

Stock Option Plan ESOP 2007+

Upon approval by the Supervisory Board of Telekom Austria, approximately 4 million options were issued on January 8, 2007 within the scope of the fourth tranche of the Stock Option Program ESOP 2007+, with an option life of up to May 2011 and an exercise price of EUR 20.34.

As in the past three tranches, ESOP 2007+ is oriented towards the Management Board and other key managers with a strong impact on the success of the company. It thus comprises about 300 employees within the Telekom Austria Group. In order to allocate and exercise the options of the fourth tranche, those entitled to participate are required to hold an investment in company shares throughout the entire period: for every Telekom Austria share held the Management Board receives 25 options and the remaining participating managers receive 30 options.

Members of the Management Board of Telekom Austria AG receive 120,000 options with a maximum individual investment of 4,800 shares. Members of the Management Board of subsidiaries receive 70,020 options with a maximum specified investment of 2,334 shares; the remaining participating managers, according to their classification group, receive a maximum of 23,490 options with a maximum specified investment of 783 shares.

Under ESOP 2007+ approximately 4,05 million options were issued, whereby one option – in achieving the exercise hurdle – entitles to the purchase of a share at the exercise price of EUR 20.34.

Main Facts

Eligible for options:	about 300 employees including the Management Board
Share investment:	upfront investment of up to 4,800 shares; 25 options per share held for the Management Board, 30 options per share held for the rest of those granted options
Exercise price:	EUR 20.34
Exercise hurdle:	achievement of an EPS target determined by the Supervisory Board (Earnings per share)
Allocation:	January 8, 2007 - about 4.05 million options (subscription ratio 1:1)
Option life:	January 8, 2007 – May 31, 2011 / 4.5 years
Vesting period:	14 months from allocation
Settlement:	The company can choose to serve options through new shares, repurchased own shares or cash compensation

EPS Target Value as an Exercise Hurdle

Like for the first, second and third tranche, ESOP 2007+ continues to be oriented on the profitability of the company. Exercising the options that are allocated in 2007 requires that the EPS target value (earnings per share) determined by the Supervisory Board for the 2007 business year has been reached. If the EPS target value is not achieved for the 2007 business year, the options can still be exercised, provided that a certain EPS target value for the 2008 or 2009 business years determined by the Supervisory Board - which must at least be in line with the EPS target value for 2007 - is met.

Exercise Price, Target Value Achieved and Share Performance

The exercise price of EUR 20.34 is the average quoted closing price at the Vienna Stock Exchange during a period of 20

trading days ending two days before the granting of options (January 8, 2007). The options of the fourth tranche entitle those eligible to participate to acquire shares of Telekom Austria at an exercise price of EUR 20.34, however, these may only be exercised provided that the EPS target value has been reached.

If options are exercised, those eligible to receive options can make a profit – before income tax - from the difference between the share price on the day the options are exercised and the exercise price, multiplied by the number of allocated option notes. Thus, the future share performance of Telekom Austria stock will have an important impact on the profit gained.

Option Life, Vesting Period and Settlement

The fourth tranche ESOP 2007+ was issued on January 8, 2007 and can be exercised – provided that the EPS target value has been reached – until the end of May 2011 (option life).

Concretely, the options can only be exercised once the EPS target value for 2007 has been determined or upon publication of the annual results for 2007 up to the end of option life at the end of May 2011. Consequently, there is a vesting period of about 12 months as of issuing the options.

According to the authorization by the Annual General Meeting, the company can choose to serve options by new shares or by repurchased own shares, whereby the general blackout periods for trading stocks shall be observed according to the Compliance Code of Telekom Austria AG. Instead of delivering stocks the company can also provide cash compensation.

To issue the fourth tranche ESOP 2007+, on December 5, 2006 the Management Board decided to increase the share capital to up to EUR 9,814,500 (corresponds to 4.5 million shares, or 0.9% of the current share capital), provided that options issued in 2007 for ESOP 2007+ would be served.

The conditional capital increase will only take place to the extent that the options exercised within the scope of ESOP 2007+ will be served by new stocks. If the options exercised are served by means of repurchased own stocks or cash compensation, the decided increase in share capital will not be carried out.

 [News Release on the Occasion of the Publication of the Report on the Conditional Capital Increase](#)

Report by the
Supervisory
Board and
the
Management
Board
according to
Para 159 Sec
3 and Para
95 Sec 6 in
connection
with Para 159
of December
12, 2006 (in
German)
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