Report on Item 9 of the AGM Agenda

Report by the Management Board of Telekom Austria AG with Regard to the Authorization of the Management Board to Use or Sell Treasury Shares of the Company other than via the Stock Exchange or via Public Offer

Authorization

At the upcoming annual general meeting, the Management Board and the Supervisory Board of Telekom Austria AG intend to propose a resolution, which shall authorize the Management Board to buy back treasury registered or bearer shares in an amount up to 5 % of the share capital during a period of 18 months following the day of this resolution for a minimum consideration EUR 5 and a maximum consideration of EUR 15 per share. Following a share buy-back the Management Board shall be authorized to:

a) issue treasury shares to, be it with or without consideration to employees, managers and members of the Management Board/management of the company and its affiliated companies, and/or to use treasury shares to serve Performance Share Programs granted to such persons;

b) use treasury shares – also abroad – as consideration for the acquisition of enterprises, businesses or parts thereof, or shares of one or more companies;

c) sell treasury shares in accordance with Para 65 Sec 1b of the Stock Corporation Act (i) any time via the stock exchange or by public offer; (ii) for a period of 5 years from the day of this resolution in any way permitted by law, also other than via the stock exchange, whereby the Management Board is entitled to exclude the general purchase opportunity.

Since the use of shares for executive and employee participation programs and the use of treasury shares as consideration when acquiring enterprises, businesses or parts thereof and the exclusion of any general purchase opportunity if sold otherwise in substance amounts to excluding shareholders from their subscription rights according to Para 65 Sec 1b in connection with Para 153 Sec 4 Stock Corporation Act a written report to the annual general meeting is required.

The Management Board reports as follows:

1. Information on the Long Term Incentive Program

Telekom Austria Group introduced a Long Term Incentive Program (LTI) in 2010 aimed at Management Board members, executives and selected employees. Telekom Austria intends to focus executives with the LTI Program on the company value and to align the interests of executives with those of the shareholders. The longterm development of the company is the main concern of the LTI Program. Further, by provided holding periods executives shall sustainably be more closely associated with the company and the company be designed more attractive for executives. The LTI Program is designed in such a way that it can be repeated in the following years – subject to approval by the Supervisory Board. There is, however, no right to further share allocation in the following years.
The LTI Program is not based on options but on the performance-related allocation of shares. The LTI Program replaced the "ESOP" stock option program established in 2004. Participants in the LTI Program must hold an investment in Telekom Austria shares, depending on the annual gross basic salaries and the management-level of the eligible person, until the end of the holding period (at least three years). The amount of the investment complies with the defined number of the announced shares. For each tranche the number of shares granted is calculated based on the average Telekom Austria stock price for a defined period.
The performance period for meeting the performance targets was determined to be three years. Free Cash Flow, Total Shareholder Return and EBITDA were defined as key performance indicators. The target values for these key indicators as well as the achievable stock allotments are determined by the Supervisory Board at the beginning of each tranche. At the vesting date (at the earliest three years after issuance) bonus shares will be allocated for the issued Tranches 2010 and 2011 to the participants equaling the personal investment if the targets are fully met. This compensation may at the company's choice also be effected in cash, which was already determined for the tranches 2010 and 2011.
If the targets for the tranches 2010 and 2011 are exceeded more than 100 %, additional shares will be allocated on a pro rata basis, up to 175 % of the number of shares related to 100 % meeting the performance targets. In case of a significant underperformance no shares will be allocated.
In the course of the LTI Program in the year 2011 527,094 shares have been hold as personal investment. Thereof Hannes Ametsreiter holds 25,674 and Hans Tschuden 25,674 shares. The remaining number of shares is held by excutives.

Related to the tranche 2011 the equivalent value of 905,443 bonus shares maximum can bedistributed. The entitlement to bonus shares arising out of the LTI Program is not transferable.

2. Purpose of the Authorization to Use and/or Sell Treasury Shares, thereby Excluding the General Purchase Opportunity/Company Interests

Value enhancing growth projects are part of the company's strategy. The Management Board shall – inter alia – have the possibility to acquire enterprises, businesses or parts thereof or shares in companies to prepare a market entry or to strengthen an existing market position.

When acquiring enterprises, businesses or parts thereof, or shares in companies it may be advantageous to the company to use treasury shares as consideration, e.g. to compensate shareholders of a target company or if a seller insists on payment in shares rather than in cash. Also, purchase prices will frequently be lower when paid in treasury shares as opposed to cash. The cash requirement for such acquisitions will be reduced and the transaction will be accelerated, since existing shares can be used and no new shares have to be issued.

3. Sell of Treasury Shares

In addition, the Management Board shall be granted the flexibility to sell treasury shares.

The proposed authorization to sell treasury shares in any other way – also under exclusion of the general purchase opportunity – allows the Management Board to seize any existing selling opportunity quickly, flexibly and cost effectively. As the company acts in a fast changing environment requiring that it quickly and flexibly seize any market opportunities and cover any rising capital demand at short notice, the right to sell treasury shares under exclusion of the general purchase opportunity of the shareholders is of particular importance to the company. Excluding the time-consuming and costly administration of subscription rights of shareholders, the company is - by selling treasury shares - in a position to quickly cover any need for additional financial means which market opportunities arising at short notice might create. Accordingly, an optimal realization of treasury shares requires the authorization to sell treasury shares in any manner permitted by law – also other than over the stock exchange and under exclusion of the general purchase opportunity. For these reasons such a sale option – if required - will be advantageous to the company and to its shareholders.

4. Consideration of Interests

Considering the proposed authorization of the Management Board with respect to the use and/or the sale of treasury shares – even under exclusion of the general purchase opportunity – the interests of the company outweigh any disadvantage to the shareholders resulting from the exclusion of the general purchase opportunity whenever treasury shares are used and/or sold. For the types of use under lit a and b, this results from the provisions on conditional capital, which per se contain an exclusion of subscription rights. Hence, the exclusion of the general purchase opportunity is objectively justified.

Moreover, the requested authorization of the Management Board on the use and/or sale of treasury shares complies with the legal intention that stock corporations should make treasury shares available to the market rather than hold them.

Use and/or sale of treasury shares as well as fixing any terms and conditions for their use and/or sale require the consent of the Supervisory Board of the company.

Following a resolution on any restriction to use and/or sell treasury shares – and no later than two weeks prior to the relevant decision by the Supervisory Board – the Management Board shall publish a report according to applicable law.

Vienna, April 2012 The Management Board