

Disclosure According to Para 82 Sec 9 Stock Corporation Act

**Report by the Supervisory Board and the Management Board
of Telekom Austria AG
According to Para 159 Sec 3 and Para 95 Sec 6 in connection with
Para 159 Sec 2 Z 3 Stock Corporation Act**

The Supervisory Board and the Management Board of Telekom Austria AG submit the following report on exercising the authorization to increase share capital on the condition that stock options granted to employees are served:

Authorization by the Annual General Meeting: With a resolution by the Annual General Meeting of Telekom Austria AG of June 4, 2003, the Management Board was authorized to increase the share capital of the company according to Para 159 Sec 3 Stock Corporation Act, upon approval by the Supervisory Board. The increase in share capital shall take place over a period of five years from the time the resolution was passed by up to EUR 21,810,000, upon issuing up to 10 million new ordinary bearer shares or new ordinary registered shares with no par value, in order to serve options to be granted to employees, directors and members of the Management Board of the company or of an affiliated company (authorized conditional capital).

According to the authorization of June 4, 2003, the right to exercise the options shall depend on the profitability of the company as determined by indicators widely used in the telecom industry. The exercise price shall amount to a minimum of EUR 9 per share and shall be calculated under consideration of the stock exchange quotation. The stock option program shall have a duration period of 1 to 7 years.

The capital increase shall only be effected to the extent that owners of stock options exercise their option rights. The Management Board is required to publish a report according to Para 159 Sec 2 Z 3, at the latest 2 weeks before the Supervisory Board passes the resolution. This report is hereby submitted.

At the Annual General Meeting of Telekom Austria AG of June 4, 2003, the Management Board was also authorized to acquire up to 50 million of its own bearer or registered shares, during a period of 18 months from the day of this resolution at a minimum price of EUR 9 and a maximum price of EUR 15 per share, and to also use them to serve stock options to employees, directors and members of the Management Board of the company or of an affiliated company. Thus, the report is also submitted according to Para 95 Sec 6 Stock Corporation Act.

Exercising the authorization: In exercising the authorization of June 4, 2003, now, within the scope of a program amounting to several years, stock options shall be granted to members of the Management Board and to certain groups in the management of the company, as well as to members of the Management Board, managing directors and persons in comparable positions and to certain groups of the management of national and international affiliated companies. The intention is to issue a Stock Option Program that is allocated in three tranches in 2004, 2005 and 2006, with a total duration period of up to the end of the first quarter 2010.

To issue the first tranche for 2004 on March 23, 2004, the Management Board decided to increase the company's common stock by up to EUR 6,543,000 in order to serve the options issued in 2004. This resolution requires approval by the Supervisory Board, which can be granted at the earliest two weeks after the report has been publicized.

Principles and Incentives of the Stock Option Program: On the occasion of Telekom Austria AG's IPO in the year 2000, a stock option program was established for Telekom Austria AG and its affiliated companies, which expired at the end of February 2004. A future stock option program should also link the rise in the company's stock market value to incentives for the management. Thus, a further stock option program is planned ("Employee Stock Option Plan 2004+" or "ESOP 2004+"), which is separated into three tranches with a total duration period lasting up to the end of the first quarter 2010. ESOP 2004+ allows the management to share in the growth value of the company, whereby the management's interest in the company' development and the stock price will further be increased. Moreover, the intention is to tie participants in the Stock Option Program more closely to the company and to make the company more attractive for the participants.

ESOP 2004+ is oriented on the profitability of the company. Earnings per share according to US GAAP are used as the target value for exercising the options, adjusted according to the cumulated effect of the changes in accounting principles (net of tax). For the calculation, it is assumed that the number of shares in circulation at the time the target value is determined and the current valid income tax rate remain unchanged. Subsequently this value will be called "EPS target value".

The Supervisory Board of the company annually determines the EPS target value for the Management Board; in turn, upon approval by the Supervisory Board, the Management Board determines the EPS target value for the rest of the management. Reaching the EPS target value for 2004 is calculated by means of the audited consolidated financial statement of Telekom Austria AG according to US GAAP. Options allocated in 2004 cannot be exercised until the EPS target value is reached.

Number and distribution of options to be granted to employees, directors and to the individual members of corporate bodies: ESOP 2004+ is oriented towards persons with a strong impact on the success of the company, i.e. the Management Board as well as the top management, the key management and management of the company as well as towards members of the Management Board, managing directors, persons in comparable positions as well as the top management, key management and management of nationally and internationally affiliated companies (Para 228 Commercial Code). In the period from 2004 to 2006 up to 10 million options can be allocated.

In order to allocate and exercise the options of the first tranche, those entitled to the option were required to hold an investment in company shares: 15 options per share held. The first tranche allocated in 2004 comprises up to 3,000,000 options that will be granted to approximately 200 persons, distributed as follows:

Entitled to the Option are:	Number of Options
Management Board of Telekom Austria AG	96,000 each
Members of Management Board/managing directors and persons in comparable positions of affiliated companies with a strong impact on the success of the company	up to 50,000 each
Top management of Telekom Austria AG as well as top management of affiliated companies with a strong impact on the success of the company	up to 20,000 each
Key management of Telekom Austria AG and key management of affiliated companies with a strong impact on the success of the company	up to 12,000 each
Management of Telekom Austria AG as well as affiliated companies with a strong impact on the success of the company	up to 9,000 each

Duration period, exercise period, waiting period: The first tranche of Telekom Austria AG's Stock Option Program amounting to several years should be allocated in April 2004 and will be honored until the end of May 2008 (duration period).

The options are subject to a 12-month blackout period from the time the option was allocated (maturity period). After expiration of the maturity period, the options can be exercised until the end of the duration period, whereby the general blackout periods for trading stocks of the Compliance Code of Telekom Austria AG shall be observed.

Number of shares that can be obtained and alternative form of serving the option: In order to allocate and exercise the options of the first tranche, those entitled to the option were required to hold an investment in company shares: 15 options per share held. After expiration of the maturity period, each option grants the right to acquire an ordinary bearer share or ordinary registered share of the company at the exercise price, if the EPS target value determined for the 2004 business year was reached. Up to 3,000,000 options will be issued in the 2004 tranche. According to the authorization by the Annual General Meeting, the options can be served by new shares or by repurchased shares of its own, at the company's choice; instead of delivering stocks the company can also provide cash compensation.

Important Provisions of the Stock Option Contracts, Exercise Price, Basis and Form of Calculation:

In the first tranche 2004, those entitled to the options receive options that entitle them to acquire company shares if the EPS target value is reached, at an exercise price calculated under consideration of the stock exchange quotation.

The exercise price is the average closing price on the Vienna Stock Exchange of the 20 trading days preceding the second to last day of trading prior to the allocation day.

Exercising hurdles: In order to allocate and exercise the options of the first tranche, those entitled to the option were required to hold an investment in company shares: 15 options per share held. Exercising the options allocated in 2004 requires that the EPS target value determined for the 2004 business year has been reached. If the EPS target value is not reached, the options can still be exercised if a certain EPS target value determined for the 2005 or 2006 business years - which must at least be in line with the EPS target value for 2004 - is reached.

Should a takeover offer be successful according to the stipulations of the takeover law, all the options already allocated at the time the takeover offer is publicized - irrespective of the 12-month maturity period and irrespective of whether or not the EPS target value was reached - can be exercised at the exercise price. The exercise price corresponds to the price of the public takeover offer on the last day of the offering period.

Transferability of the options, retention period: The options are not transferable and cannot be inherited. There is no retention period for the stocks obtained.

Vienna, March 26, 2004

The Management Board

The Supervisory Board