

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, key managers 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 plan shall have a duration period of 1 to 7 years.

The capital increase shall only be affected 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.

Furthermore, at the Annual General Meeting of Telekom Austria AG of June 3, 2004, the Management Board was also authorized to acquire bearer or registered shares, to the maximum extent legally permitted, during a period of 18 months from the date of this resolution at a lowest nominal value of EUR 9 and a highest nominal value of EUR 18 per share, and to also use these own shares to serve stock options to employees, key managers and members of the Management Board/management 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, a multi-year stock options plan was introduced that will be issued in three tranches in the years 2004, 2005 and 2006, which foresees a total option life up to the end of the first quarter 2010. The first tranche of this stock option plan was issued with "ESOP 2004+" (Employee Stock Option Plan 2004+) on April 19, 2004. Now the second tranche 2005 (ESOP 2005+) is due to be issued in January 2005.

To issue the second tranche for 2005 on December 13, 2004, the Management Board decided to increase the company's common stock by up to EUR 7,415,400 by issuing up to 3,400,000 new ordinary bearer shares with no par value in order to serve the options that will be issued in 2005. 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 Plan: With the second tranche of this Stock Option Plan the increase in the stock market value of the company will also be linked in the future with incentives for the management. The management will share in the growth value of the company, whereby the management's interest in the company' development and the stock price will be increased further. Moreover, the intention is to tie participants in the Stock Option Plan more closely to the company and to make the company more attractive for them.

ESOP 2005+ 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 amounts to 497,412,468 (corresponding to the average weighted number of stocks in circulation from January 1, 2004 to September 30, 2004) and that the current valid income tax rate and legal framework conditions at the time the target value is determined by the Supervisory Board remain unchanged. Subsequently this value will be called "EPS target value".

The Supervisory Board of the company 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 2005 is calculated by means of the audited consolidated financial statement of Telekom Austria AG according to US GAAP. Options granted in 2005 cannot be exercised until the EPS target value is reached.

Number and distribution of options to be granted and that have already been granted to employees, key managers and to the individual members of corporate bodies:

ESOP 2005+ 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 granted, whereby within the scope of the first tranche (ESOP 2004+) 2,539,480 stock options were already issued on April 19, 2004. These were granted as follows (i) 384,000 to the Management Board of Telekom Austria AG (96,000 Colombo, 96,000 Fischer, 96,000 Nemsic, 96,000 Sundt), (ii) 150,000 to the Management Board members/management and persons in comparable positions of affiliated companies; (iii) 552,145 to the top management of Telekom Austria AG as well as the top management of affiliated companies; (iv) 567,000 to the key management of Telekom Austria AG and the key management of affiliated companies and (v) 886,335 to the management of Telekom Austria AG as well as affiliated companies.

In order to allocate and exercise the options of the second tranche ESOP 2005+, those eligible to receive options are required to hold a specified investment in company shares. For members

of the Management Board of Telekom Austria, 15 options are granted per share held, for all others eligible to receive options 20 options are granted per share held. The second tranche ESOP 2005+ which will be issued in January 2005 comprises up to 3,400,000 options that will be granted to approximately 220 persons, distributed as follows:

Eligible to Receive Options are:	Number of Options
Management Board of Telekom Austria AG	up to 99,100 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 51,300 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 22,800 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 13,800 each
Management of Telekom Austria AG as well as affiliated companies with a strong impact on the success of the company	up to 10,200 each

Duration period, exercise period, waiting period: The second tranche of Telekom Austria AG's multi-year Stock Option Plan should be granted in January 2005 and the last exercise date for the options is the end of May 2009 (option life).

The options are subject to a 12-month blackout period from the time the option was granted (maturity period). After expiration of the maturity period, and after assessment of the achievement of the EPS target value 2005 by means of the audited consolidated financial statements of Telekom Austria AG according to US GAAP, the options can be exercised until the end of the option life, 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 second tranche, those eligible to receive options are required to hold an investment in company shares. For members of the Management Board of Telekom Austria, 15 options are granted per share held, for all others eligible to receive options 20 options are granted per share held. 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 2005 business year has been reached. Altogether up to 3,400,000 options will be issued in the tranche ESOP 2005+. According to the authorization by the Annual General Meeting, the options can be served by

new shares or by repurchased own shares 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:

Those eligible 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 quoted closing price on the Vienna Stock Exchange of the 20 trading days preceding the second to last day prior to the allocation day.

Exercising hurdles: In order to allocate and exercise the options of the second tranche ESOP 2005+, those eligible to receive options are required to hold a specified investment in company shares. For members of the Management Board of Telekom Austria, 15 options are granted per share held, for all others eligible to receive options 20 options are granted per share held. Exercising the options allocated in 2005 requires that the EPS target value determined for the 2005 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 2006 or 2007 business years - which must at least be in line with the EPS target value for 2005 - 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, December 21, 2004

The Management Board

The Supervisory Board