

# Report by the Supervisory Board

## Dear shareholders,

The A1 Telekom Austria Group successfully continued its growth trend in the 2019 financial year. During the reporting year, it pressed ahead with the systematic implementation of the convergence strategy, a clear focus on high-value customers, the development of innovative products and services, and a strict cost management policy. Other matters of priority were the digital transformation and the 5G rollout. In that regard, milestones for Austrian infrastructure were set with the launch of Austria's biggest 5G network in January 2020 and the continuation of the fiber rollout for installation of the 5 giga network.

The A1 Telekom Austria Group posted growth in service revenues in all markets in 2019. In addition to a solid business performance in Austria, the Group benefited in particular from a growth contribution from the CEE countries. High demand for mobile WiFi routers was a key driver in the mobile segment. Strong growth in the solutions and connectivity business and attractive TV content packages made a significant contribution to the positive performance in the fixed-line segment.

The number of postpaid customers in the mobile segment went up by 4.4 % in the reporting year. In the fixed-line segment, there was slight growth in the number of revenue generating units (RGUs) excluding voice RGUs of 0.3 % to 4.2 million.

Total revenues rose by 2.9 % in the reporting year. EBITDA excluding restructuring increased by 4.7 %, with growth generated in all segments for the first time; the EBITDA margin excluding restructuring rose from 35.4 % in the previous year to 36.0 % in the reporting year.

Infrastructure expansion continued quickly in the reporting year, with expansion of the broadband network in Austria still a matter of priority. Investments across the Group amounted to EUR 879.8 mn (up 14 % on the previous year). This was influenced by frequency purchases – particularly through the 5G frequency auction (3.5 GHz) in Austria – and an agreement on the use of network capacity for LTE services in Belarus.

The harmonization of the brands within the A1 Telekom Austria Group that was resolved in 2017 continued in 2019 with the successful brand launch in Belarus and North Macedonia, and will be completed in 2020 with the rebranding in Serbia.

There was a change in the Supervisory Board at the Annual General Meeting on May 29, 2019: Bettina Glatz-Kremsner stepped down with effect from May 29, 2019, and Thomas Schmid was elected as a member of the Supervisory Board. Ernst & Young Wirtschaftsprüfungs-GmbH was also reappointed as the auditor at the Annual General Meeting on May 29, 2019.

In the 2019 financial year, the Supervisory Board addressed matters such as the strategic orientation, investment and financing decisions, and business performance in detail at seven meetings of the Supervisory Board – including one strategy meeting and various committee meetings. Following an extensive discussion on strategic opportunities and challenges as well as potential courses of action to optimize business performance, the budget for 2020 was approved in December 2019.

In 2019, the Audit Committee of the Supervisory Board held five meetings to address financial reporting within the scope of preparing its Annual and Quarterly Financial Statements, and also performed its supervisory duties to monitor the effectiveness of the internal control system, the risk management system and internal auditing.

The Remuneration Committee of the Supervisory Board held two meetings at which it addressed the remuneration of the Management Board and the contracts of the Management Board members. The work of the Remuneration Committee focused on evaluating Management Board remuneration and devising the remuneration policy, which will be presented for the first time to the Annual General Meeting in May 2020.

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

The Supervisory Board approves the Management Board's proposal for the distribution of profit, namely the distribution of a dividend of EUR 0.23 per eligible share for the 2019 financial year, with the remaining amount being carried forward to new account.

As Chair of the Supervisory Board, I would like to extend my thanks to the management and all employees on behalf of the entire Supervisory Board. Their commitment allowed the

A1 Telekom Austria Group to continue on its successful trajectory in the 2019 financial year.

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

Edith Hlawati  
Chair of the Supervisory Board  
Vienna, February 28, 2020