



Report of the Supervisory Board

Dear shareholders,

In fiscal 2021, the A1 Telekom Austria Group achieved some extremely pleasing successes despite the ongoing COVID-19 pandemic. The good results show that the strategy adopted has continued to be implemented consistently and that the company can successfully benefit from the megatrend of digitalization with its attractive services and products. GDP growth rates in the A1 Group countries also rose again with the global economic recovery and contributed to the positive development.

The 4.4% increase in revenue to EUR 4,748 mn was driven by high demand for broadband products, mobile WLAN routers and ICT solutions. Together with an ongoing strong focus on operational efficiency and digital transformation, we achieved EBITDA growth of 8.2% to EUR 1,706 mn. These encouraging results also place Telekom Austria AG among the absolute leaders in a European peer comparison.

It is also encouraging that all markets recorded an increase, with Austria and Bulgaria in particular contributing to growth. Roaming results recovered somewhat despite the ongoing pandemic with a positive roaming effect of approximately 0.5% in revenues and EBITDA, but overall remain far below pre-pandemic levels.

Earnings before interest and taxes (EBIT) increased to EUR 753.4 mn, up 17.9%. Net income amounted to EUR 455.0 mn in 2021, an increase of 17.0% compared with the previous year.

Net debt excluding leasing decreased by 11.4%. This is attributable to the sound generation of free cash flow. The ratio of net debt (excluding leasing) to EBITDA after leasing decreased from 1.7x as of December 31, 2020 to 1.3x as of December 31, 2021, reflecting the company's extremely solid balance sheet structure.

The robust, reliable basis of this continues to be the A1 Telekom Austria Group's high-performance, future-proof infrastructure. The A1 Telekom Austria Group therefore invested EUR 891.5 mn in the reporting year – an increase of 36.8%.

In fixed-line operations, we continued to drive forward fiber-optic expansion with a focus on Austria, with an additional 3,000 km of fiber-optic lines laid in 2021. The A1 Telekom Austria Group now has a fiber-optic network measuring approximately 64,000 km in Austria alone.

The mobile infrastructure was further developed throughout the Group, especially with a view to the rollout of 5G. In addition to Austria, where 62% of the population was able to access high-speed 5G by the end of 2021, the green light for 5G was given in three other countries in 2021. A1 Telekom Austria Group acquired frequency spectra for the 5G network in Bulgaria, Slovenia and Croatia in 2021. We have thus successfully completed the majority of the 5G spectrum auctions in our countries.

In the area of sustainability, the A1 Telekom Austria Group has set itself ambitious targets for 2030, which were very successfully pursued with great progress made in 2021. For example, a milestone was reached on the path to net carbon neutrality in 2021, with CO₂ emissions (Scope 1 and Scope 2 (market-based)) reduced by 20% compared with the previous year. In addition, the energy efficiency of the A1 Telekom Austria Group network (electricity demand per terabyte transported) was improved by 18% in 2021. Furthermore, 580,000 old devices were recycled and refurbished – an important step in promoting the circular economy and saving devices from landfill. In terms of promoting more sustainable ways of living and working, further initiatives were implemented in the area of digital education in 2021. For example, the A1 digital.campus was launched, which is aimed particularly at



younger generations.

A clear commitment to diversity, equality and inclusion as well as a sound corporate compliance culture complement our ESG strategy. In the future, we will continue to step up our efforts and actions regarding sustainability, because financial success must be consistent with more sustainable ways of working and living.

With regard to the composition of the Supervisory Board, the Supervisory Board mandates of Dr. Peter Hagen and Dr. Peter Kollmann were extended at the Annual General Meeting on May 14, 2021. Thomas Schmid left the Supervisory Board in June 2021. At the Extraordinary General Meeting on September 6, 2021, Dr. Christine Catasta was elected to the Supervisory Board.

In 2021, in view of the special circumstances surrounding the COVID-19 pandemic, Supervisory Board meetings were held predominantly virtually via video conference.

In fiscal 2021, the Supervisory Board held six Supervisory Board meetings – including one strategy meeting – and various committee meetings to discuss in detail the strategic alignment, including from an ESG and sustainability perspective, investment and financing decisions, and business performance. After detailed discussion of the strategic opportunities and challenges as well as the options for action to optimize business performance, the 2022 budget was approved in December 2021.

The Audit Committee held five meetings in 2021 to perform its supervisory duties of keeping track of the effectiveness of the internal monitoring system, the risk management system and the internal audit function, and examined the 2020 annual financial statements in the presence of the auditors.

The Remuneration Committee of the Supervisory Board held seven meetings to discuss the remuneration of the Management Board and the contracts of Management Board members. The focus of this work was on the evaluation of Management Board remuneration, particularly with regard to the increased implementation of ESG and sustainability criteria.

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

As provided for in Rule 62 of the Austrian Code of Corporate Governance, the A1 Telekom Austria Group has its compliance with the provisions of the Code and the accuracy of the related public reporting externally evaluated every three years. The most recent evaluation carried out by Ernst & Young Wirtschaftsprüfungs GmbH in the first half of 2020 did not find anything contradicting the declaration of compliance and adherence to the “comply-or-explain” regulations or the recommendations of the ÖCGK issued by the Management Board and Supervisory Board in fiscal 2019.

The Supervisory Board concurs with the Management Board’s proposal for the allocation of profits, according to which a dividend of EUR 0.28 per dividend-bearing share is to be distributed for fiscal 2021 and the remaining amount is to be carried forward.

As Chair of the Supervisory Board, I would like to thank the management and all employees on behalf of the Supervisory Board. Their hard work allows us to keep the A1 Telekom Austria Group on track for continued success despite all the challenges.

Finally, I would like to thank the customers and shareholders of the A1 Telekom Austria Group for the trust they have placed in us. In the future, the Supervisory Board will continue to deal in detail with



the strategic and long-term orientation and further development of the A1 Telekom Austria Group and actively promote it.

Due to the ongoing geopolitical events since February 24, 2022, I would like to express on behalf of the Supervisory Board my deep concern about the events in Ukraine. The additional challenges associated with this development were promptly discussed by the Supervisory Board and, together with the Management Board, we will continue to take all necessary measures to steer the company through these difficult times.

A handwritten signature in black ink, appearing to read 'Edith Hlawati'.

Dr. Edith Hlawati
Chair of the Supervisory Board
Vienna, May 2022