

**Publication pursuant to Sec 82 Para 9
of the Stock Corporation Act
Report by the Management Board of
Telekom Austria AG with Regard to the
Employee Participation Program**

Participation Program for Employees Who Do Not Receive Stock Options:

On the basis of authorizations resolved in the annual general meetings from 2006 to 2009 to use repurchased treasury shares for voluntary allocation to employees without consideration, in 2006 with the approval of the supervisory board, the management board developed **an Employee Participation Program for those employees not participating in the Stock Option Program ESOP for the management board and directors of the company**, and to date issued three tranches in the years 2006, 2007 and 2008. The management board of Telekom Austria AG now reports about the issuance of shares to employees, which is intended for the last tranche 2009 of this Employee Participation Program:

Authorization by the Annual General Meeting:

At the annual general meeting on May 20, 2009, the management board was authorized to acquire bearer or registered treasury shares up to the maximum extent legally permitted, during a period of 30 months from the day of this resolution at a minimum price of EUR 1 and a maximum price of EUR 30 per share. The management board is also entitled to use treasury shares for issuance to employees of the company or of an affiliated company with or without consideration.

Exercising the Authorization:

By exercising the authorization of May 20, 2009 a voluntary Employee Participation Program without consideration was designed for the years 2009/2010. There is no right to claim further share allocation in the following years. With regard to the tranche 2009/2010 the management board resolved on November 30, 2009 to allocate shares with a value of up to EUR 300 maximum to employees who qualify. This resolution is subject to approval by the supervisory board.

Principles and Incentives of the Employee Participation Program:

For quite some time a stock option program (ESOP) for the management personnel of the group of companies has been in place by which the management personnel participates in the success and the increase in value of the company; the last tranche of this Stock Option Program ESOP was issued in January 2009. This resulted in increased interest by the management personnel in the development of the share price and the company's success. These positive effects should by means of the Employee Participation Program at hand also be expanded to employees not included in the stock option program. The purpose of this voluntary allocation of shares under the Employee Participation Program is to strengthen the employees' identification with the company as well as to induce them to think in a share-oriented manner. Through this in the future the increase in stock market value of the company will be linked to enhancing employee incentive. The employees have a stake in the

results and increase in the value of the company, whereby the employees' interest in the success and the development of the company and the share price will be further strengthened. The employee participation program is a voluntary program, free of charge, without consideration required from the employees.

Number and Distribution of Shares to be Allocated:

Basically, all employees of the company and its affiliated Austrian companies are included in the employee participation program. Those employees already participating in the **Stock Option Program ESOP 2009** or those not subject to the collective bargaining agreement applicable to Telekom Austria **are exempt in any case**. The management board reserves the right to exclude certain employee segments.

Moreover, the management board reserves the right to determine a reference date or to require employees to have been a member of the workforce of their respective company for a certain period. To each employee who qualifies for benefit shares up to the maximum amount of EUR 300 shall be allocated without consideration. The number of shares to be allocated is calculated on the basis of the average closing price of the last 20 days before December 23, 2009. Under the tranche 2009/2010 a total of 200,000 shares maximum shall be allocated; **supervisory board members, the management board and the directors participating in the Stock Option Program ESOP that expires in 2009 do not receive any shares**.

Duration and Holding Period:

Under the tranche 2009/2010 of the employee participation program shares shall be allocated by the end of December 2009 at the earliest. For personal income tax reasons shares shall be held for a period of 5 years. If the allocated shares are sold before the expiration of this period the benefit achieved will be taxed.

Other Important Terms of the Share Allocation:

The allocated shares will be held by a trustee; they can be transferred and sold at any time. If the shares are sold before the expiration of the holding period, the employees are responsible for covering any employee costs of subsequent taxation.

Vienna, December 14, 2009

The Management Board