

Consolidated non-financial report

Consolidated non-financial report¹⁾ of Telekom Austria Aktiengesellschaft in accordance with Section 267a of the Austrian Company Code (UGB) on environmental, social and employee matters, human rights, and combating corruption and bribery

The Telekom Austria AG, listed on the Vienna Stock Exchange, is a leading provider of digital services and communications solutions in Central and Eastern Europe with around 25 million customers in seven countries: Austria, Bulgaria, Croatia and Slovenia (A1), Belarus (velcom), the Republic of Serbia (Vip mobile), and the Republic of Macedonia (one.Vip). Via its affiliated company A1 Digital International GmbH (hereinafter referred to as A1 Digital), the Telekom Austria AG offers digital solutions in its core markets as well as in Germany and Switzerland. See the 2018 Group Management Report and Consolidated Financial Statements for information on business operations and the scope of consolidation.

Telekom Austria AG and its affiliated companies, hereinafter referred to as the A1 Telekom Austria Group, strive to increase enterprise value in a sustainable manner, while taking into account all relevant economic, ecological and social aspects. This goal is supported by the Group's commitment to the Austrian Corporate Governance Code and the application of all

the requirements of the internal control system, the Code of Conduct and the compliance guidelines. Integrated sustainability management, which comprises defined standards, processes and reporting, compliance with the principles of the UN Global Compact and regard for human rights ensure the development of strategies and goals oriented towards sustainability and the involvement of all business units and hierarchies.

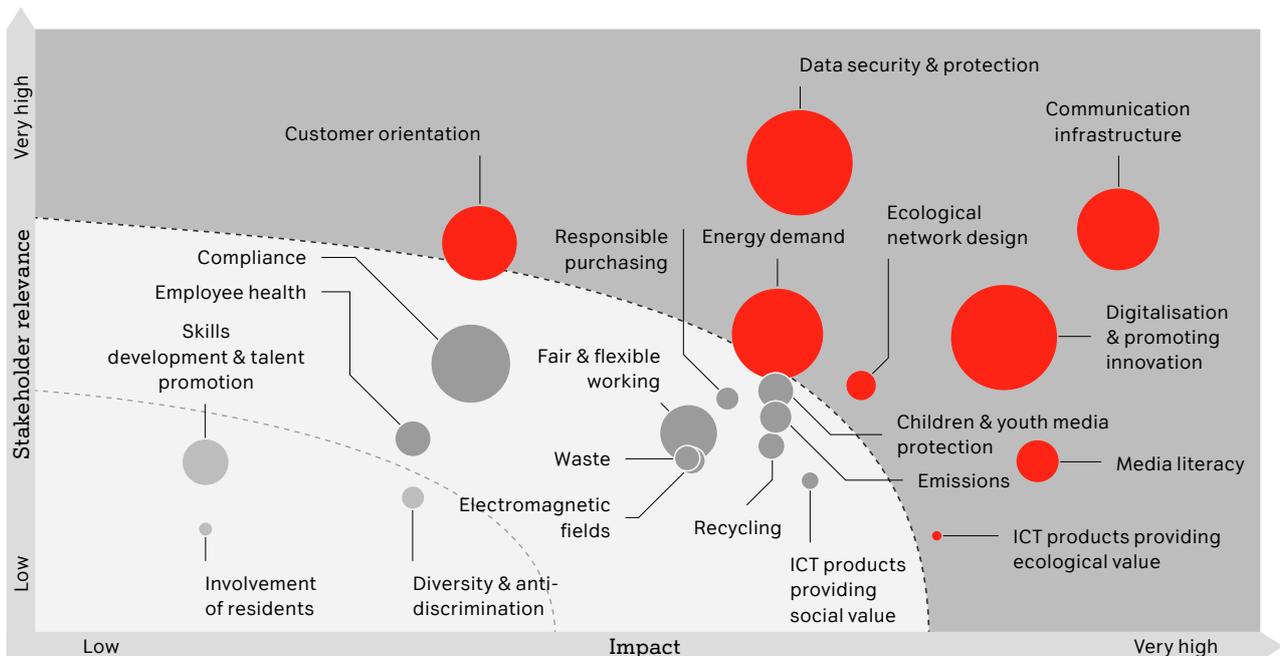
A materiality analysis was conducted with the help of various interest groups to identify central sustainability issues and material impacts. The analysis takes place on a regular (every two to three years) basis. Goals, which will be reviewed on an annual basis and adjusted if necessary, were derived from the results of the materiality analysis.

1) The German text of the signed statement, which refers to the German Version of the Report, is the only binding one. The English translation is not binding and shall not be used for the interpretation.

Identifying topics in the context of sustainability



Materiality matrix



Bubble size represents business relevance for A1 Telekom Austria Group.

1. Information on the topics derived for the A1 Telekom Austria Group from the materiality analysis 2017

A topic's materiality (see the graphic "Identifying topics in the context of sustainability") is based on its impacts on the environment, society and economy as well as how interesting it is to A1 Telekom Austria Group's stakeholders. Thus, the topics most important to A1 Telekom Austria Group are those that have the biggest impact and those that are most relevant to the stakeholders. As an additional dimension, the topics were assessed with regard to their business relevance for A1 Telekom Austria Group. This allows for a perspective that takes into account the topics' sustainability context and their economic significance for the company.

In the following, the A1 Telekom Austria Group reports on its own activities and measures with regard to all topics derived from the analysis and from the Austrian Sustainability and Diversity Improvement Act. Within the A1 Telekom Austria Group, responsibilities for all of these topics have been defined in one or several departments.

2. Topics relating to business operations

The materiality analysis 2017 revealed the following topics relating to business operations: security and data protection, communication infrastructure, digitalization & promoting innovation, and customer orientation.

Security and data protection

The topic of security and data protection was identified as material by all stakeholder groups in the materiality analysis 2017. Through its business operations, the A1 Telekom Austria Group directly contributes to data protection in its markets.

The A1 Telekom Austria Group reports on the material risks relating to security and data protection in the risk report of the 2018 Group Management Report. These risks include the unauthorized use of personal data and cyberattacks on IT infrastructure. Compliance with high data protection standards is a fundamental requirement for the A1 Telekom Austria Group and safeguards customers' trust in the Group and thus solidifies its reputation. Long-standing trust and a heightened reputation in this field can lead to a competitive advantage. Various measures are taken in order to guard appropriately against risks and make the best possible use of opportunities, ranging from access policies and user access management to standardized and group-wide policies (e.g. information security policy) and training for employees.

Certifications such as ISO 27001 (in Austria, Bulgaria, Croatia, and the Republic of Macedonia), the security information policy, security information standards and business continuity plans are included in the management approaches applied (see also 2018 Group Management Report). These aim to guarantee state-of-the-art data protection and a high security standard in order to avoid negative impacts within and outside the company as best as possible. Also used for this purpose are the implementation of teams that specialize in responding rapidly and efficiently to cyber incidents (e.g. A1 CERT; computer emergency response team). Important security aspects are coordinated group-wide, such as the implementation of the EU General Data Protection Regulation (GDPR) – supported by sharing experiences in national (e.g. Cyber Security Platform of the Federal Chancellery) and international security associations (e.g. ETIS). The service lines, employees in shops, support communities, and contact forms on the websites are available as complaint mechanisms to all stakeholders. The position of data protection officer has also been created within the A1 Telekom Austria Group in response to the broader requirements for companies imposed by the General Data Protection Regulation of the European Union. The core of this regulation is the protection of personal data. The EU General Data Protection Regulation entered into force on May 25, 2018, and the A1 Telekom Austria Group has gradually implemented it in the countries covered by the regulation, starting in 2016. With regards to projects and products process adjustments were made and the annual risk assessment was adapted in order to comply with the requirements of the General Data Protection Regulation.

Furthermore, the A1 Telekom Austria Group encourages training and further education regarding security and data protection. Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and these were also carried out in 2018. Effectiveness is reviewed and monitored regularly on the basis of predefined key figures, which are not disclosed for competitive reasons. Adjustments are made on an intra-year basis, if necessary, for example in the event of attacks on databases such as the one in Austria in early October 2018. Besides extensive cooperation with the data protection authorities, measures such as the blocking of access were taken immediately. In addition, more than 23,800 e-learning modules on the topic of data protection were completed group-wide in 2018 (2017: 32,246).

Communication infrastructure

In the materiality analysis 2017, the topic "communication infrastructure" was identified as material both by stakeholders (particularly business representatives, customers, and the media) and with regard to impacts. The A1 Telekom Austria Group directly contributes in its markets by means of its business operations, which include the installation of communication infrastructure.

The A1 Telekom Austria Group is pursuing demand-oriented infrastructure expansion with the goal of driving forward digitalization in its markets. The infrastructure expansion is

an important part of A1 Telekom Austria Group's technology strategy. The strategy takes the approach of ensuring a secure and stable network with a high level of system stability and the best possible transmission rates. Complaint mechanisms such as stores, service lines, and contact forms on the websites are available to all stakeholders.

The A1 Telekom Austria Group reports on the material risks relating to communication infrastructure in the risk report of the 2018 Group Management Report. Potential risks to an uninterrupted, seamless supply of bandwidth through the communication infrastructure include natural disasters caused by climate change (e. g. mudslides, avalanches, and floods) and human error (e. g. operating errors and insufficient redundancies). Measures to minimize risks include certification, the standardization of processes and the guarantee of multiple redundancies (multiple network layers that can temporarily compensate for the loss of a single level). With regard to opportunities, the ongoing protection and continuous improvement of communication infrastructure and supply performance provide a quality advantage as well as an enhanced image and reputation and thus potentially a competitive advantage.

The further development of the network infrastructure will play a central role in ensuring that the Group is optimally equipped for the dynamically growing requirements in an era of digital change. This also forms the basis for innovative products and services. Accordingly, the Group's mobile and fixed network infrastructure was continuously expanded once again in 2018. Convergence, i. e. the intelligent combination of the mobile and fixed network infrastructure, enables efficient and extended regional coverage with increasingly large bandwidths.

State-of-the-art and highly secure data centers will continue to gain in importance in the future. Accordingly, they represent the third pillar of the A1 Telekom Austria Group's infrastructure strategy alongside mobile and fixed-line. In this context, the A1 Telekom Austria Group successfully completed the construction of another ultra-modern data center in Vienna in 2018.

In Austria, the fixed-line broadband expansion was continuously driven forward by the accelerated fiber roll-out in the form of FTTC (fiber to the curb), FTTB (fiber to the building) and FTTH (fiber to the home). While fiber is coming closer and closer to the customer, the capacity of existing copper lines is also being increased. This is being done with a combination of vectoring – a technology for suppressing interfering signals – with transmission technologies such as VDSL2 and G.fast. In order to meet the requirements of future mobile communication technologies such as 5G and the accompanying new services, the Group has also continued to push the roll-out of fiber to all mobile base stations.

The A1 Telekom Austria Group offers the LTE (long-term evolution) mobile communication standard in Austria, Bulgaria, Croatia, Slovenia, the Republic of Serbia, and the Republic of Macedonia. The further acceleration of the roll-out of 4G LTE Advanced Pro in 2018 led to a significant expansion in the supply of superfast mobile Internet in Austria, Bulgaria, Croatia, Slovenia, the Republic of Serbia, and the Republic of Macedonia. To achieve even faster mobile Internet, the

A1 Telekom Austria Group is using LTE carrier aggregation with 256 QAM (a complex modulation technique) at selected locations in Austria, Croatia, and the Republic of Serbia, enabling data rates of up to 400 Mbps. As part of the roll-out of 4G LTE Advanced Pro in all countries covered by the A1 Telekom Austria Group, 4x4 MIMO (multiple input multiple output) is also being used to increase data transmission speeds on a targeted basis where these capacities are required.

In the area of management systems, the A1 Telekom Austria Group has initiated the development of the future operations support system (future OSS). Systems of this type differ from existing management systems in that the data to be processed is stored in a data lake and processed from there. This open structure makes it possible to respond to new requirements extremely quickly and to address new questions in service assurance in a short space of time. In addition, the use of established management systems such as ISO 9001 will also continue.

Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were also carried out successfully in 2018. Effectiveness is reviewed and monitored regularly, as well as adjusted if necessary, on the basis of predefined key figures, which are not published for competitive reasons.

Digitalization and promoting innovation

The materiality analysis 2017 determined that the topic of digitalization and promoting innovation is considered as material – both to stakeholders (particularly those in science and education, business representatives and the media) and with regard to the impacts. Digitalization is promoted primarily by telecommunications companies, whereby the A1 Telekom Austria Group has a direct and indirect impact on society, the environment, and the economy with regards to this issue.

The A1 Telekom Austria Group understands digitalization and the promotion of innovation as opportunities, as they offer potential to tap into new business areas in line with the corporate strategy and allow customer requirements to be identified at an early stage in order to design appropriate products and bring them to market. With regard to digitalization, it is particularly important within the company to help employees develop the skills and abilities required.

The A1 Telekom Austria Group sees itself as an enabler of digitalization with the aim of driving it forward in its markets. The growing significance of digitalization is taken into account with A1 Digital International GmbH and A1 Digital Deutschland GmbH. A1 Digital advises companies in digital transformation and assists them with the digitalization of their business areas. The focus lies on sector-specific applications for the Internet of Things (IoT), cloud-based products for the modern workplace, and security solutions.

Another concept to encourage innovation is the support for new companies as part of the "A1 Start Up Campus" initiative

by the Austrian subsidiary A1. By 2018, 19 start-ups had already been promoted since the initiative started in 2011. Research partnerships with notable scientific and industrial partners and joint projects with national and international institutions are supporting the A1 Telekom Austria Group in the launch of technologies of the future for market- and customer-oriented communications solutions. The A1 Telekom Austria Group is also a partner of the Industry 4.0 platform and is addressing the interoperability of IoT platforms within the Europe-wide H2020 project symbloTe.

Customer orientation

In the materiality analysis 2017, the topic of customer orientation was identified as material by stakeholders (especially by customers, suppliers, business representatives, and employees), therefore the A1 Telekom Austria Group focuses on this topic.

The A1 Telekom Austria Group's objective is, in addition to providing high-performance fixed-line and mobile infrastructure, to become the first point of contact and key partner for digital transformation in order to unlock new potential in digital services. A variety of management systems, such as ISO 18295-1 for customer contact centers, are used for this purpose in order to offer customers the best possible service. Complaint mechanisms such as service lines, e-mails, and contact form on the company websites are available to all stakeholders in the A1 Telekom Austria Group.

The effectiveness of the management system is reviewed on a regularly basis and then measures are taken and adjustments are made if necessary, based on predefined key figures, which are not published for competitive reasons.

Key figures: RGUs and mobile communication

RGUs ¹⁾ (in '000)	2018	2017	Change
in Austria	3.327,7	3.390,4	-1,9%
in Bulgaria	1.029,0	1.005,0	2,4%
in Croatia	681,8	654,1	4,2%
in Belarus	657,3	463,4	41,8%
in Slovenia	182,1	183,0	-0,5%
in the Republic of Macedonia	383,1	340,7	12,5%
Total	6.260,9	6.036,5	3,7%
of which Broadband-RGUs in Austria	1.434,8	1.447,3	-0,9%
of which Broadband-RGUs in Bulgaria	448,3	434,8	3,1%
of which Broadband-RGUs in Croatia	254,0	250,0	1,6%
of which Broadband-RGUs in Belarus	246,7	212,0	16,4%
of which Broadband-RGUs in Slovenia	73,7	70,4	4,8%
of which Broadband-RGUs in Macedonia	131,6	114,6	14,8%
TV-RGUs	1.646,9	1.421,4	15,9%
Mobile communication customers (in '000)			
in Austria	5.363,7	5.335,2	0,5%
in Bulgaria	3.934,3	3.977,1	-1,1%
in Croatia	1.833,3	1.772,7	3,4%
in Belarus	4.873,0	4.864,2	0,2%
in Slovenia	697,1	703,3	-0,9%
in the Republic of Serbia	2.195,2	2.182,8	0,6%
in the Republic of Macedonia	1.056,5	1.072,3	-1,5%
Total	20.999,6	20.657,7	1,7%

1) Revenue Generating Unit

3. Material environmental issues

In terms of environmental issues, the material impact by the A1 Telekom Austria Group is energy consumption. Approximately 80% of its total energy consumption results from the electricity consumption to operate its network. This includes the most important environmental measures to achieve maximum efficiency in this regard and to reduce the energy demand as far as possible. The materiality analysis 2017 showed that the most material issues with regard to the environment are energy demand, ecological network design, and information and communication technology (ICT) products providing ecological value. Unless otherwise stated, the risks and their management can be found in the risk report of the 2018 Group Management Report.

Besides natural disasters caused partly by climate change (see "Communication infrastructure"), CO₂ emissions due to communication infrastructure's energy demand are also a risk in terms of the environment. In terms of opportunities, digital and ICT products can help to lower emissions by increasing the efficiency of processes and either saving or significantly reducing the consumption of resources – e. g. due to reduced travel activities. To reduce the risks, 100% of electricity is sourced from renewable energy in Austria, solar power is promoted throughout the Group, and numerous measures are taken to use the required energy as efficiently as possible. These measures can range from using low-consumption equipment to increasing average temperatures at IT locations in order to reduce the need for cooling.

The environmental management system at A1 Telekom Austria Aktiengesellschaft in Austria, A1 Slovenija d.d. in Slovenia, Vip mobile d.o.o. in the Republic of Serbia and one.Vip DOOEL in the Republic of Macedonia is certified in accordance with ISO 14001. Furthermore, EMAS (eco management and audit scheme) requirements in Austria and Slovenia are met. Energy management at A1 Telekom Austria Aktiengesellschaft is also ISO 50001 certified. Since 2014, A1 Telekom Austria Aktiengesellschaft has been the first carbon neutral network in Austria to be assessed and validated by TÜV SÜD in line with the PAS 2060 international standard.

Energy demand and ecological network design

In the materiality analysis 2017, the topic of energy demand was identified as material with regard to impacts and by stakeholders (especially business representatives, politicians, and the media). The A1 Telekom Austria Group has a direct impact primarily through operating the communication infrastructure as part of its business operations. The topic of ecological network design, which includes the activities and measures for sustainably creating the company's own infrastructure, was identified as being material in the materiality analysis 2017 with regard to the impacts. The A1 Telekom Austria Group has a direct impact on the environment through the installation and operation of communication infrastructure.

The A1 Telekom Austria Group has set itself the goal of stabilizing or rather reducing energy demand and, at the same time, reducing CO₂ emissions. The Austrian subsidiary A1 is doing this with the help of recognized management systems such as ISO 50001 for energy management and ISO 14001 for environmental management. The latter is also implemented in Slovenia and the Republic of Serbia. The network design should be carried out as ecologically as possible, depending on the framework conditions. The A1 Telekom Austria Group has summarized its commitment in a group-wide environmental policy. It has set itself the goal of reducing electricity demand per transferred data volume (energy efficiency indicator) by 30% from 2015 to 2018 (based on 2015, measured by MWh per terabyte) and reduce CO₂ emissions by 25% by 2020 (based on 2012). The latter A1 Telekom Austria Group has not been able to come closer (status: +11% CO₂ emissions) by now due to acquisitions. In 2018, the energy efficiency indicator was 0.18 (2017: 0.24) MWh/terabyte. From 2015 to 2018, the electricity demand for transported data volumes had already been reduced by 69%. The target was thus overachieved.

Management systems are evaluated regularly. For example, the ISO certifications are evaluated annually and were successfully acquired for 2018. Effectiveness is reviewed and monitored regularly on the basis of predefined key figures. Adjustments are made throughout the year if necessary.

Direct and indirect energy (in MWh)

In accordance with the GRI Standard for Sustainability Reports: 302-1, 302-4

2018	Electricity ¹⁾	Heating fuels ²⁾	District Heating	Fuels ³⁾	Total energy-consumption
Austria	300,611	14,304	30,165	46,544	391,624
Bulgaria	116,747	114	325	11,374	128,561
Croatia	65,423	3,716	3,378	5,942	78,459
Belarus	84,684	0	3,684	4,887	93,255
Slovenia	30,024	0	255	595	30,875
Republic of Serbia	51,613	82	1,430	2,896	56,020
Republic of Macedonia	30,173	0	0	1,976	32,148
A1 Telekom Austria Group	679,275	18,216	39,238	74,213	810,942

2017	Electricity ¹⁾	Heating fuels ²⁾	District Heating	Fuels ³⁾	Total energy-consumption
Austria	298,853	16,572	29,321	48,297	393,044
Bulgaria	108,380	126	298	12,170	120,973
Croatia	59,643	3,798	3,861	4,602	71,904
Belarus	75,548	0	3,346	4,809	83,703
Slovenia	29,984	0	278	626	30,887
Republic of Serbia	43,772	81	1,452	2,797	48,102
Republic of Macedonia	28,127	2,085	0	1,917	32,129
A1 Telekom Austria Group	644,307	22,662	38,556	75,218	780,742

Change (in %)

Austria	1%	-14%	3%	-4%	0%
Bulgaria	8%	-9%	9%	-7%	6%
Croatia	10%	-2%	-13%	29%	9%
Belarus	12%	n. m.	10%	2%	11%
Slovenia	0%	n. m.	-8%	-5%	0%
Republic of Serbia	18%	1%	-2%	4%	16%
Republic of Macedonia	7%	-100%	n. a.	3%	0%
A1 Telekom Austria Group	5%	-20%	2%	-1%	4%

At the time of preparation, the environmental indicators for fiscal year 2018 were not yet available. In the table above, the figures include the period from November 1, 2017 to October 31, 2018, which can be considered a representative comparison period for fiscal year 2018. There were no significant requirement changes wherefore no fluctuations are assumed. Tables are subject to rounding differences. 1 joule = $2.77777778 \times 10^{-10}$ MWh

- 1) Acquisition and own production, as well as diesel for emergency power generator
- 2) Oil and gas, not climatically adjusted
- 3) Diesel, petrol, CNG, LPG and natural gas without diesel for emergency power generator

Due to the on-going shift to district heating, fuels for heating were reduced by 14% in Austria. In Macedonia, only one location was heated with fuel. This location has been relinquished, which results in a reduction of heating fuels in Macedonia by

100% from 2017 to 2018. Due to acquisitions the vehicle fleet increased in Croatia and led to an increase in motor fuel by 29% in the same period.

Direct and indirect greenhouse gas emissions (CO₂-equivalents in t)

In accordance with the GRI Standard for sustainability reporting: 305-1, 305-2, 305-5

Energy demand not only represents A1 Telekom Austria Group's most significant environmental impact, but also its

most important CO₂ source. Besides the increase of energy efficiency the use of renewable energy are measures to reduce CO₂ emissions. Scope-1-emissions include emissions from combustion of fossil fuels for heating and mobility. Scope-2-emissions indicate emissions, which arise from electric energy and district heating.

	Direct (Scope 1)	Indirect (Scope 2)		Total (Scope 1+2)		Total (Scope1+2+Comp.)	
		location-based	market-based	location-based	market-based	location-based	market-based
2018							
Austria	16,040	101,101	9,023	117,141	25,063	101,856	9,778
Bulgaria	4,344	66,455	66,455	70,799	70,799	70,799	70,799
Croatia	2,633	29,688	29,688	32,321	32,321	32,321	32,321
Belarus	1,753	22,684	22,684	24,437	24,437	24,437	24,437
Slovenia	158	12,625	18,348	12,783	18,506	12,783	18,506
Republic of Serbia	1,060	44,944	44,944	46,005	46,005	46,005	46,005
Republic of Macedonia	1,015	27,898	26,167	28,913	27,182	28,913	27,182
A1 Telekom Austria Group	27,003	305,395	217,310	332,398	244,313	317,113	229,028
2017							
Austria	17,090	100,311	8,777	117,401	25,867	101,483	9,949
Bulgaria	4,443	61,705	61,705	66,148	66,148	66,148	66,148
Croatia	2,319	27,300	27,300	29,619	29,619	29,619	29,619
Belarus	1,744	20,352	20,352	22,097	22,097	22,097	22,097
Slovenia	174	12,614	6,789	12,788	6,963	12,788	6,963
Republic of Serbia	982	38,174	38,174	39,156	39,156	39,156	39,156
Republic of Macedonia	1,115	26,501	26,501	27,615	27,615	27,615	27,615
A1 Telekom Austria Group	27,867	286,957	189,599	314,824	217,466	298,906	201,548
Change (in %)							
Austria	-6%	1%	3%	0%	-3%	0%	-2%
Bulgaria	-2%	8%	8%	7%	7%	7%	7%
Croatia	14%	9%	9%	9%	9%	9%	9%
Belarus	1%	11%	11%	11%	11%	11%	11%
Slovenia	-9%	0%	170%	0%	166%	0%	166%
Republic of Serbia	8%	18%	18%	17%	17%	17%	17%
Republic of Macedonia	-9%	5%	-1%	5%	-2%	5%	-2%
A1 Telekom Austria Group	-3%	6%	15%	6%	12%	6%	14%

At the time of preparation, the environmental indicators for fiscal year 2018 were not yet available. In the table above, the figures include the period from 1 November 2017 to 31 October 2018, which can be considered a representative comparison period for fiscal year 2018. There were no significant requirement changes wherefore no fluctuations are assumed.

Direct Scope 1 includes direct emissions from combustion of fossil fuels for heating and mobility; emissions from cooling agents are not considered.

Indirect Scope 2 includes indirect emissions from electric energy and district heating.

According to GHG protocol, "location-based scope 2" figures refer to the average emissions factors in the area in which the energy consumption takes place. The average value at national level is used.

According to GHG protocol, "market-based scope 2" figures refer to energy suppliers' emissions factors, insofar as these are available, or an individual energy product.

In Slovenia market-based scope 2 emissions rose by 170%, due to changes in the calculation method - for the first time the calculations were based on energy suppliers' emissions factors.

Fuel consumption by renewable and non-renewable energy source (in MWh)

	From non-renewable energy sources ¹⁾	From renewable energy sources ²⁾
2018		
A1 Telekom Austria Group	97,013	4,449
2017		
A1 Telekom Austria Group	100,592	4,492
Change in %)		
A1 Telekom Austria Group	-4%	-1%

1) Oil, diesel, gasoline, LPG, CNG, and natural gas, including diesel for emergency power generators

2) Share of biofuels in diesel and gasoline

ICT products providing ecological value

Included among ICT products providing ecological value are products and services that make a significant contribution to more efficient use of resources and enable the users to reduce their environmental footprint. In the materiality analysis 2017, the topic was identified as material with regard to the impact. A direct impact within and outside the company is caused by the development of relevant products. Regarding ICT products providing ecological value no risks for the A1 Telekom Austria Group are known.

Regular evaluation of client requirements and innovation management help to develop ICT products with environmental added value, with the potential to contribute to reducing CO₂ emissions and preserving resources. These products include for example videoconference systems to reduce travelling activities. The products are regularly evaluated and assessed with regard to marketability and customer requirements and if necessary adapted or taken off the market. Complaint mechanisms for products such as stores, service lines, and contact forms on the websites are available to all stakeholders.

4. Social issues

With regard to social issues, the A1 Telekom Austria Group fulfills its responsibility to society with a special focus on teaching media literacy and reducing the digital gap in the countries in which it operates.

Media literacy

In the materiality analysis 2017, the topic of media literacy was identified as material with regard to the impact. Secure and competent interaction with new media is essential for employment and therefore also contributes to closing the digital gap. The A1 Telekom Austria Group's "A1 Internet for All" media literacy initiative offers free courses for everyone to encourage interaction with digital media. This has a direct impact on society and the economy. Regarding media literacy no risks for the A1 Telekom Austria Group are known.

The A1 Telekom Austria Group has set itself the goal to make a contribution to closing the digital gap. With the help of the group-wide "A1 Internet for All" initiative, it promotes media literacy in the countries in which it operates. The A1 Telekom Austria Group set itself the goal of reaching 150,000 participants in free Internet training by 2018. The "A1 Internet for All" initiative has already had more than 180,000 participants since 2011 so the goal has been surpassed.

Performance is reviewed and monitored regularly based on predefined key figures, such as the number of participants in media literacy training sessions. In Austria, the initiative is supported and evaluated scientifically by the NPO Center of the Vienna University of Economics. In 2018, the latter reconfirmed that "A1 Internet for All" is making a contribution to closing the digital gap in Austria. Adjustments are made throughout the year if necessary.

Participations in media literacy trainings: "A1 Internet for All"

	2018	2017	Change (in %)
Austria	26,923	26,615	1.2
Bulgaria	2,300	2,087	10.2
Croatia	n. a.	42	n. a.
Belarus	20	20	0.0
Slovenia	n. a.	13	n. a.
Republic of Serbia	21	40	-47.5
Republic of Macedonia	820	n. a.	n. a.
A1 Telekom Austria Group	30,084	28,817	4.4

5. Employee matters

The A1 Telekom Austria Group had 18,705 employees/ full time equivalents (FTE) at the end of 2018 (2017: 18,957). Headcount in the Austria segment was reduced by around 3% to 8,010 employees as part of the ongoing restructuring

measures. Around 45% of existing employees in Austria have civil servant status (2017: 47%). The number of employees in the CEE segments was in total slightly declining. The increase in "Holding incl. A1 Digital" is attributable to the continued increase in the workforce of its affiliate A1 Digital, which was founded in the previous year.

Employees¹⁾ as of 31 December 2018

	2018	2017	Change (in %)
Austria	8,010	8,246	-2.9
Bulgaria	3,685	3,751	-1.8
Croatia	1,682	1,680	0.1
Belarus	2,581	2,575	0.2
Slovenia	555	565	-1.9
Republic of Serbia	1,032	977	5.6
Republic of Macedonia	785	819	-4.1
Holding incl. A1 Digital	376	345	8.9
A1 Telekom Austria Group	18,705	18,957	-1.3

1) Full-time equivalent

In the A1 Telekom Austria Group's view, the opportunities and risks in terms of employee matters particularly relate to the promotion of flexible and modern working and guaranteeing the right conditions for maintaining a work-life balance and a healthy work environment. Increased competitiveness as a result of higher employee productivity and the acquisition of qualified employees are seen as opportunities here. There are risks, for example, relating to reputation and the positioning as an attractive employer as well as the lack of key employees or the right skills in the era of digitalization. Measures to minimize risks include regular employee surveys ("Culture Pulse Checks") and regular employee meetings as part of the "ROAD" performance model in order consequently to derive measures.

To further expand its competitiveness and innovative drive, the A1 Telekom Austria Group invests in sound professional training for its employees on an ongoing basis. For this purpose the use of its central e-learning platform should be enhanced to provide training to all its employees throughout the company at any time and in any place. The platform currently comprises 15 learning providers and 1,920 online courses (2017: 894 online courses) and virtual classes. 99,578 online courses were completed in 2018. Furthermore, employee skills are also developed using a group-wide collaborative tool that ensures virtual teamwork within the company. The A1 Learning Hub functions as a development platform. It developed and organized more than 42 training opportunities for 526 participants (2017: 500) in the course of 2018.

In addition to this central training, the A1 Telekom Austria Group subsidiaries have also developed their own training programs tailored to the needs of their respective markets. To meet future requirements for experts and managers, the A1 Telekom Austria Group in Austria is particularly committed to apprenticeship training and offers university and college graduates a twelve-month graduate program, as well as a dual study program in cooperation with University of Applied Sciences Technikum Wien.

Another core element of the opportunities of employee matters is presented in the topic of fair and flexible working conditions within the company, which came up in the materiality analysis. Fair and flexible working means creating framework conditions that make flexible work in terms of time and location possible, whilst meeting all statutory requirements. With this in mind, the A1 Telekom Austria Group aims to promote virtual collaboration

and flexible working time models. In addition, up-to-date performance management is used, which increasingly focuses on further training for employees.

Diversity among employees is seen as the central driver of the company vision "Empowering digital life" and encourages the Guiding Principles of "Team, Trust, and Agility" through communication. Supporting women is one of the core elements of promoting diversity. A1 Telekom Austria Group has set itself the goal of increasing the proportion of women in management positions at the company to 38% by 2018. At the end of 2018, the proportion was 35%. Regarding the occupation of open positions it was not achieved to attract enough women to leadership positions. Therefore, in the year 2018, a 5-year plan was drafted with the focus on reconciling work and family, which should ensure an increase in the proportion of women in management.

Share of female employees and share of female managers as of 31 December 2018

in %	Share of female employees		Share of female managers ¹⁾	
	2018	2017	2018	2017
Austria	26	26	18	19
Bulgaria	49	49	50	50
Croatia	38	41	36	39
Belarus	60	53	42	46
Slovenia	44	44	43	40
Republic of Serbia	59	58	50	49
Republic of Macedonia	44	45	43	45
A1 Telekom Austria Group²⁾	40	38	35	36

1) Managers includes all persons with staff responsibility for at least one employee.

2) Including Holding and A1 Digital

Share of locals in leadership teams and share of women in senior management positions

in %	Share of locals in senior management positions ^{1),2)}		Share of women in senior management positions ²⁾	
	2018	2017	2018	2017
Austria	100	100	33	40
Bulgaria	89	89	22	22
Belarus	57	57	14	0
Cluster Croatia / Macedonia	75	78	13	11
Cluster Serbia / Slovenia	100	100	43	38
A1 Telekom Austria Group³⁾	84	84	24	21

1) Locals includes all those who have citizenship for the country in which they work. A leadership team consists of Senior Directors and the respective Chief Executive Officers.

2) Persons in senior management positions correspond to local leadership team

3) Including Holding and A1 Digital

In addition to central innovation and training offers, the A1 Telekom Austria Group subsidiaries have also developed their own training and health initiatives tailored to the

needs of their respective markets. For example, this includes company physicians, health days, and blood donation drives.

6. Human rights

With its admission to the UN Global Compact, the A1 Telekom Austria Group has been committed to implementing fundamental requirements in the areas of human rights, work, environment, and combating corruption. This commitment has been acknowledged, for example, by being integrated into the Austrian subsidiary's General Terms and Conditions.

7. Compliance and combating corruption

Acting with honesty, fairness, and transparency is an important component of the corporate culture at the A1 Telekom Austria Group. In order to achieve this standard of integrity, the company has a comprehensive compliance management system. The example set by top management and the responsibility of all employees for their own actions are increasingly important, in particular. With the aim of avoiding potential misconduct, the A1 Telekom Austria Group has determined clear rules for acting in a manner complying with the law and with integrity in all business relationships. In addition, appropriate controls have been integrated within its business processes.

The group-wide Code of Conduct was revised in 2017 and adapted to the new Guiding Principles (see "Employee matters"). In addition to the Code of Conduct, which is available in every national language of the subsidiaries, as well as in English, there are also detailed compliance guidelines providing assistance on specific topics. This includes the Anti-Corruption and Conflicts of Interest guidelines, which were also revised in 2017 and correspond to the ISO 37001 international standard. The compliance guidelines provide support in ensuring that acting with integrity is a natural part of daily work.

Furthermore, the effectiveness of the compliance management system is supported by regular communication measures and training, the "ask.me" helpdesk, internal audits and the whistleblowing platform "tell.me," which can be used anonymously if desired. The needs-based further development of the compliance program is ensured by the annual compliance risk assessment, which defines a catalog of risk-focused measures for the coming year. In 2018, the design of the entire

A1 Telekom Austria Group's compliance management system was revised and reviewed by a leading audit firm. The A1 Telekom Austria Group was assured that the principles and measures presented are, with reasonable assurance, suitable both for identifying risks of material violations of applicable corruption requirements, anti-trust law and capital market compliance regulations in due time, and for preventing such violations. In addition, it was attested that the compliance management system conforms to the international ISO 19600 and ISO 37001 standards and meets the requirements of the US Foreign Corrupt Practices Act, the European Cartel Law, and the UN Global Compact.

In order to appropriately highlight the importance of compliance across the entire Group and as a significant preventive measure in the compliance management system, the compliance organization prioritized online and classroom training on the issues of integrity, anti-corruption, capital market compliance, antitrust law, and data protection in 2018. Employees were trained in 7,600 compliance trainings in person and resolved practical questions in a dialog with the compliance managers. In addition, managers and employees completed more than 24,000 e-learnings on the above topics in 2018, especially on the new requirements of the General Data Protection Regulation.

Vienna, January 30, 2019
The Management Board

Thomas Arnoldner, CEO
Telekom Austria Aktiengesellschaft

Alejandro Plater, COO
Telekom Austria Aktiengesellschaft

Siegfried Mayrhofer, CFO
Telekom Austria Aktiengesellschaft