

CORPORATE GOVERNANCE REPORT

COMMITMENT OF THE TELEKOM AUSTRIA GROUP TO THE AUSTRIAN CORPORATE GOVERNANCE CODE

The shares of Telekom Austria AG have been listed on the Vienna Stock Exchange since November 2000, where the Austrian Corporate Governance Code (ACGC) is generally accepted. The current version of this Code (January 2015) can be viewed at www.corporate-governance.at or www.telekomaustria.com.

The Austrian Corporate Governance Code pursues the goal of the responsible management and control of companies geared towards a sustainable and long-term creation of enterprise value. It aims to ensure a high degree of transparency for all stakeholders and to serve as an important guideline for investors. The Code is based on the provisions of Austrian stock company, stock exchange and capital market law, EU recommendations and the OECD Principles of Corporate Governance. The Telekom Austria Group has been committed to voluntary compliance with the ACGC since 2003. The Group complies with all the legal requirements set out by the ACGC in what are referred to as the 'L' rules.

To explain the deviations from the ACGC's 'C' rules, the Telekom Austria Group has made the following statement regarding Rules 28, 28a and 54 of the ACGC:

- ✓ Stock option plans and programmes for the beneficial transfer of shares, including the long-term and sustainable exercise criteria, are decided upon by the Supervisory Board to ensure optimal alignment with the business plan. The Annual General Meeting on 27 May 2010 introduced a long-term incentive programme which replaced the ESOP stock option programme previously in place as of the 2010

financial year. Details can be found in the Consolidated Financial Statements of the Telekom Austria Group.

- ✓ The company's free float has been less than 20% since 16 October 2014, which is why C Rule 54 is not applicable. The shareholder representatives on the Supervisory Board are appointed in line with the provisions of the shareholders' agreement between the controlling shareholder América Móvil and ÖIAG.

In accordance with Rule 62 of the ACGC, the Telekom Austria Group's compliance with the provisions of the ACGC and the accuracy of its public reporting in association with this are evaluated externally every three years. The most recent evaluation, carried out by Deloitte in early 2014, discovered no facts which conflicted with the declaration made by the Management Board and the Supervisory Board concerning observance of and compliance with the 'C' and 'R' rules of the Austrian Corporate Governance Code for the 2014 financial year.

The Telekom Austria Group participates in the Austrian Working Group for Corporate Governance and is involved in the ongoing development of the standards.

COMPOSITION OF EXECUTIVE BODIES OF THE COMPANY AND EXECUTIVE BODY REMUNERATION

THE MANAGEMENT BOARD

The members of the Management Board of Telekom Austria AG in the 2014 reporting year were Hannes Ametsreiter, CEO, Günther Ottendorfer, CTO, and, since 1 June 2014, Siegfried Mayrhofer, CFO. Siegfried Mayrhofer succeeded Hans Tschuden (CFO and Deputy CEO) as CFO, whose contract was terminated per 31 May 2014.

HANNES AMETSREITER — Member of the Management Board since 1 January 2009, CEO since 1 April 2009, reappointed/extended as of 1 January 2014 until 31 December 2016; the term of office will extend until 31 December 2018 unless the Supervisory Board informs the member no later than two years after his appointment that the latter will end after three years.

Board responsibilities of Hannes Ametsreiter

- ✓ Marketing (Group)
- ✓ Human Resources (Group)/ Personnel Office
- ✓ International Business Development/Corporate Strategy
- ✓ Mergers & Acquisitions
- ✓ Regulation & European Affairs
- ✓ General Secretariat
- ✓ Communication (Group)
- ✓ Internal Audit (Group)

Hannes Ametsreiter was born in Salzburg in 1967. After studying in Austria and the United States, he began his professional career as a brand manager at the international branded goods company Procter & Gamble. His career in the telecommunications sector began in 1996 at mobilkom austria. After holding various positions within the Group, he became Chief Marketing Officer of mobilkom austria AG in 2001.

Hannes Ametsreiter has been the Chairman of the Management Board and CEO of Telekom Austria AG since 1 April 2009. Since 2010 Hannes Ametsreiter has also been the CEO of A1 Telekom Austria AG, which was created by the merger of mobilkom austria AG and Telekom Austria TA AG. He has held supervisory board functions outside the Group since 2013 for Wind Hellas Telecommunications (Greece).

In 2008 Booz & Company awarded Hannes Ametsreiter the international marketing award 'CMO of the Year'. At the '40th Extel Awards' in 2013, the international news agency Thomson Reuters named him 'CEO of the Year' in Austria. In addition, he was a member of the international board of the GSM Association between 2009 and 2012.

SIEGFRIED MAYRHOFER — CFO since 1 June 2014, appointed until 31 May 2015.

Board responsibilities of Siegfried Mayrhofer

- ✓ Investor Relations
- ✓ Controlling (Group)
- ✓ Treasury (Group)
- ✓ Accounting (Group)
- ✓ Purchasing (Group)
- ✓ Legal/General Counsel
- ✓ Group Compliance*

* Reports to the entire Management Board but organisationally assigned to the CFO

Siegfried Mayrhofer, born 1967, studied industrial and mechanical engineering at the Graz University of Technology.

Siegfried Mayrhofer began his professional career in 1994 at Voest Alpine Eisenbahnsysteme in the international division for the acquisition of investments. From 1998 to 2000 he served as a consultant to Constantia Corporate Finance for Mergers & Acquisitions in various industries.

Siegfried Mayrhofer joined Telekom Austria AG in March 2000. After holding various management positions (including Head of Corporate Planning and Group Controlling, Fixed-line Controlling, Fixed-line Accounting), he became CFO of Telekom Austria TA AG in July 2009. Siegfried Mayrhofer has been the Chief Financial Officer of A1 Telekom Austria AG since 8 July 2010.

Siegfried Mayrhofer does not hold any supervisory board mandates outside the Telekom Austria Group.

GÜNTHER OTTENDORFER — CTO since 1 September 2013, appointed until 31 August 2016 — the term in office will extend until 31 March 2018 unless the Supervisory Board informs the member no later than two years after his appointment that the latter will end after three years.

Board responsibilities of Günther Ottendorfer

- ✓ Access & Transport (Group)
- ✓ Operations (Group)
- ✓ Service Network & IT (Group)
- ✓ Technology Strategy (Group)

Born in 1968, Günther Ottendorfer can look back on a successful career in the telecommunications industry going back more than 20 years. From 1987

to 1992 Ottendorfer studied Computer Sciences at the Vienna University of Technology and graduated with honours.

From 1996 Günther Ottendorfer played a key role in the development of the mobile telephony provider max.mobil in Austria. He gathered comprehensive management experience in positions including that of COO and CTO for T-Mobile Österreich, CTO for T-Mobile Deutschland and European Technology Director for T-Mobile International.

In 2011 Günther Ottendorfer was appointed to the Board of Optus Singtel, Australia's second-largest telecommunications provider, where he was responsible for the entire network infrastructure. He also headed the launch of LTE at Optus and initiated several successful efficiency and restructuring programmes.

Günther Ottendorfer does not hold any Supervisory Board mandates outside the Telekom Austria Group.

HANS TSCHUDEN — CFO and Deputy CEO until 31 May 2014.

Hans Tschuden was born in 1958 and is a graduate of the Vienna University of Economics and the International Executive Programme (INSEAD) in Paris. From 1989 Hans Tschuden worked for the Wienerberger Group. In 1999 he became a member of the Wienerberger Management Committee and, in May 2001, he was appointed Chief Financial Officer of Wienerberger AG.

Hans Tschuden was the Chief Financial Officer of Telekom Austria AG from 1 April 2007. He was appointed the Deputy Chairman of the Management Board of Telekom Austria AG on 1 January 2009. Hans Tschuden was named Austria's best CFO in the Thomson Reuters 'Extel Awards' report twice in a row in 2012 and 2013. In April 2014 Hans Tschuden was named 'CFO of the Year' for 2013 in the ATX Prime sector by Deloitte in cooperation with Börse-Express and the CFO Club Austria.

REPORT ON MANAGEMENT BOARD REMUNERATION

The Remuneration Committee is responsible for structuring the remuneration package awarded to the Management Board. In addition to basic remuneration (fixed salary including remuneration in kind), a variable performance-based component was agreed with the members of the Management Board. This performance-based

component is contingent upon the achievement of defined targets and is limited to 150% of the base remuneration. The targets for the reporting year consist of 75% financial figures (return on assets in excess of the costs of capital (weighting 25%), operating free cash flow (weighting 25%) and customer value (weighting 25%)), as well as strategic objectives. The Remuneration Committee decides about the degree of target achievement and the amount of the variable salary component on the basis of the Consolidated Financial Statements and the implementation of strategy. Performance-based remuneration becomes payable after the result for the financial year in question has been resolved, while for Hannes Ametsreiter and Günther Ottendorfer an advance in the amount of 60% of the fixed salary is paid in 14 instalments in the current financial year.

The multi-year share-based long-term incentive programme (LTI) introduced in 2010 continued in the 2014 reporting year with the issue of the 2014 tranche. The second tranche of the LTI programme (LTI 2011) was paid out in the amount of 28% in 2014, following the end of the three-year performance period and the determination by the Remuneration Committee of the degree of achievement. Detailed information about this can be found in the Notes to the Consolidated Financial Statements and the section on the remuneration of the individual members of the Management Board.

REMUNERATION OF THE INDIVIDUAL MEMBERS OF THE MANAGEMENT BOARD

Management Board remuneration in EUR '000	Basic remuneration (fixed salary incl. remuneration in kind)		Variable remuneration		Multi-year share-based remuneration (LTI)		Total remuneration ^{*,**}	
	2014	2013	2014	2013	2014	2013	2014	2013
Hannes Ametsreiter	549	493	631	495	43	55	1,224	1,043
Hans Tschuden ^{**}	205	472	412	474	43	55	660	1,001
Siegfried Mayrhofer ^{**}	268	–	–	–	–	–	268	–
Günther Ottendorfer ^{***}	462	154	330	380 ^{****}	–	–	793	534
Total^{*,**}	1,484	1,118	1,374	1,349	87	111	2,944	2,578

* Until 31 May 2014

** Appointed from 1 June 2014

*** Appointed from 1 September 2013

**** Upon commencing his role on 1 September 2013, Management Board member Günther Ottendorfer received a one-time payment of EUR 290,330 (EUR 114,334 in the form of 20,872 shares in the company) as compensation for the loss of benefits acquired under his former employment contract and for relocating from Australia to Austria). This payment is included in variable remuneration for 2013.

+ The agreement with Hans Tschuden, which was to run until 31 March 2015, was terminated early on 31 May 2014. The figures for 2014 shown in the table do not include termination benefits in connection with the dissolution of the agreement with Hans Tschuden and severance pay amounting to EUR 0.737 mn and EUR 0.850 mn respectively; a further EUR 0.213 mn was paid into the pension fund.

** Deviations in totals due to rounding; year-on-year comparisons make limited sense on account of the expansion of the Management Board from two to three members in September 2013.

The total expense for basic remuneration, including remuneration in kind, of members of the Management Board in 2014 amounted to EUR 1.484 mn (2013: EUR 1.118 mn), while variable remuneration amounted to EUR 1.374 mn (2013: EUR 1.349 mn). EUR 0.087 mn was spent on LTI 2011 in the 2014 reporting year (2013 for LTI 2010: EUR 0.111 mn). On account of the expansion of the Management Board in September 2013, year-on-year comparisons make limited sense. Termination benefits in connection with the dissolution of the contract with Hans Tschuden and severance pay amounted to EUR 0.737 mn and EUR 0.850 mn respectively; a further EUR 0.213 mn was paid into the pension fund.

On 100% attainment of their goals in the context of the new 2014 LTI tranche launched in July 2014, the members of the Management Board were provisionally allocated the following number of Telekom Austria shares: 51,348 shares for Hannes Ametsreiter, 37,650 shares for Siegfried Mayrhofer, 18,622 shares for Hans Tschuden and 43,722 shares for Günther Ottendorfer. Any actual allocation of these shares or cash settlement will occur after the end of the three-year performance period, i. e. not before 1 July 2017, commensurate with the level of achievement of objectives as determined by the Remuneration Committee.

In terms of old-age provisions, the members of the Management Board receive a contribution to their voluntary pension plan, which is paid into a corporate pension fund by the company and amounts to 20% of their respective fixed salary. Members will only receive an eventual pay-out from the corporate pension fund when they are over 55 years of age and no longer in a contractual relationship with the company.

The amount of the severance payment to be paid in the event of the termination of a Board member's appointment is based on the length of their employment and is capped at one year's total remuneration for Hannes Ametsreiter, Siegfried Mayrhofer and Hans Tschuden. The *Mitarbeiter- und Selbstständigenvorsorgegesetz* (BMSVG – Austrian Corporate Employee and Entrepreneur Pension Law) applies to Günther Ottendorfer.

Furthermore, the members of the Management Board are entitled to a company car, and casualty insurance provides cover in the event of death or invalidity. There is also supplementary health

insurance for Management Board members. The members of the Management Board are included in the D&O insurance policy concluded and paid for by Telekom Austria AG. Moreover, there is criminal defence insurance for administrative offences or violations of criminal law.

LONG-TERM INCENTIVE PROGRAMME

The Telekom Austria Group's multi-year share-based long-term incentive programme (LTI) introduced in the 2010 financial year continued in 2014. This incentive scheme, designed for Management Board members, executives and selected employees, has a term of three years for each tranche. The LTI is based on the performance-based allocation of shares. During the programme, participants must hold shares in Telekom Austria, the number of which is determined by the defined number of potential shares for each entitled beneficiary. Any payments are made in cash. The amount of the payment depends on the achievement of targets in the form of key figures defined by the Supervisory Board within a three-year performance period, ranging from 0% to more than 175% of the participant's investment.

The Telekom Austria Group's long-term incentive programme is consistent with the requirements of the Austrian Corporate Governance Code (C Rule 28). The relevant target performance indicators are based on the long-term development of the company. The targets and key performance indicators are determined by the Supervisory Board at the beginning of each tranche. Each performance period is three years long. Free cash flow (weighting 45%), total shareholder return (weighting 35%) and EBITDA (weighting 20%) were defined as the targets/key performance indicators for the 2010, 2011 and 2012 tranches. The targets for the 2013 and 2014 tranches were defined as net income (weighting 30%), EBITDA (weighting 35%) and relative total shareholder return (weighting 35%), which will be assessed versus a defined peer group of nine European telecommunication companies.

BENEFITS UNDER THE LTI PROGRAMME IN THE 2014 REPORTING YEAR

The second LTI tranche (LTI 2011) which had been granted on 1 June 2011 was distributed to the entitled employees of the Group in June 2014 after the end of the three-year performance period. The tranche was paid out in the amount of 28% in line with the level of performance

determined by the Remuneration Committee of the Supervisory Board, at a value of 124,260 bonus shares in total (measured using the average price for the fourth quarter of 2013 of EUR 6.04 and therefore EUR 0.751 mn (2013: EUR 0.936 mn)). Hannes Ametsreiter and Hans Tschuden each received 7,189 shares or an equivalent amount of EUR 0.043 mn (2013: EUR 0.055 mn each).

A detailed description of the long-term incentive programme can be found in the Notes to the Consolidated Financial Statements.

As at 31 December 2014, the members of the Management Board hold the following

shares, some of which serve to satisfy LTI programme participation requirements:

NUMBER OF TELEKOM AUSTRIA SHARES HELD AS AT 31 DEC 2014		of which for LTI participation
Hannes Ametsreiter	25,674	25,674
Siegfried Mayrhofer	24,750	18,825
Günther Ottendorfer	21,872	21,861

In compliance with the relevant statutory provisions, transactions involving Telekom Austria shares conducted by executives, members of the Supervisory Board and related parties are reported to the Austrian Financial Market Authority (see www.fma.gv.at under 'Directors' Dealings').

REMUNERATION OF SUPERVISORY BOARD MEMBERS

Name	Supervisory Board remuneration awarded for 2013 and paid in 2014 (in EUR)	2014 attendance fees (in EUR)
Rudolf Kemler*	30,000	5,400
Carlos García Moreno Elizondo	–	1,200
Alfred Brogyányi**	8,917.81	2,700
Alejandro Cantú Jiménez	–	1,200
Elisabetta Castiglioni	8,917.81	3,000
Michael Enzinger**	13,376.71	3,000
Henrietta Egerth-Stadlhuber**	15,000	900
Carlos M. Jarque	–	1,200
Reinhard Kraxner	–	1,200
Günther Leonhartsberger*	–	1,200
Peter J. Oswald**	15,000	1,800
Stefan Pinter	–	900
Ronny Pecik	22,500	4,800
Wolfgang Ruttenstorfer**	15,000	2,400
Harald Stöber***	15,000	900
Oscar Von Hauske Solís	15,000	3,000
Walter Hotz	–	5,100
Silvia Bauer	–	3,300
Werner Luksch	–	3,600
Alexander Sollak	–	4,500
Gottfried Kehrer****	–	2,400

* Supervisory Board remuneration and attendance fees are paid to ÖIAG.

** Left Supervisory Board on 14 August 2014. The reported remuneration relates to the remuneration awarded for 2013 and paid in the 2014 reporting year.

*** Harald Stöber passed away on 9 May 2014.

**** Name changed from Zehetleitner to Kehrer on 10 October 2014.

SUPERVISORY BOARD MEMBERS

Name (year of birth)	Profession
Rudolf Kemler, Chairman (1956)	Management Board of Österreichische Industrieholding Aktiengesellschaft
Carlos García Moreno Elizondo, Vice Chairman (1957)	CFO América Móvil, S.A.B. de C.V. (Mexico)
Alfred Brogyányi (1948)	Managing Director of OPIKA Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH
Alejandro Cantú Jiménez (1972)	General Counsel América Móvil, S.A.B. de C.V. (Mexico)
Elisabetta Castiglioni (1964)	Business consultant
Henrietta Egerth-Stadlhuber (1971)	Managing Director of Österreichische Forschungsförderungsgesellschaft mbH
Michael Enzinger**** (1959)	Lawyer (law firm Lattenmayer, Luks & Enzinger Rechtsanwälte GmbH)
Carlos M. Jarque (1954)	Executive Director International Affairs, Government Relations and Corporate Affairs, América Móvil, S.A.B. de C.V. (Mexico)
Reinhard Kraxner (1970)	Assistant General Counsel Treasury/Finance Philip Morris International Management SA (Switzerland)
Günter Leonhartsberger (1968)	Director and Head of Investment Management and Privatisation Division, Österreichische Industrieholding AG
Peter J. Oswald (1962)	Member of the Boards of Mondi plc (UK) and Mondi Ltd (South Africa) CEO of Mondi AG and Mondi Services AG
Ronny Pecik*** (1962)	Businessman
Stefan Pinter (1978)	Member of Management, Philip Morris Austria GmbH
Wolfgang Ruttendorfer (1950)	
Harald Stöber***** (1952)	Business consultant
Oscar Von Hauske Solís (1957)	CEO Telmex Internacional (Mexico), Chief Fixed-Line Operations Officer América Móvil, S.A.B. de C.V. (Mexico)
Members of the Supervisory Board appointed by the Staff Council	
Silvia Bauer (1968)	Member of the Central Works Council of A1 Telekom Austria AG
Walter Hotz (1959)	Chairman of the Central Works Council of A1 Telekom Austria AG
Werner Luksch (1967)	Vice Chairman of the Central Works Council of A1 Telekom Austria AG
Alexander Sollak (1978)	Chairman of the Staff Council Committee of Telekom Austria AG
Gottfried Kehrer***** (1962)	Member of the Central Works Council of A1 Telekom Austria AG

* Term of office ends at the Annual General Meeting dealing with the 2015 financial year (provisionally May 2016).

** Term of office ends at the Annual General Meeting dealing with the 2017 financial year (provisionally May 2018).

*** First Vice Chairman until 14 August 2014

**** Second Vice Chairman until 14 August 2014

***** Harald Stöber passed away on 9 May 2014.

***** Name changed from Zehetleitner to Kehrer on 10 October 2014

Other supervisory board mandates and similar functions at other listed companies (as per the ACGC)	First appointed	End of current term of office on Supervisory Board of Telekom Austria AG or date of departure	Independent as per Rule 53 of the ACGC
Österreichische Post AG (Chairman), OMV AG (Chairman)	01.11.2012	2018**	Yes
Royal KPN N.V. (Netherlands)	14.08.2014	2018**	Yes
	29.05.2013	14.08.2014	Yes
	14.08.2014	2016*	Yes
	29.05.2013	2016*	Yes
	20.05.2008	14.08.2014	Yes
	29.05.2013	14.08.2014	Yes
Grupo Carso S.A.B. de C.V. (Mexico)	14.08.2014	2018**	Yes
	14.08.2014	2016*	Yes
Österreichische Post AG	14.08.2014	2018**	Yes
	20.05.2008	14.08.2014	Yes
	23.05.2012	2018**	Yes
	14.08.2014	2016*	Yes
Flughafen Wien AG, CA Immobilien Anlagen AG (Chairman), RHI AG, NIS a.d.Novi Sad	27.05.2010	14.08.2014	Yes
	04.06.2003	09.05.2014	Yes
Royal KPN N.V. (Netherlands)	23.10.2012	2018**	Yes
	30.01.2009 to 03.11.2010, reappointed on 26.07.2012		
	Reappointed on 06.05.2011		
	03.08.2007 to 20.10.2010, reappointed on 11.01.2011		
	03.11.2010		
	27.10.2010		

SUPERVISORY BOARD

The Supervisory Board of the Telekom Austria Group comprises ten members elected by the Annual General Meeting. The Central Works Council of A1 Telekom Austria AG appoints four members and one member is appointed by the Staff Council of Telekom Austria AG. Employee co-determination on the Supervisory Board is a legally regulated aspect of the corporate governance system in Austria.

Harald Stöber, who had been a member of the Supervisory Board for a number of years, passed away in early May 2014.

All shareholder representatives resigned from office at the end of the Extraordinary General Meeting on 14 August 2014. At the Extraordinary General Meeting on 14 August, a new Supervisory Board was elected as a result of the implementation of the shareholders' agreement between América Móvil and ÖIAG.

INDEPENDENCE OF THE SUPERVISORY BOARD

The guidelines set out by the Supervisory Board in 2006 to determine the independence of its members were adjusted in 2009 to comply with the modified provisions of the Austrian Corporate Governance Code and are consistent with Annex 1 of the current version of the Code. According to these provisions, the members of the Supervisory Board are deemed to be independent if they have no business or personal relations with the company or its Management Board that could result in a material conflict of interest and thus influence the members' behaviour.

The shareholder representatives on the Supervisory Board are appointed in line with the provisions of the shareholders' agreement between the controlling shareholder América Móvil and ÖIAG; they represent the interest of the respective nominating shareholder. The company's free float has been below 20% since 16 October 2014, hence C Rule 54 is not applicable.

REPORT ON SUPERVISORY BOARD REMUNERATION

The Annual General Meeting on 28 May 2014 approved remuneration of EUR 30,000 for the Chairman of the Supervisory Board, EUR 22,500 for the Vice Chairs and EUR 15,000 for all other members for the 2013 financial year. The amount of remuneration was therefore unchanged from

the previous year. Remuneration for the Supervisory Board for 2013 was paid out following the approval of the actions of the Supervisory Board members by the Annual General Meeting in May 2014. Until further notice the attendance fee for meetings of the Supervisory Board is EUR 300 per member and meeting. Total remuneration including attendance fees of EUR 0.212 mn was paid to members of the Supervisory Board in the 2014 financial year (2013: EUR 0.220 mn). In addition, the members of the Supervisory Board are reimbursed for expenses actually incurred for travel and accommodation in connection with Supervisory Board meetings. This applies in particular to members of the Supervisory Board travelling from abroad.

The members of the Supervisory Board are included in the D&O insurance policy taken out and paid for by Telekom Austria AG; there is also criminal defence insurance for administrative offences or violations of criminal law.

In the year under review no member of the Supervisory Board personally attended fewer than 50% of the Supervisory Board meetings.

INFORMATION CONCERNING THE WORKING METHODS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Telekom Austria Group complies with established principles to ensure sustainable, value-enhancing corporate development and is committed to the principles of transparency and a policy of open communication. The Group-wide areas of competence and responsibility are clearly regulated by the Articles of Association of Telekom Austria AG and the relevant statutory provisions. In addition, the duties, responsibilities and working methods are also described in greater detail in the Rules of Procedure for the Management Board and the Supervisory Board.

The Management Board defines the strategic focus of the Group in consultation with the Supervisory Board and provides the latter with regular reports on the company's current situation including its risk situation. Furthermore, the Supervisory Board is authorised to demand reports from the Management Board at any time on matters concerning the Telekom Austria Group.

The Management Board of Telekom Austria AG is supported by three Group Chief Officers who are responsible for Human Resources, Technology Development and Marketing.

The Supervisory Board has set up four committees, which provide effective support by carrying out preparatory work on selected tasks and issues on behalf of the Supervisory Board.

- ✓ Until 14 August 2014 the Chairing Committee and the Remuneration Committee consisted of Rudolf Kemler (Chairman), Ronny Pecik (first Vice Chairman) and Michael Enzinger (second Vice Chairman). The work of the Chairing Committee was discontinued on 14 August 2014. Rudolf Kemler, Carlos García Moreno (since 14 August 2014) and Oscar Von Hauske Solís (since 14 August 2014) now form the **Remuneration Committee**. This committee is responsible for regulating relationships between the company and the members of the Management Board, including granting approval for additional occupation. Resolutions concerning the appointment of Management Board members (or revocation thereof) and granting stock options in the company are resolved by the Supervisory Board as a whole.
- ✓ In line with the statutory provisions, the **Audit Committee** primarily deals with the audit of and preparation for the adoption of the Annual Financial Statements, the audit of the Consolidated Financial Statements, the proposal for the distribution of profit, the Management Report, the Group Management Report and the Corporate Governance Report. High priority was also given to monitoring the accounting process, the effectiveness of the internal control system, the internal audit system and the risk management system. Furthermore, it prepares the selection of the auditor and checks the independence of the auditor of the Annual and Consolidated Financial Statements, particularly with regard to the performance of additional services. As of the end of 2014 the Audit Committee consisted of Carlos García Moreno as its Chairman (since 14 August 2014, previously Rudolf Kemler), Ronny Pecik (since 14 August 2014, previously Alfred Brogyányi) as its financial expert, Elisabetta Castiglioni (since 14 August 2014), Carlos Jarque (since 14 August 2014), Rudolf Kemler, Oscar Von Hauske Solís and Silvia Bauer, Walter Hotz and Alexander Sollak (latter three as employee representatives).

- ✓ The **Staff and Nomination Committee** submits proposals to the Supervisory Board for appointments to positions on the Management Board that have become vacant and also deals with questions of succession planning. Its members are Oscar Von Hauske Solís (since 14 August 2014, Chairman, previously Rudolf Kemler), Alejandro Cantú (since 14 August 2014), Carlos García Moreno (since 14 August 2014), Rudolf Kemler, Ronny Pecik and Walter Hotz, Werner Luksch and Alexander Sollak (since 14 August 2014). In its two meetings the Staff and Nomination Committee drew up two recommendations for the Supervisory Board. These concerned ending the term of office of and employment relationship with Mr Hans Tschuden, and the appointment of Mr Siegfried Mayrhofer as a member of the Management Board for the duration of one year effective 1 June 2014.
- ✓ The **Frequency Committee**, which was created to assist in the Austrian frequency auction in summer 2013, dealt at length with the frequency auction in Slovenia in the first quarter of 2014. After the conclusion of this auction, the Frequency Committee discontinued its work. The Frequency Committee consisted of the following members: Rudolf Kemler (Chairman), Ronny Pecik, Harald Stöber, Michael Enzinger, Walter Hotz and Alexander Sollak.

In the 2014 financial year the Supervisory Board dealt in depth with the strategic orientation of the Telekom Austria Group and its business performance in ten meetings of the Supervisory Board — including one strategy workshop, three meetings of the Audit Committee, one meeting of the Remuneration Committee, two meetings of the Staff and Nomination Committee and two meetings of the Frequency Committee. The main activities of the Supervisory Board in 2014 are compiled in the Supervisory Board's report to the Annual General Meeting, which is also available on the company's website.

MEASURES TO SUPPORT WOMEN

On the Telekom Austria AG Supervisory Board, one of the ten shareholder representatives and one of the five members of the Staff Council are women. There are no women on the Management Board of Telekom Austria AG, though one of the three Chief Group Officers is a woman.

At the subsidiaries of the Telekom Austria Group 20 management positions and eight Supervisory Board positions are held by women.

The Telekom Austria Group has made a voluntary commitment to gradually increase the proportion of women in managerial positions to 35% by the end of 2015. This goal is to be achieved through several initiatives and measures, such as specific programmes for the advancement of women in technical professions, flexible working time models and childcare initiatives, the establishment of a women's network at A1 and, above all, a focus on women in the recruitment and talent management process.

DIRECTORS AND OFFICERS (D&O) INSURANCE

The Telekom Austria Group has concluded a directors and officers (D&O) insurance policy for the members of the Group's Management Board, executives and the members of the Supervisory Board. It also pays the associated costs.

AUDITOR'S FEES

Deloitte Audit Wirtschaftsprüfungs GmbH has credibly demonstrated its impartiality to the Audit Committee of the Supervisory Board, in particular regarding reporting in accordance with section 270 (1a) of the Austrian Business Enterprise Code ('UGB'). A detailed analysis by the Audit Committee revealed no legal obstacle to the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH. The Annual General Meeting on 28 May 2014 appointed Deloitte Audit Wirtschaftsprüfungs GmbH as the auditor of the Annual and Consolidated Financial Statements for the 2014 financial year.

The expenses incurred by the Telekom Austria Group for the audit of the Annual and Consolidated Financial Statements by the Deloitte network amounted to EUR 1.2 mn in the 2014 financial year and were therefore stable year-on-year (2013: EUR 1.2 mn). A further EUR 2.0 mn was incurred for other assurance services by Deloitte in the 2014 financial year.

REPORT BY GROUP INTERNAL AUDIT AND RISK MANAGEMENT

Group Internal Audit is established as a staff unit of the CEO of Telekom Austria AG with a duty to report to the entire Management Board. There are also local Internal Audit units at all material operating subsidiaries of Telekom Austria AG which report to Group Internal Audit.

All companies, divisions and processes fall within the audit purview of Group Internal Audit without restriction. The associated rights and duties, in addition to the regulations for audit activities, are set out in a Group Internal Audit Charter.

Group Internal Audit performs independent and objective audits throughout the entire Group and reports to the Management Board of Telekom Austria AG. Audit subjects are specified as part of an annual audit plan, which is prepared according to risk criteria, and supplemented by ad hoc audit orders as required. After an initial joint evaluation by Group Compliance, reports received via the 'tell.me' whistleblowing system are examined by Internal Audit.

In accordance with C Rule 18 of the Austrian Corporate Governance Code, the head of Group Internal Audit reports to the Audit Committee of the Supervisory Board on the annual audit plan in addition to an annual report on the audits performed and its material findings. Furthermore, significant issues as well as whistleblowing information from the 'tell.me' system are reported by Group Internal Audit intra-year to the Audit Committee of the Supervisory Board.

The Telekom Austria Group's risk management system, which the auditor has reported on to the Audit Committee, enables the Group-wide, structured identification, assessment and processing of risks on the basis of a defined risk policy in addition to strategic and operational objectives. The Audit Committee monitors the functionality and suitability of risk management and the effectiveness of the internal control system.

The internal control system of the Telekom Austria Group serves to ensure the effectiveness and profitability of business activities, the integrity and reliability of financial reporting and compliance with all relevant laws and regulations. To prevent the passing on or misuse of confidential information that might affect the share price, a Group-wide capital market compliance guideline has been implemented and classified units have been defined within the company.

The Telekom Austria Group has also implemented a Group-wide information security policy that governs the use of confidential information such as customer data, traffic data, content data and business and trade secrets. This policy is supple-

mented by country-specific guidelines at a local level. Information security and data protection managers have been appointed at all Group subsidiaries. Regular internal and external audits in addition to staff training ensure the effective implementation of this corporate policy. Since 2005 A1 has been the only network operator in Austria to be certified according to the ISO 27001 standard. It was followed by Vipnet in 2007 and Mobiltel in 2012. The processes stipulated by this standard ensure the highest possible level of data security within the company. Furthermore, since 2014 A1 has also complied with the ISAE 3402 Type II standard, which attests to an effective internal control system for accounting and IT services.

CERTIFIED COMPLIANCE MANAGEMENT SYSTEM OF THE TELEKOM AUSTRIA GROUP

In recent years the Management Board of Telekom Austria AG has taken numerous measures to comprehensively develop the Group-wide compliance management system. The compliance management system of the Telekom Austria Group was audited according to the German audit standard IDW PS 980 in 2013. The audit and consulting company PwC issued Telekom Austria AG with a positive audit report with no comments, i. e. no suggestions for improvement. The audit report can be found here:

http://cdn1.telekomaustria.com/final/en/media/pdf/compliance_report_pwc_cms_en.pdf

The Management Board is regularly informed about activities in the area of compliance management and, in particular, the measures taken to prevent corruption; the Supervisory Board is informed annually. Moreover, the Supervisory Board is informed annually about the capital market compliance activities.

Martin Walter, Group Compliance Director, reports directly to the Management Board and is independent in his work. He is supported by experts in the Group Compliance division and the local compliance managers at the subsidiaries of the Telekom Austria Group. The Telekom Austria Group today has a compliance management system which essentially consists of the core elements of prevention and reaction. The compliance measures necessary for this are firmly established in all divisions of the company.

In 2014 more than 2,000 employees and managers were trained in the areas of corruption prevention and integrity, antitrust law, data protection and IT security and capital market compliance in classroom training sessions, while around 1,500 employees and managers received the same training via e-learning. The compliance helpdesk 'ask.me' is available to employees to answer any questions. 'ask.me' handled around 350 questions in 2014.

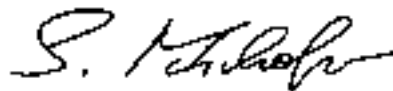
In 2012 the Telekom Austria Group established the whistleblowing platform ('tell.me') to enable employees and third parties to inform anonymously about cases of potential misconduct. Around 50% of the approximately 50 tips received in 2014 were substantiated and investigated further. In instances where misconduct was found to have occurred, consequences extended from individual training to the termination of employment, depending on the extent of the transgression.

Vienna, 22 January 2015

The Management Board



Hannes Ametsreiter
Chairman of the Management Board
Telekom Austria Group



Siegfried Mayrhofer
Chief Financial Officer
Telekom Austria Group



Günther Ottendorfer
Chief Technology Officer
Telekom Austria Group