (thousands)	6,081.8	6,050.3	0.5

1) Please find further details on restructuring in Note (23) of the consolidated financial statements.
2) "Average Revenue Per Unit": average revenue per mobile customer
3) "Revenue Generating Unit"

Revenue and earnings development

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

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

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

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

Key Figures of A1 Telekom Austria Group

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

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

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

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

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

Key Figures of A1 Telekom Austria Group

in EUR million

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

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

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

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

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

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

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

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

Net assets and financial position

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

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

Company Key Figures

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

1) Intended proposal to the Supervisory Board and 2022 Annual General Meeting.
2) Ratio of net result to average equity employed; serves as an indicator to measure the yield on equity
3) Total return on invested capital, calculated by net operating profit after income tax current period (NOPAT) divided by the average capital invested.

Net assets and financial position

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

Net debt

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

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

Cash flow

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

Net debt

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

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

Cash flow

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

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

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

Capital expenditures

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

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

Segment development

Segment Austria

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

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

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

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

Key performance indicators Austria

Key financials in EUR million	2021	2020	Change in %
Total revenues	2,677.6	2,622.1	2.1
Total service revenues	2,369.3	2,317.3	2.2
Total equipment revenues	257.7	256.2	0.6
Other operating income	50.6	48.7	4.0
Wireless revenues	1,197.5	1,158.3	3.4
Service revenues	979.8	940.0	4.2
Equipment revenues	217.7	218.3	-0.3
Fixed-line revenues	1,429.5	1,415.1	1.0
Service revenues	1,389.5	1,377.3	0.9
Equipment revenues	40.0	37.8	5.8
EBITDA before restructuring	1,075.3	1,021.2	5.3
% of total revenues	40.2	38.9	–
EBITDA	991.1	936.7	5.8
% of total revenues	37.0	35.7	–
EBIT	441.4	413.7	6.7
% of total revenues	16.5	15.8	–

Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	5,072.5	5,061.2	0.2
ARPU (in EUR)	16.2	15.6	4.1
Mobile churn (%)	1.3	1.2	–

Wireline indicators	2021	2020	Change in %
RGUs (thousands)	3,038.8	3,117.3	-2.5

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

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

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

International markets

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

Key performance indicators International markets

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

Wireless indicators	2021	2020	Change in %
Wireless subscribers (thousands)	14,921.8	14,737.4	1.3

Wireline indicators	2021	2020	Change in %
RGUs (thousands)	3,042.9	2,933.1	3.7

Segment Bulgaria

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

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

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

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

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

Segment Croatia

Throughout most of financial year 2021, the market environment in Croatia remained competitive and mobile network operators offered propositions with attractive hardware and higher subsidies. At the beginning of the year, A1 Croatia focused on enriching mobile portfolio with additional streaming services, offering a more-for-more concept. The mobile market was shaped by continued strong demand for mobile WiFi routers and a gradual return of roaming traffic since mid-of the year as almost record number of tourists visited the country during the summer season. In July 2021, A1 acquired spectrum in 700 MHz, 3.6 GHz and 26 GHz and the first 5G propositions complemented the existing company's mobile portfolio. The fixed-line business was characterized by successful upselling to high-bandwidth products and a solid demand for exclusive TV content.

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

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

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

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

Segment Belarus

In Belarus, positive operational trends continued also in 2021 and A1 benefited from the demand for its attractive convergent offers and the growing subscriber base. In the mobile business, the focus was on the retention and the upselling of existing customers, while upselling to multi-play offers and growing demand for ICT products and services characterized the fixed-line business. Solid operational performance was somewhat overshadowed by the FX development, especially in the first half of the year. While macro uncertainties prevailed, the Belarusian ruble appreciated against the euro since the beginning of the year 2021 (+9.9 %), period-average performance showed a depreciation of 7.2 % year-on-year. The government increased the corporate income tax rate for telecommunication companies from 18 % to 30 %, effective from January 2021 until the end of 2022. The inflation rose during the year and stood at 9.97 % at the end of 2021. In June and December 2021, the European Union imposed wide-ranging economic sanctions targeting main export industries and access to financing. The imposed sanctions did not have any significant direct impact on A1 Belarus in the year under review. At the same time, it should be noted that macroeconomic uncertainties remain with certain risks, such as increased inflation or stronger pressure on the Belarusian currency.

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

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

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

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

Other segments

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

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

In North Macedonia, the development in the mobile business was characterized by solid demand for mobile WiFi routers and the more-for-more concept with increased data volumes. Attractive convergent offers and demand for higher broadband speeds continued to shape the fixed-line business. Total revenues grew by 10.4 % driven by higher service revenues both in the mobile and the fixed-line business as well as higher equipment revenues. Mobile service revenues increased due to growing subscriber base, demand for mobile WiFi routers as well as partial roaming rebound, while fixed-line service revenues increased on the back of successful upselling to high-bandwidth products and growing subscriber base. EBITDA rose by 8.5 % in the year under review, as higher revenues more than compensated for increased total costs and expenses. The latter increased mainly due to higher equipment costs, higher advertising expenses as well as slightly higher workforce costs. Depreciation and amortization expenses were lower compared to the previous year, while operating income increased by 33.4 % in the year under review.

Revenues

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

Service revenues

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

Mobile service revenues

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

Detailed figures

Information on alternative performance measures

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2021 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2021 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

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

Fixed-line service revenues

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

Other operating income

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

EBITDA

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

EBITDA after leases

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

Depreciation and amortization

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

EBIT

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

Capital expenditures

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

Capital expenditures: tangible

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

Capital expenditures: intangible

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

Free Cash Flow

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

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

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

Mobile subscribers

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

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

RGUs

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

Mobile churn

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

EBITDA per segment

adjusted for FX, one-off effects and restructuring charges

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

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

Group EBITDA

adjusted for FX, one-off effects and restructuring charges

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

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

Austria EBITDA

adjusted for one-off effects and restructuring charges

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

Group EBITDA after leases

adjusted for FX, one-off effects and restructuring charges

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

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

ARPU

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

ARPL

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

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

Belarus: Key Financials in EUR and BYN

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

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

Consolidated non-financial statement

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

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

Shareholder structure and capital disclosures

At the end of 2021, a total of 51.00 % or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands ("América Móvil B.V."; formerly Carso Telecom B.V.), a wholly-owned subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil"). The Republic of Austria held 28.42 % via Österreichische Beteiligungs AG ("ÖBAG"), while the remaining 20.58 % of the shares were in free float. 0.1 % or 0.4 million shares of the latter were held by the company itself. Employee shares that are held in a collective custody account also form part of the free float. The associated voting rights are exercised by a custodian (notary). The total number of no-par value shares remains at 664,500,000.

	2021	2020	Change in %
Treasury Shares	415,159	415,159	0.0

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

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2021 financial year or up until the date at which this report was prepared.

The following information concerning the shareholders' agreement is based solely on publicly available information.[9] The company does not have any additional information. The shareholders' agreement between ÖBAG, América Móvil, and América Móvil B.V. came into force on June 27, 2014. Under the terms of the shareholders' agreement, the parties have undertaken to jointly pursue a long-term policy with regard to the management of Telekom Austria Aktiengesellschaft by exercising their voting rights on a concerted basis. The shareholders' agreement also contains provisions on the joint exercise of voting rights in the committees of the company for the election of Supervisory Board and Management Board members and restrictions on the sale of shares. The Supervisory Board of the company consists of ten shareholder representatives, of which eight members are nominated by América Móvil B.V. and two by ÖBAG. ÖBAG has the right to nominate the Chairman of the Supervisory Board. América Móvil B.V. has the right to nominate the Deputy Chairman. The Management Board of the company consists of three members. Two members are nominated by América Móvil B.V., while one member of the Management Board, namely the Chief Executive Officer (CEO), is nominated by ÖBAG. The Extraordinary General Meeting on August 14, 2014 also amended the Articles of Association to state that, as long as the Republic of Austria directly or indirectly holds at least 25 % plus one share of the share capital of the company, resolutions on capital increases and the issue of instruments containing a conversion right or a conversion obligation for shares of the company and amendments to the provisions of the Articles of Association relating to capital increases and such instruments shall require a majority of at least three quarters of the share capital represented at the vote on the respective resolution.

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

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

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

Members of the Supervisory Board of Telekom Austria Aktiengesellschaft

Name (year of birth)	Date of first appointment	End of current term of office / leaving date
Alejandro Cantú Jiménez (1972)	14.08.2014	2023 2)
Karin Exner-Wöhrer (1971)	27.05.2015	2023 2)
Carlos García Moreno Elizondo, first Deputy Chairman (1957)	14.08.2014	2023 2)
Peter Hagen (1959)	25.05.2016	2024 3)
Edith Hlawati (1957), Chair	28.06.2001 to 29.05.2013, reappointed on 30.05.2018	2023 2)
Carlos M. Jarque (1954)	14.08.2014	2022 1)
Peter F. Kollmann (1962)	20.09.2017	2024 3)
Daniela Lecuona Torras (1982)	30.05.2018	2022 1)
Christine Catasta (1958)	06.09.2021	2022 1)
Oscar Von Hauske Solís (1957)	23.10.2012	2023 2)

Members of the Supervisory Board delegated by the Staff Council		
Werner Luksch (1967)	03.08.2007 to 20.10.2010, re-delegated on 11.01.2011	
Renate Richter (1972)	12.10.2018	
Alexander Sollak (1978)	03.11.2010	
Gottfried Kehrer (1962)	27.10.2010	
Gerhard Bayer (1967)	05.10.2020	

1) The term of office expires at the end of the Annual General Meeting for the 2021 financial year (June 27, 2022)
2) The term of office expires at the end of the Annual General Meeting for the 2022 financial year (provisionally 2023)
3) The term of office expires at the end of the Annual General Meeting for the 2023 financial year (provisionally 2024)

Changes to the Management Board and the Supervisory Board

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

Cash use policy

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

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

In 2016, América Móvil and Österreichische Beteiligungs AG (ÖBAG) set a new minimum dividend of EUR 0.20 per share, which is expected to grow in line with the operational and financial development of the Group. In view of the solid results, the dividend has been continuously increased since then and most recently stood at EUR 0.25 for the 2020 financial year.

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

Risk and opportunity management

Principles and methods

As one of the leading telecommunications companies in Austria as well as Central and Eastern Europe, the A1 Telekom Austria Group is exposed to a wide range of risks and changes in market circumstances. The A1 Telekom Austria Group's risk management system analyzes risk areas systematically, assesses the potential impact, improves existing risk avoidance and risk elimination measures, and reports on the status and developments in the Supervisory Board. In the process, the A1 Telekom Austria Group relies on close cooperation between Group officers and the local risk officers. The risk management system is composed of five risk categories: (1) risk at macroeconomic, competitive and strategic level, (2) non-financial risks, (3) financial risks, (4) technical risks and (5) operational risks.

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

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

One key element of risk management is development of effective measures for risk perception and reduction. These are continuously updated via monthly performance calls (MPC) and leadership meetings involving the extended Management Board, the analysis of critical deviations from the targets adopted and the effectiveness of countermeasures taken. The overall risk situation for each risk category is derived from the sum of the individual risks.

In addition to the fixed-line and mobile communications market in Austria, the A1 Telekom Austria Group holds leading positions in six other telecommunications markets abroad. This ensures diversification in terms of both sectors and geographical regions. The risks in the respective markets vary, which is why risk management (and particularly counteracting risks) is the responsibility of the local operational units. Risk management is controlled by the holding company. A multi-year plan is prepared in addition to the regular controlling meetings and strategic meetings. This close integration of business planning and risk management ensures appropriate risk control. The A1 Telekom Austria Group's risk management is monitored by the Audit Committee of the Supervisory Board.

Risks in connection with the COVID-19 pandemic

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

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

Technical risks from the pandemic related to managing the significant increase in data volume and ensuring network stability given the difficulty in deploying staff during the lockdown, which extended from the underlying network level through to individual residential or business customers. The potential operational risks remained supply chain disruption and shortages in the semiconductor, with limited availability of hardware and the associated services (and revenues) as a risk. The company is countering the risk by establishing business relationships with alternative suppliers and adding new producers.

In the area of compliance, the transition to paperless workflows was accelerated in some markets in order to maintain the principle of dual control for workflow changes and ensure digital documentation.

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

Risks

1. Risks at macroeconomic, competitive, and strategic level

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

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

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

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

New growth areas
One challenge in the telecommunications industry is the ever shorter intervals at which companies have to adapt their offerings to include new services and products. Cloud services, over-the-top services, and machine-to-machine communication are just a few examples of new business areas whose growth potential the A1 Telekom Austria Group is seeking to leverage. However, shorter innovation cycles are also associated with innovation risks. The biggest challenges lie in scaling our services as well as differences in the levels of maturity and demand in our markets. Within the América Móvil Group, the A1 Telekom Austria Group is involved in the discussion on innovations.

Regulatory risks
Telecommunications services offered by a provider with significant market power are subject to extensive network access and price regulations. In Austria, the A1 Telekom Austria Group is classified as this kind of provider in several sub-markets. Regulation at the wholesale level restricts operational flexibility with regard to products and tariffs. There is also an obligation to provide access to infrastructure and fixed-line services to alternative providers. The foreign subsidiaries are also subject to certain regulatory frameworks. Additional regulatory decisions, such as further reductions in mobile and fixed-line termination rates as a result of the new EU legal framework (European Electronic Communications Code), will have a negative financial impact.

Net neutrality
Although the Body of European Regulators (BEREC) has issued guiding principles on net neutrality in order to specify how the net neutrality regulation should be applied, uncertainties that could have financial implications remain.

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

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

Digitalization
While increasing digitalization generates considerable convenience and efficiency in private life and in business, the growing use of digital platforms and services and the resulting increased use of handsets, tablets, and laptops also pose challenges. Growing cybercrime, from cyberbullying to fraud, poses a particular challenge here. As part of its social responsibility, the A1 Telekom Austria Group therefore also offers training on using the Internet safely, as well as information for at-risk groups. It also offers security products and cyber risk assessments for companies. A1 Telekom Austria Group addresses the public with information and training on the correct handling of new media, e. g. through in-person training, online information, folders and flyers, the state and society.

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

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

Health risks continued to increase in 2021 as a result of the COVID-19 pandemic. We are taking every effort to protect our sales and service staff during the pandemic. In particular, we safeguard the health of all employees and customers to the greatest possible extent by providing work wear and protective clothing for employees and introducing rules of conduct for the workplace.

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

3. Financial risks
The A1 Telekom Austria Group is exposed to liquidity, credit, foreign currency exchange rate, transfer, and interest rate risks (see Note 33). Tax risks are also included in the risk assessment and there is an increased focus on measures in this regard.

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

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

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

4. Technical risks
This category covers following areas of focus:

Operating risks
Maintaining availability and access to services offered is a key element of operational risk management, as different threats such as natural disasters, major technical disruptions, third-party construction work, hidden faults or criminal acts can all impair their quality and even lead to interrupted operations. Long-term planning takes technological developments into account. The redundancy of critical components ensures failure safety, while efficient organizational structures for operations and security serve to safeguard high quality standards. Furthermore, a separate Group guideline ensures uniform methods for the recognition and management of the most important risks. The ongoing identification and assessment of risks flows into the decision-making as to whether measures are taken to minimize the risk or whether the potential risk is borne by the A1 Telekom Austria Group. Whenever a major disruption occurs, causes are clarified and it is determined how a recurrence can be avoided. A central approach to insurance against physical damage also helps to minimize the financial effects.

IT changes and digital transformation
Modernizing and reducing complexity in the area of BSS (business support systems) and OSS (operations support systems) is a long-term challenge. Risk-based renewal of legacy infrastructure and software enables sustainable risk reduction, while overarching integration of platforms reduces complexity and ensures openness to new services and partners. The associated risks are analyzed in the areas of IT security, flexibility of service provision and the related medium-term costs. Another risk component is the transformation of people, developing our skills and workforce to have the right setup for sustainable architecture change and implementation.

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

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

(5) Operational risks

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

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

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

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

Risks of slow or no digital transformation
The A1 Telekom Austria Group counters personnel-related risks in various ways. For example, young talent is recruited as part of the "1A Career" program, which focuses on graduates, students, and apprentices and ensures diversity within the company. The risk of losing key employees is counteracted by means of forward-looking skill management, succession planning, and Group-wide talent management. The in-house eCampus development platform supports employees in developing their skills and abilities and serves as a platform for the Group-wide transfer of expertise. A central e-learning platform provides training at any time and any place throughout the Group. In addition to business plan-oriented cost planning, human resources planning includes measures aimed at encouraging employee mobility.

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

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

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

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

Public image

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

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for the financial reporting process as required by law. The ICS is intended to provide reasonable assurance regarding the reliability, completeness and accuracy of external financial reporting in compliance with international and national accounting standards. Regular internal reporting to management and the review of the ICS by the Internal Audit department also ensure that vulnerabilities are identified promptly or at an early stage and communicated and eliminated accordingly. The most important content and principles apply to all A1 Telekom Austria Group subsidiaries. The effectiveness of this system is reviewed, analyzed and assessed at regular intervals. At the end of each year, the Group's management carries out an assessment of the ICS for relevant companies with the involvement of the respective business units. Based on the findings of this assessment and the defined criteria, Management has determined that the internal control system regarding financial reporting was effective as of December 31, 2021.

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

Research and development

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

Outlook

A1 Telekom Austria Group outlook for the full year 2022

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

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

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

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

A1 Telekom Austria Group announced at the end of 2020 that it is currently working on the development of alternatives that would allow to reap more benefits from its tower assets through a targeted management focus on internal efficiencies and higher tenancy ratios. In 2021, the Group established an organization for its towers business, which is currently being developed, and carved out the towers in Bulgaria and Croatia (with no impact on the segments).

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

The development in Belarus could be negatively affected by the depreciation of the Belarusian ruble in 2022. The management of A1 Telekom Austria Group expects the currency to depreciate by 5–10% (period average) against the euro in 2022, though it should be noted that the predictability of the Belarusian ruble is limited.

A1 Telekom Austria Group is also committed to the fiber rollout in Austria and on Group-level to the ongoing development of its mobile infrastructure in 2022, especially in terms of the roll-out of 5G. The Group acquired respective spectrum in Bulgaria, Croatia and Slovenia in 2021 and thus will continue its 5G roll-out in 2022 in Austria and these three countries. In Austria, A1 will accelerate its smart fiber roll-out in 2022.

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

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

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

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

Vienna, February 4, 2022
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft

Consolidated Financial Statements 2021 1)

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	2021	2020
Service revenues		3,956,530	3,804,527
Equipment revenues		709,453	659,358
Other operating income		82,354	85,525
Total revenues (incl. other operating income)	**(5)**	**4,748,338**	**4,549,409**
Cost of service		-1,343,144	-1,311,915
Cost of equipment		-698,063	-652,416
Selling, general & administrative expenses		-988,163	-997,375
Other expenses		-12,840	-10,912
Total cost and expenses	**(6)**	**-3,042,211**	**-2,972,619**
Earnings before interest, tax, depreciation and amortization - EBITDA		**1,706,127**	**1,576,790**
Depreciation and amortization	(15) (16)	-789,499	-774,335
Depreciation of right-of-use assets	(30)	-163,181	-163,515
Operating income - EBIT		**753,446**	**638,940**
Interest income		4,845	3,777
Interest expense		-100,691	-103,909
Interest on employee benefits and restructuring and other financial items, net		-7,843	2,474
Foreign currency exchange differences, net		2,923	-18,871
Equity interest in net income of associated companies	(18)	-74	-11,560
Financial result	**(7)**	**-100,839**	**-128,088**
Earnings before income tax - EBT		**652,607**	**510,851**
Income tax	(29)	-197,577	-122,027
Net result		**455,030**	**388,824**
Attributable to:			
Equity holders of the parent		454,458	388,421
Non-controlling interests	(34)	572	403
Basic and diluted earnings per share attributable to equity holders of the parent in euro	**(8)**	**0.68**	**0.58**
Other comprehensive income items:			
Items that may be reclassified to profit or loss:			
Effect of translation of foreign entities	(3) (28)	23,756	-82,536
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)	112	7
Realized result on debt instruments at fair value, net of tax	(7)	0	16
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations, net of tax	(27)	4,954	-9,490
Total other comprehensive income (loss)		**33,202**	**-87,622**
Total comprehensive income (loss)		**488,232**	**301,202**
Attributable to:			
Equity holders of the parent		487,660	300,799
Non-controlling interests	(34)	572	403

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, 2021	December 31, 2020
Current assets			
Cash and cash equivalents	(9)	534,443	210,879
Short-term investments	(19)	87,353	164,821
Accounts receivable: Subscribers, distributors and other, net	(10)	782,355	774,682
Receivables due from related parties	(11)	4,086	8,442
Inventories, net	(12)	92,817	90,761
Income tax receivable	(29)	2,080	915
Other current assets, net	(13)	179,118	152,401
Contract assets	(14)	103,559	106,845
Total current assets		**1,785,811**	**1,509,745**
Non-current assets			
Property, plant and equipment, net	(15)	2,875,792	2,753,145
Right-of-use assets, net	(30)	762,309	853,078
Intangibles, net	(16)	1,670,163	1,678,023
Goodwill	(17)	1,285,801	1,284,010
Long-term investments	(19)	141,512	12,425
Deferred income tax assets	(29)	27,657	96,487
Other non-current assets, net	(20)	23,588	25,062
Total non-current assets		**6,786,822**	**6,702,229**
TOTAL ASSETS		**8,572,633**	**8,211,974**
Current liabilities			
Short-term debt	(21)	1,553,212	749,061
Lease liability short-term	(30)	161,037	154,374
Accounts payable	(22)	736,885	685,774
Accrued liabilities and current provisions	(23)	253,292	246,408
Income tax payable	(29)	29,771	23,992
Payables due to related parties	(11)	604	181
Contract liabilities	(24)	205,648	188,658
Total current liabilities		**2,940,450**	**2,048,448**
Non-current liabilities			
Long-term debt	(25)	1,046,120	1,793,703
Lease liability long-term	(30)	606,061	700,559
Deferred income tax liabilities	(29)	24,560	4,074
Other non-current liabilities	(26)	44,436	53,901
Asset retirement obligation and restructuring	(23)	573,576	586,018
Employee benefits	(27)	222,073	231,513
Total non-current liabilities		**2,516,826**	**3,369,769**
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		1,315,311	1,026,869
Other comprehensive income (loss) items		-743,675	-776,877
Equity attributable to equity holders of the parent	(28)	**3,113,256**	**2,791,611**
Non-controlling interests		2,102	2,146
Total stockholders' equity		**3,115,357**	**2,793,757**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**8,572,633**	**8,211,974**

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

TELEKOM AUSTRIA AG – Consolidated Statement of Cash Flows

in TEUR	Notes	2021	2020
Earnings before income tax - EBT		652,607	510,851
Depreciation	(15)	532,772	517,666
Amortization of intangible assets	(16)	256,727	256,669
Depreciation of right-of-use assets	(30)	163,181	163,515
Equity interest in net income of associated companies	(18)	74	11,560
Result on sale / measurement of investments	(7)	495	-793
Result on sale of property, plant and equipment	(5) (6)	7,439	4,702
Net period cost of labor obligations and restructuring	(7) (23) (27)	94,741	97,821
Foreign currency exchange differences, net	(7)	-2,923	18,871
Interest income	(7)	-4,845	-3,777
Interest expense	(7)	105,291	97,116
Other adjustments	(32)	-4,530	-3,793
Non-cash and other reconciliation items		1,148,423	1,159,556
Accounts receivable: Subscribers, distributors and other, net	(10)	2,653	54,445
Prepaid expenses	(13)	-7,847	-3,495
Due from related parties	(11)	4,355	425
Inventories	(12)	-966	14,844
Other assets	(13) (20)	-3,335	2,276
Contract assets	(14)	3,326	17,153
Accounts payable and accrued liabilities	(22) (23)	-20,372	-113,253
Due to related parties	(11)	423	-426
Contract liabilities	(24)	16,706	15,332
Working capital changes		-5,056	-12,698
Employee benefits and restructuring paid	(23) (27)	-110,204	-115,259
Interest received	(7)	6,288	3,814
Income taxes paid	(29)	-106,499	-65,206
Net cash flow from operating activities		1,585,558	1,481,059
Capital expenditures paid	(32)	-853,254	-742,530
Proceeds from sale of plant, property and equipment	(15)	3,668	17,761
Purchase of investments	(19)	-426,563	-302,446
Proceeds from sale of investments	(19)	374,125	137,757
Acquisition of businesses, net of cash acquired	(34)	0	-4,992
Sale of shares of associated companies	(18) (34)	0	19,543
Net cash flow from investing activities		-902,025	-874,906
Repayments of long-term debt	(25) (32)	-750,000	0
Interest paid	(7)	-96,286	-100,615
Change in short-term debt	(21) (32)	806,568	-119,812
Dividends paid	(28)	-166,632	-153,364
Lease principal paid	(30)	-154,826	-153,802
Net cash flow from financing activities		-361,175	-527,593
Adjustment to cash flows due to exchange rate fluctuations, net	(3)	1,205	-7,975
Net change in cash and cash equivalents		323,564	70,585
Cash and cash equivalents beginning of period	(9)	210,879	140,293
Cash and cash equivalents end of period	(9)	534,443	210,879

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, 2020	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
At December 31, 2020	1,449,275	-7,803	1,100,148	1,026,869
Net result	0	0	0	454,458
Other comprehensive income (loss)	0	0	0	0
Total comprehensive income	0	0	0	454,458
Distribution of dividends	0	0	0	-166,021
Acquisition of non-controlling interests	0	0	0	6
At December 31, 2021	1,449,275	-7,803	1,100,148	1,315,311

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

Remeasurement of defined benefit plans	Measurement of debt instruments	Hedging reserve	Translation reserve	Total	Non-controlling interests	Total stockholders' equity
-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
-53,374	-18	-10,949	-712,535	2,791,611	2,146	2,793,757
0	0	0	0	454,458	572	455,030
4,954	112	4,380	23,756	33,202	0	33,202
4,954	112	4,380	23,756	487,660	572	488,232
0	0	0	0	-166,021	-610	-166,632
0	0	0	0	6	-6	0
-48,420	94	-6,570	-688,779	3,113,256	2,102	3,115,357

TELEKOM AUSTRIA AG – Notes to the Consolidated Financial Statements

(1) Segment Reporting

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus
External revenues	2,656,415	566,216	445,849	419,544
Intersegmental revenues	21,213	7,857	6,179	60
Total revenues (incl. other operating income)	**2,677,628**	**574,072**	**452,027**	**419,603**
Segment expenses	-1,686,514	-355,795	-296,305	-239,080
EBITDA	**991,113**	**218,277**	**155,723**	**180,524**
Depreciation and amortization	-549,740	-114,133	-97,541	-58,153
Operating income - EBIT	**441,374**	**104,144**	**58,181**	**122,371**
Interest income	2,052	433	1,283	368
Interest expense	-22,621	-2,471	-8,373	-5,641
Other financial result	-3,852	-2,664	-239	2,136
Equity interest in net income of associated companies	-74	0	0	0
Earnings before income tax - EBT	**416,879**	**99,442**	**50,853**	**119,234**
Income taxes	-117,259	-2,954	-9,809	-32,984
Net result	**299,620**	**96,488**	**41,044**	**86,250**
EBITDA margin	37.0%	38.0%	34.4%	43.0%
Capital expenditures - intangible	108,654	26,864	28,704	12,264
Capital expenditures - tangible	387,340	76,082	67,385	28,137
Total capital expenditures	**495,994**	**102,946**	**96,088**	**40,400**
Addition to right-of-use assets	36,417	35,656	6,651	12,382
Assets by segment	5,733,933	1,130,789	653,243	399,148
Property, plant and equipment	1,977,192	234,286	245,218	153,406
Right-of-use assets, net	421,597	131,740	45,452	30,450
Goodwill	708,212	242,691	125,983	11,767
Brand names and patents	158,351	3,608	0	0
Licenses and other rights	797,729	14,759	43,921	41,099
Other intangible assets	246,959	40,613	44,839	14,455
Liabilities by segment	3,393,309	247,071	378,828	128,043

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

	Slovenia	Serbia	North Macedonia	Corporate & Other	Eliminations	Consolidated
	207,285	309,463	132,543	11,025	0	4,748,338
	2,618	5,807	2,075	12,911	-58,720	0
	209,904	**315,270**	**134,618**	**23,936**	**-58,720**	**4,748,338**
	-149,399	-213,163	-88,492	-70,661	57,198	-3,042,211
	60,505	**102,106**	**46,126**	**-46,726**	**-1,522**	**1,706,127**
	-47,053	-52,872	-28,049	-4,438	-701	-952,681
	13,452	**49,235**	**18,077**	**-51,164**	**-2,223**	**753,446**
	153	466	354	25,668	-25,932	4,845
	-1,315	-2,432	-1,122	-82,734	26,017	-100,691
	-20	-131	23	1,243,244	-1,243,416	-4,920
	0	0	0	0	0	-74
	12,270	**47,138**	**17,332**	**1,135,014**	**-1,245,554**	**652,607**
	-875	-6,790	-2,055	-25,680	830	-197,577
	11,395	**40,347**	**15,276**	**1,109,333**	**-1,244,724**	**455,030**
	28.8%	32.4%	34.3%	n.a.	n.a.	35.9%
	48,774	6,513	7,102	2,331	-200	241,006
	30,020	41,724	17,239	2,531	0	650,458
	78,794	**48,237**	**24,342**	**4,862**	**-200**	**891,465**
	2,784	5,325	2,795	2	0	102,012
	501,903	462,554	233,594	9,190,102	-9,732,634	8,572,633
	77,059	111,365	75,093	2,455	-284	2,875,792
	54,006	54,813	23,892	359	0	762,309
	150,723	0	29,996	16,429	0	1,285,801
	1,333	3,600	0	2,619	0	169,512
	96,484	86,256	19,369	170	-2,106	1,097,682
	19,327	20,555	8,967	7,313	-58	402,970
	131,480	119,735	62,827	3,664,446	-2,668,462	5,457,276

	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

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 segments offer the services and products disclosed in Note (5) and operate in their local markets under the common brand name "A1".

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. With the exception of the tower business (see Note (38)), intercompany lease transactions are not recognized as right-of-use assets and lease liabilities according to IFRS 16, but are recognized as expense and revenue and eliminated such as other intercompany transactions. Right-of-use assets and lease liabilities relating to the tower business are recognized on single company level and eliminated in consolidation.

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 under the common brandname "A1".

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	
	2021	2020	2021	2020
Bosnian Convertible Mark (BAM)	1.9558	1.9558	1.9558	1.9558
Great Britain Pound (GBP)	0.8403	0.8990	0.8599	0.8893
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Croatian Kuna (HRK)	7.5172	7.5369	7.5241	7.5331
Macedonian Denar (MKD)	61.6270	61.6940	61.6275	61.6741
Polish Zloty (PLN)	4.5969	4.5597	4.5656	4.4438
Romanian Leu (RON)	4.9490	4.8683	4.9209	4.8382
Swiss Franc (CHF)	1.0331	1.0802	1.0814	1.0704
Serbian Dinar (RSD)	117.5821	117.5802	117.5736	117.5779
Czech Koruna (CZK)	24.8580	26.2420	25.6490	26.4525
Turkish Lira (TRY)	15.2335	9.1131	10.4891	8.0414
Hungarian Forint (HUF)	369.1900	363.8900	358.5481	351.1377
US Dollar (USD)	1.1326	1.2271	1.1830	1.1414
Belarusian Ruble (BYN)	2.8826	3.1680	3.0050	2.7873

Accounting

A1 Telekom Austria Group prepared the Consolidated Financial Statements as of December 31, 2021 in compliance with the International Financial Reporting Standards (IFRS/IAS), issued by the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretation of the former Standards Interpretation Committee (SIC), effective as of December 31, 2021 and as endorsed by the European Union, as well as in accordance with the supplemental regulations of Section 245a of the Austrian Commercial Code (UGB).

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, 2021.

IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Amendments: Interest Rate Benchmark Reform (Phase 2)
IFRS 16	Amendments: Covid-19-Related Rent Concessions beyond 30 June 2021
IFRS 4	Amendments: Insurance Contracts – deferral of IFRS 9

The amendments to IFRS 16 are effective as of April 1, 2021, and were applied retrospectively as of January 1, 2021.

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

2021 began with a pandemic wave that continued from 2020 and tough lockdown measures, which lasted through the first quarter. As in the previous year, the situation eased during the summer months and the government measures were largely lifted. In the fourth quarter of 2021 there was another pandemic wave. Depending on the local political situations, different government actions and renewed lockdowns occurred in the countries.

Due to travel restrictions imposed by the governments, roaming traffic and thus roaming revenues decreased significantly at the beginning of the pandemic in 2020. The negative roaming impact on earnings before interest, tax, depreciation and amortization (EBITDA) amounted to approximately 4% in 2020. Although roaming revenues increased in 2021, they are still significantly below pre-pandemic levels. For further details on possible effects and measures of A1 Telekom Austria Group, see the Group Management Report.

Bad debt

Since the beginning of the economic crisis, A1 Telekom Austria Group has been monitoring customer payment behavior more closely. In both 2021 and 2020, no significant changes were yet observed in this respect. However, in 2020, general loss allowance for accounts receivable not yet due from subscribers and from installment sales was increased, as forecasts related to economic development and expected insolvencies showed a negative trend. 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)). In 2021, it is still expected that once the government support expires liquidity shortfalls could occur in enterprises and in the population in all countries. Due to this outlook, A1 Telekom Austria Group still estimates higher expected credit losses and thus maintained the increased general loss allowance.

Relief and support measures

In 2021, A1 Telekom Austria Group recognized government grants in the amount of TEUR 1,879 (2020: TEUR 1,100) in employee expenses (see Note (6)). These government grants relate mainly to refunds for specified employees who were unable to work from home in Austria and furthermore, in 2021, to subsidies in Serbia. 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 remained, as expected, quite resilient as many countries intend to focus their investments on digitalization due to the lockdown experiences. The analyses of internal sources indicate that the estimated economic performance, the estimated net future cash flows and business models are expected to be stable due to the crises-proof demand for reliable connectivity. Since the outbreak of the pandemic, government measures to fight COVID-19 have had a significant impact on mobility. As a result, 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 in both 2021 and 2020, and therefore no impairment was recognized.

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 affect only 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**
IAS 37	Amendments: Onerous Contracts - Cost to Fulfilling a Contract	January 1, 2022	January 1, 2022
IFRS 3	Amendments: Reference to the Conceptual Framework	January 1, 2022	January 1, 2022
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements 2018-2020	January 1, 2022	January 1, 2022
IAS 16	Amendments: Proceeds before Intended Use	January 1, 2022	January 1, 2022
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	January 1, 2024	not endorsed
IAS 1 und IFRS PS 2	Amendments: Disclosure of Accounting Policies	January 1, 2023	not endorsed
IAS 8	Amendments: Definition of Accounting Estimates	January 1, 2023	not endorsed
IAS 12	Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	not endorsed
IFRS 17	Insurance Contracts	January 1, 2023	January 1, 2023

* 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: 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.

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:

2021 (in TEUR)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Serbia	North Macedonia	Other*	Consolidated
Mobile service revenues	979,794	293,719	253,727	242,262	111,785	229,142	82,280	-11,588	2,181,121
Fixed-line service revenues	1,389,489	150,176	125,663	51,845	43,063	10,403	24,869	-20,098	1,775,409
Service revenues	**2,369,283**	**443,895**	**379,390**	**294,107**	**154,848**	**239,545**	**107,148**	**-31,686**	**3,956,530**
Mobile equipment revenues	217,706	115,793	64,274	95,875	44,190	71,609	25,523	-78	634,891
Fixed-line equipment revenues	40,015	8,317	3,089	15,423	6,259	0	1,186	273	74,562
Equipment revenues	**257,721**	**124,110**	**67,362**	**111,298**	**50,449**	**71,609**	**26,709**	**195**	**709,453**
Other operating income	**50,624**	**6,068**	**5,275**	**14,198**	**4,607**	**4,115**	**761**	**-3,293**	**82,354**
Total revenues (incl. OOI)	**2,677,628**	**574,072**	**452,027**	**419,603**	**209,904**	**315,270**	**134,618**	**-34,784**	**4,748,338**

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

*Other includes Corporate & Other and Eliminations

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

in TEUR	2021	2020
Service revenues	3,941,328	3,792,454
Equipment revenues	707,272	657,454
Total customer contract revenues	**4,648,601**	**4,449,908**
Other service revenues	15,202	12,073
Other equipment revenues	2,181	1,904
Other operating income	82,354	85,525
Total revenues from other sources	**99,737**	**99,501**
Total revenues (incl. other operating income)	**4,748,338**	**4,549,409**

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 income from the sale of solar energy and income from the rental of buildings amounting to TEUR 12,315 (2020: TEUR 12,457). Furthermore, income from collections of impaired receivables is included (see "Credit risk" in Note (33)). In 2021, other operating income includes tax exempted research bonuses amounting to TEUR 1,020 (2020: TEUR 1,020). The remaining part of other operating income comprises mainly collection fees, damages, income from rental of radio towers and gain on disposal of tangible assets.

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 2021 and 2020, a discounting effect had to be recognized in Belarus only, the corresponding accretion effect of TEUR 4,890 and TEUR 4,579, 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 generated 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. The performance obligation is 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, 2021, the total transaction price of the unfulfilled (or partly unfulfilled) performance obligations relating to multiple-element arrangements amounted to TEUR 798,244 (2020: TEUR 837,187), and will be realized as a general rule over a contract term of twelve to 24 months respectively up to 36 months for business customers. 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 their nature:

in TEUR	2021	2020
Cost of equipment	698,063	652,416
Employee expenses, including benefits and taxes	923,814	908,175
Other operating expenses	1,420,334	1,412,027
Total cost and expenses	3,042,211	2,972,619

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	2021	2020
Own work capitalized	66,415	61,218

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	2021	2020
Impairment losses	41,217	59,519

In 2020, the higher expected credit risk related to COVID-19 was recognized (see Note (3)) and furthermore debt collection was suspended due to the pandemic.

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

in TEUR	2021	2020
Cost of service	815,930	796,606
Cost of equipment	16,615	16,058
Selling, general & administrative expenses	120,135	125,187
Depreciation and amortization	952,681	937,850

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

in TEUR	2021	2020
Audit fees	1,043	1,047
Other reviews	102	44
Other services	78	15
Fees EY	1,223	1,105

Audit fees neither contain expense allowance nor value added tax.

In 2021, other reviews relate to expenses for extended disclosures in the report of sustainability according to the EU taxonomy directive as well as ISAE certifications, and in 2020, to expenses incurred for the certification of the internal control system according to ISAE3402-1 requested by customers.

(7) Financial Result

in TEUR	2021	2020
Interest income on financial assets at amortized cost	4,380	3,585
Interest income on investments at fair value through profit or loss	206	27
Interest income on investments at fair value through other comprehensive income	63	4
Interest income on finance lease	196	162
Interest income	4,845	3,777

in TEUR	2021	2020
Interest expense on financial liabilities at amortized cost	89,084	87,924
Interest expense on lease liabilities	12,022	14,914
Interest capitalized	-2,430	-1,200
Interest expense on asset retirement obligations	1,976	2,239
Interest expense on deferred consideration	39	32
Interest expense	100,691	103,909

Interest is recognized using the effective interest method, except for equity instruments at fair value through profit or loss. 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 Notes (22) and (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 2021, 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% (2020: 3.0%).

in TEUR	2021	2020
Interest expense on employee benefit obligations	2,250	3,313
Interest expense on restructuring provisions	971	2,119
Fees for unused credit lines	2,178	2,364
Dividends received	-474	-319
Loss on disposal of debt instruments at fair value through other comprehensive income	0	22
Expected credit loss	687	0
Interest on taxes	2,422	-9,157
Income from measurement of instruments at fair value through profit or loss	-726	-1,386
Loss from measurement of instruments at fair value through profit or loss	534	571
Interest on employee benefits and restructuring and other financial items, net	**7,843**	-2,474

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). The expected credit loss relates to financial investments (see Note (19)). In 2021 and 2020, the expense respectively gain from interest on taxes mainly relate to tax audits in Bulgaria (see Note (29)). Net gains or net losses of financial instruments at fair value through profit or loss include neither dividends nor interest.

in TEUR	2021	2020
Foreign exchange gains	11,732	13,910
Foreign exchange losses	-8,809	-32,781
Foreign exchange differences	**2,923**	-18,871

The decrease in foreign exchange losses in 2021 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:

	2021	2020
Net result attributable to owners of the parent in TEUR	454,458	388,421
Weighted average number of common shares outstanding	664,084,841	664,084,841
Basic and diluted earnings per share in euro	**0.68**	0.58

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, 2021 and 2020.

(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 Note (33)).

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

in TEUR, at December 31	2021	2020
Accounts receivable, gross	1,061,396	1,048,949
Loss allowances	-279,041	-274,267
Accounts receivable, net	**782,355**	774,682
Thereof remaining term of more than one year	67,554	58,838

At December 31, 2021 and 2020, accounts receivable: subscribers, distributors and other with a remaining term of more than one year relate to installment sales of essentially 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 exercise control or 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	2021	2020
Revenues (incl. other operating income)	115,703	101,763
Expenses	78,970	86,168

In the years reported, revenues generated with Austrian related parties comprise the full service portfolio of A1 Telekom Austria Group. The increase in revenues is mainly due to the digitalization in the public sector, which was accelerated by the COVID-19 pandemic. 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 decrease is substantially due to lower postage fees as invoices are mailed digitally. In the years reported, revenues and expenses with the América Móvil Group relate to interconnection and roaming, which decreased as a result of the COVID-19 pandemic, as well as to other charges.

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. In June 2021, the contract with the Republic of Austria valid in 2020 was renewed and specifies the unchanged reimbursement of EUR 10.00 per customer per month for customers having a valid official notice. In 2021, the total reimbursement recorded as revenue in the service period was TEUR 9,077 (2020: TEUR 10,177).

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.

For government grants for assets received from the Republic of Austria, see Note (15)). Tax exempted research bonuses are disclosed in Note (5).

At December 31, 2021 and 2020, 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	2021	2020
Short-term employee benefits	10,713	9,392
Pensions	513	512
Other long-term benefits	0	50
Termination benefits	164	124
Share-based payments	1,176	62
Compensation of key management	**12,566**	**10,140**
Expenses for pensions and severance for other employees	19,748	20,107
Expenses for pensions and severance for Management Board	395	384

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	2021	2020
Write-down/ reversals of write-down of inventories	-1,168	-445

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

(13) Other Current Assets, Net

Other current assets are broken down as follows:

in TEUR, at December 31	2021	2020
Prepaid expenses	61,186	52,621
Other current assets	76,357	57,465
Contract costs	41,575	42,315
Total	**179,118**	**152,401**

Prepaid expenses

in TEUR, at December 31	2021	2020
Advances to employees	14,769	15,296
Concession fees	14,883	14,079
Other	31,534	23,246
Prepaid expenses	**61,186**	**52,621**

Other current assets

in TEUR, at December 31	2021	2020
Finance lease receivables	1,636	1,584
Accrued interest	1,824	1
Other financial assets	11,494	5,350
Financial assets	**14,953**	**6,935**
Fiscal authorities	1,513	1,820
Advance payments	3,963	3,545
Government grants	50,877	36,865
Other non-financial assets	11,708	13,309
Non-financial assets	**68,061**	**55,539**
Other current assets, gross	**83,014**	**62,473**
Less loss allowance for financial assets	-4,458	-2,945
Less loss allowance for non-financial assets	-2,199	-2,063
Other current assets	**76,357**	**57,465**

For finance lease receivables as well as the loss allowance recognized thereon that is included in the loss allowance for financial assets, see Note (30). Accrued interest included interest on financial investments (see Note (19)). The increase in other financial assets relates mainly to the reimbursement of frequency fees in Croatia due in the following year (see Note (20)).

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	2021	2020
Contract costs, gross	42,553	43,315
Loss allowance contract costs	-978	-1,001
Contract costs, net	**41,575**	**42,315**
Thereof remaining term of more than one year	14,948	14,329

Contract costs are expensed over the expected duration of the underlying contract using the straight-line method. In 2021, the amortization of TEUR 36,528 (2020: TEUR 35,732) 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	2021	2020
At January 1	1,001	881
Foreign currency adjustment	2	-8
Reversed	-895	-860
Charged to expenses	871	988
At December 31	**978**	**1,001**

(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, 2021, contract liabilities from customer loyalty programs and discounts granted for hardware amounting to TEUR 82,438 (2020: TEUR 76,041) 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	2021	2020
At January 1	**109,800**	127,502
Increases	219,562	214,149
Transfers to receivables	-222,890	-231,633
Foreign currency adjustments	45	-218
At December 31	**106,518**	109,800
Loss allowances	-2,958	-2,955
Contract assets, net	**103,559**	106,845
Thereof remaining term of more than one year	44,619	46,406

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.

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, 2021, the carrying amount of land amounted to TEUR 60,112 (2020: TEUR 60,054).

in TEUR	Telephonic plant in operation and equipment	Land and buildings & leasehold improvements	Other assets	Construction in progress	Inventories for operation of the plant	Total
Cost						
At January 1, 2020	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
Additions	275,628	7,687	26,704	163,527	199,740	673,286
Disposals	-268,829	-4,569	-27,429	-811	-2,483	-304,122
Transfers	340,739	11,072	-43,139	-142,920	-165,721	31
Translation adjustment	24,265	2,619	5,727	1,622	277	34,510
At December 31, 2021	11,220,199	938,065	374,676	236,681	136,094	12,905,715
Accumulated depreciation and impairment						
At January 1, 2020	-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
Additions	-476,973	-18,545	-38,729	0	1,475	-532,772
Disposals	244,362	2,175	26,897	0	552	273,987
Transfers	-35,659	0	33,641	0	0	-2,018
Translation adjustment	-15,230	-812	-4,141	0	-72	-20,254
At December 31, 2021	-8,963,923	-724,859	-308,878	0	-32,263	-10,029,923
Carrying amount at						
December 31, 2021	2,256,276	213,206	65,798	236,681	103,831	2,875,792
December 31, 2020	2,167,973	213,579	86,266	215,263	70,063	2,753,145

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 in years are:

	2021	2020
Telephonic plant in operation and equipment	2-20	3-20
Buildings and leasehold improvements	3-50	3-50
Other assets	2-10	2-10

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	2021	2020
Decrease due to extension by one year	98,760	96,560
Increase due to reduction by one year	175,304	163,163

In 2021, the useful lives of certain assets were reduced essentially due to the deployment of new television technologies, which led to an increase in depreciation of TEUR 4,422 in the asset class "telephonic plant in operation and equipment".

Government grants and contractual commitments

In 2021, government grants for assets amounting to TEUR 38,375 (2020: TEUR 33,030) were deducted from acquisition cost. Of this amount TEUR 6,820 (2020: TEUR 418) relate to the investment grant, which was introduced as an incentive for capital expenditures in Austria in 2020 as a result of the COVID-19 crisis, and the other grants relate essentially to the expansion of the broadband network in Austria.

At December 31, 2021, contractual commitments for the acquisition of property, plant and equipment amounted to TEUR 153,736 (2020: TEUR 159,428).

(16) Intangibles

in TEUR	Licenses and other rights	Brand names and patents	Software	Customer base	Construction in progress	Total
Cost						
At January 1, 2020	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
Additions	72,981	393	57,188	9,587	100,857	241,006
Disposals	-221,120	-3,514	-145,298	0	-36	-369,968
Transfers	-1,943	494	53,029	70	-51,681	-31
Translation adjustment	9,900	4,846	5,876	17,520	807	38,949
At December 31, 2021	**2,159,984**	**559,210**	**1,166,667**	**1,042,191**	**160,859**	**5,088,911**
Accumulated amortization and impairment						
At January 1, 2020	-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
Additions	-127,058	-2,824	-112,219	-14,626	0	-256,727
Disposals	221,119	3,514	145,202	0	0	369,835
Transfers	2,017	26	-26	0	0	2,018
Translation adjustment	-5,687	-4,752	-5,168	-17,335	0	-32,941
At December 31, 2021	**-1,062,302**	**-389,698**	**-965,565**	**-1,001,182**	**0**	**-3,418,747**
Carrying amount at						
December 31, 2021	1,097,682	169,512	201,102	41,009	160,859	1,670,163
December 31, 2020	1,147,472	171,329	202,518	45,792	110,911	1,678,023

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 in years:

	2021	2020
Mobile communications and fixed net licenses	5-24	5-20
Other rights	2-30	2-30
Patents	5-7	5-7
Software	2-10	2-10
Customer base	5-14	5-14

The following table shows expected amortization expense related to intangible assets with a finite useful life for each of the following periods:

in TEUR	
2022	269,771
2023	229,472
2024	194,665
2025	153,075
2026	106,008
Thereafter	556,202

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	2021	2020
Decrease due to extension by one year	46,993	47,295
Increase due to reduction by one year	81,217	80,387

Licenses and other rights

Other rights with useful lives of more than 20 years relate to indefeasible 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, 2021, the total cost incurred for the major license agreements, which will expire between 2024 and 2044 (2020: 2023 and 2044), amounted to TEUR 1,959,189 (2020: TEUR 2,126,639).

In 2021, A1 Telekom Austria Group acquired frequencies in Bulgaria for TEUR 5,644 (2.1 GHz, 2.6 GHz and 3.6 GHz), in Slovenia for TEUR 43,609 (700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz and 26 GHz) and in Croatia for TEUR 14,010 (700 MHz, 3.6 GHz and 26 GHz). In North Macedonia, TEUR 2,002 were paid for the prolongation of the operator's license in the 2,100 MHz band as well as for a capacity expansion from 2x10 MHz to 2x20 MHz.

In 2020, A1 Telekom Austria Group acquired frequencies in Austria for TEUR 65,816 which are 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.

Brand names

The following table shows the changes in the carrying amounts of brand names by segment:

in TEUR	Austria	Corporate & Other	Total
At January 1, 2020	158,351	2,056	160,407
Translation adjustment	0	10	10
Changes in reporting entities	0	459	459
At December 31, 2020	158,351	2,525	160,876
Translation adjustment	0	94	94
At December 31, 2021	**158,351**	**2,619**	**160,970**

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.

The following table shows the recognized brand names, which all have an indefinite useful life:

in TEUR, at December 31	2021	2020
A1 Telekom Austria	144,910	144,910
Cable Runner	491	491
YESSS!	12,950	12,950
Total Austria	**158,351**	158,351
Exoscale	2,160	2,066
Invenium	459	459
Total Corporate & Other	**2,619**	2,525
Total brand names	**160,970**	160,876

Software

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	2021	2020
Cost of production	71,100	66,926
Accumulated amortization	-55,811	-48,858
Carrying amount	15,289	18,068
Additions	1,796	3,166

Customer base

On April 1, 2021, the Austrian subsidiary A1 Telekom Austria AG acquired the assets and liabilities of the Alcatel Lucent Voice Business from NTT Austria GmbH, which consists of active customer contracts for the maintenance of PABX systems ("NTT customers"). These were reported as additions to the customer base in 2021.

Construction in progress

In 2021 and 2020, transfers include reclassifications of construction in progress to tangible and intangible assets.

Contractual commitments

At December 31, 2021, contractual commitments for the acquisition of intangible assets amounted to TEUR 57,023 (2020: TEUR 51,229).

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, 2020	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
Translation adjustment	0	0	330	1,054	0	33	373	1,791
At December 31, 2021	708,212	242,691	125,983	11,767	150,723	29,996	16,429	1,285,801

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	2021	2020
Segment Austria	712,232	712,232
Segment Bulgaria	642,691	642,691
Segment Croatia	131,018	130,675
Segment Belarus	375,561	341,733
Segment Slovenia	178,647	178,647
Segment North Macedonia	35,095	35,057
Corporate & Other	16,429	16,055
Total cost	2,091,673	2,057,091

in TEUR, at December 31	2021	2020
Segment Austria	4,020	4,020
Segment Bulgaria	400,000	400,000
Segment Croatia	5,035	5,022
Segment Belarus	363,794	331,021
Segment Slovenia	27,924	27,924
Segment North Macedonia	5,100	5,094
Accumulated impairment	805,873	773,081

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.

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	
	2021	2020	2021	2020
Segment Austria	1.2%	0.7%	4.1%	4.6%
Segment Bulgaria	2.0%	2.0%	5.2%	6.7%
Segment Croatia	2.3%	1.5%	6.2%	8.4%
Segment Belarus	7.2%	6.1%	13.5%	17.0%
Segment Slovenia	2.4%	1.5%	4.5%	6.1%
Segment North Macedonia	3.0%	2.2%	6.8%	9.0%
Corporate & Other	1.2%	0.7%	4.0%	4.6%

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.

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 December 31, 2021 and 2020, the values in use of all cash-generating units exceeded the carrying amounts. Thus no impairment charges had to be recognized.

(18) Investments in Associates

On September 17, 2021, the Austrian subsidiary A1 Telekom Austria AG acquired a 49% interest in the newly founded company Canal+ Austria ("Canal+") by making a capital contribution of TEUR 17 which was paid in January 2022. Furthermore, A1 Telekom Austria committed itself to providing a contribution of TEUR 1,965, which was paid in January 2022 as well. The joint venture was entered into to expand the TV business in Austria.

At December 31, 2021, Canal+ was the only investment accounted for using the equity method (2020: none). The following table shows the development of the investment in associates:

in TEUR	2021
At January 1	**0**
Recognized income	-17
Changes in reporting entities	17
At December 31	**0**

The difference between the investment in associates and its proportionate negative equity is disclosed in the following table:

in TEUR, at December 31	2021
Proportionate equity	-57
Recognized liability	57
Investments in associates	**0**

Based on the contribution obligation, a short-term financial liability was recognized for the loss not covered by the investment according to IAS 28.39 (see Note (22)).

In 2020, the loss of TEUR 11,560 recognized in the line item “Equity interest in net income of associated companies” and reported in the segment Corporate & Other relates to the 24.9% interest in Telecom Liechtenstein which was sold for a consideration paid in cash of TEUR 19,543 on July 21, 2020.

(19) Investments

in TEUR, at December 31	2021	2020
Equity instruments at fair value through profit or loss - mandatory	3,914	5,091
Debt instruments at fair value through other comprehensive income - mandatory	30,363	2,550
Debt instruments at fair value through profit or loss - mandatory	30,145	1,534
Investments at amortized cost	164,444	168,071
Investments	**228,866**	177,246

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, which were held for generating contractual cash flows as well as for sale. 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. At December 31, 2021, the subsidiary paybox Bank AG is obliged to hold bonds in the amount of TEUR 2,487 (2020: TEUR 2,550) due to the Capital Requirements Regulation.

“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. At December 31, 2021, TEUR 1,495 (2020: TEUR 1,534) serve as coverage for the provision for pension obligations in Austria.

At December 31, 2021, financial assets at amortized cost include quoted bonds with investment grade ratings of TEUR 139,363, which are held to generate contractual cash flows, as well as fixed-term deposits of TEUR 25,081 (2020: fixed-term deposits only). At December 31, 2020, fixed-term deposits of TEUR 3,175 served as cash reserve for the subsidiary paybox Bank AG according to contractual obligations to the licensor VISA. At December 31, 2021, there are no obligations of this kind as the license contract with VISA was cancelled.

The recognized 12 months’ expected credit loss relating to debt instruments at fair value through other comprehensive income and to financial investments at amortized cost is disclosed in Note (7), (see also “Credit risk” in Note (33)).

(20) Other Non-current Assets, Net

in TEUR, at December 31	2021	2020
Finance lease receivables	2,460	2,994
Other financial assets	10,190	16,841
Financial assets	**12,650**	19,835
Other non-financial assets	**14,605**	8,901
Other non-current assets, gross	**27,256**	28,735
Less loss allowance for financial assets	–3,668	–3,673
Other non-current assets, net	**23,588**	25,062

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 (see also Note (13)).

Other non-financial assets include essentially prepayments for maintenance agreements and license fees.

(21) Short-term Debt

in TEUR, at December 31	2021	2020
Current portion of long-term debt	749,702	749,039
Short-term bank debt	803,510	22
Short-term debt	**1,553,212**	749,061

For further information regarding long-term financial debt, see Note (25). Short-term bank debt with an average interest rate of -0.4% will become due between January and December 2022. For further funding sources, see Note (33).

(22) Accounts Payable

Accounts payable consist of the following items:

in TEUR, at December 31	2021	2020
Fiscal authorities	67,503	68,563
Social security	12,101	11,779
Other non-financial liabilities	3,118	5,603
Current non-financial liabilities	**82,722**	85,945
Suppliers	543,250	504,805
Deferred consideration from business combinations	1,312	0
Accrued interest	31,324	29,990
Cash deposits received	12,229	11,129
Employees	34,719	29,413
Long-term incentive program	1,150	690
Employees - transferred to government	0	41
Other current financial liabilities	30,179	23,760
Current financial liabilities	**654,163**	599,829
Accounts payable	**736,885**	685,774

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.

At December 31, 2021, accounts payable - trade amounting to TEUR 13,953 (2020: TEUR 1,705) have a maturity of more than twelve months. The increase in accounts payable due to suppliers is due essentially to the increase in capital expenditures (see table "Reconciliation of capital expenditures paid to capital expenditures" in Note (32)). At December 31, 2021, the deferred consideration from business combinations relates to the acquisition of Akenes in 2017 (see Note (26)). Accrued interest includes mainly interest on bonds (see Note (25)). 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 increase is due to the fact that compared to the previous year less vacation was consumed in 2021. 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)). In 2021 and 2020, 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, 2021	403,522	109,075	280,838	17,634	21,355	832,426
Additions	92,104	48,556	14,157	14,038	2,545	171,400
Changes in estimate	6,095	0	-11,933	0	0	-5,838
Used	-96,768	-43,684	-4,022	-7,042	-2,918	-154,436
Released	-17,230	-10,416	-2,376	-146	-3,290	-33,458
Accretion expense	971	908	1,976	0	0	3,856
Reclassifications*	0	11,697	0	0	0	11,697
Translation adjustment	0	201	977	13	30	1,221
At December 31, 2021	**388,695**	**116,337**	**279,618**	**24,496**	**17,722**	**826,868**
Thereof long-term						
December 31, 2021	293,958	0	279,618	0	0	573,576
December 31, 2020	305,180	0	280,838	0	0	586,018

* 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 was terminated in a socially responsible way such as 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, 2021, the corresponding liability amounts to TEUR 381,739 (2020: TEUR 395,425) and includes 1,856 (2020: 1,889) employees.

Provisions for restructuring are recorded at their present value. In 2021 and 2020, 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, taking into account the respective maturities:

	2021	2020
Employees permanently leaving the service process	0.25%	0.25%
Social plans	0.25%	0.25%
Civil servants transferred to the government	0.25%	0.25%

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, 2021, the provision for the transfer of civil servants to the government amounts to TEUR 6,956 (2020: TEUR 8,097) and comprises 107 (2020: 113) 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:

	2021	2020
Employees permanently leaving the service process	5.6	6.0
Social plans	3.2	3.2
Civil servants transferred to the government	5.0	5.4

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
2021		
Change in discount rate	–11,302	11,978
Change in rate of compensation	9,223	–8,900

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

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 28,502 at December 31, 2021 (2020: TEUR 29,845), 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.

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.

Based on the new telecommunication law 2021 ("TKG 2021") A1 is no longer obliged to operate public telephone booths in Austria, which resulted in an increase in the asset retirement obligation for telephone booths of TEUR 10,439.

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:

	2021	2020
Discount rate	0.6%-9.7%	0.0%-11.0%
Inflation rate	1.9%-5.8%	1.5%-5.0%

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 2021, TEUR 1,442 (2020: TEUR 2,416) 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
2021		
Change in discount rate	-26,568	32,707
Change in inflation rate	32,552	-27,030
in TEUR at December 31		
2020		
Change in discount rate	-29,839	36,186
Change in inflation rate	35,376	-29,836

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	2021	2020
At January 1	**188,658**	173,954
Increases due to payments received	1,255,814	1,124,561
Revenues recognized in the current period from:		
Amounts included in the contract liability at beginning of the period	-162,438	-142,247
Increases due to payments received in current period	-1,076,703	-966,835
Foreign currency adjustments	318	-774
At December 31	**205,648**	188,658
Thereof remaining term of more than one year	22,812	21,613

At December 31, 2021 and 2020, 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:

		At December 31, 2021				At December 31, 2020			
Currency	Maturity	Nominal interest rate		Face value	Carrying amount	Nominal interest rate		Face value	Carrying amount
Bonds									
TEUR	2021			0	0	fixed	3.125%	750,000	749,039
TEUR	2022	fixed	4.000%	750,000	749,702	fixed	4.000%	750,000	748,545
TEUR	2023	fixed	3.500%	300,000	299,617	fixed	3.500%	300,000	299,364
TEUR	2026	fixed	1.500%	750,000	746,502	fixed	1.500%	750,000	745,794
Total bonds				**1,800,000**	**1,795,822**			2,550,000	2,542,742
Financial debt				**1,800,000**	**1,795,822**			2,550,000	2,542,742
Current portion of long-term debt				-750,000	-749,702			-750,000	-749,039
Long-term debt				**1,050,000**	**1,046,120**			1,800,000	1,793,703

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 December 3, 2021, A1 Telekom Austria Group redeemed a bond with a face value of TEUR 750,000.

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 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	2021	2020
Cash deposits received	203	754
Deferred consideration from business combinations	5,837	7,053
Sundry other non-current financial liabilities	36,894	44,775
Other non-current financial liabilities	**42,934**	52,582
Long-term incentive program	1,165	892
Sundry other non-current non-financial liabilities	338	427
Other non-current non-financial liabilities	**1,503**	1,319
Other non-current liabilities	44,436	53,901

At December 31, 2021, the deferred consideration from business combinations relates to the acquisition of Invenium in 2020 as well as, at December 31, 2020, to the acquisition of Akenes in 2017, which will become due next year and is thus presented as short-term in the current year (see Notes (22) and (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)), which correspond to the discounted cash flows of the future payments. These are disclosed in the maturity analysis in Note (33).

See Note (31) regarding the long-term incentive program.

(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	2021	2020
Service awards	49,118	55,415
Severance	166,329	169,904
Pensions	4,763	5,469
Other	1,862	726
Long-term employee benefit obligations	**222,073**	231,513

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:

	2021	2020
Discount rate service awards	0.25%	0.25%
Discount rate severance	1.00%	0.75%
Discount rate pensions	0.75%	0.50%
Rate of compensation increase – civil servants	4.00%	4.10%
Rate of compensation increase – other employees	3.00%	3.00%
Rate of compensation increase – civil servants released from work	3.40%	3.50%
Rate of increase of pensions	1.60%	1.60%
Employee turnover rate*	0.0%-1.12%	0.0%-1.31%

* Depending on years of service.

The discount rates are 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.

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:

	2021	2020
Service awards	4.3	4.8
Severance	12.6	13.5
Pensions	11.2	11.5

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	2021	2020
At January 1	62,719	66,092
Service cost	1,739	1,874
Interest cost	150	476
Actuarial gain/loss from experience adjustment	-960	-365
Actuarial gain/loss from changes in demographic assumptions	-2	-11
Actuarial gain/loss from changes in financial assumptions	-288	825
Recognized in profit or loss	639	2,798
Benefits paid	-6,693	-6,171
Obligation at December 31	56,665	62,719
Less short-term portion	-7,547	-7,304
Non-current obligation	49,118	55,415

At December 31, 2021 and 2020, 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 2021, A1 Telekom Austria Group paid TEUR 2,853 (2020: TEUR 2,705), 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	2021	2020
At January 1	173,636	158,770
Service cost	4,634	4,405
Interest cost	1,295	1,947
Recognized in profit or loss	5,929	6,351
Actuarial gain/loss from experience adjustment	-289	694
Actuarial gain/loss from changes in demographic assumptions	-249	93
Actuarial gain/loss from changes in financial assumptions	-5,469	11,166
Recognized in other comprehensive income	-6,007	11,953
Benefits paid	-2,688	-3,438
Obligation at December 31	170,871	173,636
Less short-term portion	-4,542	-3,732
Non-current obligation	166,329	169,904

At December 31, 2021, approximately 4% (2020: 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 2021 to the social security system and the government in Austria amount to TEUR 59,899 (2020: TEUR 60,173). In 2021, contributions of the foreign subsidiaries into the respective systems range between 7% and 29% of gross salaries and amount to TEUR 25,085 (2020: TEUR 24,542).

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 2021, the annual expenses for this plan amounted to TEUR 11,933 (2020: TEUR 12,060).

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, 2021, approximately 24% (2020: 20%) of the obligation for pensions relate to the employees of the company Akenes in Lausanne.

The following table shows the components and a reconciliation of the changes in the obligation for pensions:

in TEUR	2021	2020
At January 1	**5,851**	5,583
Service cost	80	38
Interest cost	28	53
Past service cost	-92	0
Recognized in profit or loss	**15**	91
Actuarial gain/loss from experience adjustment	-399	271
Actuarial gain/loss from changes in financial assumptions	-82	295
Recognized in other comprehensive income	**-481**	566
Benefits paid	-335	-387
Foreign currency adjustments	50	-3
Obligation at December 31	**5,101**	5,851
Less short-term portion	-337	-382
Non-current obligation	**4,763**	5,469

Sensitivity analysis

The following table summarizes the short and long-term obligations recorded:

in TEUR, at December 31	2021	2020
Service awards	56,665	62,719
Severance	170,871	173,636
Pensions	5,101	5,851

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
2021		
Service awards	1,250	-1,206
Severance	11,182	-10,307
Pensions	555	-484
in TEUR, at December 31		
2020		
Service awards	1,532	-1,474
Severance	12,183	-11,182
Pensions	574	-501

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
2021		
Service awards	-2,275	2,389
Severance	-19,474	22,406
Pensions	-404	463
in TEUR, at December 31		
2020		
Service awards	-2,781	2,937
Severance	-21,050	24,413
Pensions	-490	564

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
2021		
Service awards	17	-1,215
Severance	4,346	-5,642
Pensions	3	-3
in TEUR, at December 31		
2020		
Service awards	21	-1,485
Severance	5,064	-5,803
Pensions	5	-5

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. Together with a sustainable and transparent dividend policy the balance between shareholder remuneration and the utilization of cash to redeem outstanding debt is ensured.

Share capital

At December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, these requirements were fulfilled.

The number of authorized, issued and outstanding shares and treasury shares is presented below:

At December 31	2021	2020
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:

	2021	2020
Date of Annual General Meeting	May 14, 2021	September 24, 2020
Dividend per share in euro	0.25	0.23
Total dividend paid in TEUR	166,021	152,740
Date of payment	May 25, 2021	October 2, 2020

The net income of Telekom Austria AG according to Austrian GAAP amounts to:

in TEUR	2021	2020
Net income	1,183,153	-32,072
Release of reserves reported in retained earnings	0	246,194
Allocation to reserves reported in retained earnings	-950,925	0
Profit carried forward from prior year	222,803	174,702
Unappropriated retained earnings	455,030	388,824

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

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	2021	2020
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 subsidiaries in Belarus and 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	2021	2020
Current income tax	111,164	50,340
Deferred income tax	86,413	71,687
Income tax	**197,577**	122,027

The table below provides information about the allocation of total income tax in the Consolidated Financial Statements:

in TEUR	2021	2020
Continuing operations	197,577	122,027
Income tax on realized result on hedging activities*	1,460	1,460
Income tax on result of debt instruments*	37	8
Income tax on remeasurement of defined benefit obligations*	1,534	-3,035
Total income tax	**200,608**	120,460

* Recognized in other comprehensive income (OCI).

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	2021	2020
Income tax expense at statutory rate	163,152	127,713
Foreign tax rate differential	-25,451	-30,778
Non-tax-deductible expenses	9,289	9,944
Tax incentives and tax-exempted income	-7,829	-5,944
Tax-free income (loss) from investments	-117	-76
Change in tax rate	-1,083	1,272
Tax benefit/expense previous years	-3,005	-9,905
Changes in deferred tax assets not recognized	1,856	9,107
Impairments (reversals of impairments) of investments in subsidiaries	61,807	19,825
Other	-1,042	868
Income tax	**197,577**	122,027
Effective income tax rate	30.28%	23.89%

In 2021 and 2020, non-deductible expenses consist mainly of non-deductible withholding taxes on dividends as well as various non-deductible expenses in the individual countries.

In 2021 and 2020, tax incentives and tax-exempted income relate mainly to investment and other tax incentives in the individual countries. Furthermore, in both years reported the tax-free income on the fictitious amortization of tax goodwill related to the Austrian tax group is included. 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 2021, the change in tax rate is due to the increase of the corporate income tax rate from 1.6% to 15.0% in Serbia. In 2020, it is due to an increase in the corporate income tax rate from 18% to 30% for mobile operators in Belarus for the years 2021 and 2022.

In 2021, the tax benefit for prior periods relates to a tax audit in Bulgaria covering the year 2017, which accepted the loss carry-forwards from a business combination. In 2020, the tax benefit for prior periods relates to the tax expense for a tax audit of the Austrian tax group covering the years 2010 to 2015 which was compensated by the tax benefit for a tax audit in Bulgaria covering the years 2011 and 2012. Due to the positive decisions, the accrual for tax and interest on tax (see Note (7)) 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 2021	Deferred tax assets 2020	Deferred tax liabilities 2021	Deferred tax liabilities 2020
Loss carry-forwards	7,893	105,662	0	0
Property, plant and equipment	3,890	3,273	-48,175	-50,042
Right-of-use assets, net	0	0	-148,843	-144,613
Other intangible assets	1,240	30	-68,086	-72,205
Accounts receivable: Subscribers, distributors and other	11,863	9,250	-24	-565
Contract cost	0	0	-6,935	-7,412
Lease liabilities	151,305	147,029	0	0
Provisions, long-term	52,940	52,167	0	0
Employee benefit obligations	31,208	33,459	0	0
Accrued liabilities and accounts payable	14,813	17,813	-49	-80
Other	5,081	3,477	-5,023	-4,829
Total	**280,233**	372,160	**-277,135**	-279,747
Set off	-252,575	-275,672	252,575	275,672
Deferred tax assets/liabilities	**27,657**	96,487	**-24,560**	-4,074
Net deferred tax assets/liabilities	**3,097**	92,413		

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 decrease in deferred tax assets on loss carry-forwards relates to the complete use of losses carried forward in the Austrian tax group in 2021. 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.

Deferred tax liabilities on property, plant and equipment are mostly due to differences in the carrying amounts of retirement obligations for assets as well as to interest capitalized, which may not be recognized for tax purposes (see Notes (7), (15) and (23)).

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	2021	2020
Net operating loss carry-forwards	383,471	381,615
Temporary differences related to impairments of investments in consolidated subsidiaries	0	2,593
Deferred tax assets not recognized	383,471	384,208

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, 2021, no deferred tax liabilities were recognized on temporary differences related to investments in subsidiaries amounting to TEUR 68,928 (2020: TEUR 65,236), 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.

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 Tele-communication sites	RoU Other facilities	RoU Leased lines	Total
Cost					
At January 1, 2020	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
Additions	35,432	42,038	10,986	13,555	102,012
Disposals	-27,084	-19,999	-2,574	-7,280	-56,937
Translation adjustment	935	3,626	175	170	4,906
At December 31, 2021	416,318	579,460	41,380	166,924	1,204,082
Accumulated amortization and impairment					
At January 1, 2020	-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
Additions	-45,735	-81,936	-8,958	-26,552	-163,181
Disposals	14,127	5,737	2,107	2,379	24,350
Translation adjustment	-432	-1,380	-91	-16	-1,919
At December 31, 2021	-120,442	-232,992	-21,050	-67,290	-441,773
Carrying amount at					
December 31, 2021	295,877	346,467	20,330	99,634	762,309
December 31, 2020	318,633	398,381	18,686	117,378	853,078

Other facilities contain mainly vehicles.

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	2021	2020
Lease principal paid	154,826	153,802
Lease interest paid	12,205	15,225
Prepaid right-of-use assets	4,448	8,641
Operating lease expense	4,118	4,642
Total cash outflow for leases	175,597	182,311

In 2021, operating leasing expense was reduced due to COVID-19-related rent concessions by TEUR 483 (2020: TEUR 732). In 2021, these relate mainly to sites, while in 2020, they related 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	2021	2020
2021	n.a.*	165,408
2022	166,602	152,377
2023	153,935	141,125
2024	135,171	127,423
2025	122,900	115,994
2026	54,290	n.a.*
Thereafter	**170,642**	**199,939**
Total minimum lease payments	**803,539**	**902,266**
Less amount representing interest	-36,441	-47,333
Present value of lease payments	**767,098**	**854,933**
thereof short-term portion	161,037	154,374
thereof long-term portion	606,061	700,559

*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	2021	2020
Short-term leases	1,244	1,317
Leases of low-value assets	29	118
Variable lease payments	2,845	3,207

Interest recognized is disclosed in Note (7).
COVID-19-related rent concessions are netted with variable lease payments.

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 leases

If substantially all the risks and rewards incidental to ownership are not attributable to the lessee, 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, 2021, the carrying amount of assets held exclusively under finance lease amounts to TEUR 26,311 (2020: TEUR 18,327). 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. Future lease payments amount to:

in TEUR at December 31	2021	2020
2021	n.a.*	25,444
2022	26,299	18,419
2023	19,319	15,627
2024	16,615	13,887
2025	15,156	7,175
2026	8,569	n.a.*
Thereafter	22,253	21,548
Total minimum lease payments	108,212	102,100

*not applicable for the respective reporting period

Finance leases

Since 2019, the lease of private automatic branch exchange equipment (PABX) is classified as finance lease. The following table sets forth a maturity analysis of the future lease payments as well as the recognized loss allowances on finance lease receivables (see Notes (13) and (20)):

in TEUR at December 31	2021	2020
2021	n.a.*	1,727
2022	1,771	1,408
2023	1,288	1,003
2024	828	696
2025	363	13
2026	99	n.a.*
Thereafter	32	47
Total minimum lease payments	4,380	4,894
Less amount representing interest	-284	-316
Present value of finance lease receivables	4,096	4,578
thereof short-term portion	1,636	1,584
thereof long-term portion	2,460	2,994
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 personal investment in shares on a pro rata basis. This maximum amount of fictitious bonus shares is allocated if the targets are overachieved by 175% or more. In case of a significant underperformance, no bonus shares will be allocated.

On June 1, 2021, the twelfth tranche (LTI 2021) and on August 1, 2020, the eleventh tranche (LTI 2020) were granted. Return on invested capital ("ROIC", weighted with 34%), the revenue market share of A1 Telekom Austria Group (weighted with 33%) and sustainable financing (long-term financing in the years 2021 to 2023 and 2020 to 2022, respectively, under a green bond or sustainable finance certificate, weighted with 33%) were defined as key performance indicators.

On August 1, 2019, the tenth tranche (LTI 2019) was granted. Return on invested capital (ROIC) and the revenue market share of A1 Telekom Austria Group (weighted with 50% each) were defined as key performance indicators.

On September 1, 2018, the ninth tranche (LTI 2018) was granted, also with the key performance indicators ROIC and revenue market share. 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 2021	LTI 2020	LTI 2019	LTI 2018
Start of the program	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
Grant date	June 1, 2021	August 1, 2020	August 1, 2019	September 1, 2018
End of vesting period	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Vesting date	June 1, 2024	August 1, 2023	August 1, 2022	September 1, 2021
Personal investment at grant date	81,387	75,769	77,618	58,719
Personal investment at reporting date*	81,387	75,769	77,618	58,719
Expected performance**	106.30%	101.30%	97.20%	62.50%
Expected bonus shares***	173,029	153,508	150,889	0
Maximum bonus shares***	284,855	265,192	271,663	0
Fair value of program in TEUR	1,230	1,131	1,150	0
Allocated bonus shares	0	0	0	117,439
Average stock price at end of vesting period in euro	0	0	0	6.05
Share-based compensation in TEUR	0	0	0	444

* For LTI 2018, personal investment at the end of the vesting period.
** For LTI 2018, 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	2021	2020
Personnel expense LTI	1,176	62

(32) Cash Flow Statement

The other adjustments in the non-cash and other reconciliation items in the Consolidated Statement of Cash Flows in 2021 and 2020 result mainly from non-cash effects of the asset retirement obligation recognized in other operating income (see Note (23)).

The dividends received in 2021 and 2020 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 2021 and 2020 to the non-controlling interests of subsidiaries (see Note (34)) are disclosed in the Consolidated Statement of Changes in Stockholders' Equity.

In 2021, no cash and cash equivalents were acquired in the course of business combinations (2019: TEUR 192), (see Note (34)).

The following table provides a reconciliation of capital expenditures paid to total capital expenditures:

in TEUR	2021	2020
Capital expenditures paid	**853,254**	742,530
Reconciliation of additions in accounts payable	56,670	-79,763
Reconciliation of government grants	-14,011	-2,690
Reconciliation of right-of-use assets paid	-4,448	-8,641
Total capital expenditures	**891,465**	651,435

In 2021, capital expenditures reached again pre-pandemic levels, after having been reduced in 2020 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.

For the definition of capital expenditures, see Note (1). At December 31, 2021, TEUR 135,871 (2020: TEUR 67,261) 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)):

			Non-cash changes				
		Cash flow	Foreign exchange differences	Accretion expense	Lease*	Additions	
in TEUR	December 31, 2021						December 31, 2020
Debt	2,599,332	56,568	0	0	0	0	2,542,764
Lease liability	767,098	-167,032	2,910	12,022	64,265	0	854,933
Deferred consideration from business combinations	7,149	0	57	39	0	0	7,053
Total liabilities from financing activities	**3,373,578**	**-110,463**	**2,967**	**12,061**	**64,265**	**0**	**3,404,750**

in TEUR	December 31, 2020						December 31, 2019
Debt	2,542,764	-119,812	0	0	0	1	2,662,575
Lease liability	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

* Includes additions to new lease contracts as well as terminations or modifications of existing lease contracts.
The cash flow from lease liabilities includes lease principal paid and interest, the latter being reported in the line item "Interest paid".

In 2020, additions to debt and to deferred consideration from business combinations relate to the acquisition of Invenium (see Note (34)).

(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. 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. Financial assets and liabilities are allocated to level 2 if the input factors on which their fair value is based are observable, either directly or indirectly. Financial assets and liabilities are allocated to hierarchy level 3 if the fair value is not determined exclusively from observable input factors. 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 if the carrying amount is a reasonable approximation of the fair value:

in TEUR, at December 31	Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Cash and cash equivalents	534,443	n.a.*	210,879	n.a.*
Accounts receivable: Subscribers, distributors and other	782,355	n.a.*	774,682	n.a.*
Receivables due from related parties	4,086	n.a.*	8,442	n.a.*
Other current financial assets	10,496	n.a.*	3,990	n.a.*
Other non-current financial assets	8,983	n.a.*	16,161	n.a.*
Investments at amortized cost	164,444	164,262	168,071	n.a.*
Financial assets at amortized cost	**1,504,806**	**n.a.***	1,182,224	n.a.*
Equity instruments at fair value through profit or loss - mandatory	3,914	3,914	5,091	5,091
Debt instruments at fair value through other comprehensive income - mandatory	30,363	30,363	2,550	2,550
Debt instruments at fair value through profit or loss - mandatory	30,145	30,145	1,534	1,534
Financial assets at fair value	**64,422**	**64,422**	9,175	9,175

* Not applicable as the practical expedient of IFRS 7.29 (a) was applied.
For further information on financial investments (at amortized cost and at fair value), see Note (19).

At December 31, 2021, financial investments at amortized cost include quoted bonds with a fair value of TEUR 139,181 and fixed-term deposits of TEUR 25,081 (2020: fixed-term deposits only). The fair values of the bonds 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. For fixed deposits the book value approximates the fair value.

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, 2021				
Financial assets measured at fair value	63,410	1,012	0	64,422
At December 31, 2020				
Financial assets measured at fair value	8,156	1,019	0	9,175

in TEUR, at December 31	Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Liabilities to financial institutions	803,510	803,873	22	22
Bonds	1,795,822	1,873,794	2,542,742	2,709,357
Payables due to related parties	604	n.a.*	181	n.a.*
Current financial liabilities	654,163	n.a.*	599,829	n.a.*
Other non-current financial liabilities	42,934	42,953	52,582	52,447
Financial liabilities at amortized cost	3,297,033	n.a.*	3,195,357	n.a.*
Lease liability	767,098	n.a.*	854,933	n.a.*

* Not applicable as the practical expedients of IFRS 7.29 (a) respectively IFRS 7.29 (d) for lease obligations were applied.

For further information on short-term financial liabilities, see Note (22).

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 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 risk assessment of the impact 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.

Detailed explanations on further risks to which A1 Telekom Austria Group is exposed as well as their risk management are disclosed in the Management Report in the chapter "Risk and Opportunity Management". Furthermore, the chapter "Development of the Segments" provides information on the macroeconomic uncertainties and risks in Belarus.

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 holds cash with various financial institutions with appropriate credit standings. If no external rating is available, an internal rating is performed on the basis of quantitative ratios. Financial investments are entered into only with counterparties holding investment grade ratings. Therefore, neither was an exposure to a significant credit risk identified for financial investments and cash and cash equivalents nor has the risk of default increased significantly since the initial recognition. Accordingly, the expected 12 months' credit loss is recognized in profit or loss for debt instruments at fair value through other comprehensive income as well as for financial investments at amortized cost, as disclosed in Note (7). A1 Telekom Austria Group applies external credit ratings to estimate expected credit losses and to determine if the credit risk for a debt instrument has significantly increased.

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	2021	2020
Investments	228,866	177,246
Cash and cash equivalents	534,443	210,879
Carrying amount	763,308	388,124

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 potential new customer is analyzed individually for creditworthiness when placing an order. 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	2021	2020
Accounts receivable: Subscribers, distributors and other	782,355	782,628
Financial assets	19,478	20,151
Contract assets	103,559	106,845
Carrying amount	905,392	909,625

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	2021	2020
Cash deposits	12,432	11,883
Bank guarantees	3,218	2,954

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 2021	ECL 2021	Gross 2020	ECL 2020
Unbilled & billed, not yet due	719,986	23,039	707,853	21,878
Past due 0-30 days	49,743	5,484	49,005	5,538
Past due 31-60 days	16,068	5,330	16,706	5,430
Past due 61-90 days	8,911	4,325	10,925	4,401
More than 90 days	266,688	240,864	264,460	237,021
Total	1,061,396	279,041	1,048,949	274,267

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 portfolio the default risk of individual industries in which customers operate has less of an influence on the overall credit risk. Before the COVID-19 pandemic, 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 in 2020 (see "Charged to expenses" in the following table presenting the development of the loss allowance as well as Note (6)). As the increased general loss allowance for accounts receivable not yet due from subscribers and from installment sales remained unchanged, there was no further impact on the Consolidated Statement of Comprehensive Income in 2021.

The assessment of the correlation between historically observed default rates, forecast 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	2021	2020
At January 1	274,267	254,448
Foreign currency adjustment	1,447	-4,815
Change in reporting entities	0	84
Reversed	-5,846	-4,566
Charged to expenses	47,063	64,085
Amounts written-off	-37,890	-34,969
At December 31	279,041	274,267

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	2021	2020
Domestic	1,012,540	973,398
Foreign	48,856	83,497
Loss allowances	-279,041	-274,267
Accounts receivable: Subscribers, distributors and other	782,355	782,628
Thereof		
Specific loss allowance	3,922	5,015
General loss allowance	275,119	269,252

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 2021, income from collections of impaired receivables subject to enforcement activity amounted to TEUR 4,698 (2020: TEUR 2,613) and was recognized in other operating income (see Note (5)).

At December 31, 2021, accounts receivable: subscribers, distributors and other from A1 Telekom Austria Group's customer with the highest turnover amount to TEUR 6,271 (2020: TEUR 13,040). 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	2021	2020
At January 1	2,955	3,297
Foreign currency adjustment	3	-13
Reversed	-5,315	-5,056
Charged to expenses	5,315	4,727
At December 31	2,958	2,955

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).

On July 31, 2020, A1 Telekom Austria Group concluded a Euro Commercial Paper Program (“Euro Commercial Papers”) with a maximum volume of TEUR 500,000, which was increased to a maximum volume of TEUR 1,000,000 on December 22, 2021. At December 31, 2021 and 2020, no Euro Commercial Papers were issued.

At December 31, 2021, A1 Telekom Austria Group had total credit lines of TEUR 1,015,000 (2020: TEUR 1,115,000), which were not utilized. Credit lines of TEUR 1,000,000 have a term until July 2026 (2020: July 2026), the remaining credit line has a maximum term until September 2022 (2020: September 2021).

Exposure to liquidity risk

The following table sets forth the contractual (undiscounted) interest and redemption payments of financial liabilities. 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, 2021						
Bonds	1,907,250	780,000	21,750	321,750	783,750	0
Bank debt	801,113	3,510	797,602	0	0	0
Accounts payable - trade	543,323	525,857	3,321	7,781	6,364	0
Lease obligations	803,539	96,840	69,762	153,935	312,360	170,642
Other financial liabilities	125,665	83,618	1,339	14,624	16,423	9,660
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	127,725	71,962	1,316	18,981	25,229	10,237

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

Financial liabilities

All of A1 Telekom Austria Group’s long-term and the majority of its short-term debt has fixed interest rates. Hence there is no significant cash flow exposure due to fluctuating interest rates and no sensitivity analysis is provided (see Notes (21) and (25)).

Financial investments

Changes in interest rates have an impact on the fair value of financial investments held at December 31, 2021. As financial investments at amortized cost are not measured at fair value, changes in interest rates only have an impact on the book value of debt instruments held at fair value through other comprehensive income respectively through profit or loss (see Note (19)). A change in the interest rate of 0.5 percentage points would change other comprehensive income by TEUR 371 and profit by TEUR 392, respectively. At December 31, 2020, the risk of changes in interest rates was also considered low as the financial investments were recognized almost exclusively at amortized cost and thus there was no sensitivity analysis (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 2021 and 2020, 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, 2021 and 2020, 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		2021			2020	
Denominated in	EUR	USD	Other	EUR	USD	Other
Accounts receivable: Subscribers, distributors and other	8,731	4,263	8,447	13,678	20,639	11,485
Accounts payable - trade	71,167	4,089	11,088	56,928	11,541	5,806

At December 31, 2021 and 2020, 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	2021	2020
Croatian Kuna (HRK)	2,298	1,420
Serbian Dinar (RSD)	1,241	1,015
Belarusian Ruble (BYN)	412	422

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, 2021 in %	Method of consolidation*	Share in capital at December 31, 2020 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
A1now 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
A1 Towers Austria GmbH, Vienna	100.00	FC	-	-
Canal+ Austria GmbH, Vienna	49.00	EQ	-	-
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 sítě 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	100.00	FC

Name and company domicile	Share in capital at December 31, 2021 in %	Method of consolidation*	Share in capital at December 31, 2020 in %	Method of consolidation*
A1 Towers Bulgaria EOOD, Sofia	100.00	FC	-	-
Segment Croatia				
A1 Hrvatska d.o.o., Zagreb	100.00	FC	100.00	FC
A1 Towers d.o.o., Zagreb	100.00	FC	-	-
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
A1 ICT services, Minsk	100.00	FC	-	-
A1 Content, Minsk	-	ME	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	100.00	FC
LEANWORX DOOEL, Skopje	100.00	FC	-	-
Segment Serbia				
A1 Srbija d.o.o., Belgrade (2020: Vip mobile d.o.o.,)	100.00	FC	100.00	FC
A1 TOWERS INFRUCTRUCTURE d.o.o., Belgrade	100.00	FC	-	-
Segment Slovenia				
A1 Slovenija d.d., Ljubljana	100.00	FC	100.00	FC
Telekomunikacijski sistem Radvanje Pekre Limuš d.d., Maribor	90.46	FC	75.19	FC
DOSTOP KOMUNIKACIJE d.o.o., Portorož	-	ME	100.00	FC
STUDIO PROTEUS, d.o.o., Postojna	100.00	FC	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	-	LIQ	100.00	NC
A1 Towers Holding GmbH, Vienna (2020: A1 Projektentwicklungs GmbH)	100.00	FC	100.00	FC
Invenium Data Insights GmbH, Graz	51.00	FC	51.00	FC

* FC – full consolidation, ME – merged, NC – not consolidated because not material, EQ – equity method, LIQ – liquidation, SO – sold

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.

(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, 2021. 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, a lawsuit regarding copyright infringement is pending. A1 Telekom Austria Group filed a statement of defense in response to the lawsuit. In case the lawsuit is decided in favor of the plaintiff, A1 Telekom Austria Group expects a maximum payment of TEUR 7,560. As A1 Telekom Austria Group expects with a high degree of probability that the case will be dismissed, no provision was recognized.

(36) Remuneration Paid to the Management Board and Supervisory Board

At December 31, 2021 and 2020, 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	2021	2020
Base salary (incl. remuneration in kind)	1,682	1,670
Variable yearly remuneration (Short Term Incentive - "STI")	2,131	1,337
Multi-year share-based remuneration (Long Term Incentive Program)*	444	547
Total	4,256	3,554
Compensation Supervisory Board	376	371

* In 2021, the remuneration relates to the payment of the tranche for LTI 2018 (2020: LTI 2017), see Note (31).
The variable yearly remuneration 2021 includes the total payment for 2020. In 2020, only the residual payment for 2019 was included, as TEUR 939 had already been prepaid in 2019 (thus the total payment of variable yearly remuneration for 2019 amounted to TEUR 2,276).

(37) Employees

The average number of employees during the year 2021 was 17,944 (2019: 18,153). At December 31, 2021, A1 Telekom Austria Group employed 17,856 (2020: 17,949) employees (full-time equivalents).

(38) Subsequent and Other Events

In 2020, A1 Telekom Austria Group began to develop szenarios in which the potential of its mobile communications sites can be better exploited through a targeted management focus on internal efficiencies and higher occupancy rates. In 2021, the so-called "tower companies" were founded in this context in some segments (see Note (34)) which will hold parts of the passive infrastructure of the radio towers of the operative companies ("A1 companies") in the future. This passive infrastructure of the radio towers comprises components that are not directly attributable to the mobile network, such as foundations and metal structures, containers, air-condition units, power supply and other support systems.

In the segments Bulgaria and Croatia, the corresponding radio towers and the related provisions for asset retirement obligations as well as the right-of-use assets and lease liabilities were already transferred to the tower companies in 2021. In both segments, new lease contracts were concluded between the tower companies and the A1 companies and in accordance with IFRS 16, related right-of-use assets and lease liabilities were recognized. As all other intercompany transactions, these are eliminated in consolidation and do not have an impact on the segment or group result.

On January 20, 2022, the Ecosocial Tax Reform Act 2022, Part I was adopted by the Austria National Council in its third reading. The current corporate income tax rate of 25% will be reduced to 24% for the year 2023 and to 23% for the years 2024 onwards. Based on the deferred tax liabilities recognized in Austria at December 31, 2021 the change in the tax rate applicable from 2023 and 2024, respectively, will result in an immaterial tax benefit in profit or loss respectively in other comprehensive income in 2022.

(39) Release for Publication

On February 4, 2022, 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 4, 2022

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, 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial 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, 2021 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 financial 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 1,285.8), intangible assets (mEUR 1,670.2) and property, plant and equipment (mEUR 2,875.8) in its consolidated financial statements as of December 31, 2021.

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 in particular to the political development in Belarus, which is a relevant market for A1 Telekom Austria Group, and thereof any possible effects on the business development.

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 testing process.

Furthermore, we evaluated the composition of cash generating units (CGU's) and the assets allocated to each CGU.

We compared forecasted revenues and EBITDA margins as well as capital expenditure and changes in working capital for all CGU's with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates. EY valuation specialists assisted us in performing the audit procedures.

Furthermore we analyzed possible risks in the context of the political development in Belarus and critically discussed with the group management, the local management as well as the component auditor in order to evaluate the appropriateness of the projections in the valuation model for the CGU Belarus.

We also evaluated 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 2021 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 assessed the accounting policies relating to revenue recognition and the impact of new business models. In particular we evaluated the related accounting treatment of multiple element contracts (identification and separation of customer contracts in separate accounting units, identification of separate performance obligations, determination as well as allocation of the transaction price) in accordance with IFRS 15. In addition, we assessed the impact of customer loyalty programs on revenue recognition.

Furthermore, we assessed the design and operating effectiveness of the controls over the revenue processes including the revenue related IT systems (rating, billing and other support systems) and IT general controls 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 infomation. 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 May 14, 2021. We were appointed by the Supervisory Board on October 7, 2021. 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 4, 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner mp Wirtschaftsprüfer / Certified Public Accountant	ppa Mag. Marion Raninger mp Wirtschaftsprüfer / Certified Public Accountant

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

Declaration of the Management Board

We confirm to the best of our knowledge that the consolidated financial statements prepared according to the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and that the Group management report describes the development and performance of the business and the position of the Group in a way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Group management report describes the principal risks and uncertainties the Group faces.

The Management Board

Thomas Arnoldner, CEO Telekom Austria AG	Alejandro Plater, COO Telekom Austria AG	Siegfried Mayrhofer, CFO Telekom Austria AG

Telekom Austria AG Financial Statements 2021

Separate Financial Statements according to Austrian Commercial Code – UGB

Annex

I Statement of financial position as of 31 December 2021

with prior year's comparative figures
in thousands of Euro (TEUR)

II Statement of profit or loss for the year 2021

with prior year's comparative figures
in thousands of Euro (TEUR)

III Notes to the financial statements for the year 2021

(including
Exhibit 1 — Development of Long-term Assets
Exhibit 2 — Composition of Shares in Affiliated Companies)

IV Management Report of Telekom Austria AG

for the Year 2021

V Auditor's Report (Translation)

Annex I/1
Statement of Financial Position as of 31 December 2021

Assets

A. Long-term assets	31.12.21 EUR	31.12.20 TEUR
Financial assets		
1. Investments in affiliated companies	8.415.290.987,29	7.880.121
2. Other investments	543.341,86	543
3. Other loans granted	330.098,39	323
	8.416.164.427,54	7.880.987
B. Current assets		
I. Stocks		
1. work in progress	1.528.982,96	2.166
II. Receivables		
1. Accounts receivable - trade	41.811,37	33
thereof with a remaining maturity of > 1 year: EUR 0.00 previous year: TEUR 0		
2. Receivables - affiliated companies	1.063.547.030,24	125.880
thereof with a remaining maturity of > 1 year: EUR 0.00 previous year: TEUR 0		
3. Other accounts receivable	137.563,46	155
thereof with a remaining maturity of > 1 year: EUR 0.00 previous year: TEUR 0		
	1.063.726.405,07	126.068
III. Cash and cash equivalents	1.495,43	0[1]
	1.065.256.883,46	128.234
C. Prepaid expenses	3.353.344,66	4.332
D. Deferred tax assets	1.647.993,62	1.931
	9.486.422.649,28	**8.015.484**

1) Small amount

Annex I/2

Liabilities and stockholders' equity

	31.12.21 EUR	31.12.20 TEUR
A. Stockholders' equity		
I. Common stock issued		
Common stock	1.449.274.500,00	1.449.275
less Treasury shares	-905.461,78	-905
	1.448.369.038,22	1.448.369
II. Additional paid-in capital		
1. Appropriated	1.582.004.573,67	1.582.005
2. Appropriated for treasury shares	905.461,78	905
	1.582.910.035,45	1.582.910
III. Retained earnings		
1. Other reserves (unrestricted reserves)	3.321.954.877,22	2.371.029
IV. Net income	455.030.000,00	388.824
thereof carried forward: EUR 222,802,789.75		
previous year: TEUR 174,702		
	6.808.263.950,89	5.791.133
B. Provisions		
1. Provisions for severance obligations	6.830.102,86	6.784
2. Tax provisions	21.404.675,18	19.511
3. Other provisions	10.062.386,78	8.848
	38.297.164,82	35.143
C. Liabilities		
1. Liabilities to banks	800.000.000,00	0
thereof with a remaining maturity of < 1 year: EUR 0.00 previous year: TEUR 0.00		
thereof with a remaining maturity of > 1 year: EUR 0.00 ; previous year: TEUR 0		
2. Accounts payable – trade	4.039.543,02	3.057
thereof with a remaining maturity of < 1 year: EUR 4,039,543.02 previous year: TEUR 3,057		
thereof with a remaining maturity of > 1 year: EUR 0.00 ; previous year: TEUR 0		
3. Liabilities due to affiliated companies	1.833.958.945,46	2.184.726
thereof with a remaining maturity of < 1 year: EUR 783,958,945.46 previous year: TEUR 384,726		
thereof with a remaining maturity of > 1 year: EUR 1,050,000,000.00 previous year: TEUR 1,800,000		
4. Other liabilities	1.863.045,09	1.424
thereof with a remaining maturity of < 1 year: EUR 1,863,045.09 previous year: TEUR 1,424		
thereof with a remaining maturity of > 1 year: EUR 0.00 ; previous year: TEUR 0 thereof from taxes: EUR 0.00 ; previous year: TEUR 0		
thereof with a remaining maturity of < 1 year: EUR 0.00 ; previous year TEUR 0		
thereof with a remaining maturity of > 1 year: EUR 0.00 ; previous year TEUR 0		
thereof to social security: EUR 673,721.37 ; previous year: TEUR 631		
thereof with a remaining maturity of < 1 year: EUR 673,721.37 previous year: TEUR 631		
thereof with a remaining maturity of > 1 year: EUR 0.00 ; previous year: TEUR 0		
Total liabilites	**2.639.861.533,57**	2.189.207
thereof with a remaining maturity of < 1 year: EUR 1,589,861,533.57 previous year: TEUR 389,208		
thereof with a remaining maturity of > 1 year: EUR 1,050,000,000.00 previous year: TEUR 1,800,000		
	9.486.422.649,28	8.015.484
Contingent liabilites to contractual position	1.089.818.580,40	1.192.371

Annex II

		2021		2020	
		EUR	EUR	TEUR	TEUR
1.	Revenues		35.299.591,18		37.091
2.	Other operating income				
	a) Income from the reversal of accruals	542.488,93		572	
	b) Other	689.985,68	1.232.474,61	377	949
3.	Personnel expenses				
	a) Salaries	-36.421.911,75		-35.265	
	b) Social security contributions,	-8.591.104,70		-9.321	
	thereof pension expense EUR 1,034,933.912; previous year: TEUR 1,028				
	aa) Expenses for severance payments and payments to staff contribution plans EUR 198,933,91; previous year: TEUR 865				
	bb) Expenses for statutory social security and payroll related taxes and contributions EUR 7,278,299.00; previous year: TEUR 7,359		-45.013.016,45		-44.586
4.	Other operating expenses		-32.894.598,04		-32.347
	thereof other business taxes EUR 31,770.69; previous year: TEUR 43				
5.	**Subtotal from line 1 to 4 (operating result)**		**-41.375.548,70**		**-38.893**
6.	Income from investments		689.251.531,01		188.217
	thereof from affiliated companies: EUR 688,784,631.01; previous year: TEUR 187,914				
7.	Other interest income		45,70		66
	thereof from affiliated companies: EUR 0.00; previous year TEUR 0				
8.	Income or expenses from the impairment or the reversal of impairment losses on long-term financial assets		521.500.000,00		76.100
9.	Expenses for long-term financial assets		0,00		-270.100
	thereof: a) impairment losses: EUR0.00 ; previous year: TEUR 270,100				
	b) expenses from affiliated companies: EUR 0,00; prev.year: TEUR 0				
10.	Interest and similar expenses		-59.990.404,45		-61.490
	thereof related to affiliated companies: EUR 59,884,801.25; previous year: TEUR 61,489				
11.	**Subtotal from line 6 to 10 (financial result)**		**1.150.761.172,26**		**-67.207**
12.	**Result before income taxes (Subtotal from line 5 and line 11)**		**1.109.385.623,56**		**-106.100**
13.	Income taxes		73.767.077,87		74.028
	thereof deferred taxes: EUR -283,058.83; previous year: TEUR -10,888				
	thereof additional charges to group parent: EUR 114,278,451.72; previous year: TEUR 108,682				
14.	**Earnings / loss after income taxes**		**1.183.152.701,43**		**-32.072**
15.	Release to retained earnings		0,00		246.194
16.	Transfer from net income to other reserves		-950.925.491,18		0
17.	Profit carried forward from prior year		222.802.789,75		174.702
18.	**Retained Profit**		**455.030.000,00**		**388.824**

Annex III

Notes to the Financial Statements for the Year 2021

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Roundings: Since there are rounded figures and percentages accumulated in the notes, some rounding differences may occur.

1 Accounting Principles

1.1 General Principles

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

The financial statements were prepared by adhering to the principle of completeness.

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

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

The statement of profit and loss was prepared in accordance with the total cost format. The figures presented in the notes to the financial statements are shown in thousands of Euros (TEUR). The reporting date is 31 December.

1.2 Long-term Assets

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

The determination of fair values is based on the discounted cash flow method. Significant assumptions of the calculation were made for the development of revenues, cost drivers, working capital changes, capital expenditure, growth rate and discount rate. The applied discount rates before taxes ranged between 4.00% and 13.50%. These rates are based on market data for each valuation unit, taking into account risks related to the valuation unit. The applied growth rates for the perpetual annuity ranged between 1.20% and 7.20%. These growth rates are based on the general growth rate, the Company's historical revenue growth and detailed plans. Cash-Flow estimates are based on a five year business plan.

1.3 Current Assets

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

Work in progress is measured at acquisition cost.

1.4 Provisions

Provisions for severance obligations are recognized for legal and contractual obligations to members of the Management Board and for employees, whose employment with Telekom Austria Aktiengesellschaft started before January 1, 2003. The calculation is based on the principles of actuarial mathematics using the projected unit credit method according to the basis of actuarial calculation of retirement insurance for employees issued by the Austrian Actuarial Association (Tafelwerk AVÖ 2018 P Angestellte – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler) applying a discount rate of 1% (previous year: 0.75%), a rate of compensation increase of 3% (previous year: 3%) and an employee turnover rate of 0.50% (previous year: 0.50%). The retirement age was calculated in compliance with the retirement age according to the Austrian Ancilliary Budget Act (Budgetbegleitgesetz) 2011, using 62 years for female and male employees considering the transitional provisions.

Provisions for service awards are similar to those for severance obligations and are measured in the same way as the provision for severance obligations, calculated with a discount rate of 0.25% (previous year: 0.25%), a rate of compensation increase of 3% for employees, 4% for civil servants or rather 3.40% for civil servants released from duties (previous year: 3% for employees, 4.10% for civil servants or rather 3.50% for civil servants released from duties).

A duration for provisions for severance obligations of 9.38 years (previous year: 10.25 years) and for provisions for service awards of 7.26 years (previous year: 7.80 years) was assumed.

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

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

1.5 Liabilities

Liabilities are recognized at the settlement amount taking into account the principle of prudence. Foreign currency liabilities are valued at the rate of the Euro reference rate of the European Central Bank at the date of accrual or at the higher rate of the Euro reference rate of the European Central Bank at the reporting date. Roaming liabilities are valued at the settlement rate for special drawing rights or the higher rate of the Euro reference rate of the European Central Bank.

1.6 Impacts related to COVID-19

The global outbreak of the coronavirus (COVID-19) and the related containment measures have not had a material impact on the financial position and the results of operations.

2 Notes to the Statement of Financial Position

2.1. Long-term Assets

The development of the individual fixed asset items is shown in the schedule of long-term assets (Appendix 1).

The composition of investments in affiliated companies is shown in the schedule of investments (Appendix 2).

Telekom Austria AG has concluded a profit and loss exclusion agreement with its wholly owned subsidiary Telekom Finanzmanagement GmbH. This agreement replaced the agreement between Telekom Austria AG, Telekom Projektentwicklungs GmbH (with the approval of A1 Telekom Austria AG) and Telekom Finanzmanagement GmbH, which had been in effect since 2009, and took effect on January 1, 2018. It can be terminated in writing by either party with effect from the end of a business year, subject to six months' notice.

Loans to employees in the amount of TEUR 330 (previous year: TEUR 323). The interest component for this was booked under personnel expenses. Loans with a remaining term of up to one year amount to TEUR 34 (previous year: TEUR 32)

2.2 Receivables

Receivables due from related parties contain trade receivables in the amount of TEUR 4,771 (previous year: TEUR 6,027) and other receivables in the amount of TEUR 1,058,776 (previous year: TEUR 119,853).

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

2.3 Work in progress

Due to an internal project concerning the whole A1 Group work in progress includes services not yet invoiced in the amount of TEUR 1,529 (previous year: TEUR 2,166).

2.4 Prepaid Expenses

Prepaid expenses mainly comprise discounts for the placement of intra-company loans resulting from the issue of bonds by Telekom Finanzmanagement GmbH (TFG) in 2016 and 2017.

2.5 Deferred Tax Assets

According to Section 198 (9) of the Austrian Commercial code large corporations are obliged to recognize a deferred tax asset if differences arise. The most important differences causing a deferred tax asset are partial depreciations of investments, costs for the procurement of funds as well as employee benefit obligations. Deferred tax assets are recognized with a tax rate of 25 % as stipulated in the Austrian Corporate Tax Law (Körperschaftsteuergesetz). As in relation to the Austrian Tax Authority every tax saving has an impact of 25 % on Telekom Austria AG. In the reporting period, the deferred tax assets decreased to TEUR 1,648 (prior year: TEUR 1,931), with the highest amount in the partial depreciations of investments. The optional right to capitalize tax losses carried forward was not executed.

As a profit and loss elimination agreement was concluded between the company and TFG, the settlement of the tax allocation between these companies remains undone. According to AFRAC expert opinion 30 (AFRAC Fachgutachten 30) the deferred tax assets of TFG are recognized in the parent company Telekom Austria AG (controlling company of the profit and loss elimination agreement). The deferred tax assets were also recognized with a tax rate of 25 %. The most notable differences of TFG for deferred tax assets are due to costs for the procurement of funds and partial depreciations of investments.

In the financial year 2021, the deferred tax assets changed as follows:

	2021 TEUR	2020 TEUR
Deferred tax asset Telekom Austria AG	1,648	1,924
Deferred tax asset Telekom Finanzmanagement GmbH	0	7
Total tax income	**1,648**	**1,931**

2.6 Share Capital

The share capital of Telekom Austria AG amounts to TEUR 1,449,275 and is divided into 664,500,000 no-par shares. ÖBAG holds 28.42 %, América Móvil holds 51 %, 20.52 % of the shares are attributable to the free float and the remaining 0.06 % are held as treasury shares. Treasury shares amount to TEUR 905 of the share capital, equal to 415,159 shares and were acquired in September 2007.

Pursuant to the resolution of the Annual General Meeting on 29 May 2013, the Management Board is authorized to use treasury shares for the issue to employees, senior staff and members of the Management Board/management of the Company and its affiliated companies and/or to service stock options from performance share programs either in return for payment or gratuitously. The Management Board was also authorized to use treasury shares as consideration for the acquisition of companies, business operations, business units or shares in one or more companies, both in the home country and abroad. The Management Board was also authorized to sell treasury shares in accordance with Section 65 (1b) of the Austrian Stock Corporation Act (AktG) via the stock exchange at any time or by public offer for a period of five years in any other legally admissible manner, including off-market, whereby the Management Board may also decide to exclude the public from buying.

2.7 Dividends

The unappropriated retained earnings of Telekom Austria AG according to Austrian GAAP are not subject to a dividend limitation as the restrictions of Section 235 UGB do not apply. The Management Board plans to propose to the shareholders at the Annual General Meeting to distribute a dividend of euro 0.28 per share from unappropriated retained earnings.

2.8 Provisions

Other provisions include provisions for:

	31.12.2021 TEUR	31.12.2020 TEUR
Personal	7,566	7,073
Long Term Incentive Program (LTI)	2,314	1,582
Other	182	193
	10,062	8,848

2.9 Liabilities

The liabilities to banks result from three short-term bank loans taken out in December.

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

Liabilities due to affiliated companies contain accounts payable-trade in the amount of TEUR 1,745 (previous year: TEUR 4,875), financial liabilities in the amount of TEUR 1,831,581 (previous year: TEUR 2,179,179) and other liabilities in the amount of TEUR 632 (previous year: TEUR 672). In the reporting period the financial liabilities contain liabilities due to affiliated companies in the amount of TEUR 750,000 (previi-

Contingent Liabilities

	31.12.2021 TEUR	31.12.2020 TEUR
Guarantee as part of the bond	1,800,000	2,550,000
Bank guarantees	1,089,819	1,192,371
	2,889,819	3,742,371

On 3 December 2021, TFG redeemed a EUR bond with a fixed interest rate of 3.125 % for EUR 750,000,000.

Bank letter of guarantee

All contingent liabilities are, as in the previous year, due to affiliated companies. Bank warranty declarations contain guarantees in the amount of TEUR 1,000,000 (previous year: TEUR 1,100,000) for TFG. On 10 November 2008, the company signed a guarantee due to Telekom Austria Personalmanagement GmbH (TAP), which ensures TAP that A1 Telekom Austria AG will perform its respective duties, according to the profit and loss elimination agreement. Furthermore, the company guarantees in the case of non-fulfillment of the duties of A1 Telekom Austria AG to provide Telekom Austria Personalmanagement GmbH with sufficient liquidity to meet all its financial liabilities.

Guarantees other sources of funding

Telekom Austria AG issued an unconditional and irrevocable guarantee for TFG with respect to the following committed credit lines and the Commercial Paper Programme. At December 31, 2021 and 2020, the credit lines were not utilized and no Commercial Papers were issued.

On July 25, 2019 A1 Telekom Austria Group concluded a syndicated committed credit line with a total volume of EUR 1,000 million and a term of 5 years (with the possibility of an extension for two further years) with TA and TFG. In this connection, TA issued an unconditional and irrevocable guarantee for TFG. In December 2020, the committed credit line was extended for another 2 years, until 24 July 2026.

On 3 June 2020, the A1 Telekom Austria Group concluded a committed credit line via TFG with a total volume of TEUR 100,000 and a term until 2 June 2021. At June 15, 2021 this guarantee was taken out of evidence.

On 31 July 2020, the Telekom Austria Group and TFG concluded a Euro Commercial Paper Programme in the amount of TEUR 500,000, which was increased to a maximum volume of TEUR 1,000,000 on December 22, 2021.

3 Notes to the Statement of Profit or Loss

3.1 Revenues

Revenues of TEUR 35,300 (previous year: TEUR 37,091) relate mainly to services such as public relations and communications work, coordinating product development and the technical infrastructure, legal and tax advice and investment controlling, services in conjunction with the Department of Human Resource and Civil Service Regulations (Beamtendienstrecht) together with salary and collective agreement negotiations that are predominantly charged to A1 Telekom Austria AG, A1 Digital International GmbH (formerly Telekom Austria Group M2M GmbH), Telekom Austria Personalmanagement GmbH, A1 Bulgaria EAD, A1 Slovenija d.d., A1 Srbija d.o.o (formerly Vip mobile d.o.o.), A1 Makedonija DOOEL, A1 Hrvatska d.o.o. and Unitary enterprise A1 on the basis of intercompany agreements.

3.2 Personnel Expenses

Personnel Expenses were as follows:

	2021 TEUR	2020 TEUR
Salaries	36,422	35,265
Expenses for statutory social security and payroll related taxes and contributions	7,278	7,359
Severance expense	-233	442
Pension expenses	1,035	1,028
Other social benefits	80	67
Payments to staff contributions plans	431	423
	45,013	**44,586**

Salaries include expenses of TEUR 1 (previous year: TEUR 103) resulting from changes in the anniversary benefit obligation.

Changes in provisions are presented in the statement of profit and loss in the following items:
- Anniversary benefit obligation and other provisions in salaries
- Severance obligation in severance expenses and payments to staff contribution plans
- Pension expenses in other social benefits
- Payroll related expenses for other provisions in expenses for statutory social security and payroll related taxes and contributions

The average number of full-time employees was 307 (previous year: 312). The average number of full-time civil servants was 6 (previous year: 7).

3.3 Severance expenses and pension expenses

Severance expense and payments to staff contribution plans as well as pension expenses were as follows:

	2021 TEUR	2020 TEUR
Members of the Management Board	399	332
Senior staff	40	61
Other employees	795	1,501
	1,234	**1,894**

3.4 Other Operating Expenses

	2021 TEUR	2020 TEUR
Other operative taxes	32	43
Other charges	5,165	4,026
Intercompany charges	110	13,346
Legal and other consulting	3,592	1,742
Other	23,996	13,190
	32,895	**32,347**

Other operating expenses include expenses related to services of A1 Telekom Austria AG amounting to TEUR 15,632 (previous year: TEUR 13,230).

3.5 Income from Investments

Income from investments includes dividend income from A1 Telekom Austria AG in the amount of TEUR 665,000 (previous year: TEUR 0) as well as dividend income and from Mobilkom Beteiligungsgesellschaft mbH in the amount of TEUR 15,000 (previous year TEUR 12,000). In addition, a dividend of TEUR 0 (previous year: TEUR 165,000) was distributed by mobilkom Belarus Beteiligungsverwaltung GmbH.

Due to the profit and loss elimination agreement with TFG an income in the amount of TEUR 8,785 (previous year: TEUR 10,914 expenses) was generated.

Furthermore income from other investments includes dividend income from CEESEG Aktiengesellschaft amounting to TEUR 467 (previous year: TEUR 302).

3.6 Income from the Reversal of Impairment Losses of Long-Term Financial Assets

Pursuant to Section 208 (1) of the Austrian Commercial Code (UGB) the reversal of previously recognized impairment losses of TEUR 521,500 (previous year: TEUR 76,100) was required for the financial asset Kroatien Beteiligungsverwaltung GmbH in the amount of TEUR 251,400, the mobilkom Mazedonien Beteiligungsverwaltung GmbH in the amount of TEUR 300 and the mobilkom Belarus Beteiligungsverwaltung GmbH in the amount of TEUR 269,800.

In the previous year, reversals of the impairment losses were recognized to Kroatien Beteiligungsverwaltungs GmbH in an amount of TEUR 65,400 and to mobilkom CEE Beteiligungsverwaltungs Gmbh in an amount of TEUR 10,700.

3.7 Expenses for Long-Term Financial Assets

No write-downs were made on financial assets in this financial year.

In the previous year, the write-downs related to mobilkom Belarus Beteiligungsverwaltungs GmbH in the amount of TEUR 269,800 and were due to the lower valuation of A1 in Belarus as well as to mobilkom Mazedonien Beteiligungsverwaltung GmbH in the amount of TEUR 300.

3.8 Income taxes

The company is the head of a taxation group as defined in Section 9 of the Austrian Corporate Tax Law (KStG) and has concluded a group and tax allocation agreement with wedify GmbH (formerly: 3G Mobile Telecommunications GmbH), Telekom Austria Personalmanagement GmbH, A1 Telekom Austria Aktiengesellschaft, Telekom Finanzmanagement GmbH (TFG), World-Direct eBusiness solutions Gesellschaft m.b.H., A1now TV GmbH (formerly:Telekom Austria Beteiligungen GmbH), paybox Bank AG, mk Logistik GmbH and paybox Service GmbH as members of the tax group.

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

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

In the financial period 2021 the total tax income in the amount of TEUR 73,767 (previous year: TEUR 74,028) contains in the financial period 2021 an income of the tax group allocation in the amount of TEUR 114,278 (previous year: TEUR 108,682) which results from the current result. Due to the change in deferred tax assets, a tax expense of TEUR 283 (previous year: TEUR 10,889) was booked in the financial period.

Intragroup loss carry forward for which no provisions were recognized amounted to TEUR 51,234 (previous year: TEUR 45,959). For all companies with a valid profit and loss elimination agreement with a group member no provisions for intragroup loss carry forwards were recognized.

Details to Income Tax 2021

	2021 TEUR	2020 TEUR
Corporate tax (other) current	-40,270	-19,759
Corporate tax (group) current	114,278	108,682
Corporate tax (other) previous periods	41	-4,006
Total tax income	**74,049**	**84,917**
Changes in deferred tax assets	-283	-10,889
Total tax	**73,767**	**74,028**

In the reporting year, TEUR 392,417 (previous year: TEUR 266,508) in loss carryforwards were used at the level of the group parent, of which TEUR 392,545 relate to the current result and TEUR -128 to previous periods.

4 Other Information

4.1 Remuneration of the Management and Supervisory Board of the Company

In 2021, remuneration of the members of the Management Board amounted to TEUR 3,813 (previous year: TEUR 3,007). The variable annual remuneration 2021 does not include any advance bonus payments for 2021. 2020 only included the final payment for 2019, as EUR 939k was already prepaid in 2019. Benefits paid under the Long Term Incentive Program are not included in the amount of remuneration of members of the Management Board. These benefits are included in section 4.2.

In the current financial year remuneration of members of the Supervisory Board amounted to TEUR 376 (previous year: TEUR 371).

4.2 Long Term Incentive (LTI) Program

In 2010, the Supervisory Board of Telekom Austria AG approved the LTI Program, in particular the tranches up to and including 2018 have already been exercised. The ninth tranche was approved on 19 April 2018 and allocated on 1 September 2018. The tenth tranche was approved on 24. July 2019 and allocated on 1. August 2019. The eleventh tranche was approved on 22 July 2020 and allocated on 1 August 2020. The twelfth tranche was approved on 6. May 2021 an allocated on 01. June 2021. For the 2020 and 2021 programme, return on invested capital ("ROIC", weighted at 34 %), the revenue market share of the A1 Telekom Austria Group (weighted at 33 %) and sustainable financing (long-term financing in the years 2020–2022 resp. 2021–2023 with "green bonds" or other sustainable financial instruments, weighted at 33 %) were determined as key indicators. Participants are required to make a personal investment in Telekom Austria AG shares in an amount depending on the annual gross basic salaries and the management level of the entitled employee and to hold these shares until the end of the holding period. Participants from the eighth, ninth and tenth tranche are exclusively members of the Management Board of the company. For each tranche, the number of shares granted is calculated based on the average Telekom Austria AG stock price for a defined period. This right is not transferrable.

For the tranches of the years 2017, 2018, 2019, 2020 and 2021 a performance period of three years was defined. For the tranches 2017, 2018 and 2019 return on invested capital (ROIC) and the revenue market share of Telekom Austria Group (each weighted at 50 %) were defined as key performance indicators. At the beginning of a tranche the key performance indicators are set. At the vesting date, if the targets are reached, bonus shares double to the personal investment will be allocated to the participants, settlement will be in cash. If the targets are exceeded, additional shares will be allocated proportionally up to a maximum of 175 % of the shares or a maximum of 350 % based on meeting the targets with 100 %. In case of significant underperformance, no shares are allocated.

The Program LTI 2018 was exercised in the financial year 2021. 1.25 bonus shares per share of personal investment were allocated at a share price of 6.05. The settlement was in cash.

LTI 2018	Personal investment in shares as exercised
Dipl.Ing. Siegfried Mayrhofer	18,859
Alejandro Douglass Plater	22,421
Mag. Thomas Arnoldner	17,439
Total Company	**58,719**

On the reporting date, a provision is recognized for the share of the future anticipated expense of the LTI program already earned, which was measured at fair value. The fair value is determined by using the expected achievement of the performance criteria and the expected share price, which is based on the binomial tree process. Expected dividends were also considered in measuring the fair value. The provision is recognized over the service period.

	LTI 2021	LTI 2020	LTI 2019
Programme Start	1. January 2021	1. January 2020	1. January 2019
Date of granting	1. June 2021	1. August 2020	1. August 2019
End of vesting period	31. December 2023	31. December 2022	31. December 2021
Claim day	1. August 2024	1. August 2023	1. August 2022

Personal investment in shares as of 31 December 2021	LTI 2021	LTI 2020	LTI 2019
Members of Management Board			
Dipl.Ing. Siegfried Mayrhofer	24,750	23,173	24,550
Alejandro Douglass Plater	29,667	27,551	26,534
Mag. Thomas Arnoldner	26,970	25,046	26,534
Total Company	**81,387**	**75,770**	**77,618**

LTI 2019	2021	2020	2019
Expected bonus shares	150,889	147,164	213,450
Maximum bonus shares	271,663	271,663	271,663
Fair value in TEUR	1,150	898	1,462

LTI 2020	2021	2020
Expected bonus shares	153,508	150,174
Maximum bonus shares	265,192	265,192
Fair value in TEUR	1,131	879

LTI 2021	2021
Expected bonus shares	173,029
Maximum bonus shares	284,855
Fair value in TEUR	1,230

An expense of TEUR 1,422 (previous year: TEUR 405) was recognised in the income statement for the LTI programme and an entry of TEUR 246 (previous year: TEUR 344) from the reversal.

4.3 Other Information

Telekom Austria Aktiengesellschaft has a group relationship with América Móvil, S.A.B. de C.V., Mexico City, and its affiliated companies and is fully consolidated in its consolidated financial statements since 1 July 2014, which is the largest group of companies for which group financial statements are prepared. América Móvil Group is listed on the Mexican Stock Exchange, the NASDAQ New York and on the New York Stock Exchange. Consolidated financial statements of América Móvil, S.A.B. de C.V. are filed with the SEC (U.S. Securities and Exchange Commission) in Washington, D.C.

The Company is a parent company required to prepare consolidated financial statements in accordance with Section 244 Austrian Commercial Code (UGB). The consolidated financial statements are filed with the commercial register at the Commercial Court in Vienna.

Related party transactions were always effected at arm's-length.

In accordance with the last sentence of Section 238 paragraph 1 No. 18 UGB, the Company exercises the right not to disclose information on expenses for the auditor.

The Company is a company of public interest in accordance with Section 189a UGB. Therefore, it is a large corporation in accordance with Section 221 UGB.

4.4 Subsequent Events

In the operating subsidiaries, scenarios are currently being investigated in order to achieve advantages through a higher management focus on internal efficiency and higher occupancy rates of the mobile sites (the so-called "tower business"). Beyond that, no other significant events occurred after the balance sheet date that have an impact on the balance sheet or the income statement.

5 Members of the Management Board and Supervisory Board

Management Board

Mag. Thomas Arnoldner	Chairman of the Management Board
Alejandro Douglass Plater	Deputy Chairman
Dipl. Ing. Siegfried Mayrhofer	

Supervisory Board

Dr. Edith Hlawati	Chair of the Supervisory Board
Carlos García Moreno Elizondo	Deputy Chairman
Dr. Karin Exner-Wöhrer	
Dr. Peter Hagen	
Carlos M. Jarque M.Sc.Ph.D.	
Alejandro Cantú Jiménez	
Dr. Peter F. Kollmann	
MMag. Thomas Schmid	until 8. June 2021
Oscar Von Hauske Solís	
Daniela Lecuona Torras	
Werner Luksch	
Ing. Gottfried Kehrer	
Mag. (FH) Alexander Sollak	
Renate Richter	
Gerhard Bayer	
Dr. Christine Catasta	since 6. September 2021

Vienna, 4. February 2022
The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

Attachement 1

Movement Schedule of Investments for the Fiscal Year 2021

	Purchase price				Accumulated depreciation					Carrying	Carrying
Financial assets	Balance at 01.01.21 TEUR	Accesses TEUR	Disposals TEUR	Balance at 31.12.21 TEUR	Balance at 01.01.21 TEUR	Accesses TEUR	Additions TEUR	Disposals TEUR	Balance at 31.12.21 TEUR	amount as of 31.12.21 TEUR	amount as of 31.12.20 TEUR
1. Shares in capital of affiliated companies											
mobilkom Bulgarien BeteiligungsverwaltungsgmbH	1.040.682	0	0	1.040.682	0	0	0	0	0	1.040.682	1.040.682
mobilkom Mazedonien Beteilungsverwaltung GmbH	260.040	0	0	260.040	300	0	300	0	0	260.040	259.740
Mobilkom Beteiligungsgesellschaft mbH	435.832	13.570	0	449.402	0	0	0	0	0	449.402	435.832
mobilkom CEE Beteiligungsverwaltung GmbH	392.131	0	0	392.131	0	0	0	0	0	392.131	392.131
mobilkom Belarus Beteiligungsverwaltung GmbH	974.700	0	0	974.700	269.800	0	269.800	0	0	974.700	704.900
Kroatien Beteiligungsverwaltung GmbH	698.790	0	0	698.790	251.400	0	251.400	0	0	698.790	447.390
Telekom Finanzmanagement GmbH	5.571	0	0	5.571	2.766	0	0	0	2.766	2.805	2.805
A1 Tower Holding GmbH[1]	35	100	0	135	0	0	0	0	0	135	35
A1 Telekom Austria Aktiengesellschaft	4.596.606	0	0	4.596.606	0	0	0	0	0	4.596.606	4.596.606
	8.404.387	13.670	0	8.418.057	524.266	0	521.500	0	2.766	8.415.291	7.880.121
2. Other investments											
CEESEG Aktiengesellschaft	543	0	0	543	0	0	0	0	0	543	543
3. Other loans granted											
Other loans granted	411	0	0	411	88	0	7	0	81	330	323
	8.405.341	**13.670**	**0**	**8.419.011**	**524.354**	**0**	**521.507**	**0**	**2.847**	**8.416.164**	**7.880.987**

1) formaly A1 Projektentwicklungs GmbH

Attachement 2

Schedule of Shares in Affiliated Companies as of 31 December 2021

Shares in capital of affiliated companies	Investment in %	Currency	Shareholders' equity	Net income / loss for the year
Telekom Finanzmanagement GmbH, Vienna	100	TEUR	2.803	8.785
Kroatien Beteiligungsverwaltung GmbH, Vienna	100	TEUR	731.438	284.091
A1 Telekom Austria Aktiengesellschaft, Vienna	100	TEUR	1.103.028	301.493
Mobilkom Beteiligungsgesellschaft mbH, Vienna	100	TEUR	386.745	15.025
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100	TEUR	772.190	211.964
mobilkom Belarus Beteiligungsverwaltung GmbH, Vienna	100	TEUR	1.455.296	750.224
mobilkom Mazedonien Beteilungsverwaltung GmbH, Vienna	100	TEUR	237.362	–7
mobilkom Bulgarien BeteiligungsverwaltungsgmbH, Vienna	100	TEUR	1.019.444	–7
A1 Tower Holding GmbH[1)]	100	TEUR	130	–3

1) formaly A1 Projektentwicklungs GmbH

Annex IV

Management Report

of Telekom Austria Aktiengesellschaft for the period January 1 to December 31, 2021

General economic environment

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

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

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

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

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

	2020	2021e	2022e
Austria	-6.2	3.9	4.5
Bulgaria	-4,2	4.5	4.4
Croatia	-8.0	6.3	5.8
Belarus	-0.9	2.1	0.5
Slovenia	-4.2	6.3	4.6
Serbia	-1.0	6.5	4.5
North Macedonia	-4.5	4.0	4.2

Financial Key Performance Indicators

Total assets as of 31 December 2021 increased to EUR 9,486.4 million compared to EUR 8,015.5 million in the previous year.

Long-term assets increased to EUR 8,416.2 million compared to EUR 7,881.0 million in the previous year. As shown in the tables below, current company valuations resulted in various impairment losses and reversals of past impairment losses in long-term financial assets of affiliated companies:

Reversal of impairment losses from assets of affiliated companies

in millions of EUR	2021	2020
Kroatien Beteiligungsverwaltung GmbH	251.4	65.4
mobilkom Belarus Beteiligungsverwaltung GmbH	269.8	0.0
mobilkom Mazedonien Beteiligungsverwaltung GmbH	0.3	0.0
mobilkom CEE Beteiligungsverwaltung GmbH	0.0	10.7
Total	**521.5**	**76.1**

Impairment losses from assets of affiliated companies

in millions of EUR	2021	2020
mobilkom Bulgarien BeteiligungsverwaltungsgmbH	0.0	269.8
mobilkom Mazedonien Beteiligungsverwaltung GmbH	0.0	0.3
Total	**0.0**	**270.1**

The increase in current assets from EUR 128.2 million to EUR 1,065.3 million as of 31 December 2021 resulted most notably from higher cash pooling receivables due from affiliated companies.

As of 31 December 2021, shareholders' equity amounted to EUR 6,808.3 million (31 December 2020: EUR 5,791.1 million).

1) Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022, page 5
2) Source: IMF, https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021 , page 112-114
Outlook data at the country level are from the October's publication, as they were not available with the latest January's report.

The increase in liabilities by EUR 450.6 million to EUR 2,639.9 million as at 31 December 2021 is mainly due to the reduction in liabilities (netted) to Telekom Finanzmanagement GmbH.

Revenue results essentially from services provided by Telekom Austria AG to affiliated companies and remained relatively constant at EUR 35.3 million in 2021 compared to EUR 37.1 million in 2020.

Compared to the previous year, the personnel expenses only changed insignificantly from EUR 44.6 million to EUR 45.0 million in 2021.

Other operating expenses include basically other services, intercompany charges and other services provided by A1 Telekom Austria AG.

The operating result was reduced from EUR –38.9 million in 2020 to EUR –41.4 million in 2021.

Income from investments increased from EUR 188.2 million in 2020 to EUR 689.3 million in 2021. This is especially due to the higher dividend received from A1 Telekom Austria.

The income from the disposal of and write-ups to financial assets of EUR 521.5 million (2020: EUR 76.1 million) resulted primarily from the write-ups to shares in affiliated companies already described. The expenses from financial assets in the amount of EUR 270.1 million resulted from write-downs on shares in affiliated companies. There were no write-downs on shares in affiliated companies in 2021. Interest expenses of EUR 60.0 million remained constant compared to the previous year (EUR 61.5 million).

Due to the factors described above, the result before taxes increased from EUR –106.1 million in 2020 to EUR 1,109.4 million in 2021.

In 2021, a benefit of EUR 73.8 million is reported in income taxes (in the previous year, a benefit of EUR 74.0 million was reported), which results essentially from the tax group allocation.

Overall, a net income in the amount of EUR 1,183.1 million is reported for the financial year 2021 (2020: net loss of EUR 32.1 million). In 2021, EUR 950.9 million were allocated to retained earnings (2020: EUR 246.2 million were released from retained earnings).

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

The following section briefly explains the main financial and operational KPIs.

- In accordance with section 23 of the Austrian Company Reorganization Act (URG), the equity ratio amounted to 71.8% as of 31 December 2021 (31 December 2020: 72.2%). This ratio is calculated by dividing equity by total assets.
- The notional debt repayment period as set out in Section 24 URG amounted to 4.9 years as of 31 December 2021. As of 31 December 2020 it amounted to 32.5 years. The notional debt repayment rate indicates the number of years until all debts are repaid on the basis of earnings/loss before income taxes.
- The return on equity (ratio of EBIT to stockholders' equity) increased from –0.8% in 2020 to 17.2% in 2021. The return on assets (ratio of EBIT to liabilities and stockholders' equity) increased to 12.3% in 2021 compared to –0.6% in 2020.
- Net debt comprises interest-bearing liabilities less cash and cash equivalents. Net debt as of December 31, 2021 decreased to EUR 2,638.5 million compared to EUR 2,186.0 million in the previous year.
- The cash flow from operating activities decreased to EUR –272.7 million compared to EUR 180.2 million in 2020.
- The cash flow from investing activities amounts to EUR –13.7 million due to grants given to subsidiaries compared to EUR –14.1 million in 2020.
- The cash flow from financing activities changed from EUR –166.2 million in 2020 to EUR 286.4 million in 2021 due to the repayments and issuance of debt.

Equity Investments

In addition to Austria, the A1 Telekom Austria Group is successfully positioned in another six European Countries as of 31 December 2021. At the end of 2021, the Group provided mobile communication services to around 22.8 million customers (2020: 21.9 million); in the fixed-line business revenue generating units (RGUs) amounted to around 6.1 million, representing an increase of 0.5% compared to the previous year.

A1 Bulgaria EAD saw a decrease in the number of mobile customers by 0.2% to 3.7 million in 2021. The estimated mobile penetration rate is at approximately 148.2% in Bulgaria (2020: 143.1.0%). The number of RGUs in the segment Bulgaria increased by 3.7% to 1.1 million per end of 2021.

At A1 Hrvatska d.o.o., Croatia's second largest mobile communication provider, the number of mobile customers decreased by 2.8% in 2021 to 2.0 million customers. The estimated mobile penetration rate in Croatia at the end of the year was approximately 130.5% (2020: 125.1%). RGUs declined in 2020 by 1.4% to 681,519.

In 2021, Unitary Enterprise A1, experienced a slight increase by 0.4% in its mobile customer base to 4.9 million customers compared to the previous year. The estimated mobile penetration rate in Belarus was approximately 126.1% (2020: 124.6%). The number of RGUs increased by 6.6% to 668,640.

At the end of 2021, A1 Slovenija d.d., the second largest mobile communication provider in Slovenia, had 711,853 customers, which corresponds to an increase of 0.7 %. At the end of 2021, the estimated mobile penetration rate in Slovenia was approximately 122.6 % compared to 120.6 % in 2020. The number of RGUs increased by 2.6 % to 220,408 in 2021.

A1 Srbija d.o.o., the third largest mobile communication provider in Serbia, saw the number of mobile customers rising by 3.7 % to 2.4 million customers. By the end of 2021 the mobile penetration rate in Serbia was at approximately142.0 % (2020: 133.2 %).

A1 Makedonija DOOEL had 1.1 million customers per year-end 2021, representing an increase of 1.9 %. As of 31 December 2021, the mobile penetration rate in North Macedonia was at approximately 105.4 % (2020: 105.4 %). In the fixed-line business RGUs rose by 3.9 % to 351,165 in 2021.

Outlook

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

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

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

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

A1 Telekom Austria Group announced at the end of 2020 that it is currently working on the development of alternatives that would allow to reap more benefits from its tower assets through a targeted management focus on internal efficiencies and higher tenancy ratios. In 2021, the Group established an organization for its towers business, which is currently being developed, and carved-out the towers in Bulgaria and Croatia (with no impact on the segments).

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

The development in Belarus could be negatively affected by the depreciation of the Belarusian ruble in 2022. The management of A1 Telekom Austria Group expects the currency to depreciate by 5–10 % (period average) against the euro in 2022, though it should be noted that the predictability of the Belarusian ruble is limited.

A1 Telekom Austria Group is also committed to the fibre rollout in Austria and on Group-level to the ongoing development of its mobile infrastructure in 2022, especially in terms of the roll-out of 5G. The Group acquired respective spectrum in Bulgaria, Croatia and Slovenia in 2021 and thus will continue its 5G roll-out in Austria and these three countries in 2022. In Austria, A1 will accelerate its smart fibre roll-out in 2022.

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

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

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 macroeconomic, competitive and strategic level, (2) non-financial risks, (3) financial risks, (4) technical risks and (5) operational risks.

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

The business plans of the subsidiaries then describe the expectations and business success (and the necessary costs and investments), including an evaluation of the assumed risk regarding established top-down targets (on the growth side but also on the expenditure side).

One key element of risk management is development of effective measures for risk perception and reduction. These are continuously updated via monthly performance calls (MPC) and leadership meetings involving the extended Management Board, the analysis of critical deviations from the targets adopted and the effectiveness of countermeasures taken. The overall risk situation for each risk category is derived from the sum of the individual risks.

In addition to the fixed-line and mobile communications market in Austria, the A1 Telekom Austria Group holds leading positions in six other telecommunications markets abroad. This ensures diversification in terms of both sectors and geographical regions. The risks in the respective markets vary, which is why risk management (and particularly counteracting risks) is the responsibility of the local operational units. Risk management is controlled by the holding company. A multi-year plan is prepared in addition to the regular controlling meetings and strategic meetings. This close integration of business planning and risk management ensures appropriate risk control. The A1 Telekom Austria Group's risk management is monitored by the Audit Committee of the Supervisory Board.

Risks in connection with the COVID-19 pandemic

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

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

Technical risks from the pandemic related to managing the significant increase in data volume and ensuring network stability given the difficulty in deploying staff during the lockdown, which extended from the underlying network level through to individual residential or business customers. The potential operational risks remained supply chain disruption and shortages in the semiconductor market, with limited availability of hardware and the associated services (and revenues) as a risk. The company is countering the risk by establishing business relationships with alternative suppliers and adding new producers.

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

Risks

1. Risks at macroeconomic, competitive and strategic level

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

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

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

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

New growth areas

One challenge in the telecommunications industry is the ever shorter intervals at which companies have to adapt their offerings to include new services and products. Cloud services, over-the-top services, and machine-to-machine communication are just a few examples of new business areas whose growth potential the A1 Telekom Austria Group is seeking to leverage. However, shorter innovation cycles are also associated with innovation risks. The biggest challenges lie in scaling our services as well as differences in the levels of maturity and demand in our markets. Within the América Móvil Group, the A1 Telekom Austria Group is involved in the discussion on innovations.

Regulatory risks

Telecommunications services offered by a provider with significant market power are subject to extensive network access and price regulations. In Austria, the A1 Telekom Austria Group is classified as this kind of provider in several sub-markets. Regulation at the wholesale level restricts operational flexibility with regard to products and tariffs. There is also an obligation to provide access to infrastructure and fixed-line services to alternative providers. The foreign subsidiaries are also subject to certain regulatory frameworks. Additional regulatory decisions, such as further reductions in mobile and fixed-line termination rates as a result of the new EU legal framework (European Electronic Communications Code), will have a negative financial impact.

Net neutrality: Although the Body of European Regulators (BEREC) has issued guiding principles on net neutrality in order to specify how the net neutrality regulation should be applied, uncertainties that could have financial implications remain.

Budget and business plan risks

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

2. Non-financial risks

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

Digitalization

While increasing digitalization generates considerable convenience and efficiency in private life and in business, the growing use of digital platforms and services and the resulting increased use of handsets, tablets, and laptops also pose challenges. Growing cybercrime, from cyberbullying to fraud, poses a particular challenge here. As part of its social responsibility, the A1 Telekom Austria Group therefore also offers training on using the Internet safely, as well as information for at-risk groups. It also offers security products and cyber risk assessments for companies. A1 Telekom Austria Group addresses the public with information and training on the correct handling of new media, e. g. through in-person training, online information, folders and flyers, the state and society.

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

Electromagnetic fields (EMF) and health risks

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

Increased health risks subsisted in 2021 as a result of the COVID-19 pandemic. We are taking every effort to protect our sales and service staff during the pandemic. In particular, we safeguard the health of all employees and customers to the greatest possible extent by providing work wear and protective clothing for employees and introducing rules of conduct for the workplace.

Environmental risks

Climate change can pose risks to the A1 Telekom Austria Group's network infrastructure (from rising average temperatures and heavy rainfall to flooding, mudslides, etc.). For this reason, the A1 Telekom Austria Group carried out a climate scenario analysis for the first time in 2021 in order to consider long-term developments in two future scenarios: a scenario with global warming of < 2 °C (Paris scenario) and a comparative scenario with 4 °C. At the same time, the impact of climate change was calculated in two scenarios. At the same time, different time periods were considered for calculating the impacts in both scenarios. While there are no significant differences in the short-term, five-year estimate, the long-term comparison (up to 30 years) of the two scenarios naturally revealed greater differences in the financial impacts. The year 2020 was used as the base year in each case. Naturally, these differences over this long period are subject to great uncertainty. It can also be assumed that, depending on actual developments, corresponding mitigation measures will be initiated. Irrespective of this, A1 Telekom Austria is actively engaged in climate protection and continuously monitors regional developments in order to be able to initiate measures to protect its infrastructure if necessary. Moreover, the impact on finances and the customer experience in this risk category has been extremely marginal in recent years.

3. Financial risks

The A1 Telekom Austria Group is exposed to liquidity, credit, foreign currency exchange rate, transfer and interest rate risks. Tax risks are also included in the risk assessment and there is an increased focus on measures in this regard.

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

4. Technical risks

Operating risks

Maintaining availability and access to services offered is a key element of operational risk management, as different threats such as natural disasters, major technical disruptions, third-party construction work, hidden faults or criminal acts can all impair their quality and even lead to interrupted operations. Long-term planning takes technological developments into account. The redundancy of critical components ensures failure safety, while efficient organizational structures for operations and security serve to safeguard high quality standards. Furthermore, a separate Group guideline ensures uniform methods for the recognition and management of the most important risks. The ongoing identification and assessment of risks flows into the decision-making as to whether measures are taken to minimize the risk or whether the potential risk is borne by the A1 Telekom Austria Group. Whenever a major disruption occurs, causes are clarified and it is determined how a recurrence can be avoided. A central approach to insurance against physical damage also helps to minimize the financial effects.

IT changes and digital transformation

Modernizing and reducing complexity in the area of BSS (business support systems) and OSS (operations support systems) is a long-term challenge. Risk-based renewal of legacy infrastructure and software enables sustainable risk reduction, while overarching integration of platforms reduces complexity and ensures openness to new services and partners. The associated risks are analyzed in the areas of IT security, flexibility of service provision and the related medium-term costs. Another risk component is the transformation of people, developing our skills and workforce to have the right setup for sustainable architecture change and implementation.

Data security risks

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

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

5. Operational risks

Compliance risks

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

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

Legal risks

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

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

Risks of slow or no digital transformation

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

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

Structural development

In 1996, civil servants of the Republic of Austria were allocated to Telekom Austria Aktiengesellschaft until their retirement in accordance with the Austrian Postal Services Structure Act (Poststrukturgesetz). Transfers within and outside 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.

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.

Internal control system for financial reporting

Telekom Austria Aktiengesellschaft has an internal control system (ICS) for the financial reporting process as required by law. The ICS is intended to provide reasonable assurance regarding the reliability, completeness and accuracy of external financial reporting in compliance with international and national accounting standards. Regular internal reporting to management and the review of the ICS by the Internal Audit department also ensure that vulnerabilities are identified promptly or at an early stage and communicated and eliminated accordingly. The most important content and principles apply to all A1 Telekom Austria Group subsidiaries. The effectiveness of this system is reviewed, analyzed and assessed at regular intervals. At the end of each year, the Group's management carries out an assessment of the ICS for relevant companies with the involvement of the respective business units. Based on the findings of this assessment and the defined criteria, Management has determined that the internal control system regarding financial reporting was effective as of December 31, 2021.

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

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

Shareholder structure and capital disclosures

At the end of 2021, a total of 51.00 % or 338,895,000 shares of Telekom Austria Aktiengesellschaft were held by América Móvil B.V., Netherlands ("América Móvil B.V."; formerly Carso Telecom B.V.), a wholly-owned subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil"). The Republic of Austria held 28.42 % via Österreichische Beteiligungs AG ("ÖBAG"), while the remaining 20.58 % of the shares were in free float. 0.1% or 0.4 million shares of the latter were held by the company itself. Employee shares that are held in a collective custody account also form part of the free float. The associated voting rights are exercised by a custodian (notary). The total number of no-par value shares remains at 664,500,000.

At the Annual General Meeting of Telekom Austria AG held on May 29, 2013, the Management Board was empowered to acquire treasury shares for certain purposes. As at the previous year-end, the Company is holding 415,159 treasury shares.

The majority of financial agreements are subject to standard change-of-control clauses that could ultimately lead to the termination of contracts. None of these clauses came into effect in the 2021 financial year or up until the date at which this report was prepared.

The following information concerning the shareholders' agreement is based solely on publicly available information.[3] 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%.

Vienna, February 4, 2022
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft

3) Information on takeover offer (May 9, 2014): https://www.a1.group/de/ir/12474
Information on capital increase as of November 7, 2014: https://www.a1.group/de/ir/14887

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, 2021, the income statement for the financial 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, 2021 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 financial 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 8,415.3) in its single financial statements as of December 31, 2021 according to Austrian GAAP and recorded reversals of impairments (mEUR 521.5) in the 2021 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) as well as Note 3.6 (Income from the Reversal of Impairment Losses on 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 in particular to the political development in Belarus, where Telekom Austria AG shows significant investments in subsidiaries, and thereof any possible effects on the business development.

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

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.

Furthermore, we compared forecasted revenue and EBITDA margins as well as capital expenditure and changes in working capital for all entities with the Telekom Austria Group plans submitted to the audit committee and analyzed the main drivers for the future development included in the business plan to determine the appropriateness of the projections. We also verified the assumptions made in relation to discount rates and growth rates. EY valuation specialists assisted us in performing the audit procedures.

Furthermore we analyzed possible risks in the context of the political development in Belarus and critically discussed with the group management, the local management as well as the component auditor in order to evaluate the appropriateness of the projections in the valuation model for Belarus.

We also evaluated the adequacy of disclosures made regarding impairment.

Other Information

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the Audit Committee for the Financial Statements
Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at May 14, 2021. We were appointed by the Supervisory Board on October 7, 2021. 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 4, 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Erich Lehner mp Wirtschaftsprüfer / Certified Public Accountant	ppa Mag. Marion Raninger mp Wirtschaftsprüferin / Certified Public Accountant

Declaration of the Management Board

We confirm to the best of our knowledge that the separate financial statements prepared according to the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and that the management report describes the development and performance of the business and the position of the company in a way that it gives a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the management report describes the principal risks and uncertainties of the company.

The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

Consolidated non-financial report

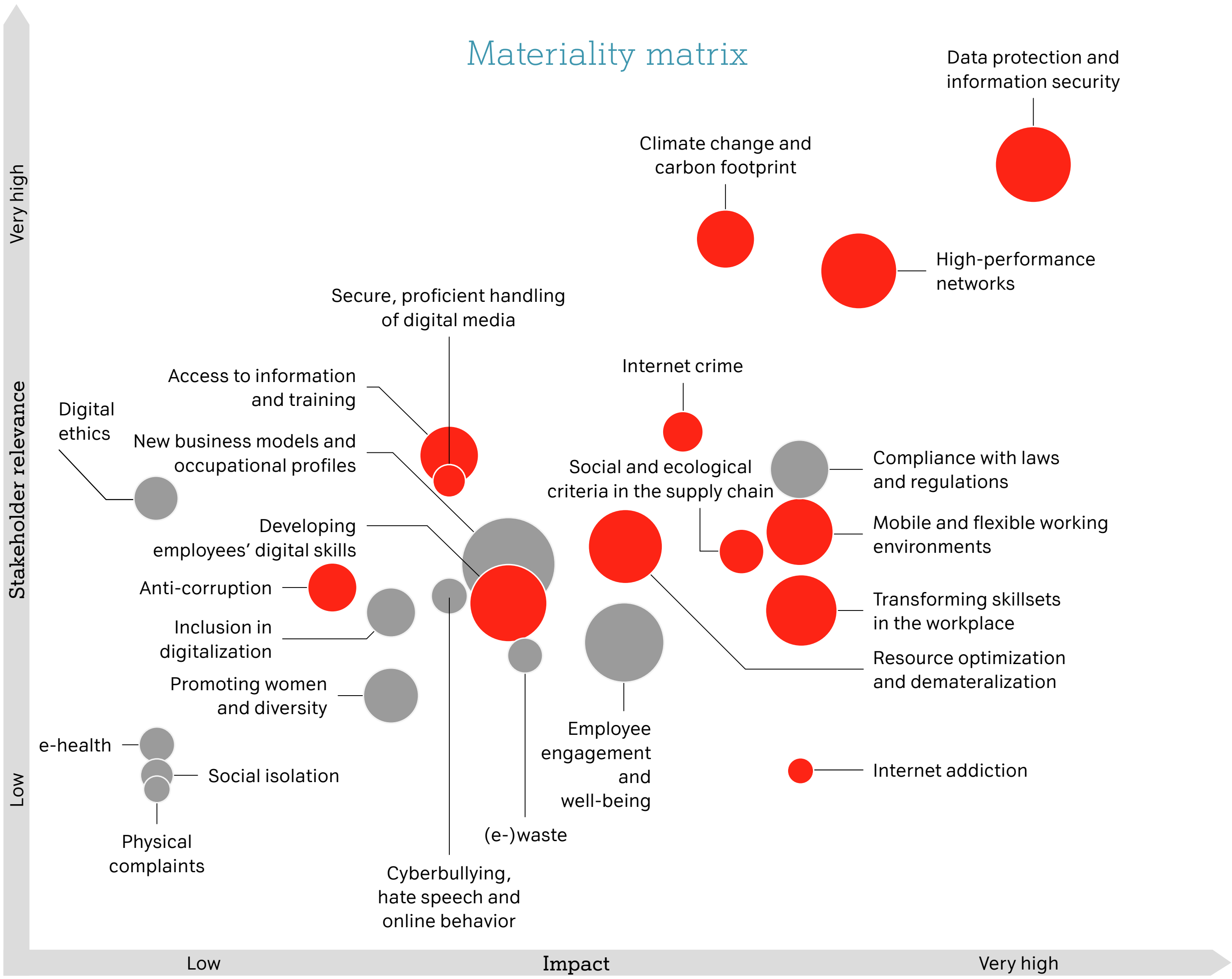
Consolidated non-financial report of Telekom Austria Aktiengesellschaft in accordance with section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights and combating corruption and bribery

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 26 million customers in seven countries: Austria, Belarus, Bulgaria, Croatia, North Macedonia, Serbia and Slovenia. All equity investments have operated under the A1 brand since 2021. Through A1 Digital International GmbH (hereinafter referred to as A1 Digital), Telekom Austria AG offers industry-specific solutions for business clients on its core markets and in Germany and Switzerland. The scope of the consolidation according to the Group Management Report and the Consolidated Financial Statements for 2021 was referenced for the non-financial reporting. Information on business operations and the companies included in consolidation can be found in the 2021 Group Management Report and Consolidated Financial Statements.

Significant changes in non-financial reporting will be brought about by the EU Taxonomy Regulation, which applies in limited scope to the financial year 2021. In it, regulators have created an additional framework to push companies towards greater sustainability. The significance of non-financial reporting will grow as a result.

Sustainability aspects play a major role in the activities of Telekom Austria AG and its subsidiaries, referred to below as the A1 Telekom Austria Group. The company is aware of its social responsibility, and attaches great importance to sustainably increasing its enterprise value while taking all relevant economic, ecological and social aspects into account. 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, the compliance guidelines and Group-wide integrated sustainability management. Compliance with the principles of the UN Global Compact and respect for human rights ensure that these strategies and goals are sustainably implemented and achieved by all business units.

The new Group ESG (Environmental, Social & Corporate Governance) unit was created in 2021, and assigned directly to the CEO of the A1 Telekom Austria Group. This unit is responsible for the sustainability agendas. The Management Board defines the sustainability strategy in close coordination with Group ESG on the one hand and in an ongoing dialog with the Supervisory Board on the other. Rigor is ensured by close connections to corporate strategy. External stakeholder issues are also taken into account by the materiality analysis and, thus, incorporated into ESG work. Social, legal and regulatory changes are taken into account in ESG action areas as well, such as the impact of the COVID-19 pandemic on the world of work and the service portfolio, or the legal developments in the field of data privacy and the constant evolution of the Code of Conduct.



Red circles in this matrix represent the topics relevant to the A1 Telekom Austria Group, which are reported on in course of the non-financial report. The size of the circles reflects their business relevance. This matrix allows an integrated perspective that takes into account firstly the topics' sustainability context and secondly their economic significance for the company.

1. Information on the topics derived for the A1 Telekom Austria Group from the materiality analysis

In order to identify the relevant issues, research was performed into the potential impact and risks in terms of environmental, social and employee matters. The results of this were analyzed, clustered and subsequently assessed in an online survey by internal and external stakeholders such as customers, suppliers, special interest groups, academia, businesses, NGOs and employees. In total, around 900 stakeholders and managers of the A1 Telekom Austria Group participated in the materiality analysis.

The two highest rated topics 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 and, as an additional matter, business operations. Given the content overlap, the topics of cybercrime, access to information and education, internet addiction and the safe and skilled use of digital media have been combined to form a single topic cluster that is discussed jointly under social matters. Moreover, "employee digital skills development" has been combined with "skill shift on the employment market", and can be found with the disclosures on promoting women and diversity under employee matters. Under the method used, the topic of compliance with laws and regulations was not identified as material, however the A1 Telekom Austria Group nonetheless regards it a basic requirement and it has therefore also been taken into account. Following constant feedback and discussion with departments and management on key issues, particular attention was placed on data protection and information security in 2021, hence this section has been restructured and expanded since the previous year. There is also reporting on the EU Taxonomy, as referred to above.

Risks and opportunities – Identification, mitigation and assessment

Based on the materiality analysis, the company's non-financial risks and opportunities were derived and the risk analysis was adapted following internal discussion. After this, the risk managers and the ESG unit analyze and mitigate the risks and opportunities with experts before producing a final assessment. The Management Board is kept informed by enterprise risk management updates. ESG is a top priority in the annual strategy discussion between the Supervisory Board and the Management Board / the general focus of the Supervisory Board. This relates, for example, to the ESG performance and ratings, as well as their rising relevance for investors and the capital market.

The A1 Telekom Austria Group impressively demonstrated its resilience in the face of the challenges stemming from the pandemic. For instance, internal digitalization and agile working methods in conjunction with the "A1 Way of Working" were further expedited.

Identification of risks – procedural perspective

Issues	‣ Polling stakeholders, peer-group analysis ‣ Interviews with relevant experts and managers ‣ Supervisory Board / ESG strategy / risk management ‣ Focus on EU Taxonomy
ESG & Risk Management	‣ Selection of issues in terms of non-financial risks and opportunities ‣ Analysis of risks / opportunities, assessment and potential influence ‣ Discussion of possible KPIs ‣ Preparation of analyzed issues for deep dives
Management Board & Supervisory Board	‣ Approval of issues, possibly widening of focus from strategy process with Supervisory Board and Management Board (ESG strategy / opportunities / risks)
Departments	‣ Elaboration of concerns by interviews / activity planning and implementation with experts from the respective departments ‣ Definition of assessment criteria, assessment of the risks and opportunities arising
ESG & Risk Management	‣ Content compilation of the identified risks and opportunities and their assessment, consolidation of mitigating activities

Business operation matters	Social matters	Employee matters	Environmental matters	Respect for human rights	Combating corruption and bribery
‣ Data protection and information security ‣ High performing networks	‣ Internet crime + access to information and training + Internet addiction + secure, proficient handling of digital media	‣ Mobile and flexible working environments ‣ Transforming skillsets in the workplace + developing employees' digital skills	‣ Climate change and carbon footprint ‣ Resource optimization and dematerialization	‣ Social and ecological criteria in the supply chain	‣ Anti-corruption

Risks and opportunities assessed with at least a qualitatively high impact are covered in the following report, corresponding activities and measures to manage the risks have been compiled and presented. The assessment arises from the discussion with the responsible experts and managers within the company.

2. Material business operations 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. The A1 Telekom Austria Group strictly adheres to the current legal framework in the field of data protection and information security. Personal data are processed in accordance with the EU General Data Protection Regulation (GDPR), national data protection laws and the specific provisions of national telecommunications legislation. In the event of a breach of personal data protection, the data protection authorities are notified in line with statutory requirements and the data subjects are informed.

The data of the A1 Telekom Austria Group's customers, employees, shareholders, suppliers and sales partners are only shared with third parties if there is a legal basis. Any requests for the transmission of data received from the courts, public prosecutors, the police or other authorities are analyzed to ensure their legality. Data are only shared in compliance with legal and regulatory requirements in response to a lawful inquiry. If appropriate, Data subjects will be informed of this in accordance with the statutory provisions.

In addition to the statutory requirements, all companies in the Group are required to obey the information security standards created for this purpose and other country-specific guidelines on data security. At A1 in Austria, for example, comprehensive certificates such as ISO 27001 and ECO Datacenter 3.0 attest to these high security standards. All A1 Telekom Austria Group network operators already satisfy the ISO 27001 standard, except A1 in Serbia. The management systems are regularly evaluated. For example, ISO certification is reviewed annually. Adjustments are also made as necessary throughout the year.

The network operators of the A1 Telekom Austria Group work with the respective authorities to continuously improve cybersecurity. A1 in Austria took part in the industry risk analysis of the radio and telecoms regulator RTR. This regulator analyzed risks in the telecommunications industry and, on the basis of the findings, develops recommendations for network and service operators and for public administration. Relevant security information is shared through the A1 CERT (Computer Emergency Response Team), which is also a member of the national CERT association ATC (Austrian Trust Circle). Security expertise is shared within the A1 Telekom Austria Group and at conferences.

The A1 Security division in Austria also handles the security governance for the A1 Telekom Austria Group as a whole. Security requirements are being harmonized throughout the Group so that services, such as cloud services or new working models (working from home, remote working, agile teams, remote operation & support, etc.), can still be developed reliably and securely and can be used in live operations.

The data privacy governance approved by the Management Board of the A1 Telekom Austria Group provides for the harmonization of the obligations binding for the companies of the Group. This is based on an analysis of local data governance legislation.

The Management Board or management team of the individual Group companies is responsible for the processing of personal data in line with data protection requirements. At A1 in Austria, the Data Privacy unit, together with the Legal department, assists management in complying with its obligations under data protection law. Moreover, data protection officers have been appointed in all countries of the operational footprint.

In Austria, the core duties of the data protection officers include in particular notifying and advising the Management Board and employees on their duties under data protection provisions and monitoring their compliance. Every division must appoint a data protection coordinator to ensure the operational implementation of data protection requirements. This coordinator is the point of contact for all issues in connection with data protection and information security in the division, and reports any vulnerabilities or breaches to the Data Privacy and Security units.

Data protection and information security are key principles in the Code of Conduct of the A1 Telekom Austria Group. The protection of privacy, and thus respecting the human rights of customers, employees, shareholders, suppliers and sales partners are guiding principles anchored in it. The Group's contractual partners are required to comply with the principles governed by the Code of Conduct and, thus, to comply with data protection. Furthermore, in their role under data protection law as contract processors, suppliers are contractually required to fulfill the A1 Telekom Austria Group's requirements for data protection and information security in the processing of personal data.

Data protection and information security are essential within the company as well. All employees of the A1 Telekom Austria Group are required to preserve trade and business secrets. Such confidential information must be stored securely and can only be disclosed internally to persons who require such information for their professional work (need-to-know principle).

Key performance indicator
To raise awareness and provide training on data protection and information security, there are company-wide online training sessions and more advanced sessions for the individual divisions and data protection coordinators, as well as current information in internal communication media or events. In 2021 throughout the Group, more than 9,500 e-learning modules were completed and 1,900 participants at workshops on data protection and information security were registered (2020: around 22,200 e-learnings). The figure from 2020 contains a new mandatory e-learning on data protection, which in 2021 only new employees had to complete. This partly explains the lower number in the year 2021 compared to the year before.

Opportunities and risks
The A1 Telekom Austria Group is aware of the risk posed by cybercrime. To reduce cyber-risks and also to be optimally prepared for future threats of this nature, the Group is continuously investing in its security measures. To prevent and minimize security risks such as unauthorized penetration of A1 systems or forced downtimes, security measures are expanded on an ongoing basis. For example, realistic phishing drills ensure that employees can detect scam messages. The implementation of data governance in accordance with the privacy by design principle reduces the risk when handling data. This applies in particular to the use of cloud services and ensuring data protection when sourcing software and service providers.

Implementation / results in 2021
In 2021, the A1 Telekom Austria Group therefore took comprehensive and wide-ranging measures to safeguard the security of customer data. This year, the Group experienced a significant increase in DDoS attacks aiming to deliberately overload network servers. More than 100 DDoS attacks per day are registered in A1's backbone. Significant attacks with loads of more than 100 Gbit/s also occur on nearly a weekly basis. Investment by the A1 Telekom Austria Group in automatic DDoS defense allows virtually all of these DDoS attacks to be successfully counteracted. So that A1 business customers can successfully defend against DDoS attacks, A1 offers them automatic protection with its "A1 Cleanpipe" product.

The function of Chief Security Officer (CSO) was created in Austria and additional staff were added to the Cyber Security department overall. Moreover, password requirements have been heightened for all employees. In addition, vulnerability management was revised to enhance transparency and so that vulnerabilities that arise can be tackled even more rigorously and quickly. Furthermore, the security information and event monitoring (SIEM) system was comprehensively expanded to be able to detect and combat cyber incidents immediately. Internal risk management is also being modernized in view of the complexity of cyber-risks.

There has been a new form of malware in Austria since around May 2021 called FluBot, which compromises phones in order to access its victims' personal data, identities on social platforms, contacts and online banking. The malware sends SMS messages from the compromised phone to other phones not yet affected. To prevent its spread and limit the potential harm to customers, A1 places a cyber-lockout on phone numbers that are noticed to be sending unusually high numbers of SMSs. The A1 service line also helps the customers affected to fix the problem.

High-performance networks

Concept
The advances in digital transformation and the associated rise in demand for secure and stable connectivity were greatly accelerated by the COVID-19 pandemic. The greater number of people working from home and more agile forms of collaboration are significantly amplifying this trend. With its high-performance and future-proof infrastructure, the A1 Telekom Austria Group offers a dependable foundation for increasingly digital working and living environments.

In particular, the Group is focusing on helping to shape a sustainable future on the basis of technological innovation. For in the age of digital transformation, alongside the many advantages, there are naturally also challenges. Among other things, increased online presence ultimately also means greater data traffic, a consequence of which is higher energy requirements. The A1 Telekom Austria Group is tackling the associated tasks, and its ecological and social responsibility, head-on, and is promoting a more efficient and resource-friendly operation of its infrastructure through innovative technologies.

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 automate the operation of networks and will bring more flexibility in the coming years. In addition, the use of established management systems such as ISO 9001 will also continue. These are regularly evaluated.

Key performance indicator
Capital expenditure by the A1 Telekom Austria Group amounted to EUR 891.5 mn in the financial year 2021 (2020: EUR 651.4 mn), with the expansion of 5G and fixed-line broadband services being one of the main areas. The expansion of the digital infrastructure in Austria accounted for EUR 496.0 mn of this.

Opportunities and risks
The stable availability of Internet access, products and services is the fundamental requirement for customer satisfaction. The key risks here 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.

Short latency and high data throughput even under heavy load require highly professional network management. Quick problem-solving and information when disruptions occur are essential for offering customers the utmost quality. Ongoing protection and continuous improvement of the communications infrastructure and supply performance represent a significant quality advantage and thus enhanced image and reputation. The company therefore relies on measures such as the (geo-) redundancy of networks and services, certified service and update processes, the virtualization of functions, testing and documentation, plus a close-knit control system, thereby ensuring product and service performance without interruption.

Implementation / results in 2021

Broadband expansion in Austria

The 2021 infrastructure expansion in Austria focused on the advancing 5G roll-out and investment in Austria's biggest fiber network. In mobile communications, around 62 % of the population already has coverage for the fastest mobile technology 5G, as of the end of 2021. This makes A1 the leader in the field of 5G networks. A1 is still pursuing its target of providing 5G coverage for the entire population (>95 % of Austrian people) by 2023.

In fixed-line operations, more than 3,000 km of additional fiber was laid this financial year. A1 now has a fiber network with a fiber length of around 64,000 km in Austria. 95 % of Austria's communities are therefore connected to the A1 Telekom Austria Group's fiber network.

Broadband expansion in CEE

The starting shot for 5G was fired in Bulgaria, Croatia and Slovenia in 2021 following the corresponding frequency auctions. Spectrum in the 2.1 GHz, 2.6 GHz and 3.6 GHz frequency ranges was acquired in Bulgaria in the first half of 2021. In a multi-band auction in Slovenia, spectrum in the 700 MHz, 1.4 GHz, 2.1 GHz, 3.6 GHz and 26 GHz frequency ranges was purchased at auction in the second quarter. Most recently, spectrum in the 700 MHz, 3.6 GHz and 26 GHz ranges was acquired in Croatia in summer 2021. The A1 Telekom Austria Group invested a total of EUR 65.3 mn in frequencies in the financial year 2021.

Parallel to this, the Group is continuing to develop its fixed line infrastructure on its CEE markets and increasingly using fiber and state-of-the-art cable technologies such as DOCSIS 3.1.

3. Material environmental matters

Climate change and carbon footprint

Concept

The carbon emissions resulting from the energy consumption of the network infrastructure represent the Group's biggest impact in terms of climate change. The company's fleet and the heating / air conditioning of its buildings likewise contribute to its carbon emissions. The A1 Telekom Austria Group therefore takes action to enhance its energy efficiency and stabilize or reduce its energy requirements while simultaneously cutting carbon emissions as much as possible in all areas. Also, 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 and anchored specific environmental goals in its environment, social and corporate governance (ESG) strategy. This, in turn, is part of its corporate strategy. As the goals of the ESG strategy have been taken into account in remuneration criteria for members of the Management Board of the Group and of the respective Group companies since 2020, the achievement of environmental goals has a direct influence on management remuneration.

The environmental management systems are certified according to ISO 14001 in all operating countries of the A1 Telekom Austria Group, except Belarus. A1 in Belarus is striving to achieve this certification for 2022. 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. 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 also evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully carried out again for 2021. Adjustments are made as necessary throughout the year.

Key performance indicator

The A1 Telekom Austria Group's goal is to reduce its carbon footprint to "net zero" by 2030 and to increase its energy efficiency per terabyte generated by 80 % over the same period. It plans to do so by reducing its own carbon footprint as a whole and by gradually making the transition to energy from renewable sources.

As a result of all the measures taken to date, carbon emissions were reduced at Group level as against 2020 in 2021. The A1 Telekom Austria Group's scope 1 emissions, which include carbon emissions from the combustion of fossil fuels for heating and mobility, were reduced by 3 %. Scope 2 emissions (market-based), which are generated by energy consumption and district heating, declined by 22 %. The total carbon reduction amounts to 20 %. The distance driven by the Group's fleet was reduced by 0.8 % and fuel consumption fell by 3 %. At A1 in Austria, 161 electric vehicles were ordered in 2021. Heating levels stayed the same / decreased slightly in 2021 year-on-year (fuel for heating: ±0 %; district heating: -2 %). Electricity requirements increased by 6 % over the same period. The energy efficiency indicator (electricity required per terabyte transferred) was 0.11 MWh / terabyte in 2021 (2020: 0.14 MWh / terabyte).

Targets for 2030 [1]	Status in 2021
Reduction of CO_2 emissions to net zero by reducing own CO_2 footprint and by gradually making the transition to energy from renewable sources	-20 % scope 1 and scope 2 (market based) emissions compared to 2020
Energy efficiency enhancement of 80 % [2]	Improvement of 18 % compared to 2020

1) Base year 2019
2) Measured as electricity required per terabyte transferred (in MWh / terabyte)

Direct and indirect energy (in MWh)

According to the GRI Standard for Sustainability Reports: 302-1, 302-4

2021	Electricity [1]	Fuels for heating [2]	District heating	Fuels [3]	Total energy consumption
Austria	351,843	13,990	26,406	33,520	425,759
Bulgaria	130,564	97	164	9,806	140,631
Croatia	90,813	578	3,385	5,675	100,452
Belarus	96,252	320	3,712	4,560	104,844
Slovenia	36,020	0	326	1,036	37,382
Serbia	66,828	161	287	2,610	69,886
North Macedonia	33,866	0	0	2,189	36,055
A1 Digital	812	0	22	67	902
A1 Telekom Austria Group	**807,000**	**15,147**	**34,302**	**59,463**	**915,912**
2020					
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	95,879	329	3,039	4,805	104,052
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 Digital	729	0	22	161	913
A1 Telekom Austria Group	**764,390**	**15,161**	**35,159**	**61,083**	**875,793**
Change (in %)					
Austria	9	-1	-7	-5	6
Bulgaria	3	2	-46	-3	2
Croatia	5	16	19	10	6
Belarus	0	-3	22	-5	1
Slovenia	7	n. a.	18	-12	6
Serbia	3	22	31	6	4
North Macedonia	4	n. a.	n. a.	1	4
A1 Digital	11	n. a.	0	-59	-1
A1 Telekom Austria Group	**6**	**0**	**-2**	**-3**	**5**

The environmental indicators for the full financial year 2021 were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2020 to 31 October 2021, which is considered a representative comparison period for the financial year 2021. If no data were available for this period, data from the previous period were used. While figures were compiled with the utmost care, inaccuracies may occur, for instance due to estimates. Due to more precise compliance with the GHG protocol, the “electricity” indicators for Belarus have been recalculated for 2020. A1 Digital includes the German and Swiss part of the operations of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be 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

Opportunities and risks

In the area of environmental matters, climate scenarios and their impact on the A1 Telekom Austria Group's business model were analyzed for the first time in 2021. A multidisciplinary team evaluated the effects of two scenarios (<2°C, 4°C temperature increase) on the dimensions of customers, procurement, production and operations. The analysis focused on the risks of flooding / loss of parts of the network, cost increases, for instance due to carbon taxes, or massive increases in power costs and a disruption of the production of end-user devices or their components and supply chains. These enhanced ESG activities offer opportunities in both customer acquisition and customer loyalty.

The long-term financial impact of the risks is mainly reflected in the cost increase for energy. Steps were successfully taken

Direct and indirect greenhouse gas emissions including biogenic emissions (in t CO_2-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.)	
2021		location-based	market-based	location-based	market-based	location-based	market-based
Austria	12,086	85,783	8,356	97,870	20,442	83,042	5,614
Bulgaria	3,033	58,270	38,969	61,303	42,002	61,303	42,002
Croatia	2,408	13,715	26,942	16,124	29,350	16,124	29,350
Belarus	1,715	37,128	37,128	38,843	38,843	38,843	38,843
Slovenia	274	7,857	2,849	8,130	3,122	8,130	3,122
Serbia	948	48,883	41,231	49,831	42,179	49,831	42,179
North Macedonia	835	20,859	20,859	21,694	21,694	21,694	21,694
A1 Digital	18	135	6	153	23	153	23
A1 Telekom Austria Group	**21,316**	**272,631**	**176,340**	**293,947**	**197,656**	**279,119**	**182,828**
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	1,794	36,492	36,492	38,285	38,285	38,285	38,285
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 Digital	43	121	6	164	49	164	49
A1 Telekom Austria Group	**21,908**	**287,025**	**225,083**	**308,932**	**246,990**	**296,449**	**234,508**
Change (in %)							
Austria	-4	1	-9	0	-6	-3	-39
Bulgaria	-4	-10	-40	-10	-38	-10	-38
Croatia	10	-25	-25	-22	-23	-22	-23
Belarus	-4	2	2	1	1	1	1
Slovenia	-12	-1	-41	-1	-39	-1	-39
Serbia	11	-4	-19	-4	-19	-4	-19
North Macedonia	-18	-9	-9	-9	-9	-9	-9
A1 Digital	-59	11	-4	-7	-52	-7	-52
A1 Telekom Austria Group	**-3**	**-5**	**-22**	**-5**	**-20**	**-1**	**-16**

The environmental indicators for the full financial year 2021 were not yet available at the time of reporting. The above table contains the figures for the period from 1 November 2020 to 31 October 2021, which is considered a representative comparison period for the financial year 2021. If no data were available for this period, data from the previous period were used. 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. 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. A1 Digital includes the German and Swiss part of the operations of A1 Digital (Austrian and Bulgarian parts are already reported in their respective segments).

Tables may be subject to rounding differences.

to minimize the risk of flooding, including construction activity and relocating critical equipment to higher floors. The externally monitored analysis resulted in the classification of climate risks in countries of the A1 Telekom Austria Group as "low impact" (<3 % impact on cash flow). Other strategic activities also contributed to a reduction of consumption or the avoidance of regulatory risks.

To reduce the risks, nearly 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 in 2021

As stated before, the A1 Telekom Austria Group believes that it has an obligation to make its business operations as sustainable as possible. In addition to measures to enhance energy efficiency, meeting the energy demand from renewable sources such as solar power, hydropower or wind power plays a big role. For this reason, the focus in 2021 was again in particular on electricity purchasing and consumption as the biggest lever for reducing CO_2 emissions. Throughout the Group, the share of renewable energy in total energy consumption and in electricity consumption increased to 50 % and 57 % respectively. A Green Electricity Policy was created to define the right measures with corresponding quality standards for the purchase of green electricity. This policy defines four key instruments: on-site energy production, power purchasing agreements (PPAs), green tariffs and guarantees of origin. Each of these instruments was assessed and prioritized according to various criteria, such as environmental impact, time to implementation and innovation potential. At least one of the Green Electricity Policy's instruments was implemented on virtually all markets of the A1 Telekom Austria Group in 2021. Examples include a contract for a green tariff in Croatia and Serbia, the acquisition of guarantees of origin in Bulgaria and the installation of solar panels on base stations in Bulgaria. The A1 Telekom Austria Group also operates two major photovoltaics plants of its own. One in Belarus has been operating since 2016 with around 24 million kWh of electricity produced every year. Also, another plant in Aflenz, Austria, has been operating since back in 2013 producing around 215,000 kWh of electricity per year.

Various measures are being taken to reduce carbon emissions by the Group's fleet of vehicles, the first of which is to reduce the distance traveled. Innovative logistics concepts and telepresence solutions, as well as other digital solutions in support of flexible, remote forms of work are also used as an alternative. Self-installation solutions for customers also help to reduce the distance traveled. The second step is to use vehicles with sustainable drive systems. The increased use of gas, hybrid or electric vehicles is currently being evaluated / implemented. The A1 Telekom Austria Group also commissioned EcoAustria and the Fraunhofer Institute for Systems and Innovation Research (ISI) in Austria to produce a study on "Digitalization and Climate Change", which was published in March 2021. Both the positive and negative effects of digitalization on CO_2 emissions were analyzed qualitatively and quantitatively. The results show that digital infrastructure makes a positive contribution to the climate overall, as the carbon-reducing effects outweigh the carbon-increasing effects on average.

Resource optimization and dematerialization

Concept

Digitalization offers huge potential for environmental protection in terms of resource conservation. Digital communication solutions, such as videoconferencing or telepresence, are making communication more efficient and more environmentally friendly in a number of areas of work and life, as many work processes that would otherwise have required travel can now be done online. Hand in hand with this dynamic digital transformation, new technologies and devices / components are continuously being developed and used to optimize efficiency and potential. The A1 Telekom Austria Group makes fundamental ecological principles a top priority, such as preventing waste, conserving resources and efforts to keep valuable raw materials in circulation for as long as possible. Continuous lifecycle management ensures that resources in circulation can be used for as long as possible. This includes the refurbishment and reuse of returned devices that are still functional and technologically current. When devices or equipment can no longer be used, they are dismantled, systematically separated by component, such as circuit boards, copper, iron or tin, and properly recycled. Manual recycling processes are preferred. The A1 Telekom Austria Group also contributes to the conservation of resources by recycling cell phones. Most of its subsidiaries offer their customers the opportunity to return old devices free of charge, and some subsidiaries have even been doing this since 2004.

Key performance indicator

The A1 Telekom Austria Group has set itself the goal of recycling around 50,000 old devices every year by 2030. Between 70 % and 80 % of the components of these old devices can

Target for 2030	Status in 2021
Promoting the circular economy within the company by recycling around 50,000 old devices per year	166,038 devices

be recycled and reused as raw materials by specialist recyclers. In 2021, the Group as a whole collected 166,038 recycled devices (2020: 84,880 mobile devices) and 580,839 recycled and refurbished devices in total.

Opportunities and risks

The A1 Telekom Austria Group also sees dematerialization and resource conservation as a business 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 effectively or their use can be prevented altogether. This affects both production and logistics costs. The COVID-19 pandemic made an unplanned yet key contribution to accelerating this development.

Rising recycling targets and the underlying activities contribute to the resource cycle and mitigate the risk of recycling requirements, such as those that have long existed in Belarus. An active commitment to certified product refurbishment also reduces the Group's investment in equipment. Refurbishment is already being successfully practiced for cell phones, modems and set-top boxes. With customers now increasingly aware of the issue of resource conservation, calls are growing for the company to become a market pioneer, as is demand for refurbished devices that also lower the barrier to entry for the premium segment.

Implementation / results in 2021

A1 Telekom Austria Group's ambitions for resource optimization and dematerialization are not just limited to recycling. In Austria, the proceeds from cell phone recycling go towards climate protection projects. Similarly, initial pilot projects were carried out to resell refurbished cell phones. In Slovenia, for example, A1 introduced a green cell phone plan where older smartphone models that are still technically fully intact are sold at lower costs, mainly to a younger target group. Moreover, at A1 in Austria, more than 160,000 units of the A1 WLAN Box and the new A1 Hybrid Box have been shipped with a new packaging design based on sustainable criteria already.

4. Social matters

Secure, proficient use of digital media, Internet crime, Internet addiction, access to information and education

With regard to social matters, the A1 Telekom Austria Group fulfills its responsibility to society with a special focus on teaching media literacy, how to use social media and cybercrime. The significant issues are discussed jointly in the following section: access to information and education, secure, proficient handling of digital media, cybercrime and 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. The A1 Telekom Austria Group is aware of the social responsibility associated with this. It is actively involved in educating people about the proper use of mobile devices and the Internet, as well as about risks such as Internet addiction or cybercrime. This is relevant both for the older generation and for children and young people. Furthermore, for the latter target group, the clear trend towards creative digital applications will require new digital teaching concepts. It is no longer just a matter of acquiring digital skills, but also actively helping to develop and shape the digital world. This is particularly relevant for children and young people, as digitalization will shape and change the future of working life more than ever before. New job profiles will emerge, which will demand new approaches to training and continuing professional development. The workshops offered by the A1 Telekom Austria Group on issues such as programming, robotics or design and media will give young people a hands-on way to acquire digital learning content so that they can become the architects of the digital world of tomorrow.

The focus today is therefore on teaching learners the right way to handle digital design, Internet security and social media. The "A1 Internet for All" media literacy initiative was established in Austria in 2011 to teach these very skills, 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 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

Some workshops were held online because of COVID-19. In total, workshops were attended by 33,190 participants in 2021. The "A1 Internet for All" and "A1 digital.campus" initiatives have already been attended more than 261,100 times in total since 2011. The A1 Telekom Austria Group is committed to reach 100,000 people between 2020 and 2023 as part of its digital education initiative. This initiative is clearly focused on children and young people to help them safely navigate and actively shape the digital world.

Opportunities and risks

Promoting the use of digital media is seen as an opportunity, because the safe and skilled use of new media has now reached all areas of life – education, work, leisure – and therefore also helps to close the digital gap. Lockdowns due to the pandemic served as a catalyst of digital transformation and fueled a rapid increase in the use of digital tools across all age groups. Risks in using digital media pose challenges to children, young people and digital beginners especially – challenges that they have a limited capacity to solve themselves. These can range from addiction, bullying or isolation to rising cybercrime.

Implementation / results in 2021

The digital transformation and the COVID-19 pandemic are creating new skill requirements, not just for children and young people, but for educators and parents as well. Distance learning, working from home and virtual contact with family and friends are now part of our day-to-day reality. To address this, A1 expanded its range of online workshops for teachers and kindergarten educators in Austria. Moreover, the number of parents' evenings was increased as, especially in times of distance learning and lockdown, children's Internet consumption has risen enormously, giving rise to a number of extra questions about Internet use, cyberbullying and social media addiction. For pupils in Austria, a selected number of online workshops were offered in conjunction with distance learning in the first half of the year, while at the same time a new education initiative concept was developed.

After ten years, "A1 Internet for All" became the new "A1 digital. campus" in 2021, with a focus on robotics, coding and design and media labs for school classes. Children and teenagers were given a hands-on chance to learn the basics of coding and robotics at the first vacation special in November.

A1 is also focusing on safety workshops for children in North Macedonia, Croatia, Serbia, Slovenia and Bulgaria, and it offers workshops for parents in Slovenia and Croatia as well. Furthermore, in Serbia, A1 designed a workshop just for girls on safety on the Internet and digital skills, while children and parents in Slovenia found answers for their questions on safe Internet habits in an online quiz on A1's website.

For the older generation, the A1 Seniors' Academy was launched in Austria, giving people over 60 the chance to take part in online workshops as a gateway to the Internet, in addition to covering relevant security issues and the latest advice on communicating by WhatsApp and video calls. In Belarus as well, the #ionline campaign was continued to actively help Internet beginners as they take their first steps in the digital world.

5. Employee matters

The issues of remote and flexible working environments, the skill shift on the employment market and developing employees' digital skills are the central elements in the area of employee matters. Actions for promoting women and diversity are reported on as well.

The A1 Telekom Austria Group had 17,856 employees / full-time equivalents (FTE) as of the end of 2021 (2020: 17,949). The headcount in the Austria segment was reduced by 2 % to 7,180 in conjunction with the ongoing restructuring measures. 35 % of employees in the Austria segment have civil servant status (2020: 38 %).

Target for 2023	Status in 2021
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.	42,429 since 2020

Participation in the "A1 Internet for All", "A1 digital.campus" and "A1 Seniorenakademie" initiatives

	2021	2020	Change (in %)
Austria	12,793	8,936	43
Bulgaria	12,082	n. a.	n. a.
Croatia	2,878	143	1,913
Belarus	184	n. a.	n. a.
Slovenia	3,705	n. a.	n. a.
Serbia	244	90	171
North Macedonia	1,304	70	1,763
A1 Telekom Austria Group	**33,190**	**9,239**	**259**

Remote working and flexible hours

Concept

The focus in 2020 was on successfully coping with the challenges of the COVID-19 pandemic. This includes successful collaboration when working from home for those for whom this is an option. In addition, appropriate health and safety concepts had to be implemented for shop and logistics employees, as well as customer service technicians, as quickly as possible. When it emerged that an orderly return to offices would be possible again, the A1 Telekom Austria Group developed a joint framework that could give guidance for all countries while still enabling and allowing specific local solutions. This focuses on flexibility in the time and location of work. A good balance between working under remote and office-based conditions plays a crucial role in this. The physical office is preferred for creative collaboration, team meetings and social interaction, while working from home or remote working is particularly suitable for focused, individual work or routine activities. The A1 Team is aware that flexibility and freedom also mean responsibility regarding one's own work and the results that must be achieved. This framework is being adapted in line with the current pandemic situation.

To make the transition to hybrid working and different forms and formats as smooth as possible, corresponding training, webinars and e-learning were offered at both Group and country level.

Opportunities and risks

Among other things, the increased competitive capability 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. After one and a half years of pandemic, both a mode of working and the associated regulations have been developed and established. Adjustments that had to be made on account of the pandemic have had no measurable negative effects on employees' performance or motivation. Nonetheless, risks (decline in creativity, isolation, loss of work-life balance) and opportunities (attractiveness as an employer) remain a constant challenge for employees and managers.

The A1 Telekom Austria Group is actively taking steps to minimize these risks. These include a clear focus on more dialog and virtual collaboration formats as well as, above all, the training of management and support for them and their teams.

Implementation / results in 2021

In order to explore the changing conditions in a hybrid working environment, in the spring and fall of 2021, the Group offered virtual workshops on hybrid working for managers, staff who host meetings and all employees. In view of the high demand, further workshops are planned for 2022.

The New Work Festival was created at A1 in Austria in 2021 as a new event format open to all employees with the aim of discussing and reporting on various aspects of the "A1 Way of Work" with internal and external experts. In a co-creation process, all employees can help to shape the new world of work. A1's biggest co-creation event to date lasted nine days and comprised 64 sessions with 91 internal and external speakers. All sessions and workshops, etc. were held virtually. This format was continued from November 23 to December 1 with the title "Leadership in Flux". Various aspects of leadership were examined in the new work context in 27 virtual events with 43 internal and external speakers, which were open to all A1 employees in Austria. Three specific workshops were offered to all employees of the A1 Group as part of the New Work Festival: "Intent-based Leadership" with a keynote by a renowned

Employees[1] as of 31 December 2021

	2021	2020	Change (in %)
Austria	7,180	7,320	-1.9
Bulgaria	3,291	3,329	-1.2
Croatia	1,837	1,872	-1.9
Belarus	2,334	2,385	-2.1
Slovenia	606	532	14.1
Serbia	1,456	1,370	6.3
North Macedonia	767	776	-1.2
Corporate including A1 Digital	385	366	5.3
A1 Telekom Austria Group	**17,856**	17,949	**-0.5**

1) Full-time equivalents

leadership author, "The Role of Leadership in Hybrid" and "Inclusive Leadership".

The Group Young Potential Program, or GYPP, was held entirely virtually in 2021. GYPP is intended for talented young employees with less than five years' professional experience who have been with the A1 Telekom Austria Group for at least one year. The aim of this program is to bring fresh perspectives, ideas and concrete projects by young potentials into the company in service of its digital transformation. It allows the participants to broaden their horizons, to network throughout the Group and with different departments, and to learn new skills. In GYPP, there are currently 25 participants working in teams on projects relevant to business, learning and working independently with the guidance of coaches and project sponsors throughout the six-month process.

The employee survey "A1 Voices" was carried out in the fourth quarter of 2021. Employee engagement has risen since the last survey in 2019 – the Engagement Index for the whole of the A1 Telekom Austria Group was at 77 % as compared to 76 % in 2019. The values for the various units of the company were between 68 % and 86 %.

Skill shift on the employment market and employee digital skills development

Concept

It is important to the A1 Telekom Austria Group to be an attractive employer for talented people, and to offer its current employees the chance to expand their capabilities and to create an ideal framework for their ongoing development to ensure that they have the skillsets they need for the future as well. According to the motto "Learning is in our DNA", it is a strategic goal of the A1 Telekom Austria Group to actively develop the learning culture and to create a framework for customized and self-managed learning.

In addition to specific expert training, relevant learning content is offered for all employees of the Group. Since 2019, A1 Learning Topics have been teaching the basics and more advanced information on strategic future issues such as advanced analytics, the cloud and agility. The learning content can be accessed via the Group-wide eCampus learning platform at any time.

Key performance indicator

More than 120,400 eCampus courses were completed in 2021. The number of courses completed in 2020 was 131,200.

Opportunities and risks

Digitalization – and the associated development of digital skills – is a central aspect of corporate strategy, and the ongoing development of employee skills is a key pillar of advancing this digitalization. Depending on skillsets and how they are used in day-to-day work, 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 therefore available on the internal eCampus for acquiring skills.

Digitalization offers a wide range of possibilities that the A1 Telekom Austria Group is actively leveraging in conjunction with its internal transformation and externally guiding customers with forward-looking services. For completeness, it should be noted that the increase in networking also entails risks in the field of cybersecurity, which the A1 Telekom Austria Group is actively addressing.

Implementation / results in 2021

16 A1 Learning Topics, mostly in the areas of social and digital skills development, were available on the eCampus in 2021. Starting in the fourth quarter, one A1 Learning Topic dealt with ESG. At the same time, employees can use the ESG Library as a point of reference, where they can find the A1 Telekom Austria Group's ESG strategy or informative Internet sites on ESG issues. This A1 Learning Topic will be continued in 2022 with the aim of providing an overview of ESG issues and raising awareness.

Another A1 Learning Topic was "Growth Mindset", which was chosen for the ongoing development of the A1 learning culture. "Growth mindset" describes the belief that talents and skills can be developed and are not set in stone. All employees were given the chance to take part in this learning option with activities such as a talk by an internationally renowned expert, videos of A1 testimonials, extensive learning materials and a quiz for testing their own knowledge.

The A1 Telekom Austria Group is using a skills-matching platform to establish an overview of the skills that exist within the Group on the one hand while also offering all employees an individually tailored learning experience on the other. There, employees can create their skills profile and compare this against real job profiles and offers using artificial intelligence. The tool shows the matches between the skills that employees already possess and job requirements, and it suggests suitable learning options from various learning platforms. For example, in support of gender diversity initiatives, women can compare their individual skills with the profile for leadership roles and are assisted in their development towards a leadership role. Two webinars were held on this subject in November.

Promoting women and diversity

Concept

Diversity, equity and inclusion are key components of the ESG strategy. Diversity within the A1 Team opens up enormous potential for the Group. Different skills, perspectives and experiences offer a wide range of options for learning together and from each other, and thereby arriving at better solutions for A1 customers, for employees and for the company. "Diversity, Equity and Inclusion" (DE & I) is the catch-all term for initiatives and projects relating to these issues.

While diversity itself is broadly defined (age, equality, 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 women and to get more women into management positions, the compatibility of family and work has been a key point of focus in the last few years especially. However, flexible time models and the chance to work from home have been available since long before the COVID-19 pandemic.

Key performance indicator

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 %. In 2021, the share of women in management positions was 36 % (2020: 36 %), with women accounting for 39 % (2020: 40 %) of the company's workforce.

Opportunities and risks

By design, management teams are organized in a cross-functional way in the A1 Telekom Austria Group. One of the opportunities this affords is that diversity leads to better decisions, as it allows a broader perspective on issues. Different perspectives allow risks to be identified more quickly as well. Diverse teams also 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 shown.

Implementation / results in 2021

A number of DE & I initiatives were launched in 2021 and programs were implemented to actively pursue goals in the area of promoting women and diversity. The DE & I Policy forms a Group-wide framework for these issues. This policy has been published on the A1 Telekom Austria Group's ESG website.

Transparency creates trust and understanding, which is why an internal DE & I Information Hub was set up in 2021. This is an internally accessible website with information on all DE & I issues and their corresponding points of contact. This hub is accessible to all employees. In the interests of transparency, the "DE & I Info Hub" also contains a KPI dashboard that displays and analyzes all key diversity indicators for the Group as a whole. The hub is constantly being refined and improved with the help of the entire A1 team.

A further initiative is workshops on unconscious bias, because this remains one of the biggest obstacles to diversity, equity and inclusion. The Group has therefore made it its goal to provide even more information and, above all, to create more

Targets for 2023 [1]	**Status in 2021**
Increasing the share of women in management positions to 40 %	36 %
Raising and maintaining the share of women in the company at 40 %	39 %

1) Basis year: 2019

Share of female employees and female managers as of 31 December 2021

in %	Share of female employees 2021	2020	Share of female managers [1] 2021	2020
Austria	26	26	19	18
Bulgaria	44	46	47	47
Croatia	42	43	38	41
Belarus	54	55	43	43
Slovenia	45	44	41	46
Serbia	61	62	49	51
North Macedonia	48	52	45	42
A1 Telekom Austria Group [2]	**39**	**40**	**36**	**36**

1) Managers include all persons with staff responsibility for at least one employee.
2) Including Holding and A1 Digital

transparency in this regard. The target group in 2021 was managers who were invited to take part in these workshops. This was supplemented by a preparatory e-learning. To enable as many employees as possible to access this content, the English version was translated into seven languages.

New Group-wide online training has also been used since 2021 to teach a basic understanding of diversity. Promoting women continues to be a key priority within diversity. A1 in Austria is clearly focused on increasing the share of women in management positions and the share of women in general. New networks and training are intended to create a better framework for this. All woman managers in Austria were invited to the Female Leaders Circle for the first time in March 2021. There have already been four meetings where participants have been able to learn together, network and share experiences. The A1 Female Empowerment Program offers suggestions for personal development and for defining goals and priorities, input on issues such as potential, decision-making authority and communication and presentation. In five modules, external trainers guide 30 participants in total on their path to more empowerment.

Recruitment activities tailored to specific target groups and new wording to be used in job advertisements in Austria are intended to help remove gender-specific barriers. Job adverts now address all genders, and also point out that women will be hired given equal qualifications.

A1 in Slovenia signed the Diversity Charter in 2021. This reflects the company's intention to actively do something about raising awareness for the need to respect diversity in the workplace. The Diversity Charter is a voluntary European initiative to motivate the signatory companies to engage in halting discrimination and the promotion of diversity, freedom from discrimination and equal opportunities in the workplace. The A1 Telekom Austria Group has been a member of this Diversity Charter since 2014.

The A1 Telekom Austria Group attaches great importance to the satisfaction and wellbeing of its employees. Employee polling was stepped up during the COVID-19 pandemic in the regular "A1 Voices" survey and quick pulse checks. The "A1 Cares" initiative was launched this year based on the results of the "A1 Voices Spotlight" survey. According to the motto "You care about your family and A1. A1 cares about you", support was provided in the form of an e-library with information materials and practical exercises for the issues of work-life balance as well as physical and mental wellbeing, at the same time as local activities at the subsidiaries. Its range is rounded off by information on virtual (team) work and a live webinar with a neuroscientist and a yoga teacher, who provide scientific insights, practical tips and exercises for improving wellbeing.

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 order to assess the respective national situations, a steering committee was initiated as a management instrument for the event that human rights violations are suspected in the respective countries. This steering committee consists of one member each from the A1 Telekom Austria Group Management Board, the national Management Boards and the Public Affairs Officers of the A1 Telekom Austria Group and the respective country. This committee's job is to evaluate the respective situation from the perspective of employees, customers and civil society, and to make corresponding decisions on business policy. Specifically as a provider of critical infrastructure, the A1 Telekom Austria Group wishes to avoid all negative consequences that can affect employees and civil society and that are not in its interests.

Human rights complaints can be submitted throughout the Group on the compliance whistleblowing platform "tell.me" – also anonymously if so desired – and are carefully processed in conjunction with compliance processes. Seven complaints were submitted and processed in the 2021 reporting year.

Focus: A1's commitment in Belarus

The A1 Telekom Austria Group is highly aware of the political circumstances and human rights problems in Belarus especially. At the same time, the Group is paying particular attention to providing stable and high-quality services to all people in the country so that they can have access to information in any situation. In Belarus, A1 is the biggest alternative telecommunications company and makes an important contribution to supplying the country's Internet, making it a pathfinder for digitalization.

In 2020, in the period from August to November, several government orders were issued to mobile network operators to curb data traffic in certain regions of the country. Prior to this, A1's Internet access in Belarus was restricted throughout the country due to the state-run monopolists not providing enough capacity. As a result, A1 was forced by regulatory frameworks to reduce Internet speeds in some areas of Belarus.

A1 was the first provider in Belarus to publicly and transparently declare the above restrictions on Internet access. This approach was chosen in light of the fact that the authorities in Belarus have the technical capability, independently of the A1 network in Belarus, not only to curtail Internet access for the whole country but also to cut it off completely. The last order restricting A1's Internet coverage in Belarus was issued in November 2020. There were therefore no official instructions to reduce data traffic in certain regions in the 2021 reporting period. Since November 2020, A1 in Belarus has been providing the people of Belarus with mobile and Internet services round the clock. A1 in Belarus has also financially compensated its customers for the loss of Internet in 2020.

A1 is highly valued as an employer in Belarus. 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.

The A1 Telekom Austria Group was informed on December 10 that a spokesperson for A1 in Belarus was arrested in Minsk. He has been accused of leaking sensitive company data. A demeaning video was also released with personal details about his private life. The A1 Telekom Austria Group condemned this invasion of the privacy of one its employees, as it promotes diversity and freedom of opinion within its business enterprises. A1 in Belarus has strict policies and processes for avoiding illegal data breaches and investigates any possible misconduct.

The A1 Telekom Austria Group's commitment in Belarus makes a vital contribution to social development, and it offers employees 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.

7. Compliance and anti-corruption

Concept

Acting with honesty, fairness, and transparency is an essential and integral 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 (CMS). The appropriateness and effectiveness of the A1 Telekom Austria Group's compliance management system was first audited and confirmed by PwC GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2012/2013 and again by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in 2018/2019. The next external audit is planned for 2023.

KPMG issued an unqualified audit opinion regarding anti-corruption and integrity, antitrust law and capital market compliance throughout the A1 Telekom Austria Group for the design, implementation and effectiveness of the CMS in accordance with IDW PS 980 (German audit standard for compliance) and classified the CMS of the A1 Telekom Austria Group 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 (now ISO 37301 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.

In its Code of Conduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner consistent with the law and with integrity in all business relationships. Group-wide guidelines also provide detailed assistance on specific issues such as avoiding corruption and conflicts of interest, data protection, antitrust law and capital market compliance.

However, to prevent potential misconduct, the A1 Telekom Austria Group has not only established clear rules, but also integrated suitable controls into its business processes. Group Compliance is supported by local compliance officers based at the subsidiaries in its mission to consistently implement the measures resulting from the annual compliance risk assessments within all the business units.

The "tell.me" whistleblowing platform can be used by employees and third parties as well to report observed or suspected misconduct, and can be used absolutely anonymously if so desired. The whistleblowing process, which is actively communicated to employees, takes into account all the requirements of the EU Whistleblowing Directive and regulates in detail the protection of whistleblowers, the confidential and professional processing of all reports, communication with whistleblowers, and appropriate sanctions for misconduct that is actually identified. The A1 Telekom Austria Group responds immediately with appropriate measures and sanctions in the event that actual misconduct is identified. The possible consequences range from investigation and training activities or process improvements to reprimands, dismissals, police reports and the termination of business relationships.

Furthermore, training optimized for the respective target group is held each year to lastingly embed the concept of integrity in the A1 Telekom Austria Group. Mandatory Group-wide training explains compliance issues in a practical way and provides tangible case studies. The focus in 2021 was on developing compliance e-learning programs for specific target groups.

Key performance indicator

In 2021, information on around 25 compliance issues was received on the "tell.me" whistleblowing platform and other reporting channels, which was handled with the utmost care and confidentiality. Action was taken 32 times as a result of information received in this way in 2021.

More than 26,400 compliance e-learning courses were completed by employees and managers in the reporting year (2020: approximately 24,200). Also, 6,500 employees and managers took part in instructor-led compliance training in 2021 (2020: approximately 2,800), most of which was held online – not least on account of COVID-19. 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 2021 the helpdesk responded to approximately 360 inquiries (2020: 280).

Opportunities and risks

Risk management quantifies the remaining risks regarding compliance in the areas of capital market compliance, integrity and anti-corruption, antitrust law and data privacy. In addition to self-assessments (e. g. for integrity and anti-corruption) and the regular discussion of risks and mitigating activities between the Compliance function and functional management, also the regular internal and external review of the functioning of the Compliance Management System (CMS) contributes to securing and further developing compliance in the company and thus to reducing the remaining risks. A clear tone-from-the-top on compliance matters and communication and training activities highlight the significance of compliance within the company and thus contribute also to a positive development.

Implementation / results in 2021

In 2021, the Code of Conduct was expanded to include vital ESG aspects such as responsibility for people, society and the environment, a commitment to diversity and inclusion, as well as human rights, environmental initiatives and the Group's commitment to digital education. As before, it includes regulations on integrity, fair conduct with stakeholders, protection of personal and confidential data, reporting and avoiding conflicts of interest, gifts, invitations and personal advantages, protection of corporate assets, communication of the contents of the Code of Conduct, and the Group's whistleblower principles. The Code of Conduct addresses all employees and managers and helps to promote ethical and legal behavior in the many decisions that have to be made every day.

The "Anti-Corruption and Conflict of Interest" Policy was also revised in 2021. It contains a strict ban on all forms of bribery and corruption as well as detailed regulations on conflicts of interest, lobbying, gifts and invitations, sponsorship and donations. The prohibition of donations to political parties and organizations with close ties to political parties, the placement of advertisements in political media, and the commitment to responsible advertising are clearly regulated.

8. EU Taxonomy

The aim of the EU Taxonomy, as part of the European Green Deal, is to mobilize investment in sustainable activities. Mandatory reporting will ensure that sustainability is measured with financial performance indicators for the first time.

The EU Taxonomy Regulation [1)], which became effective in June 2020, the Climate Delegated Act [2)] for the environmental goals of climate change mitigation and climate change adaptation, the associated Annexes I [3)] + II [4)] and the supplementary Delegated Act [5)] that sets out the publication requirements in accordance with Article 8 of the Taxonomy Regulation, currently form the statutory framework for reporting.

The scope of the first round of reporting for financial year 2021 is limited in two respects:

The reporting currently comprises the first two environmental goals formulated, namely climate change mitigation and climate change adaptation, for which technical screening criteria have already been defined. Criteria for four further environmental goals are being drafted at this time.

For the financial year 2021, in accordance with Article 8 of the Delegated Act, the share of CAPEX and OPEX and the turnover from Taxonomy-eligible and non-Taxonomy-eligible economic activities need to be reported. Reporting on which Taxonomy-eligible economic activities are also Taxonomy-aligned, i. e. the extent to which these activities also satisfy the technical screening criteria and the criteria for the principle of "do not significant harm" and "minimum safeguards" for work safety and human rights, is mandatory only from the financial year 2022.

Under this framework, the launch of the EU Taxonomy in the A1 Telekom Austria Group was implemented by a cross-border project team. Experts from Group Accounting, Group Controlling, Group Finance and Group ESG were involved in the project at Group level. Local project teams consisting of employees of the ESG and Controlling departments were formed at the operating companies (opcos). Depending on their Taxonomy activities, experts from the opcos' departments were also consulted to provide detailed technical information, e. g. in the areas of data centers or facility management.

The companies included in consolidation, as disclosed in note 34 to the 2021 consolidated financial statements, formed the basis for reporting in accordance with the Taxonomy Regulation.

1) EU Taxonomy Regulation (EU) 2020/852
2) Delegated Regulation (EU) 2021/2139
3) Annex I (EU) 2021/2800
4) Annex II (EU) 2021/2800
5) Delegated Regulation (EU) 2021/2178

The procedure was planned in coordination with the Management Board of the A1 Telekom Austria Group. The Management Board and the Audit Committee were informed of the progress, possible risks and obstacles and current developments.

The first step was to screen the catalogue of economic activities according to the Taxonomy Regulation at Group level for their relevance to the A1 Telekom Austria Group. Activities that are not relevant, because they are not performed, were excluded.

The remaining activities, i. e. those that are performed by one or more companies, were analyzed by the experts at the opcos. The specific activities were identified and described. Finally, the corresponding CAPEX, OPEX and turnover were allocated for these activities.

To ensure that the information was correct and complete, a documentation was produced with the key content of the EU Taxonomy. In this documentation, the relevant terms were clarified and the procedures defined. This documentation was shared with all members of the project team at the start of the project and served as the working basis.

The identification of the Taxonomy-eligible activities of each opco was reviewed by the Group project team. Any questions raised by the opcos regarding the requirements of the Taxonomy Regulation, definitions and any options for interpretation were discussed and answered in coordination meetings on an ongoing basis. All the data on KPIs were verified by Group Controlling.

The telecommunications sector undoubtedly plays a key role as a central enabler for the reduction of carbon emissions through digitalization in all industries. High-performance networks are a prerequisite for high-performance digital solutions.

However, the list of economic activities described in the EU Taxonomy Regulation only covers the core activities of the A1 Telekom Austria Group to a small extent. Most of its business activities, which mainly involve products and services for mobile telecommunications, fixed-line and broadband Internet, are currently not considered relevant for the purposes of the EU Taxonomy Regulation. Thus, the comprehensive investment in infrastructure, such as the 5G and fiber roll-out, are also not Taxonomy-eligible.

Overview of the Taxonomy-eligible activities of the A1 Telekom Austria Group

The Taxonomy-eligible activities of the A1 Telekom Austria Group were defined stepwise.

First, the list of all activities was screened in accordance with the Taxonomy Regulation to determine which of these activities are even relevant to the A1 Telekom Austria Group. Activities that are not relevant, because such services are not performed, were filtered out of the list. The relevant activities were then examined in terms of their Taxonomy eligibility. The descriptions and criteria in the EU Taxonomy Compass [6] were used for this in particular. All activities that are relevant and Taxonomy-eligible were regarded as material. The list of the A1 Telekom Austria Group's Taxonomy-eligible activities comprises activities that are material on account of its business operations as well as activities that are defined as material based on the ESG strategy of the A1 Telekom Austria Group. It was regarded as immaterial to Taxonomy eligibility whether the economic activities generate turnover (e. g. operation of the fleet of vehicles, digital training).

The Taxonomy-eligible activities of the A1 Telekom Austria Group for 2021 are therefore as follows:

6) EU Taxonomy Compass

Taxonomy-eligible activities A1 Telekom Austria Group 2021

EU Taxonomy sector	Activities of the A1 Telekom Austria Group according to Taxonomy definition and specification
4. Energy	‣ Electricity generation using solar photovoltaic technology: solar power stations, solar panels on cell towers
	‣ Electricity generation from wind power
6. Transport	‣ Operation of personal mobility devices, cycle logistics
	‣ Transport by motorbikes, passenger cars and light commercial vehicles: cars with combustion engines, hybrid and electric vehicles
7. Construction and real estate	‣ Acquisition and ownership of buildings and renovation of existing buildings
	‣ Installation, maintenance and repair of energy efficiency equipment: in particular, replacement of heating / cooling to enhance energy efficiency in office and technical buildings
	‣ Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
	‣ Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings
	‣ Installation, maintenance and repair of renewable energy technologies: solar panels on buildings and charging stations
8. Information and communication	‣ Data processing, hosting and related activities, in particular the operation of data centers
	‣ IoT / data solutions for GHG emissions reductions: smart meters, smart waste, smart parking and mobility
	‣ Development and operation of TV platforms (IPTV, OTT)
11. Education	‣ Digital training, e. g. Internet for All, improvement of digital skills of children, Internet safety training
13. Arts, entertainment and recreation	‣ Television program production

EU Taxonomy Regulation KPIs

The proportion of Taxonomy-eligible and non-Taxonomy-eligible economic activities (key performance indicators) of A1 Telekom Austria Group to its total turnover and its CAPEX and OPEX are as follows for financial year 2021:

EU Taxonomy: FY 2021 Results

	Economic Activity (EU Taxonomy)	A1 GROUP Overview Abs in mEUR			A1 GROUP Overview in %		
		Revenue	CAPEX	OPEX	Revenue	CAPEX	OPEX
Climate change mitigation	**Energy**						
	4.1 Electricity generation using solar photovoltaic technology	6.1	0.8	0.3	0.1	0.1	0.2
	4.3 Electricity generation from wind power	–	0.1	–	–	0.0	–
	Transport						
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	–	10.4	5.2	–	1.0	2.9
	Construction and real estate activities						
	7.2 Renovation of existing buildings	–	1.0	2.3	–	0.1	1.3
	7.3 Installation, maintenance and repair of energy efficiency equipment	–	5.6	1.7	–	0.6	0.9
	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	–	0.6	–	–	0.1	–
	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	–	0.0	0.4	–	0.0	0.2
	7.6 Installation, maintenance and repair of renewable energy technologies	–	0.4	0.0	–	0.0	0.0
	7.7 Acquisition and ownership of buildings	4.7	–	–	0.1	–	–
	Information and communication						
	8.1 Data processing, hosting and related activities	41.2	27.7	8.4	0.9	2.8	4.7
	8.2 Data-driven solutions for GHG emissions reductions	17.7	0.1	–	0.4	0.0	–
Climate change adaptation	**Information and communication**						
	8.3 Programming and broadcasting activities	167.0	38.5	5.9	3.6	3.9	3.3
	Arts, entertainment and recreation						
	13.3 Motion picture, video and television production, sound recording and music publishing activities	12.4	0.0	0.1	0.3	0.0	0.1
KPIs	TOTAL taxonomy-eligible activities	249.2	85.1	24.3	5.3	8.6	13.6
	TOTAL taxonomy-non eligible activities	4,429.1	908.4	154.6	94.7	91.4	86.4
	TOTAL KPI (according to the definition)	**4,678.3**	**993.5**	**178.9**			

Values of 0,0 shown in the table result from amounts lower than 50,000 EUR.

Any activity of the A1 Telekom Austria Group is allocated to the corresponding economic activity of the Taxonomy Compass. In some cases, it is possible that individual business activities can be assigned to more than one category. This applies in particular to the CAPEX and OPEX figures for real estate used as both offices and data centers. To allow transparency, the costs were assigned to the main activity based on the majority principle.

The KPIs were defined as described by Delegated Regulation (EU) 2021/2178 Annex I / KPIs of Non-Financial Undertakings[7)].

In order to calculate the KPIs for all Taxonomy-eligible activities as presented in the table above, parameters were created according to the definition of CAPEX, OPEX, turnover, and reports were generated from the respective ERP systems of the opcos.

The total turnover (revenue) is as disclosed in note 5 to the consolidated financial statements, revenue from services and the sale of end-user devices. Proceeds from the sale of solar energy and the letting of buildings, which are reported in other operating income, are also included.

Total CAPEX is equal to the amount disclosed in note 1 for total additions to intangible assets and property, plant and equipment, plus additions to right-of-use assets in accordance with IFRS 16 (Leases).

Total OPEX is only defined for a very limited share of operating expenditure in the EU Taxonomy. This refers to expenses in connection with research and development, building renovation, short-term leases and maintenance and repairs. As the A1 Telekom Austria Group does not have any material R & D projects and virtually all its leases are capitalized (see also note 30), exclusively expenses for maintenance and repairs, which are included in other operating expenses (see note 6), are classified as relevant.

Vienna, 4 February 2022
The Management Board

Thomas Arnoldner, CEO
Telekom Austria AG

Alejandro Douglass Plater, COO
Telekom Austria AG

Siegfried Mayrhofer, CFO
Telekom Austria AG

7) Delegated Regulation (EU) 2021/2178

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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