

AUSTRIA

TELEKOM AUSTRIA  GROUP
Sustainability Report 2007/08

Sustainability Wins



For many years we have demonstrated our commitment in a variety of projects such as our sponsorship of the Austrian Breast Cancer Initiative, Fair Trade and Light into Darkness, but also with our own events such as the mobile.futuretalk or the Telekom Austria Climate Dialogue. Discover the causes that are important to us and that we support.

Enter into a dialogue with us, visit our website and win an invitation:
www.telekomaustria.com/responsibility/participation

The report was printed on surplus and waste billboard paper. In the PDF version of the report the illustrated pages - details from various posters - were deleted to enable the PDF to be printed out more easily. Thus, the paging is not continuous.

	6	Foreword
	10	The Telekom Austria Group
	10	Sustainable Investment
	14	Corporate Responsibility (CR)
growing	18	Market Environment
	18	Strategy
	19	Internationalization
	19	Market Share
	23	Investments in Network Infrastructure
	23	Competition and Regulation
	23	Indirect Economic Impacts
climate-friendly	26	Environmental Awareness
	26	Climate Protection
	31	Climate-Friendly ICT
	34	Mobility Management
	35	Sparing Use of Resources and Waste Recycling
responsible	38	Workforce Development
	39	Human Resources Situation in the Fixed Net Segment
	42	Communications
	42	Attractive Employer
	43	Social Sponsorship
customer focused	46	The Social Relevance of Communications Technologies
	46	Customer Focused Product Development
	50	Media Competence
	51	Customer Service
safe	54	Information Security and Data Protection
	55	Mobile Communications and Safety
	59	Occupational Health and Safety
	59	Safety Campaigns and Initiatives
	62	GRI Content Table
	66	Comments
	67	Glossary, Imprint, Contact

Foreword



Boris Nemsic

Chairman of the Management Board of Telekom Austria AG
Chairman of the Management Board mobilkom austria AG
Chairman of the Management Board Telekom Austria TA AG (Fixed Net)

- 1997: Joined mobilkom austria AG
- 2000: Chairman of the Management Board mobilkom austria AG
- 2002: Member of the Management Board Telekom Austria AG
- 2006: Chairman of the Management Board Telekom Austria AG
- 2008: Chairman of the Management Board Telekom Austria TA AG (Fixed Net)



Hans Tschuden

Chief Financial Officer Telekom Austria AG

- 1989: Joined Wienerberger AG
- 2001: Chief Financial Officer Wienerberger AG
- 2007: Chief Financial Officer Telekom Austria AG

Rudolf Fischer served as Vice Chairman of Telekom Austria AG and Chairman of the Management Board of Telekom Austria TA AG (Fixed Net) until August 31, 2008. He resigned as of August 31, 2008. Boris Nemsic assumed his responsibilities on an interim basis as of September 1, 2008.

Dear Readers,

The Telekom Austria Group has decided to print its Sustainability Report 2007/2008 on surplus and waste billboard paper. Why? Obviously, on the one hand reusing superfluous advertising material can (and should) be understood symbolically. But above and beyond this, this decision embodies our understanding of just how important sustainability really is and underlines two fundamentally crucial aspects of sustainable action: using resources carefully and avoiding or recycling surplus materials.

The strategic focus of the Telekom Austria Group is to achieve a steady increase in shareholder value, with an even balance between growth projects and shareholder remuneration. In our pursuit of these business goals, we are committed to sustainable growth and progress reflected in sensible, responsible company management which benefits both individuals and society.

With its focus on eastern and southeast European mobile communications markets, the purpose of our strategy of internationalization is not to expand at any price: we target value-oriented growth while at the same time taking into consideration regional and social circumstances. In the sphere of business, our industry faces dynamic and challenging developments in Europe such as rapid technological change and shorter lifecycles for infrastructure, and the products and services such change engenders. At the same time, prices and margins are coming under pressure from high levels of market saturation and penetration rates, intense competition and regulatory requirements. The Telekom Austria Group is countering these trends with horizontal growth and with innovations which expand the portfolio along the value creation chain. In the fixed line business customer-focused products such as aonTV and aonAlarmServices are making fixed access lines more attractive. Usage in the mobile communications business is increased through innovative data services.

Faced with these challenges, strict management of costs and process efficiency are necessary to adapt to the new market conditions. This includes openly addressing the issue of the reduced staffing needs in the Fixed Net segment, due to the use of modern network technologies which require less maintenance. On the surface, this topic might appear to be somewhat out of place in a Sustainability Report in which the Telekom Austria Group underlines its role as a good corporate citizen that regards actively fulfilling its social responsibility and treating employees fairly as a key element of its corporate culture. Ultimately, however, ensuring the economic efficiency and business viability of our operations is the key to building a strong foundation upon which we are able to fulfill our social and ecological commitments.

Boris Nemsic
Chairman of the Management Board

Hans Tschuden
Chief Financial Officer

Sustainability: The Journey is the Reward

When is ultimate sustainability finally achieved? In our opinion: Never. Sustainability is an idea which the Telekom Austria Group strives to live up to by closely linking our business objectives with the ideas of value-oriented growth and progress.

Our understanding of sustainability means making careful use of resources, avoiding surplus materials and if for some reason this is not possible, putting them to good use - as we have done with the surplus and waste billboard paper, upon which this report has been printed.

Sustainability also means committing ourselves to sensible, responsible company management which benefits individuals and society, our staff and all other stakeholders in our social and geographic spheres of influence.

Our strategic focus is on achieving a steady increase in shareholder value, which also provides us with a strong foundation upon which we are able to fulfill our social and ecological commitments. Consequently, the purpose of our strategy of internationalization is not to expand at any price, but to achieve value-oriented growth.

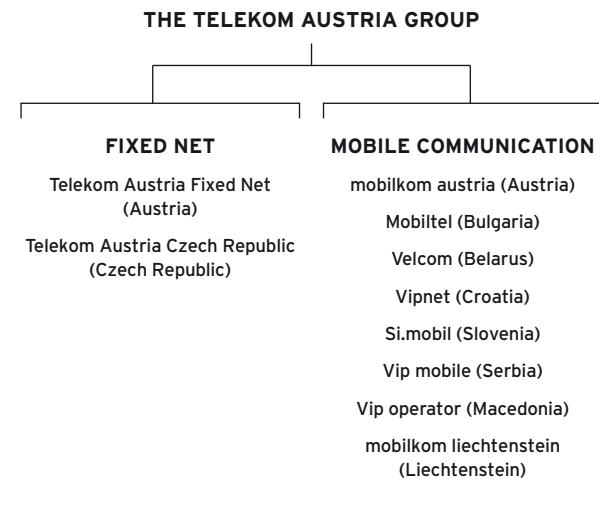
New knowledge, deeper understanding and innovative technologies offer continuous opportunities to optimize the sustainability process and the way it is managed as described in this report.

We are conscious that we have not yet reached our goal and we are aware of the challenges that lie ahead. But we remain deeply committed to achieving greater sustainability. And we are confident that we are on the right track.

The Telekom Austria Group

The Telekom Austria Group, Austria's largest telecommunications company which is also successfully positioned on international markets, generated total revenues of roughly EUR 4,919.0 million in 2007. Outside Austria, the Group includes companies in Bulgaria, Belarus, Croatia, Slovenia, Serbia, Macedonia, the Czech Republic and Liechtenstein. The Group employs a total of 17,600 people. The two operational segments, Fixed Net and Mobile Communication, operate under the umbrella of Telekom Austria AG, which is listed on the Vienna Stock Exchange.

The Telekom Austria Group at a Glance



Fixed Net Segment

This business area serves more than 2.4 million customers (as of Dec. 31, 2007) with voice telephony products and services, data and IT solutions, Internet access, value-added services and wholesale services. The Fixed Net segment encompasses all fixed line activities of the Telekom Austria Group in Austria and of Telekom Austria Czech Republic in the Czech Republic.

Mobile Communication Segment

The Mobile Communication segment provides more than 15.4 million customers (as of Dec. 31, 2007) with voice telephony, mobile Internet access, mobile office solutions, entertainment services and m-Commerce.

Value Management

The strategic focus of the Telekom Austria Group is to achieve a steady increase in shareholder value, with an even balance between value-oriented growth investments and adequate shareholder remuneration.

Sustainable Investment

The Telekom Austria Group is included in the following sustainability indices:

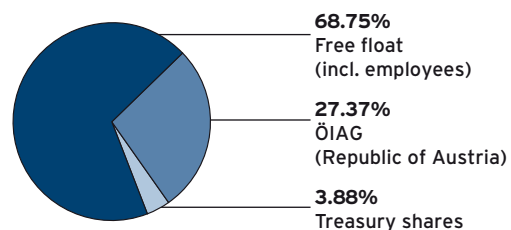
- FTSE4Good (since 2001): Index of companies which demonstrate a strong sense of corporate social responsibility
- VÖNIX (since 2005): First Austrian sustainability index
- List of sustainable investment products recommended by the Munich rating agency oekom research AG (since 2002)
- Evaluation by imug investment research (since 2001)

Vienna Stock Exchange Sustainability Prize

In May 2008 the Telekom Austria Group became the first company to receive the Vienna Stock Exchange's Sustainability Prize in recognition of its commitment to sustainability. The prize is sponsored by Aktienforum C.I.R.A. (Cercle Investor Relations Austria), ÖVFA (Austrian Association for Financial Analysis and Asset Management), VÖIG (Vereinigung Österreichischer Investmentgesellschaften), the Vienna Stock Exchange and the government authority for the capital market. The prize winners were chosen by a jury nominated by the ÖVFA.

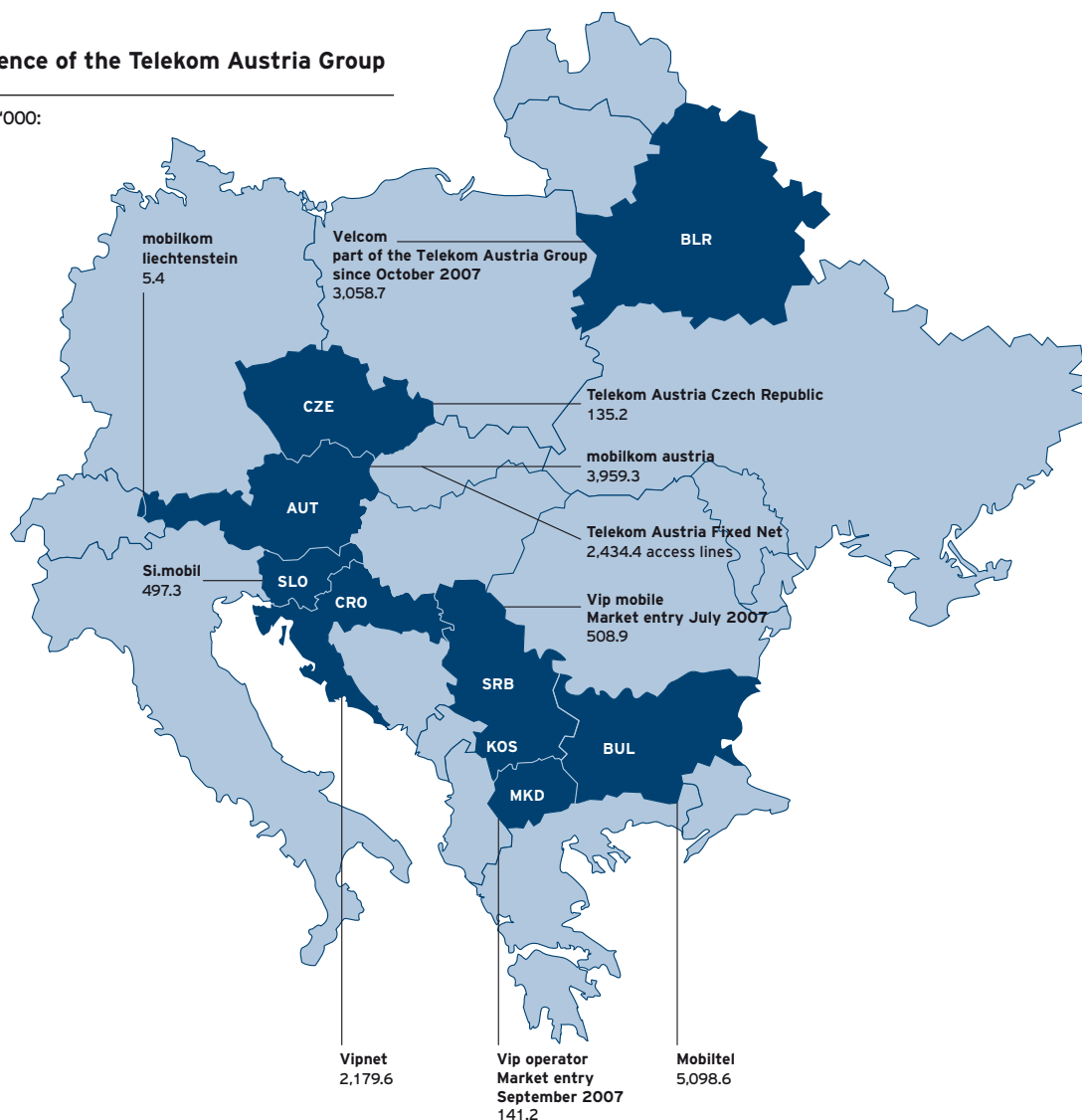
Shareholder Structure of the Telekom Austria Group

as of Dec. 31, 2007



Geographical Presence of the Telekom Austria Group

Number of customers in '000:
as of Dec. 31, 2007



The Telekom Austria Group in Figures

in EUR million	2007	Change in %	2006	2005
Revenues	4,919.0	3.3	4,759.6	4,365.2
Fixed Net	2,133.0	0.6	2,119.5	2,123.9
Mobile Communication	3,035.1	4.6	2,902.6	2,484.8
Holding, Other and Eliminations	-249.1	-5.1	-262.5	-243.5
EBITDA	1,854.9	-3.0	1,911.5	1,758.5
Fixed Net	705.0	-6.3	752.8	789.4
Mobile Communication	1,177.6	0.0	1,177.1	967.7
Holding, Others & Eliminations	-27.7	50.5	-18.4	1.4
Operating Income	761.4	-2.0	777.1	619.7
Fixed Net	151.2	30.1	116.2	68.1
Mobile Communication	637.5	-6.1	678.8	549.8
Holding, Others & Eliminations	-27.3	52.5	-17.9	1.8
Market capitalization as of Dec. 31 (in EUR billion)	8.8	-13.8	10.2	9.5
Earnings per share (in EUR)	1.09	-8.4	1.19	0.84
Dividend per dividend-bearing share (in EUR)	0.75	0.0	0.75	0.55

Corporate Responsibility (CR)

Strategic Sustainability Goals 2007/08

- Increase training measures to raise awareness of the Code of Conduct and the need for compliance
- Improve organizational implementation of corporate responsibility in the individual business areas

Understanding of Sustainability

The Telekom Austria Group is committed to its prime strategic goals of a sustainable increase in shareholder value. Responsible company management means taking forward-looking action to ensure the continued healthy development of the company. However, corporate growth should not be equated with expansion in terms of size at any price, but should be seen as value-oriented growth that takes into account regional and social circumstances.

The challenge is to deal with economic, ecological and social aspects integratively and to ensure an appropriate balance. Recognizing conflicting goals, weighing up diverse interests and seizing opportunities to shape the developments of the future are typical of the demands made on sustainable corporate management.

As a multi-national company the Telekom Austria Group has a responsibility to draw up and establish group-wide standards but without limiting regional opportunities for development. A culture of personal responsibility and open discourse provide the basis for this. A dialogue that reaches across the boundaries of the individual companies, the active inclusion of stakeholder interests and direct discussion of issues which are of social relevance are part of a goal-oriented consultation process.

Details of Reporting

Since 2002 the Telekom Austria Group has published Sustainability Reports in both a digital version and a printed format at two-year intervals. In the intervening years, Fact Sheets provide information on performance and the most important developments. This year's report marks a shift to an annual reporting cycle. For the first time, the activities of the Telekom Austria Group's international companies have also been included in the report, although it is only possible to provide full and complete figures for those companies which were part of the Group in early 2007. The mobile communications company

Vip mobile in Serbia, for example, started commercial operations in July 2007, Vip operator in Macedonia in September 2007, and the Belarusian company Velcom became part of the Telekom Austria Group in October 2007.

All CR relevant data and information were collected from throughout the Group using standardized questionnaires. The Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI) including the Telecommunications Sector Supplement served as the basis for the selection of the indicators. The reporting period for key figures is the 2007 financial year; information concerning the individual topics was included for the period up to the editorial deadline, July 31, 2008.

Management of Corporate Responsibility (CR)

In accordance with OECD Guidelines, the Telekom Austria Group respects the political conditions in all states in which it operates. Respect for human rights and compliance with the respective laws and regulations is the basis for the business activities of the individual companies. The Code of Conduct, which is an important part of the Group's corporate culture, provides all employees as well as management with a binding framework for their actions.

Democracy demands communication: The mobilkom austria award 08 which was presented for the first time in September 2007 was created to honor social and political activities which foster freedom and democracy. Under the motto "How to Grow Freedom", NGO's, NPO's and other organizations are invited to submit projects which contribute to overcoming borders, bring different nationalities together and encourage cooperation in the fields of science, culture, politics, business and the public services.

Organization of Corporate Responsibility

The basic principles of corporate responsibility are managed by the Telekom Austria Group. Standards and guidelines such as the Code of

Sustainability Wins



The mobile.future talks focus on current issues with a social relevance surrounding mobile communications.

Enter into a dialogue with us,
visit our website and win an invitation:
www.telekomaustria.com/responsibility/participation

Conduct and Risk Management or the policy concerning electromagnetic waves are drawn up by Group headquarters and are binding. The form taken by individual activities is guided by regional regulations and requirements. A number of areas such as health and safety, environmental protection, and training and further training for employees can be found in all countries, but are not currently regulated by Group headquarters. Within the Telekom Austria Group, an employee has been assigned responsibility for CR. She is responsible for coordinating and controlling reporting structures and for direct coordination with the international companies. Responsibility for individual issues such as environmental management rests with the departments at the respective companies.

Code of Conduct

The Code of Ethics and business principles have been revised and in May 2008 were replaced by the Code of Conduct. In particular, the anti-corruption provisions in the Code of Conduct were tightened and the whistle-blower processes expanded. The Code of Conduct sets out the principles that guide the business activities of the Telekom Austria Group and form core elements of its corporate culture. It defines rules of behavior and standards, and applies to the managing directors and employees of all companies. The Code also lays down binding rules for fair dealing with suppliers, customers and competitors as well as principles governing confidentiality. In addition, it covers conflict of interests, the implementation of the Code of Conduct and the reporting of violations. As such, the Code of Conduct supplements the compliance rules.

ILO Standards

Compliance with the standards of the International Labour Organization (ILO) is an integral part of the contracts with all suppliers (and their subcontractors) of Telekom Austria Fixed Net and mobilkom austria. Such contracts also include provisions which commit suppliers to not use chemicals which pose a medical or environmental

risk. In addition, the new Telekom Austria Fixed Net Purchasing Policy has also established standards for safety and sustainability for suppliers. Business relationships are only maintained with environmentally and socially responsible suppliers and in compliance with the applicable international agreements and standards as well as local, national and international laws and regulations.

Corporate Governance

Since 2003 the Telekom Austria Group has voluntarily committed itself to compliance with the Austrian Corporate Governance Code which provides an effective framework for sustainable and transparent company management. Furthermore, the Telekom Austria Group bases its corporate governance mechanisms on strict European standards such as the eighth EU Directive and the EU Amendment Directive. Each year, compliance with the Corporate Governance Code is verified by an external auditor. Full compliance was once again confirmed in 2008.

Risk Management

The main focus of risk management at the Telekom Austria Group is upon market and competitive risks, interventions by regulators and legal uncertainties which could possibly influence the company's success. The qualitative and technical reliability of infrastructure facilities and the security of data networks are also key areas of risk management. Risks and opportunities are analyzed and measures implemented to minimize or monitor them. However, due to the varying natures of the risks in the different business areas these are implemented locally. A central risk manager ensures group-wide monitoring and coordination.

The Group's internal control system should ensure adequate certainty regarding the reliability and correctness of the external financial reporting in compliance with national and international standards.

Organic growth and acquisitions led to a 50.9 percent expansion of the customer base in the Mobile Communication segment in 2007. The launch of operations in the Republic of Serbia and the Republic of Macedonia, and entry into the Belarusian market following the acquisition of Velcom (MDC) contributed significantly to the strengthening of the growth profile in eastern and southeastern Europe.

Goals

- Realize synergies within the Telekom Austria Group
- Continuously optimize the cost structure and improve efficiency
- Safeguard the attractiveness of fixed access lines
- Expand the product portfolio beyond voice telephony and Internet services
- Migration of network infrastructures to ALLmediaNET
- Defend market lead in Austria and fully exploit the potential of international business activities
- Increase usage through innovative mobile data services
- Explore further value-enhancing acquisitions

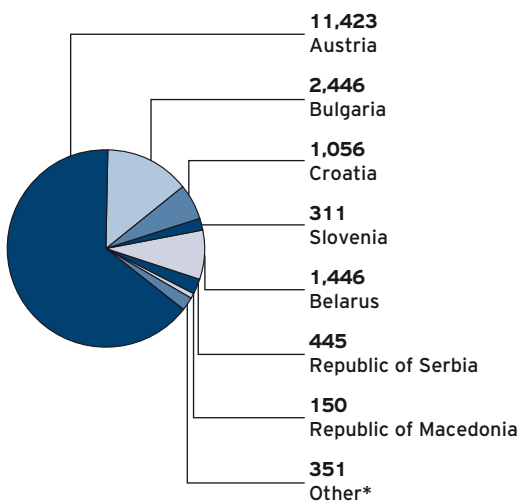
Market Environment

ICT markets in Europe are generally characterized by a high level of saturation. The Austrian companies of the Telekom Austria Group continue to operate in a business environment where there is strong competition in the mobile communications and fixed net markets. Low prices for voice telephony and mobile broadband in mobile communications have led to continued fixed-to-mobile substitution. In order to safeguard the core

business of the Fixed Net segment, the broadband portfolio has been expanded to include attractive bundled products with higher bandwidths. The international subsidiaries of the Telekom Austria Group continue to drive growth. The consolidation of Velcom in Belarus and higher contributions from the newly established companies in the Republic of Serbia and the Republic of Macedonia will also strengthen the growth profile of the Telekom Austria Group in 2008. In both the fixed net and mobile communications businesses the scope of operations and pricing are subject to intervention by the regulatory authority.

Number of Employees by Country

as of Dec. 31, 2007



* Czech Republic, Poland, Slovakia, Liechtenstein

Strategy

The prime objective of the Telekom Austria Group is to steadily increase shareholder value. In accordance with this focus, the Group makes maximum use of internal synergies to optimize business performance and pursues a value-oriented policy of expansion. The two operating business segments require a differentiated implementation of this strategy.

The Fixed Net segment aims at safeguarding cash flow and developing innovative product areas. In the Mobile Communication segment the goal is to maintain the leading position in the domestic market and fully leverage the potential of existing international markets. At the same time, the development of product innovations and expansion into new geographical markets should safeguard growth.

Internationalization

The internationalization of the Telekom Austria Group is characterized by respect for regional conditions, the high degree of autonomy enjoyed by the respective companies and by individualized market approaches. The main target regions for the expansion strategy are east and southeast Europe. In the financial year 2007 foreign markets accounted for 36.0 percent of revenues and 31 percent of EBITDA. In the same year, the percentage of customers served by the companies outside Austria rose from 64.5 to 74.4 percent. The rapid integration of Velcom (MDC), the second largest mobile operator in Belarus, demonstrates the Telekom Austria Group's ability to integrate new companies. The new management team of Velcom has put a new organizational structure in place and has implemented company standards for corporate governance, processes and for reporting. One of the new areas is the newly-structured Marketing & Sales department, where the increase in market share and the rebranding-related repositioning on the market demonstrate the success achieved.

As a result of this increasing internationalization, the number of employees rose by 14.3 percent or 2,000 in 2007.

Market Share

Developments in 2007

In the Fixed Net segment the trend toward mobile communications in 2007 led to a 13 percent decline in fixed net minutes on the overall Austrian market. Despite intensified competition on the broadband market, attributable in particular to mobile broadband products, the number of broadband access lines rose by 8.2 percent. The number of fixed access lines, however, fell by 7.9 percent compared to the previous year. The acquisition of eTel, an Austrian provider of voice telephony, Internet and data services, enabled the Fixed Net segment to increase its share of the Austrian voice telephony market from 56.9 percent to 59.9 percent. As a result, market share, including Internet dial-up traffic, grew by 3.4 percent to 60.2 percent compared to 2006. The Fixed Net segment also reported growth in the Business Solutions and Wholesale business areas.



Klavdija Vidic Vavpotič
Marketing Communications
Si.mobil
Slovenia

Superbrand Status. Today it is strong and reliable brands that are winning customers in the telecommunications industry. This was emphatically confirmed for us when the global organization Superbrands awarded Si.mobil Superbrand status. The jury selected the brand in recognition of the high marks it received for customer loyalty, market acceptance, market dominance and goodwill. Moreover, the Slovenian newspaper Finance ranked us as one of the best companies among the 101 most successful businesses in Slovenia.



Doroteja Balic
Accounting and Treasury
Vip mobile
Serbia

Greenfield-Investor 2007. We were able to launch commercial operations only six months after having been awarded the license. That was one of the fastest start-ups worldwide. We managed it with the help of 445 on-site experts. In the first six months we invested EUR 99.4 million and by 2010 will have invested a total of EUR 250 million in the development of the network. For this reason, Vip mobile was named Greenfield Investor 2007 by the Serbia Investment and Export Promotion Agency (SIEPA) and the Serbian Ministry of Economic and Regional Integration.



Kristina Stancheva
Residential Marketing
Mobitel
Bulgaria

Five million customers. On December 25, 2007 we welcomed the fifth millionth customer into our network. A market share of 50 percent clearly identifies us as the leading mobile communications provider in Bulgaria. The stable growth in value and transparent corporate governance have been impressively rewarded by the market. Measured in terms of profitability, Mobitel is now one of the most successful operators in Europe.

growing

Here the company successfully focused on growth areas such as link ups for mobile radio communications stations, the international wholesale voice business and expanding international data networks. In the Mobile Communication segment, mobilkom austria expanded its market share in 2007 from 38.7 percent to 40.3 percent in a highly competitive environment.

However, the major engines for growth are the Telekom Austria Group's international companies. The first-time consolidation of Velcom (MDC) in 2007 increased the number of customers in the Mobile Communication segment by 50.9 percent to 15.4 million. The newly established companies in the Republic of Serbia and Macedonia won 650,100 customers within the first few months of starting commercial operations. The other international companies were also able to expand their subscriber bases despite increased levels of competition.

Fixed Net Segment

The Fixed Net segment reported slight revenue growth of 0.6 percent to EUR 2,133.0 million in 2007. Higher revenues from Wholesale Voice Telephony and Internet, Data & IT solutions, and Internet Access & Media, as well as the consolidation of eTel compensated for lower revenues from voice telephony. Safeguarding access lines remains the biggest challenge for the Fixed Net segment. However, in 2007 the broadband market offered some potential for growth. The number of fixed access broadband lines rose from 571,300 to 750,700. Broadband product portfolios with customer-focused multimedia applications such as aonTV or products like aonAlarm-Services are helping to safeguard the core

business, as are active product and price management and measures to strengthen customer loyalty. The business areas Wholesale Voice Telephony & Internet, Data & IT solutions including Wholesale, as well as Internet Access & Media all reported slightly higher revenues in the year under review. Since November 2007 Telekom Austria Fixed Net has been introducing combi-packages comprised of fixed line, broadband Internet and mobile telephony successfully on the market.

Mobile Communication Segment

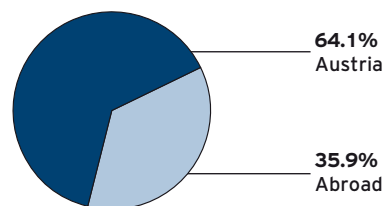
Revenues in the Mobile Communication segment rose by 4.6 percent to EUR 3,035.1 million during 2007. This growth was driven by international operations which contributed 46 percent to the segment's revenues, more than offsetting lower roaming revenues due to the introduction of EU roaming regulation and lower domestic revenues. The value creation chain is developing vertically toward the data business, a trend that is confirmed by the positive development of revenues in this area. Innovative strength, the quality of the segment's products and services as well as an excellent network infrastructure are important factors behind the success of the Mobile Communication segment. In markets with a high penetration rate, the pursuit of a multibrand strategy allows the adoption of a differentiated approach. The strategies of the international companies are each geared to the regional conditions in which they operate.

The high degree of autonomy and individualized market approaches of the respective business units are supported by synergies and uniform standards across both segments.

Market Shares 2007 - Fixed Net Segment

Company	Country	Market Share
mobilkom austria	Austria	40.3%
Mobiltel	Bulgaria	50.3%
Velcom	Belarus	43.4%
Vipnet	Croatia	43.0%
Si.mobil	Slovenia	26.9%
Vip mobile (Market entry July 2007)	Republic of Serbia	5.8%
Vip operator (Market entry Sept. 2007)	Republic of Macedonia	7.9%
mobilkom liechtenstein	Liechtenstein	18.4%

Revenues Structure of the Telekom Austria Group in Austria and Abroad*



* incl. Velcom from Oct. 3, 2007 to Dec. 31, 2007

Investments in Network Infrastructure

A flexible, well-developed and reliable network infrastructure is the basis of our information society and in eastern and southeast Europe in particular is a key factor for the development of attractive business locations. By investing in licenses, networks and services such as the employment and training of local experts, the Telekom Austria Group contributes to providing this high-quality communications infrastructure. The Fixed Net segment is focusing its efforts on the further development of the existing network infrastructure in a next-generation All-IP-based universal network. The network is making it possible to increase broadband capacity, stimulating growth in communication, TV and Internet services.

Competition and Regulation

The extent to which a company can flourish in the telecommunications industry is also determined by the regulatory framework. How this framework will be defined in detail in the future is currently being discussed within the legislative process for

the Review of the EU Regulatory Framework for Telecommunications. The results of this process will not only have a major impact on the telecommunications market, they will also exert considerable influence on economic development and the positioning of business locations. The telecommunications market in Europe is one of the most highly competitive, as a result of which Telekom Austria has repeatedly found itself engaged in law suits with competitors over disputes under competition law.

Indirect Economic Impacts

In a study published in April 2008, the Austrian Institute of Economic Research examined the direct and indirect economic impact of the Fixed Net segment. Current operations (figures for 2005) of approximately EUR 2.15 billion generated a total output of EUR 5.3 billion. This resulted in a gross value added of EUR 3.2 billion and a total of 37,600 jobs. The estimated tax revenues for the provinces and the federal government generated from day-to-day operations and investment activities run to EUR 870 million.

Operational Figures for Austria

	Dec. 31, 2007	Change in %	Dec. 31, 2006	Dec. 31, 2005
Fixed access lines (in '000s)	2,434.4	-7.9	2,642.6	2,801.9
Of which fixed net broadband wholesale	85.5	-30.1	122.3	105.8
Of which fixed net broadband retail	665.2	16.4	571.3	468.5
Total	750.7	8.2	693.6	574.3
Access channels	2,983.2	-8.0	3,240.7	3,433.7
Internet Customers in Austria	1,561.9	3.7	1,505.9	1,424.2
Mobile Communication				
Number of customers (in '000s)				
In Austria	3,959.3	9.1	3,630.5	3,392.2
In Bulgaria	5,098.6	19.5	4,267.9	3,594.2
In Belarus	3,058.7			
In Croatia	2,179.6	14.0	1,912.3	1,612.9
In Slovenia	497.3	18.2	420.9	359.6
In the Republic of Serbia	508.9			
In the Republic of Macedonia	141.2			
In Liechtenstein	5.4	12.5	4.8	4.2
Total	15,449.0	50.9	10,236.4	8,963.1

According to market researchers, the ICT industry is responsible for approximately 2% of global CO₂ emissions.* Increased network expansion, growing volumes of voice and data traffic, and new functions all require valuable energy. The current challenge is therefore to develop concepts and solutions that both increase efficiency and effectively tap the opportunities for climate protection offered by new ICT technologies.

* Gartner Research, 2007

Goals

- Expand and further develop innovative, environmentally-friendly information and communications technologies (ICT)
- Launch internal information campaigns to communicate climate protection measures more effectively
- Increase energy efficiency in the equipment rooms and data centers of the Fixed Net segment
- Reduce energy consumption at Telekom Austria Fixed Net headquarters
- Optimize energy efficiency in the area of infrastructure at mobilkom austria
- Broaden emission surveys to cover the Group's international companies

Environmental Awareness

The environmental measures taken by the Telekom Austria Group are directed toward the responsible, sustainable use of natural resources. Environmental protection within the Group is the responsibility of the individual operational companies, each of which defines the areas upon which they wish to focus. Since fall 2004, Telekom Austria Fixed Net has been certified in accordance with ISO 14001 and a partner in the klima:aktiv mobil initiative of the Ministry of Agriculture, Forestry, the Environment and Water Management. In 2006 mobilkom austria was certified as an ÖKOPROFIT® company. The international companies have implemented a series of environmental protection measures such as recycling and waste separation and have increased the efficiency with which they use resources. The Croatian subsidiary Vipnet, for example, also uses solar and wind power to operate several of its base stations and has introduced a state-of-the-art building management system to regulate temperatures at its headquarters.

Climate Protection

A higher broadband coverage rate, the rapid conversion of telecommunications infrastructures to Next Generation Networks and the use of new network and end-user equipment will lead to an increase in energy consumption in the ICT sector in the near future. In order to counteract this development at an early stage, guidelines have

been drawn up for the sustainable management of energy.

Energy Policy

An energy policy approved by the Management Board of the Fixed Net segment in June 2008, laid down the principles for sustainable use of energy. Implementation of this policy requires the continuous identification, monitoring and measuring of all larger emission volumes which are related either directly or indirectly to the telecommunications business. Under the terms of the policy, the Fixed Net segment is required to increase its energy efficiency in all main processes and areas, take account of energy efficiency criteria in its procurement process, and to support environmental technologies and the conditions they require. It must also increase its use of renewable energy and support and participate in the development of EU initiatives to reduce the energy consumption of broadband equipment.

Energy Management at Telekom Austria Fixed Net

In order to guarantee the strategic focus of the measures, the service unit Energy Management has been established. The rising price of energy, combined with an increased demand for power arising from technological advances, is placing an additional financial burden on companies. The Energy Management unit therefore routinely examines technical developments and standards to identify their possible impact and potential. The unit is also responsible for implementing energy policy and defining the goals of the energy

Sustainability Wins

TICKET

Discuss the parameters of a successful strategy against climate change. Take part in the Telekom Austria Climate Dialogue.

Enter into a dialogue with us, visit our website and win an invitation: www.telekomaustria.com/responsibility/participation

management program. Telekom Austria Fixed Net has already taken a first step toward the use of renewable energy. Since April 2008, the company's headquarters, at which some 2,000 employees work, has been supplied with green electricity.

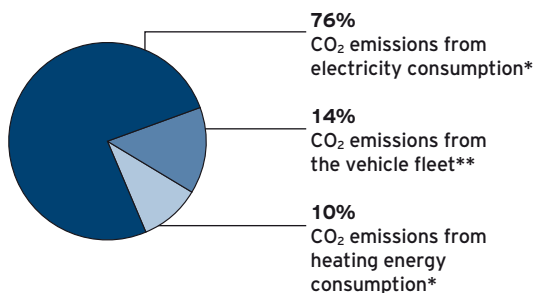
Green IT

The use of outdoor air and modular cooling systems at Telekom Austria Fixed Net's computer centers ensure maximum energy efficiency. The latest technological and ecological knowledge is incorporated into the planning or modification of such systems. Plans have been drawn up to raise the energy efficiency of the equipment rooms and data centers at Telekom Austria Fixed Net by a total of 10 percent by the end of 2012. Merely raising the operating temperature can lower consumption by between 3 and 5 percent. Measures such as cold-water air-conditioning units, water-cooled racks and optimized thermal insulation have cut the consumption of thermal energy by 377,000 kWh and emissions of CO₂ by 68 tons at the renovated technology center in the Gries district of Graz.

mobilkom austria also completed a project designed to reduce its energy consumption at the

CO₂ Emissions in Austria in 2007

Telekom Austria Fixed Net and mobilkom austria: 106,395.24 tons



* Calculated on the basis of the GHG Protocol (Greenhouse Gas Protocol Initiative)

** Federal Environment Agency - Results of the Eco Balance 2007



Wolfgang Kogelmann
Energy Management
Telekom Austria Fixed Net
Austria

From Program to Practice. We are committed to a sustainable energy policy. Therefore, in 2007 we created a separate department for energy management. Here we regularly analyze the development of direct and indirect energy costs in the operational business and explore how we can further improve our energy efficiency, for example in our purchasing policy or by making use of innovative technologies. A sustainable concept for the efficient use of energy not only reduces emissions and is therefore climate-friendly, it also cuts costs, thus increasing our company's competitiveness.



Tomislav Vodopija
IT Help Desk Team Leader
Vipnet
Croatia

Efficient Energy-Saving. Innovation for us means using the most advanced technologies to save energy. An intelligent heating, ventilation, air conditioning and air conditioning system (HVACR) monitors temperatures and lighting in our office building and adjusts them to the weather conditions. The efficient lighting system is connected to luxmeters, and a combination of optimal insulation and heat recovery means that relatively little energy is required for air-conditioning. The energy saving and standby modes of the clients are administered centrally. The purchase of 1,000 flat screens has reduced the energy consumption of our computers by some 50 percent.



Tanja Vigeč
Logistics
Si.mobil
Slovenia

Moving Ahead with Climate Protection. Si.mobil advances environmental and climate protection with a broad-ranging commitment and many small steps. Every seventh member of staff is involved in the internal Eco team. The thermal insulation of the company building and the switch to a district heating system in 2005 save both energy and resources. Other environmentally-friendly measures in place at the company include energy-efficient provisioning and cooling technology at the base stations, a focus on an emissions-reduced vehicle fleet and a model for recycling mobile telephones and packaging material that was developed jointly with customers and partners.

climate-friendly

end of 2007. The company is systematically realizing the potential for energy-efficiency improvements at all facilities with a high level of electricity consumption - such as radio networks, computer centers and switching centers. Starting in 2008, new air-conditioning systems with intelligent climate control were installed at radio sites and measures such as insulation and air-conditioning were implemented in order to optimize the use of energy at computer centers and switching centers. The campaign "Switch off Properly after Work" encourages employees to use energy responsibly. Modifications to the air-conditioning systems at newly-constructed mobile communications installations are opening up opportunities to cut energy consumption by up to 70 percent. A new generation of high-efficiency uninterruptible power supplies (> 90%) also delivers energy savings in comparison with traditional systems. Steps are currently being taken to realize the potential offered by reducing cooling requirements and allowing a 2°C increase in ambient temperature. New air-conditioning systems are also being standardized and existing systems receive a similarly high-quality of

maintenance. Additional measures have been implemented at computer centers, generating energy savings of between 10 and 20 percent.

Dialogue for a Better Climate

In October 2007, Nobel Prize laureate Al Gore addressed more than 1,000 guests about the dangers of climate change and the potential of mobile communications at the invitation of mobilkom austria. In his speech, Gore underscored the important role of interactive communication for individual freedom. In November 2007, a prominent round of experts from business, science and politics discussed the potential of ICT for reducing CO₂ emissions at the Climate Dialogue organized by Telekom Austria Fixed Net. The keynote speaker, Prof. Ernst Ulrich von Weizsäcker, Dean of the Bren School of Environmental Science and Management at the University of California at Santa Barbara, who was hooked up to the conference via a video link, emphasized the urgent need for action and the potential offered by the efficient use of energy. Some 60 participants discussed specific measures at four topical workshops.

Consumption of Resources in Austria in 2007

Energy Consumption - Telekom Austria Fixed Net and mobilkom austria	
Total electricity consumption (in MWh)	306,354.80
CO ₂ emissions from electricity consumption (in tons)*	80,877.63
Energy consumption for heating - Telekom Austria Fixed Net und mobilkom austria	
Heating energy consumption oil (in MWh)	424,342.00
Heating energy consumption gas (in MWh)	17,049.95
Heating energy district heating (in MWh)	29,064.99
CO ₂ emissions from heating energy consumption (in tons)*	10,131.92
Water consumption Telekom Austria Fixed Net and mobilkom austria (in m³)	
	219,569.76

Telekom Austria Group Vehicle Fleet 2007

Number of vehicles	4,634
Use of petrol (in liters)	403,754.02
Use of diesel (in liters)	6,986,503.00
Use of alternative fuels (in liters), CNG (in kg)	1,966.98
Mileage (in '000s km)	89,594.37
CO ₂ emissions (in tons)**	19,298.30

* Calculated on the basis of the GHG Protocol (Greenhouse Gas Protocol Initiative)

** Telekom Austria Fixed Net, mobilkom austria: Federal Environment Agency - Results of the Eco Balance 2007; Mobiltel, Vipnet, Si.mobil: Calculated on the basis of the GHG Protocol (Greenhouse Gas Protocol Initiative)

Cooperation for Energy Efficiency

Telekom Austria is a founding member of a global forum for cooperation made up of 15 telecommunications operators. The prime stated goal of the Energy Efficiency Inter-Operator Collaboration Group (EE IOCG) is to increase energy efficiency in the ICT sector. The networks of the EE IOCG members now use the same amount of energy as Switzerland, the consumption of their end customers is equivalent to that of Austria. The group plans to optimize energy use in the five critical areas access, data center (computer centers), core/metro/IP networks (switches and routers), customer networking (DSL NT, STB and end-user-equipment) and cooling.

As a member of EE IOCG, Telekom Austria Fixed Net is evaluating how it can improve its own technology platforms in accordance with internationally agreed principles. The Best Practice Models drawn up by the Sustainability Working Group within the framework of ETNO (European Telecommunications Network Operators Association) in 2005 provides a good starting point.

Climate-Friendly ICT

The calculations of WWF and ETNO show that the telecommunications industry can make a major contribution to reducing the volume of CO₂ emissions with products and services. Using innovative technologies would make it possible to

save 50 million tons per year in Europe alone. Paperless electronic bills of the type offered to customers of Telekom Austria Fixed Net and mobilkom austria also have great climate-protection potential. Switching 10 million customers to online billing could reduce CO₂ emissions by 10,000 tons.

Flexible working practices also have an enormous impact on the climate. If ten million tele-workers were to spend one or two days working at home, CO₂ emissions would be cut by 11 million tons. Experts from the transport association Verkehrsclub Österreich (VCO), have calculated what that could mean for Austria. Every day the 1.43 million Austrians who commute to work by car produce 10,300 tons of CO₂. If 100,000 of them were to work at home one day a week, roughly 700 tons of CO₂ per day could be avoided.

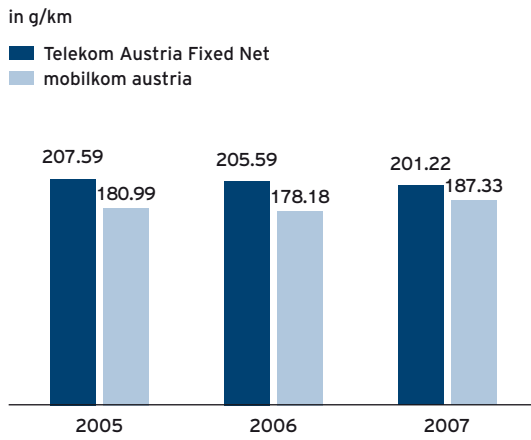
Making greater use of video-conferences or e-conferencing could eliminate between 5 and 30 percent of business trips, cutting CO₂ emissions by between 5.6 and 33.5 million tons. According to a survey carried out by the research institute "market", one third of Austrian top managers believe that they travel less frequently on business than they did several years ago thanks to mobile communications. Other solutions which could help reduce emissions include process digitalization, e-procurement, e-learning and mobile navigation aids which deliver precise information on a traffic situation in real time.

Average Emission Factors of the Vehicle Fleet in Austria

in g/km	2007	Change in %	2006	2005
Telekom Austria Fixed Net				
SO ₂	0.003	93.46	0.001	0.013
NO _x	0.664	-9.45	0.734	0.846
Particulates	0.041	-14.63	0.048	0.054
CO	0.102	-10.40	0.114	0.327
mobilkom austria				
SO ₂	0.002	53.68	0.001	0.010
NO _x	0.514	13.85	0.451	0.479
Particulates	0.034	9.2	0.031	0.032
CO	0.057	-54.87	0.125	0.169

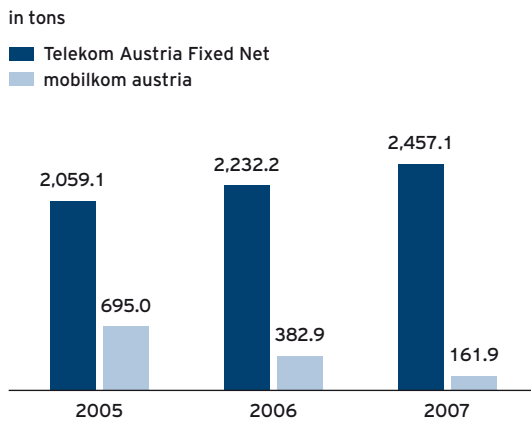
Federal Environment Agency - Results of the Eco Balance

Average CO₂ Emissions of the Vehicle Fleet in Austria



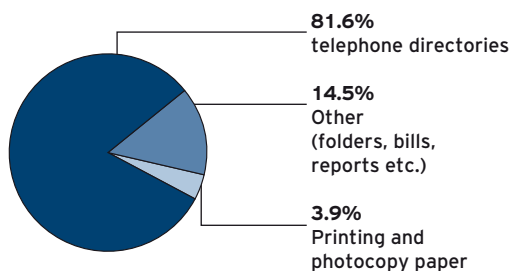
Federal Environment Agency - Results of the Eco Balance

Office Waste in Austria (municipal waste disposal)



Paper Consumption 2007 in Austria

Telekom Austria Fixed Net and mobilkom austria: 6,200.5 tons



Mobility Management

The Telekom Austria Group vehicle fleet comprised 4,634 vehicles in 2007. While route optimization programs and navigation systems allow optimal routing, on-site service for the implementation of new products and on-site maintenance activities inevitably lead to increased mileage. An excessive increase in emissions can only be prevented by permanently optimizing the structure of the vehicle fleet and using alternative fuels.

Diesel vehicles at Telekom Austria Fixed Net and mobilkom austria are being progressively fitted with particle filters.

Mileage in the Fixed Net segment increased by roughly 6 percent in 2007 due to successful product promotions which also involved bringing employees from the regions to work in urban areas. Reductions in mileage were achieved in the following vehicle categories: petrol cars < 1.4 l, light-duty trucks, trucks weighing 3.5 to 12 tons and diesel cars > 2 l. Despite an overall increase in both fuel consumption and mileage, CO₂ emissions rose only slightly by 3.3% due to the percentage of biodiesel used. A positive trend is evident with regard to emissions of carbon monoxide, particulates and nitrogen oxides which declined by 5, 10 and 4.4 percent respectively. This development is attributable to the use of new vehicles. The increase in sulfur dioxide from 2006 to 2007 is due to upstream process emissions arising from the manufacture of biodiesel. The Technical Customer Service of Telekom Austria Fixed Net uses 14 natural gas-operated vehicles - 10 of which were taken into service in mid 2008 in Innsbruck. Internal tests have shown that these vehicles are ideally suited for short distances and generate 40 percent lower fuel costs. Natural gas-operated vehicles produce 20 to 30 percent less CO₂ and 90 percent fewer air pollutants. In June 2008 the fuel saving competition "Spritsparmeister" was started with the aim of optimizing specific driving styles.

Mileage in the Mobile Communication segment in Austria rose by approximately 3 percent, with specific CO₂ emissions up 8.3 percent on the previous year. Since 2006 the segment has reduced its emissions of carbon monoxides by 53 percent and particulate emissions by 11 percent. The increase in sulfur dioxide is attributable to the high proportion of biodiesel.

Sparing Use of Resources and Waste Recycling

The waste generated by the Telekom Austria Group essentially falls into two categories. Telecommunications waste and office waste. The first category consists mainly of valuable scrap metals, electronic scrap, wood and a small percentage of hazardous waste such as fluorescent tubes, impregnated timber masts and oil contaminated waste. Sixty one percent of the waste generated at Telekom Austria Fixed Net is recycled. Most of the office waste consists of residual waste and paper.

The implementation of waste management requirements is set down in the respective waste management concepts. Fourteen waste managers in Austria are responsible for ensuring compliance at construction sites and in office buildings. All waste is sent to certified waste disposal companies. Telekom Austria Fixed Net, mobilkom austria, Si.mobil, Mobiltel and Telekom Austria Czech Republic are subject to EU-wide legislation governing waste electrical equipment and are

obliged to take back any such waste returned by customers free of charge. As part of a scheme to take back end-of-life mobile phones, each handset is examined, those that still function are put to further use and those that are not are dismantled and recycled. In 2003 mobilkom austria became the first mobile communications company to launch a scheme to collect end-of-life mobile phones. Since then 19,271 mobile phones have been returned. For each handset returned, mobilkom austria donates a fixed sum to Doctors without Borders. In 2007, 1,972 phones were collected.

In technology-intensive industries such as the ICT sector, the fast pace at which system requirements evolve necessitates the rapid replacement of hardware. This means replacing equipment which, although functional, no longer meets requirements. Used company computers and other PC equipment is serviced, cleaned and made available to charitable organizations. In 2007 Telekom Austria Fixed Net provided PC equipment to organizations such as a high school in Salzburg, the Red Cross in Mödling and a training center in Kenya.

Telecommunications Waste in Austria in 2007

in tons	2007	Change in %	2006	2005
Telekom Austria Fixed Net				
Wood	227.2	28.56	176.7	280.9
Copper wire	354.1	34.07	264.1	403.1
Iron/sheet metal	367.7	139.41	153.6	126.1
Electronic waste	359.9	-21.85	460.5	418.9
Other*	229.1	-70.03	764.4	453.3
Residual waste and bulk waste/ commercial waste**	257.8	-55.63	581.1	631.9
Total	1,795.7	-25.19	2,400.4	2,314.2
mobilkom austria				
Electronic waste, disposal of end-of-life handsets	3.9	-92.88	54.7	132.1
Scrap iron	55.8	172.39	20.5	43.5
Wire	5.0	-16.67	6	7.3
Wood packaging	22.2	-2.20	22.7	43.4
Other (paper and plastic)	17.5	-15.31	20.7	38
Residual waste and bulk waste/ commercial waste**	35.8			
Total	140.3	12.57	124.6	264.3

* Total of all waste that is separated for recycling, but which is not listed separately.

** All waste which cannot be separated and recycled, and which is sent for disposal.

responsible

Accepting social responsibility is a pivotal element of corporate culture at the Telekom Austria Group. The company's sense of its own identity as a corporate citizen which makes an active contribution to improving its social environment is reflected in the activities of the individual companies which support regional initiatives that are consistent with corporate goals. It is also expressed in the fair treatment shown to employees in terms of equality, advancement and benefits - especially in times when the prevailing trends make restructuring measures unavoidable.

Goals

- Forge closer bonds with top performers to keep them with the company
- To be mindful of social compatibility when downsizing in the Fixed Net segment
- Continue the apprentice recruitment drive in the Fixed Net segment
- Strengthen employer branding in the Mobile Communication segment
- Focus on programs to improve the work-life balance
- Foster inter-segmental and cross-border perspectives within the Group

Workforce Development

A highly motivated, well-trained workforce is the basis for the Telekom Austria Group's success. Industry dynamics and the complex technical environment require specific training and further training opportunities that are geared to the personnel structure of the company. A framework should be created for employees which facilitates the development of their professional and personal skills. Suitable education and further training programs are therefore organized decentrally according to the specific needs of the companies. Employees also have the opportunity to take part in Group-wide exchange programs. In 2007 the Telekom Austria Group invested EUR 14.3 million or EUR 889 million per person in the continuing education and further training of its employees. Activities in the Fixed Net segment focused on ICT certification for technicians in the Customer Service department and on an expanded range of courses for sales staff. On average each employee spends eight working days at further education and training courses.

At mobilkom austria the main emphasis was upon management training for heads of units and team leaders, as well as a program for high potentials from middle management. A new training program in Customer Service was launched and an IT academy was developed for IT staff. An average of five working days per employee were spent on further education and training courses in this segment in 2007.

Apprentice Training

Each year the Fixed Net segment takes on 100 new apprentices in order to meet future demand for skilled workers. Since 2007 a new apprentice training scheme for "Retail Sales Staff with an Emphasis on Telecommunications" has been offered. During the apprenticeship, apprentices may also take modules for the vocational matriculation exam which entitles them to a place at university. In 2007, 262 apprentices, one third of whom were women, participated in a company training scheme. Approximately 95 percent of apprentices remain with the company after completing their training.

Telekom Austria Group Employees

Full-time employees, as of Dec. 31, 2007	2007	Change in %	2006	2005
Telekom Austria Group	17,628	14.3	15,428	15,595
in Austria	11,423	0.1	11,413	11,562
Fixed Net segment	9,598	1.7	9,433	9,557
Mobile Communication segment	8,030	33.9	5,995	6,038

Career Planning

Performance dialogues and reviews are basic instruments of human resources development and individual career planning at the various Group companies. Filling vacancies with our own experts helps keep valuable knowledge within the company. In 2007 approximately 40 percent of vacancies at mobilkom austria and 70 percent of those in the Fixed Net segment were filled internally.

Personnel Expenses

Total employee costs rose by 4.5% to EUR 797.8 million due to a 14.3% increase in the size of the workforce to 17,628 employees. An increase in the Fixed Net segment was attributable to expenses for severance payments, wage increases under the collective bargaining agreement and an increase in the size of the workforce as a result of acquisitions. Employee costs in the Mobile Communication segment rose due to the consolidation of Velcom and the establishment of new companies in the Republic of Serbia and the Republic of Macedonia.

Human Resources Situation in the Fixed Net Segment

The Austrian fixed net market is highly competitive: Regulatory requirements, fierce competitive pressure and sustained migration to mobile communications networks, a trend which is increasingly affecting the broadband business, are resulting in lower prices and margins and a decline in voice volumes and access lines. Moreover, new technologies for network infrastructure, e.g. the Next Generation Network, mean that fewer personnel are required as there is less maintenance work. These developments are not specific to the Austrian market, but can be observed throughout the fixed net market in general and in Europe in particular. Telekom Austria, too, is unable to escape these trends and is taking action to counter them by expanding its portfolio of products and services in order to enhance the attractiveness of fixed access lines. Notwithstanding this, the changed market conditions make the rigorous management of costs and process efficiency indispensable. In particular, this means that the inherited personnel structure in the Fixed Net segment must be adapted to current business needs by reducing the size of the workforce in order to safeguard economic efficiency at the company. These unavoidable restructuring measures will be carried out in close consultation with employee representatives and in the most socially responsible manner possible. At the time



Christian Reiseder
Apprentice
Communications Technology
Telekom Austria Fixed Net
Austria

Apprentices Introduce Senior Citizens to the Web. Under the heading First Steps into the Internet we - 17 apprentices at Telekom Austria - spent a day teaching senior citizens basic Internet skills. There was a great deal of interest: 120 pensioners came to company headquarters. After some theory, we quickly moved on to actually working on the computer. Additional courses are planned for fall 2008. I personally gained some valuable experience for my training and I had a great time as well.



Liselotte Schöll
Legal Department
Telekom Austria Fixed Net/Velcom
Austria/Belarus

X.change builds bridges. I jumped at the chance to spend several months working as Assistant to the CEO at our mobile operator VELCOM in Belarus as part of mobilkom's X.change program. My main task was to implement our corporate governance policy at the company. This entailed consistently adapting processes to meet the group standards reflected in the Code of Conduct, Signature Guidelines and the "four eyes principle". I was also extensively involved in the renaming of MDC to Velcom. To sum it up: Exciting experiences, lasting contacts!



Viliiana Todorova
Corporate Communications
MobilTel
Bulgaria

Effective Assistance. We have already received several awards for our social commitment. However, we still found ourselves asking what we could do to make our support even more effective. MobilTel therefore launched the Grant M-Tel program to select social projects. The goal is to promote the integration of the disadvantaged into society. An independent committee of journalists and sociologists is responsible for awarding the funding. In 2007, for example, we awarded a grant to the Union of the Deaf in Bulgaria to finance a computer program for learning sign language. Moreover M-Tel supports four social projects, one of which is, for example training for seeing eye dogs, via the "Eyes on four paws" foundation.

responsible

this report went to press, the social plans were still being drawn up.

Telekom Austria Fixed Net Work Foundation
In 2001 a retraining and support foundation (Telekom Austria Arbeitstiftung) was founded to help integrate employees into the labor market outside the company. The goal is to define and organize a professional future that matches the skills of the individual employee. By 2007 some 870 members of staff had made use of this service. In addition to this, five job coaches supervise placement and reintegration onto the employment market.

Communications

Internal Communication

Continuous dialogue with all members of staff is of the utmost importance for the corporate development of the Telekom Austria Group companies. Integration and communication are fostered through one-on-one interviews, inter-company meetings, group-wide Intranet, e-mails to all employees and through the Intranets and staff magazines at the individual companies. In the Fixed Net segment, the corporate television program "in.tv" rounds off the offering. New strategies are published in the Intranet and, like all other pages, these can be commented upon here. The high access rates and generally strong use of the feedback function are proof of the high level of acceptance. Anonymous contact boxes allow users to report their concerns directly to the Management Board.

The meeting culture at the unit, departmental and team level, the ease with which appointments can be made (even with members of the Management Board) via Outlook, are an important element of the communication culture in the Mobile Communication segment. The CEO communicates important issues to all members of staff using the "e-mail to everyone". Forums in which users are actively invited to post content also constitute an important element of the Intranet.

Employee Representation

Regular meetings with management, task forces comprising employee and company representatives, as well as intensive contact with one another, ensure cooperation on the various issues which are of concern to employees at mobilkom austria and Telekom Austria Fixed Net. Moreover, at the

behest of the Management Board, human resource managers at both companies maintain continuous contact with employee representatives. At the Croatian mobile communications provider Vipnet, trade union and employee representatives help balance the interests of the company with those of its workforce, as does a permanent committee of experts at the Slovenian operator Si.mobil.

Attractive Employer

Benefits

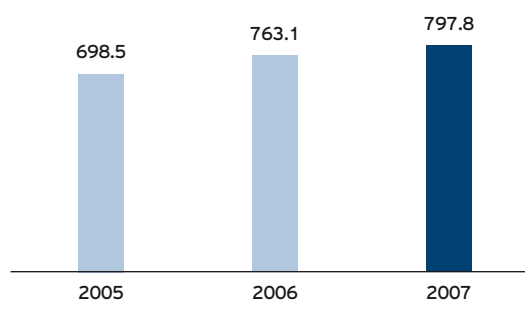
All Austrian employees are covered by a company pension plan to which the company has contributed 5 percent of their monthly salaries since 2001. Vipnet in Croatia and Si.mobil in Slovenia also offer their staff company pension plans. In addition, an Employee Participation Program introduced in 2006 allows the 11,400 men and women employed in Austria to share in the company's success. Workers at the Bulgarian provider Mobiltel who suffer from health problems or other forms of hardship are eligible to receive financial support from a company welfare fund.

Equal Treatment for Women

A variety of measures have been put in place to help increase the traditionally small percentage of women working in technical areas. Initiatives such as Daughters' Day or selective activities in the area of education are designed to encourage girls and young women to pursue a technical profession. The Telekom Austria Group also seeks to ensure an even balance of the sexes in its education and further training programs and when hiring apprentices. At Telekom Austria Fixed Net a team of ten workers is available to deal with specific gender-related concerns.

Development of Personnel Expenses at the Telekom Austria Group

in EUR million



Employees with Special Needs

A total of 410 employees with special needs are employed by the Telekom Austria Group. Twenty-four special employees have been assigned to represent their economic, social and health interests and to ensure that workplaces are adapted to make them accessible to disabled workers.

Work-Life Balance

The Telekom Austria Group has implemented a variety of measures to improve the work-life balance. Mobilitel, for example, offers its employees anti-stress sessions and psychological care; Vipnet has a company kindergarten; staff at Si.mobil can take flexible breaks during working hours to deal with family matters; "flying nannies" look after the children of mobilkom austria staff on school-free days. mobilkom austria, Vipnet and Si.mobil all offer programs to ease the transition back into the workplace for employees who have been on parental leave. Telekom Austria Fixed Net's 4U program focuses on burn-out prevention, exercise workshops, but also on helping workers give up smoking. mobilkom austria became the first company in Austria to make the online tool "myNutricoach" available to its staff. This analysis and coaching program delivers input on stress and nutrition on the basis of anonymized data.

Social Sponsorship

Ongoing, reliable partnerships form the basis for effective support in the fields of cultural and social activities. The Telekom Austria Group has long-standing partnerships with a variety of organizations. mobilkom austria, for instance, has

Distinguished Employers

■ Great Place to Work® - best employer in the telecommunications industry (mobilkom austria) ■ "most desired employer" - award given by the Bulgarian managers' magazine (Mobilitel) ■ "Employer Partner" with the maximum number of points as the most popular employer in Croatia (Vipnet) ■ Certification by the Ministry of Labor, Family and Social Affairs as a family-friendly company (Si.mobil) ■ Second place in the Zlata nit' (Golden Thread) and thus the best employer (Si.mobil)

Social Sponsorship (Selection)

■ Pink Ribbon - Breast Cancer Prevention Initiative (mobilkom austria) ■ Light into Darkness (Telekom Austria Fixed Net) ■ Long-term support of regional healthcare centers (Vipnet) ■ SOS-Kinderdorf Bulgaria (Mobilitel) ■ Žur z razlogom - Party with a cause (Si.mobil) ■ UNICEF and Christmas projects (Vip mobile)

Sports Sponsorship (Selection)

■ UEFA EURO 2008™ (Telekom Austria Fixed Net, mobilkom austria) ■ Vip Open - Beach Volleyball World Series (Vipnet) ■ M-Tel Masters - Chess Tournament (Mobilitel) ■ Macedonian Handball Federation (Vip operator)

Cultural Sponsorship (Selection)

■ Viennale (mobilkom austria) ■ Grafenegg Music Festival (Telekom Austria Fixed Net) ■ Dubrovnik Summer Festival (Vipnet) ■ M-Tel Awards for Contemporary Bulgarian Art (Mobilitel) ■ Kirillica - Protection of national cultural heritage (Vip operator) ■ FEBIOFEST Film Festival (Telekom Austria Czech Republic)

supported Doctors without Borders for the last nine years; Telekom Austria Fixed Net has supported Light into Darkness for 36 years and in 2004 entered a cooperation with the Austrian Blind Union. However, social commitment can only be effective if it takes account of and specifically caters to regional needs. The choice of activities and allocation of funding is therefore left directly to the respective companies. Vipnet has given people with disabilities unrestricted access to a nature protection area for the first time by creating a trail for them in the Medvednica Nature Park. In Bulgaria, Mobilitel's "you are not alone" project provides support for one hundred elderly residents of Apriltzi, an isolated mountain region.

Personnel Structure at the Telekom Austria Group

Full-time employees, as of Dec. 31, 2007

	Average age of employees	Percentage of female employees (FTE)	Percentage of female executives (FTE)*	Percentage of local management*
Telekom Austria Fixed Net	42	20.1	16.4	100
mobilkom austria	37	38.1	22.8	100
Vipnet	34	43.2	36.7	95
Mobilitel	33	60.2	43.9	98
Si.mobil	34	48.9	45.5	97
Vip mobile	29	50.8	33.3	77
Vip operator	30	50.7	41.9	71
Telekom Austria Czech Republic	30	21.7	30.0	77
Velcom	27	45.4	37.1	88

* Management Board and the first two management levels

By 2010 people across the world will be connected by approximately 364 million broadband lines* and 3.9 billion mobile communications lines**. Not only does the digital exchange of knowledge and experience have an impact on peoples' private lives, new technologies are also changing entire branches of economic activity and the way we work. The key challenge for the Telekom Austria Group is therefore to develop a suitable technical background, to identify needs and to meet them with products and services that are tailored to customer requirements.

* Gartner Research; ** European market research institute EITO

Goals

- Improve customer convenience by introducing innovative products and services
- Promote, initiate and support projects which encourage responsible use of the Internet and mobile telephones
- Implement suitable training measures for Customer Service staff
- Develop measures based on the knowledge gained from customer satisfaction studies
- Enhance service quality - introduce more flexible service hours at Telekom Austria Fixed Net
- Offer the best service on the Austrian mobile communications market

The Social Relevance of Communications Technologies

Next Generation Network

Information and communications technologies (ICT) has a powerful impact on social, political and economic life. Broadband Internet has become a key driver of important locational factors such as the qualification of the workforce, the provision of infrastructure (especially in rural areas) and of technological progress. According to ICT-Austria (a platform within the Association of Austrian Electrical and Electronic Industries), quoting a study carried out on behalf of the EU Commission, ICT accounts for 50 percent of all corporate productivity increases. Since 1999 Telekom Austria Fixed Net has invested more than EUR 1 billion in the expansion of broadband technology, achieving a 97 percent coverage rate in Austria. Providing unrestricted access to information, irrespective of geographic location or social class represents an important contribution to overcoming the digital divide. Approximately 60 percent of the Austrian population lives in rural areas. Information and communication technologies help to compensate for the disadvantages of living at a distance from urban centers. Telekom Austria Fixed Net's infrastructure gives it the technological basis required to build the Next Generation Network that is necessary for providing innovative, multimedia services. This

universal network makes it possible to transport all media (voice, Internet, television, video-on-demand) over a single network.

Network Quality

Safeguarding network quality is also a major priority for the Mobile Communications segment. An independent study carried out by the Vienna University of Technology has confirmed once again that mobilkom austria has the best voice quality and fastest network on the market. After an extensive benchmarking study, experts from the Institute for Information Science and Economic Science at the University of Graz also attested that mobilkom austria not only has the best, but also the most secure network. Tests carried out at one hundred measuring points throughout Austria prove that the company offers both the fastest data upload and download.

Customer Focused Product Development

R&D Partnerships

Cooperation with well-connected partners from science and industry, and with customers enables the Telekom Austria Group to develop market-oriented products and services. The well-established partnership with Vodafone and membership in competence networks such as

Sustainability Wins



The subject of ROUNABOUT KIDS is the young generation and its future, with which we want to encourage an exchange of views among educators, experts, industry, interest groups and parents.

Enter into a dialogue with us, visit our website and win an invitation: www.telekomaustria.com/responsibility/participation

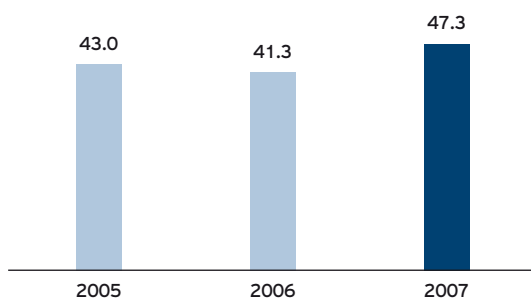
Eurescom, ETSI, ITU, BSF, the UMTS Forum, OMA, FITSE and 3GPP promote product innovation on an international basis.

On behalf of the Mobile Communication segment, the opinion research institute GfK analyzed the attitudes and habits of cell phone users in those countries in which the segment has new companies. While respondents everywhere regarded their telephones as indispensable, local differences emerged especially with regard to attitudes and services. However, the basic trend is similar in all countries, although different stages of development can be identified. Above all, the mobile phone is viewed as an important tool for improving the quality of life in the business sector. Those surveyed were also unanimous in their agreement about the importance of being able to call for help at any time. Another interesting result concerned the perception of socio-cultural aspects: 56 percent of those surveyed said they believed SMS had a strong influence on the spoken and written language.

The EU project Citizen Media focused on user expectations in relation to new technologies. Telekom Austria Fixed Net participated with its pilot project Buntes Fernsehen Engerwitzdorf with its emphasis on user-generated content.

Expenses for Research and Development

in EUR million



Vera Kraxner
Project Management
UEFA Euro 2008™
Telekom Austria Fixed Net,
mobilkom austria
Austria

European Football Championship as a "Two Petabyte Event". The EURO was one of the largest projects we have ever carried out – and also one of the most exciting! We installed the entire network infrastructure for UEFA, for the broadcasters and for media partners, sent two petabyte of data – that is three times as much as the data volume of the digitalized National Bank – all over the world, and handled up to 22,000 text messages per minute. The lasting results, however, are a further surge in innovation and capacity for our customers, and an advertising value equivalent to several million euros for the company.



Alis Kaznačić
Customer Care
Vipnet
Croatia

Excellent Service. Our service has a name: Vip. This was confirmed when two leading magazines in Croatia named Vipnet as the top mobile communications provider. Two thousand readers of HR Business Weekly rated Vipnet's service quality as the best on the market, while readers of Reader's Digest awarded the title Trusted Brand as the most attractive Croatian mobile communications operator. We owe this excellent rating to our employees. For that reason, we make substantial investments in training in Customer Service: For in addition to technical quality, it is the level of satisfaction with service that counts in competition for the customer.



Krasen Hinkov
Marketing Data
Mobiltel
Bulgaria

Stable Framework for Child Protection. What does it mean when the first generation of children and adolescents grow up with mobile communications? In 2007 we at Mobiltel, along with mobilkom austria and the Slovenian operator Si.mobil, signed a voluntary code of conduct: the European Framework on Safer Mobile Use by Younger Teenagers and Children. The main responsibilities are to monitor, classify and, if necessary, take down commercial content which violates child protection laws. In addition to this, we are also preparing to integrate a control system developed by Vodafone which allows parents to control their children's access to content.

customer focused

One of the project's key aims is to strengthen social structures through the use of innovative technologies.

A1 Innovation Days

In June 2007 mobilkom austria launched an international development competition for innovative communications services under the title "Open Communication by Open Standards". This open source competition is all about services and applications for end-customers on the basis of the IP multimedia system (IMS).

net.culture.labs

The innovation drive in cooperation with the independent developer scene relies on an open-lab atmosphere and broad-ranging collaboration with universities of applied sciences and the creative industries. Young software developers and other protagonists are given a platform at the two net.culture.labs which have been established in Vienna and Dornbirn since 2007. Ideas in the areas second & first life (hardware meets software), collaborative working, women on the net, video streaming, mode, voice-over-IP and PSP are brought to maturity as prototypes.

Media Competence

Protection for Children and Young People

The Telekom Austria Group is well aware that allowing certain user groups unrestricted access to communication and information makes it necessary to provide individual support. A new Web 2.0 educational program for schools has therefore been set up to assist teachers who promote the safe and responsible use of the Internet at school. The content of the Web 2.0 school package is based on the experience drawn from the "Web 2.0 Klasse" pilot project initiated by Telekom Austria Fixed Net and the Ministry of Education, Art and Culture (bm:ukk). As part of the project, pupils and teachers at nine Austrian high schools used Wiki and Weblog to test the possible applications of social software in the classroom and gave Web 2.0 a positive evaluation. In 2007 the annual Children and Mobile Telephones Study published representative figures regarding violence on mobile phones. Every seventh child said they had personal experience of

such videos. Protective mechanisms such as the European Framework on Safer Mobile Use by Younger Teenagers and Children initiated by the European Union help restrict access to such questionable content. The Bulgarian mobile communications provider Mobiltel, Si.mobil from Slovenia and mobilkom austria signed this voluntary code of conduct in 2007. Furthermore, since early 2008 mobilkom austria has been actively involved with the Austrian Children and Mobile Phone Code, the self-regulatory code of conduct of Austrian mobile operators.

www.handykinderkodex.at

The partnership between saferinternet.at and the initiative Handywissen.at is dedicated to encouraging the safe and proficient use of the Internet and mobile communications. The ROUNDABOUT KIDS series of events launched in 2003 provides a forum for discussing difficult issues from a variety of perspectives. Topics under discussion in 2007 included "Mobile Phones as a Disruptive Factor? - The Sensible Use of Mobile Phones at School". The cell phone film prize "move it", set up in 2008 in cooperation with Handywissen.at, is intended to encourage children and young people to critically consider the video function on their cell phones. In addition, teaching materials about the "Safe and Responsible Use of Mobile Telephones" have been produced and distributed to 2,000 schools throughout Austria. The Fixed Net segment has also provided 400 Carinthian schools with an innovative security solution that filters out web content that is harmful to minors.

An initiative launched by the Bulgarian operator Mobiltel contains a bundle of measures designed to offer protection from age-inappropriate content. The results are discussed with stakeholders such as the State Agency for Child Protection. Customers are also able to participate in the process via a telephone hotline and a public debate is planned. In partnership with the University of Ljubljana, Si.mobil is supporting the national awareness program for the protection of children and young people as part of the SAFE-SI initiative.

www.handywissen.at

www.saferinternet.at

www.safe.si

Customer Service

Consumer Protection

Telekom Austria actively engages in a constructive dialogue with consumers and lobby groups as part of its business activities, the aim being to improve the exchange of information with consumer protection organizations. Employees from the Customer-Related Legal Affairs, Complaints Management and Product Management departments at Telekom Austria Fixed Net and mobilkom austria meet regularly with representatives of the Austrian Federal Chamber of Labor, the consumer group Verein für Konsumenteninformation and the ombudsmen. However, given its many customers, the company does also sometimes receive complaints. At Telekom Austria Group companies employees from the Complaints Management department deal with the concerns of customers and consumer protection groups.

Customer Support

The Telekom Austria Group has almost 5,000 members of staff working in its service departments and in 2007 they dealt with almost 50 million customer enquiries. The challenge as a telecommunications company is to offer new technologies while speaking the customers' language. Convenient, easy-to-use online tools make a major contribution to enhancing the quality of service. Instruments such as feedback buttons, ideas boxes and a variety of contact opportunities enable customers to make targeted suggestions.

In 2007 Telekom Austria Fixed Net founded the ICT Academy in cooperation with the Kundendienstverband Österreich and partners from research and industry. This offers technicians from the telecommunications industry an approved and standardized certification of their expertise. The Technical Customer Service was awarded the Certificate for Service Excellence at the end of 2007. The Telekom Austria Fixed Net and mobilkom austria call centers are certified in accordance with ÖNORM D 1020.

Each Telekom Austria Group company periodically commissions independent customer surveys of the different service categories and subjects them to a benchmarking process. The results show a high level of customer satisfaction, also in

comparison with competitors. In 2007 Telekom Austria Fixed Net customers awarded the hotline 1.82 points, the fault clearance service 1.65 and the service technicians 1.22 points on a scale of 1 to 5. Staff at mobilkom austria received grades of between 1 and 2 in all categories. The service line scored 1.7. The measures adopted in response to these customer surveys, such as sales and product training, complaint management training, modifications to the product and service portfolio and process adjustments, contribute to further quality improvements.

Professional Customer Service

Customer service staff at all companies in the Telekom Austria Group receive high-quality training. Basic training, which includes coaching sessions followed by on-the-job-training, prepares employees for the special demands of the Customer Service department. In addition to promoting specialist qualifications, the training programs also deliberately cultivate communication and personal skills. More advanced further training modules geared to the personal inclinations and potential of the employees and operational requirements ensure a high level of competence. In 2007, 165 members of staff at Telekom Austria Fixed Net acquired external certification or recertification. Incentive programs and performance-based remuneration systems are also used to enhance motivation levels in the Customer Service department.

Outstanding Customer Focus

■ e-biz government award Steiermark (Telekom Austria Fixed Net) ■ BT Global Channel Partner Summit Award (Telekom Austria Fixed Net) ■ Finalist in the TM Forum Excellence Award (Telekom Austria Fixed Net) ■ Certificate for Service Excellence from the Kundendienstverband Österreich (Telekom Austria Fixed Net) ■ Mobility Award 2007 of the Vienna Chamber of Commerce and Business-world Magazine (mobilkom austria) ■ GTB Innovation Award 2007 (mobilkom austria) ■ Finalist in the World Communication Award (mobilkom austria) ■ Named Best Service Company by HR Business Weekly (Vipnet - Croatia)

Customer Service 2007 in Austria

	Employees	Customer Contacts
Telekom Austria Fixed Net	3,154*	17,534,484
mobilkom austria	1,035	13,600,000

* Including employees responsible for transacting orders and employees in technical customer service who are responsible for on-site installation and fault repair.

The use of new technologies demands foresight with regard to future challenges and potential risks, whereby the protection of health, safety and privacy are the top priorities. For the Telekom Austria Group, compliance with guidelines and standards provides a solid basis for dealing with information security, data protection and electromagnetic fields. The continuous development of such general conditions and processes represents an investment in the security of our customers and employees.

Goals

- Continuous monitoring of compliance with the policies and guidelines governing information security and data protection
- Standardization of internal guidelines for electromagnetic fields in all Group companies by the end of February 2009
- Intensification of information campaigns on the topic Mobile Communications - Health and Safety
- Intensification of collaborative research into electromagnetic fields

Information Security and Data Protection

Security Policy

For the Telekom Austria Group, information security means complying with defined regulations and implementing measures to ensure the best possible protection for the information that has been entrusted to us.

The Security Policy provides for an appropriate degree of confidentiality and limits data access to authorized users. It ensures data integrity by making sure that data is correct and complete, and governs the availability of data to authorized users as well as compliance with the legal, contractual and supervisory provisions, with a view to integrating security aspects into the lifecycles of processes, products and systems. Measures at Telekom Austria Fixed Net are based on the international standard ISO 27001 and are part of risk management. A consultation process is currently underway for a revised group-wide version of the Security Policy. Employees receive regular training to increase their expertise on security-related issues and regulations.

Security Committee

The Security Guidelines are drawn up by a Security Committee comprising members from the operational departments and the Information

Security manager from the respective Group company. Moreover, it is also the task of the responsible employee to implement the measures at the company.

The operational scope of Information Security also includes the establishment of corporate policies and guidelines, the identification of potential threats, updating of the Security Manual, risk analysis and the drawing up of appropriate security measures within the framework of risk management. Regular internal and external audits verify compliance with standards, while simulated hacker attacks attest to their effectiveness.

Secure Networks

Telekom Austria Fixed Net is the only Austrian network operator certified according to the Code of Practice for Information Security Management of ISO 27001. This standard provides a sound basis for the protection of data. The main areas of emphasis are risk management and process optimization to minimize faults in IT systems and networks, and other important aspects such as employee awareness, and building and environmental security are also covered.

mobilkom austria has also developed an absolutely unique innovation in cooperation with Ikarus Security Software GmbH. This network-based security solution detects and removes viruses

before they reach the computer. An independent benchmarking study carried out by the Institute of Information Science and Economic Science at the University of Graz confirmed that mobilkom austria has the fastest and safest network in Austria.

Mobile Communications and Safety

Safety through Mobile Communications

Irrespective of whether the user is engaging in sports, travelling or relaxing at home, mobile phones make an important contribution to safety. In 2007 approximately 2.7 million emergency calls in Austria were made through mobilkom austria's mobile communications network. In rural areas 75 percent of all emergencies are reported by mobile phone. With a coverage rate of almost 99 percent, mobilkom austria's network ensures safety and availability even in isolated areas. Calls to official emergency numbers are free of charge. More than three-quarters of all alerts for the Austrian Alpine Rescue Service are made via mobile phones. mobilkom austria wanted to enlighten the public about the correct use of the mobile phone in the mountains and launched the initiative "Safety in the Mountains" together with partners such as the "Board for Alpine Safety".

Site Planning for

Mobile Communications Installations

A well-functioning network must be permanently adapted, optimized and expanded. At the same time, the placement of new base stations should maximize the efficiency of the existing mobile communications network. All companies in the Telekom Austria Group have special contact partners for issues related to mobile communications, infrastructure and health who are responsible for engaging in open dialogue with the public and ensuring a transparent approach. They work together with those who are responsible for



Mojca Domiter
Human Resources
Vipnet
Croatia

Program for Health. Spending long hours in the office is not normally conducive to fitness - but at our company things are a little different. The Vipnet Health Center offers employees a fitness center, pool and sauna. Our success is based on the hard work and enthusiasm of our staff, and that's why we care about their health. In addition to work-life balance training courses, we offer health checks, support in giving up smoking, vaccination programs, ergonomic workplace design and first aid courses.



Binas Lushi
RAN Planning and
Optimization Specialist
Vip operator
Macedonia

One Group, One Policy. We commenced business operations in September 2007. From the outset, the implementation of the group-wide EMF policy was an important criterion for the protection and safety of employees, contractors and customers. In line with this, when constructing our new base stations national and international limit values were complied with. Another focal area of our work is providing information for the public. Direct contact is a very important aspect of our relationship with our suppliers and landowners, as discussions around the table allow many issues to be cleared up immediately.



Krzysztof Müller
Information Security
Telekom Austria Fixed Net
Austria

Comprehensive Security. Telekom Austria Fixed net is the only network operator in Austria to have ISO 27001 certification. In 2007, as in every year, our Information Security Management System (ISMS) was inspected and recertified - an important success. This demonstrates to third parties that we have established all the necessary measures to protect data and our employees are committed to maintaining the highest level of information security. This is true in relation to both our own internal data and customer data, for the availability of the data, its integrity and confidentiality. Given the global threat potential, this information policy is one of the company's key strategic assets.

construction to ensure that the new base stations are socially and environmentally compatible. As agreed with the Austrian Association of Municipalities, contact is made with the respective towns and cities during the planning phase in order to inform them about the new stations. Wherever possible, personal meetings and round-table events are organized locally to explain and respond to questions regarding the environment, health and wireless technology.

Nature Conservation

Strict compliance with regional nature conservation laws is an integral part of the planning and construction of mobile communications installations. Fixed net cables are only laid in nature conservation areas if there is no alternative and then only as far as is absolutely necessary. In an effort to minimize the environmental impact in inaccessible areas, the Croatian provider Vipnet, for example, uses solar and wind power to supply its base stations.

EMF Policy

Guideline for Electromagnetic Fields

Protecting the health and safety of its employees, customers, contractors and the public is a firm principle of the Telekom Austria Group. As an

operator of mobile communications networks, the Telekom Austria Group is committed to implementing the Vodafone / mobilkom austria group EMF Policy. Thus, a group-wide standard for electromagnetic fields, base stations, handsets and internal corporate processes is ensured.

Pollution Control

The ICNIRP (International Committee on Non-ionizing Radiation Protection) defines the basis for the limit values issued by the World Health Organization (WHO). In 1999 the EU adopted these limit values in a Council Recommendation; Austria implemented them in the ÖVE/ÖNORM E8850. The Telekom Austria Group is guided by these pollution limit values, which define a safety factor of 50 for sensitive groups such as children, the sick and elderly. The companies of the Telekom Austria Group not only comply with these limit values, they also achieve significantly lower values than those required.

Various scientific studies, a large number of national institutions and the scientific committee of the European Commission (SCENIHR) have concluded that electromagnetic fields have not been proven to have any negative effects on health at exposure levels below the limits laid

Occupational Health and Safety 2007

	Accidents	Fatal accidents	Days lost to accidents	Employees dealing with health and safety
Telekom Austria Group	243	0	2,875	261
Telekom Austria Fixed Net	182	0	1,934	217
mobilkom austria	21	0	341	36
Vipnet	26	0	182	1
Mobiltel	6	0	260	2
Si.mobil	8	0	158	0
Vip mobile	0	0	0	4
Vip operator	0	0	0	1



Through our partnership with the initiatives Saferinternet.at and handywissen.at, we support the safe use of the Internet and mobile phones. Find out more at the Safer Internet & Mobile Phone Day.

Enter into a dialogue with us,
visit our website and win an invitation:
www.telekomaustria.com/responsibility/participation

down by ICNIRP. To further study on this topic, mobilkom austria supports a number of research projects which investigate the impact of electromagnetic fields.

www.emf-portal.de
www.mobilkomaustria.com/sicherheit

Occupational Health and Safety

The Telekom Austria Group has a staff of 261 attending to health and safety, including occupational health physicians, safety coordinators, security staff and fire safety coordinators. They are consulted on all aspects of occupational health and safety - from the planning of workplaces, procurement of equipment, the introduction of new processes and protective equipment to the inspection of construction sites. The trained experts provide assistance and guidance on ergonomic and mental health issues. Special protective measures have been drawn up for workplaces where there is a greater risk of accidents, such as the installation or maintenance of base stations and masts. Employees who will be working at heights are first of all screened to establish their suitability and receive their first training at an external workshop. They are then trained and tested regularly thereafter, the results of which are documented.

The Telekom Austria Group companies offer their staff a variety of programs and activities to promote preventative health care and a better work-life balance. As well as special promotion days focusing on topics such as safer driving and Health Days, staff in Austria are offered vaccinations against flu and tick-borne encephalitis, heart and lung function checks, and walking and jogging workshops. In addition to occupational health and safety measures, the international companies organize vaccination programs, health checks and first aid courses. The Bulgarian provider Mobiltel is planning to launch a work-life balance initiative for employees who have direct contact with customers, anti-stress days, safe driver training and Health Days.

Safety Campaigns and Initiatives

Security Event

In November 2007 some 220 employees based at Telekom Austria Fixed Net in Vienna informed themselves about IT security for the home and office at the first Security Event. The purpose of the event was to raise the level of awareness and security consciousness among employees.

NEVER WITHOUT While Cycling

A snap poll carried about by the Austrian Road Safety Board on behalf of mobilkom austria brought to light some interesting, but worrying results, about mobile phone usage among cyclists. Almost half the cyclists who use their phones while riding hold it against their ear. Almost one third read text messages received while cycling. In August 2007, mobilkom austria therefore expanded its road safety initiative to include a focus on "NEVER WITHOUT While Cycling". Activities included the distribution of 500 hands-free sets to cyclists in Vienna, awareness-raising in direct contact on cycle paths and distribution of a city map showing the cycle path network.

Mine Clearance in Croatia

Recognizing that the presence of 110,000 mines hinders a return to normality, the Croatian mobile operator Vipnet became a partner in the project Mobility.Communication.Life in 2002. Its donation this year will be used to clear a 150,000 m² area around Dragalić, including a path that is heavily used by local children on their way to school. An annual school competition should also alert children to the dangers posed by landmines. Vipnet is the leading private sponsor of mine clearance in Croatia.

Pilot Project:

Radio Masts Aid Firefighting in Croatia

As part of a pilot project in Istria, Vipnet has teamed up with the district of Istria, the Association of Istrian Fire Brigades and the Croatian Forest Management Agency and has, for the first time, equipped radio masts with video monitoring equipment to support firefighting efforts.



GRI Content Table

in accordance with GRI G3 and the Telecommunications Sector Supplement (TSS)

- Reported in full
- Largely reported
- Partially reported

Content as per GRI G3 and Sector Supplement	Page(s)	Reference
1 Strategy and Analysis		
1.1 Statement from the most senior decision maker	6-7	■ Foreword
1.2 Key risks and opportunities	15, 18 ff.	■ Risk Management, Goals, Strategy
2 Organizational Profile		
2.1-2.10 Comprehensive description of organization, products, brands etc.	10-11, 18 f., 67	■ Overview of the Telekom Austria Group, Chapter "Growing", overview by country companies
3 Reporting Parameters		
3.1-3.11 Scope of report, contact details, data and measurement methods	14, 67	■ Details of Reporting, Imprint/Contact
3.12 GRI Content Index	62-63	■ GRI Content Table including the Telecommunications Sector Supplement
4 Governance, Obligations, and Commitments		
4.1-4.10 Governance Structures, Committees, Supervisory Board, Works Council	15	■ Corporate Governance, see Annual Report 2007
4.11-4.13 Commitments to external initiatives	26, 31, 46	■ Environmental Awareness, Cooperation for Greater Energy Efficiency, R&D Partnerships
4.14-4.15 List of stakeholders, basis for the selection of stakeholders		■ The reporting structure was drawn up in accordance with the needs of the major stakeholders
Economic Indicators		
EC1 Direct economic value generated and distributed	11	■ Telekom Austria Group in Figures, see Annual Report 2007
EC2 Financial implications of climate change	26 ff.	□ Climate Protection Measures
EC3 Scope of company's defined benefit plan	42 ff.	□ Work Foundation, Benefits, see Annual Report 2007
EC4 Financial assistance from government		□ See Annual Report 2007
EC6 Business policy, business practices and percentage of locally-based suppliers	15	■ Code of Conduct, ILO Standards
EC7 Procedures for hiring local personnel and percentage of management employees	43	■ Table Personnel Structure: Percentage of Local Management
EC8 Development/impact of investment in infrastructure and services for public benefit	46	■ Social Relevance of Communications Technologies
EC9, TSS Description of major indirect economic impacts	23	■ Indirect Economic Impacts
Ecological Indicators		
EN3-4 Direct and indirect energy consumption, broken down according to primary energy sources	30	■ Table: Consumption of Resources
EN5 Energy savings made due to the environmentally-conscious use of energy and increased energy-efficiency	27 f.	□ Green IT
EN6 Initiatives to design products/services with greater energy-efficiency	31	■ Climate-Friendly ICT
EN7 Initiatives to reduce indirect energy consumption/savings made	31	■ Cooperation for Energy Efficiency
EN8 Total water consumption	30	■ Table: Consumption of Resources
EN11-12, TSS Land in nature conservation zones or adjacent to nature protection zones	55, 58	□ Site Planning for Mobile Communications Installations, Nature Conservation
EN16-17, EN19-20, TSS Total direct/indirect and other greenhouse gas emissions, emissions of ozone depleting materials, No _x , So _x and other air emissions	27, 30, 31, 34	■ Chart: CO ₂ Emissions for Austria, Table: Consumption of Resources and Waste Recycling, Table: Vehicle Fleet, Table: Average Emission Factors, Table: Average CO ₂ Emissions
EN18 Initiatives to reduce green house gas emissions	27 ff.	■ Green IT, Climate-Friendly ICT, Mobility Management
EN21 Total water discharge		■ Irrelevant: Any waste water is similar to domestic waste water and is discharged into the public sewer network.
EN22 Total waste by type/method of disposal	34, 35	■ Sparing Use of Resources and Waste Recycling, Chart: Office Waste, Volume of Waste, Paper, Tables: Telecommunications Waste
EN26 Initiatives for minimizing environmental impact of products/services	26, 31, 35	■ Energy Management, Paperless Electronic Billing, Collection of End-of-Life Mobile Phones
EN27 Percentage of products sold where the packaging materials were taken back		■ All packaging material circulated in Austria is subject to the ARA licensing system and can thus be brought into the nationwide collection system.
EN28 Fines or non-monetary sanctions for non-compliance with legal provisions		■ No fines were imposed during the reporting period
EN29 Environmental impacts of the transport of products, goods, materials	34	■ Chart: Average CO ₂ Emissions
Social Indicators		
Labor Practices and Decent Work		
LA1 Total workforce by type of employment, employment contract, region	18	■ Chart: Number of Employees by Country
LA2 Employee turnover	38	□ Table: Telekom Austria Group Employees
LA4 Percentage of employees with collective bargaining agreements		■ Percentage at Telekom Austria Fixed Net and mobilkom austria 64.80%
LA5 Notice periods regarding operational changes and information whether this period was agreed in the collective bargaining agreement	42	■ Internal Communication, Workforce Representation Legal notice periods are observed.

	Content as per GRI G3 and Sector Supplement	Page(s)	Reference
LA7	Injuries, occupational diseases, lost days, absences and number of work-related fatalities by region	58	■ Table: Occupational Health and Safety
LA8	Training, advisory services, preventative care and risk control programs to support employees, their families or members of the community in the event of serious illness	59	■ Occupational Health and Safety
LA10	Average annual number of training and further training courses per employee	38	■ Workforce Development
LA12	Percentage of employees with regular performance reviews/development planning	39	■ Career Planning
LA13	Composition of governance bodies, employees by category	43	■ Table: Personnel Structure
Human Rights			
HR1-2	Percentage of investment agreements with human rights clauses, and suppliers who have been screened for compliance with human rights aspects	15	■ ILO Standards
HR4	Incidents of discrimination/actions taken in response	42	■ Equal Treatment of Women. No violations reported.
HR5	Incidents in which freedom of association and the right to collective bargaining could be threatened/actions taken in response	42	■ Employee Representation. No violations reported.
Society			
SO1	Impact of business activity on the community	55, 58	■ Site planning for mobile communications installations, nature conservation, EMF policy, pollution control
SO2-4	Percentage of business units investigated for corruption risks and employees trained in anti-corruption policy/measures taken in response to incidents of corruption	15	□ Code of Conduct
SO7, TSS	Legal action taken for anti-competitive behavior, formation of cartels and monopolies, including punitive measures taken by the authorities	23	■ Competition and Regulation
SO8	Fines/non-monetary sanctions for non-compliance with laws and regulations		■ No fines were imposed during the reporting period
Product Responsibility			
PR3	Type and number of legally required notices regarding products/services	55, 58	■ Site Planning for Mobile Communications Installations, Pollution Control
PR5	Customer satisfaction/survey results	51	■ Customer Support
PR6	Programs to ensure compliance with laws, standards, codes of conduct with regard to advertising including advertisements, sales promotion, sponsoring	15	■ Code of Conduct. The companies of the Telekom Austria Group are committed to fair competition and comply with competition laws in the countries in which they operate.
PR8, TSS	Number of justified complaints regarding customer privacy and loss of customer data	54	■ Security Policy, Security Committee. No violations reported during the reporting period.
PR9	Fines for non-compliance with product and service-related regulations		■ No fines were imposed during the reporting period
Internal Operations			
IO3	Health and safety measures for personnel working outdoors	59	■ Occupational Health and Safety
IO4-5	Compliance with ICNIRP standards governing exposure to radio waves from telephones, radio equipment and base stations	58	■ Pollution Control
IO6	Policies/approach with regard to compliance with the Specific Absorption Rate (SAR) for mobile telephones and radio equipment		■ See www.mobilkomaustria.com - Mobilfunk u. Umwelt
IO7	Policies/approach with regard to the installation of radio masts and base stations in terms of stakeholder involvement, shared use of mobile communications masts and initiatives to reduce visible impact of structures	55	■ Site Planning for Mobile Communications Installations
Technology Applications			
TA1	Description of resource efficiency of telecommunications products and services	31	■ Climate-Friendly ICT
Providing Access			
PA1	Policies/methods which ensure the development of telecommunications infrastructure and access to telecommunications products and services in isolated, sparsely populated areas	46	■ Social Relevance of Communications Technologies
PA2	Policies/methods which lower barriers such as language, cultural affinity, illiteracy, lack of education, income, disability and age which reduce use and access to telecommunications products and services	46	■ Customer-Focused Product Development
PA3	Policies/methods which ensure the availability and safety of telecommunications products and services (downtime)	54	■ Secure Networks
PA4	Quantification of the availability of telecommunications products and services in the coverage area	19 ff., inside cover	■ Market Share, Table: Market Shares, Table: Key Operating Figures, Mobile Communications Penetration
PA6	Emergency/safety plans which guarantee the availability of products in cases of emergency or disaster	54	□ Secure Networks
PA7	Policies/methods governing human rights issues in relation to network access and the use of products and services	50	■ Media Competence
PA8	Policies/methods of external communication concerning electromagnetic fields	58	■ EMF Policy, Details see www.mobilkomaustria.com - Mobilfunk u. Umwelt
PA9	Investments in programs/research activities concerning electromagnetic fields	58	□ Pollution Control
PA10	Initiatives which safeguard the clarity of contract terms/tariff models	51	□ Customer Support
PA11	Initiatives to inform customers about product features that encourage responsible, efficient and environmentally-friendly use	50	□ Media Competence

Glossary

ALLmediaNET: Universal network on All-IP basis, in which backbone and access technologies as well as open media platforms converge to form a single standard for interactive multimedia services. Using the ALLmediaNET all forms of media (voice, Internet, television, video-on-demand, unified messaging) can be transported over a single network, providing highly diverse target groups with a wide range of content.

Backbone: Core telecommunications network, comprising broadband high-speed connections between the network nodes which connect the access networks with one another.

Corporate Governance: "Corporate constitution"; the corporate governance code represents a set of rules for the responsible management and control of a company.

Code of Ethics: Includes written rules for managers in the financial area and also mandates complete, timely, transparent, exact and comprehensible reporting and announcements, and establishes penalties for violation.

Core Network: Large networks with several identical or different network infrastructures require a separate infrastructure for the exchange of information between the networks and systems. The core network can be a mobile communications network, the telephone network, ISDN or a broadband fiber optic network.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization): Telekom Austria Group defines EBITDA as net result excluding interest, taxes, depreciation and amortization, impairment charges, dividend income, equity in earnings of affiliates, other non-operating income and expenses, minority interests and the cumulative effect of the change in accounting principles. This equals operating income before depreciation, amortization and impairment charges.

E-Procurement: Electronic procurement.

ETNO: European Telecommunications Network Operators' Association, based in Brussels.

ICT: Information and communications technology.

ILO: International Labour Organization: The International Labour Organization is a specialized agency of the United Nations whose work covers the following main areas: Formulation and implementation of international labor and social standards, in particular with regard to core working hours, socially responsible and fair globalization, and the creation of decent employment as a crucial prerequisite for alleviating poverty.

Internet Protocol (IP): Supplier-independent transmission protocol for communications between networks. IP specifies the format of the packets (datagram) and serves as an addressing scheme.

ISO 27001: International standard for the creation, introduction, operation, monitoring, maintenance and improvement of a documented information security management system.

m-commerce: Generic term for all types of transactions using mobile electronic media in wireless networks.

Next Generation Networks: Telecommunications networks which replace the traditional circuit-switched telecommunications networks with a single packet-switched network infrastructure and architecture.

Switch: Hardware components which build up a point-to-point connection between two computers within a network.

User Generated Content: Digital content (e.g. podcasting, blogging and video-blogging) which is created by the media users themselves and offered over the medium platform of a provider.

Wholesale: Reseller market; in the telecommunications industry it refers to providers of voice telephony, data communications, mobile communications and Internet services.

Imprint

Ownership & Publisher: Telekom Austria AG, Corporate Communications Group. **Project Team:** Max Rabl, Andrea Frauscher, Gudrun Zimmerl, Alois Schrems. **Conception/Consulting, Design, Text, Coordination:** Living Office Kommunikationsberatung GmbH. **Translation:** Christine Young, Meredith Schneeweiss. **Creative Concept, Production:** Bluetango. **Photo Credits:** Page 6: Peter Rigaud.

This Sustainability Report was printed on surplus and waste billboard paper. In printing billboards, residual paper is always produced that usually cannot be used again. Yet by using it - and by not consuming any resources for new paper - we are helping to preserve the environment.

Telekom Austria Group

TELEKOM AUSTRIA GROUP

Telekom Austria AG
Lassallestrasse 9, A-1020 Vienna, Austria
Tel.: +43 (0)59 059 1 0
www.telekomaustria.com

Companies of the Telekom Austria Group



Telekom Austria TA AG
Lassallestrasse 9, A-1020 Vienna, Austria
Tel.: +43 (0)59 059 1 0
www.telekom.at



mobilkom austria AG
Obere Donaustrasse 29, A-1020 Vienna, Austria
Tel.: +43 1 331 61 0
www.mobilkomaustria.com



Mobitel EAD
1, Kukush Str., Iiinden district,
BG-1309 Sofia, Bulgaria
Tel.: +359 88 85000 31
www.mtel.bg



Vipnet d.o.o.
Vrtni put 1, HR-10000 Zagreb, Croatia
Tel.: +385 1 4691 091
www.vipnet.hr



Velcom
19 Masherov Ave
BY-220002 Minsk, Belarus
Tel.: +375 17 2178494
www.velcom.by



Si.moibl d.d.
Šmartinska cesta 134 b
SI-1000 Ljubljana, Slovenia
Tel.: +386 40 443000
www.simobil.si



Vip mobile d.o.o.
Omladinskih brigada 21
SRB-11070 Novi Beograd, Serbia
Tel.: +381 60 1234
www.vipmobile.co.yu



Vip operator DOOEL
Dimitrie Cupovski 2, 1000 Skopje, Macedonia
Tel.: +389 2311000 77
www.vipopoperator.com.mk



mobilkom liechtenstein AG
Äulestrasse 20, FL-9490 Vaduz, Liechtenstein
Tel.: +423 7970077
www.mobilkom.li



Telekom Austria Czech Republic a.s.
U Nákladového nádraží 8
CZ-130 00 Prague 3, Czech Republic
Tel.: +420 246 000 111
www.telekomaustria.cz

Contact

Corporate Responsibility Telekom Austria Group
Andrea Frauscher
E-mail: nachhaltigkeit@telekom.at
Environmental Team Telekom Austria Fixed Net
Brigitte Schüssler, Elfriede Neuhold
E-mail: umwelt@telekom.at
Environmental Team mobilkom austria
E-mail: umweltteam@mobilkom.at

Chief Executive Officer	Revenues*	Country Profiles**
Boris Nemsic***, CEO	2,133.0 mn EUR (Fixed Net segment)	Austria Inhabitants: 8.3 mn Economic Growth: 3.4%
Boris Nemsic, CEO	1,660.2 mn EUR	Austria Inhabitants: 8.3 mn Mobile Penetration: 118.3% Economic Growth: 3.4%
Josef Vinatzer, CEO	642.7 mn EUR	Bulgaria Inhabitants: 8.0 mn Mobile Penetration: 132.8% Economic Growth: 6.2%
Mladen Pejkovic, CEO	514.2 mn EUR	Croatia Inhabitants: 4.4 mn Mobile Penetration: 114.9% Economic Growth: 5.5%
Helmut Duhs, CEO	64.0 mn EUR (consolidated amount since October 2007)	Belarus Inhabitants: 10.0 mn Mobile Penetration: 71.5% Economic Growth: 7.8%
Dejan Turk, CEO	170.3 mn EUR	Slovenia Inhabitants: 2.0 mn Mobile Penetration: 92.2% Economic Growth: 5.7%
Alexander Sperl, CEO	13.7 mn EUR (Market Entry July 2007)	Serbia Inhabitants: 7.5 mn Mobile Penetration: 117.2% Economic Growth: 6.5%
Nikola Ljušev, CEO	2.4 mn EUR (Market Entry July 2007)	Macedonia Inhabitants: 2.5 mn Mobile Penetration: 87.4% Economic Growth: 5.0%
Michael Ammann, CEO	19.9 mn EUR	Liechtenstein Inhabitants: 35.000 Mobile Penetration: 84.1% Economic Growth: 2.0%

* as of Dec. 31, 2007

** as of 2007

*** Rudolf Fischer served as CEO of Telekom Austria TA AG until August 31, 2008. Boris Nemsic assumed his responsibilities on an interim basis as of September 1, 2008.

Online Annual Report

The Sustainability Report 2007/08 of the Telekom Austria Group is also available in a user-friendly online version on the Internet. This data base-supported online report provides fast access to information, search functions, a sitemap, a glossary, Excel and pdf downloads, linked content, and direct subject access to compile a report for your special interests under:

<http://sr2007-08.telekomaustria.com>

Comments on the Telekom Austria Sustainability Report 2007/08



The following comments focus solely on the contents and formal performance of this Sustainability Report and make no evaluation of the accuracy of the statements contained therein.

With the publication of this fourth Sustainability Report, the Telekom Austria Group is continuing its tradition of transparent social and environmental reporting. By shortening the publication rhythm from two years to one, the company is affirming its commitment to reporting the latest information in almost real time in a flexible environment. The innovative decision to print the report on surplus and waste billboard paper is a graphic symbol of the value the Telekom Austria Group attaches to sustainability and the careful use of resources.

The Sustainability Report is clearly structured. The relevant information is easy to find and logically organized according to the themes economy, climate and environmental protection, employees and social affairs, customer focus, safety and health protection. In terms of its performance documentation on the basis of key figures, the Report follows the set of indicators in the Sustainability Reporting Guidelines G3 of the Global Reporting Initiative (GRI). The industry-specific Telekom Supplement has also been used for the first time. The decision to incorporate the activities of the Telekom Austria Group's international companies in the key figure reporting is commendable, even if it has not proved possible in all the areas covered by the present report. The company's own assessment of the extent to which it has achieved compliance with the G3 Guidelines of GRI (Application Level) has been externally audited and classified as Level B+.

In comparison to earlier reporting periods it is clear that the company has made further progress toward efficient sustainability management. A positive highlight is the development of the Code of Ethics into a behavior-oriented Code of Conduct applicable throughout the Group. The anti-corruption provisions have been tightened up and the whistle-blower processes expanded. A new Purchasing Policy at Telekom Austria Fixed Net lays down safety and sustainability standards for suppliers. Group-wide guidelines are currently being drawn up for the controversial issues of information security, data protection and the effects of electromagnetic fields (Security Policy, EMF Policy).

In order to continue meeting the growing demands that stakeholders, in particular the financial sector (SRI), place on corporate sustainability reporting, the


documentation of social and environmental performance should be further optimized with respect to the following points:

- Description of the materiality process (audit materiality). What will be the key sustainability topics for the company in the future? How are the challenges prioritized? How are financial impact, social and environmental importance and the presumed stakeholder interests evaluated?
- The further development of a group-wide sustainability management system. How are areas of responsibility defined? Is the Management Board involved? What will be done to ensure the implementation of sustainability aspects at the subsidiaries? Is there a sustainability vision and binding group-wide guidelines?
- Quantification of corporate social and environmental goals. What are measurable targets? How can the achievement of goals set in previous periods be verified (performance against targets)?
- Broadening of the performance figures that are collected (e.g. biodiversity, knowledge management, further training, use of donations etc.)
- Further integration of international subsidiaries in the key reporting figures.
- Attempt to generate relative figures which are considerably more informative (e.g. for CO₂ emissions generated by the use of electricity and heating energy, which represent the company's key control factors for climate protection).

Overall, the efforts of the Telekom Austria Group to provide a transparent, and in parts self-critical, account of its social and environmental performance are clearly visible. The serious determination to consistently further develop sustainability reporting manifests itself in the voluntary increase in the reporting interval and, above all, in the effort to prepare a Group report, which also depicts the activities of the central and east European subsidiaries. The latter is an ambitious goal, but at the same time, as a challenge for the future it also represents a commitment to an integrated view of sustainability.

Hanover, September 5, 2008

Stefan Dahle
Partner and Head of CSR and Sustainability Management
imug Beratungsgesellschaft für sozial-ökologische Innovationen mbH



This Sustainability Report was printed on surplus and waste billboard paper. In printing billboards, residual paper is always produced that usually cannot be used again. Yet by using it – and by not consuming any resources for new paper – we are helping to preserve the environment.

