

# Report by the Supervisory Board

## Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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