

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

	31.12.21 EUR	31.12.20 TEUR
A. Long-term assets		
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	0¹⁾
	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 liabilities	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 liabilities 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, thereof pension expense EUR 1,034,933.912; previous year: TEUR 1,028	-8.591.104,70		-9.321	
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 thereof other business taxes EUR 31,770.69; previous year: TEUR 43		-32.894.598,04		-32.347
5. Subtotal from line 1 to 4 (operating result)		-41.375.548,70		-38.893
6. Income from investments thereof from affiliated companies: EUR 688,784,631.01; previous year: TEUR 187,914		689.251.531,01		188.217
7. Other interest income thereof from affiliated companies: EUR 0.00; previous year TEUR 0		45,70		66
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 thereof: a) impairment losses: EUR 0.00; previous year: TEUR 270,100 b) expenses from affiliated companies: EUR 0,00; prev. year: TEUR 0		0,00		-270.100
10. Interest and similar expenses thereof related to affiliated companies: EUR 59,884,801.25; previous year: TEUR 61,489		-59.990.404,45		-61.490
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 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		73.767.077,87		74.028
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

Table of Contents	99
1 Accounting Principles	100
1.1 General Principles	100
1.2 Long-term Assets	100
1.3 Current Assets	100
1.4 Provisions	100
1.5 Liabilities	101
1.6 Impacts related to COVID-19	101
2 Notes to Statement of Financial Position	101
2.1 Long-term Assets	101
2.2 Receivables	101
2.3 Work in progress	101
2.4 Prepaid Expenses	101
2.5 Deferred Tax Assets	101
2.6 Share Capital	102
2.7 Dividends	102
2.8 Provisions	102
2.9 Liabilities	102
2.10 Contingent liabilities	102
3 Notes to the Statement of Profit or Loss	103
3.1 Revenues	103
3.2 Personnel Expenses	103
3.3 Severance expenses and pension expenses	104
3.4 Other Operating Expenses	104
3.5 Income from Investments	104
3.6 Income from the Reversal of Impairment Losses of Long-Term Financial Assets	104
3.7 Expenses for Long-Term Financial Assets	104
3.8 Income taxes	104
4 Other Information	105
4.1 Remuneration of the Management and Supervisory Board of the Company	105
4.2 Long Term Incentive (LTI) Program	105
4.3 Other Information	106
4.4 Subsequent Events	106
5 Members of the Management Board and Supervisory Board	107

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 Ancillary 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 (previous year: TEUR 750,000) with a maturity of more than 5 years.

As in the previous year, other liabilities do not include any material expenses for which payment is made after the reporting date.

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

2.10 Contingent Liabilities

Guarantees within the scope of bond issues

Telekom Austria AG gave an unconditional and irrevocable guarantee in connection with the bonds issued mentioned below

On 2 April 2012, TFG issued a TEUR 750,000 bond with a fixed interest rate of 4 % and a term of ten years. Telekom Austria AG has signed an irrevocable and unconditional guarantee in favor of the bondholder.

On 4 July 2013, TFG issued a TEUR 300,000 bond with a fixed interest rate of 3.50 % and a term of ten years. Telekom Austria AG has signed an irrevocable and unconditional guarantee in favor of the bondholder.

On 7 December 2016, TFG issued a TEUR 500,000 bond with a fixed interest rate of 1.5 % and a term of ten years. Telekom Austria AG has signed an irrevocable and unconditional guarantee in favor of the bondholder. On 14 July 2017, an increase of the EUR bond issued in December 2016 in the amount of TEUR 250,000 with maturity in 2026 was added. The interest coupon of 1.50 % p.a. is paid annually in December together with the coupon payment of the increased bond. Telekom Austria AG issued an unconditional and irrevocable guarantee in this connection. The total volume of the bond thus amounts to TEUR 750,000.

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

Financial assets	Purchase price				Accumulated depreciation				Carrying	Carrying	
	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											
mobikom Bulgarien BeteiligungsverwaltungsgmbH	1.040.682	0	0	1.040.682	0	0	0	0	0	1.040.682	1.040.682
mobikom Mazedonien Beteiligungsverwaltung GmbH	260.040	0	0	260.040	300	0	300	0	0	260.040	259.740
Mobikom Beteiligungsgesellschaft mbH	435.832	13.570	0	449.402	0	0	0	0	0	449.402	435.832
mobikom CEE Beteiligungsverwaltung GmbH	392.131	0	0	392.131	0	0	0	0	0	392.131	392.131
mobikom 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 Beteiligungsverwaltung 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) formally 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 approximately 142.0% (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 report¹⁾

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.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at 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

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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