

Stock Option Plan ESOP 2008+

Within the scope of the Stock Option Program ESOP of Telekom Austria AG the tranche ESOP 2008+ was issued on January 7, 2008 with approximately 4.4 million options with option life of up to May 2012 and an exercise price of EUR 19.39.

As in the past four tranches, ESOP2008+ is oriented towards the Management Board and other key managers with a strong impact on the success of the company. It thus comprises about 330 employees within the Telekom Austria Group. In order to allocate and exercise of the ESOP2008+ option, 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 up to 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.

Main Facts

Eligible for options:	about 330 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 19.39
Exercise hurdle:	achievement of an EPS target determined by the Supervisory Board (Earnings per share)
Allocation:	January 7, 2008 - about 4.4 million options (subscription ratio 1:1)
Option life:	January 7, 2008 – May 31, 2012 / 4.5 years
Vesting period:	14 months from allocation
Settlement:	the company can choose to serve options through repurchased treasury shares or cash compensation

EPS Target as an Exercise Hurdle

ESOP 2008+ continues to be oriented on the profitability of the company. Exercising the options that are allocated in 2008 requires that the EPS target (earnings per share) determined by the Supervisory Board for the 2008 business year is reached. If the EPS target is not achieved for the 2008 business year, the options can still be exercised, provided that a certain EPS target for the 2009 or 2010 business years determined by the Supervisory Board - which must at least be in line with the EPS target for 2008 - is met.

Exercise Price, Target Value Achieved and Share Performance

The exercise price of EUR 19.39 is the average quoted closing price at the Vienna Stock Exchange during a period of 20 trading days the day before the granting date (January 7, 2008). The ESOP2008+ option entitle those eligible to participate to acquire shares of Telekom Austria at an exercise price of EUR 19.39, however, these may only be exercised provided that the EPS target 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

ESOP 2008+ was issued on January 7, 2008 and can be exercised – provided that the EPS target has been reached – until the end of May 2012 (option life).

Concretely, the options can only be exercised once the EPS target value for 2008 has been determined or upon publication of the annual results for 2008 up to the end of option life at the end of May 2012. Consequently, there is a vesting period of about 14 months as of issuing the options.

The conditional capital increase will only take place to the extent that the options exercised within the scope of ESOP 2008+ will be served by new stocks. If the options exercised are served by means of repurchased treasury stocks or cash compensation.