

**TELEKOM AUSTRIA AG**  
Half Year Results 2011  
CONFERENCE CALL  
August 17th, 2011  
16:00 C.E.S.T.

MODERATORS:

MR. MATTHIAS STIEBER, HEAD OF INVESTOR RELATIONS

MR. HANNES AMETSREITER, CEO, TELEKOM AUSTRIA AG

MR. HANS TSCHUDEN, CFO, TELEKOM AUSTRIA AG

MATTHIAS STIEBER:

GOOD AFTERNOON LADIES AND GENTLEMAN. MATTHIAS STIEBER SPEAKING. THANK YOU VERY MUCH FOR JOINING OUR Q2 CONFERENCE CALL. I'M JOINED BY HANNES AMETSREITER, OUR CEO, AND HANS TSCHUDEN, OUR CFO WHO WILL LEAD YOU THROUGH THE PRESENTATION AND, AS USUAL, WE WILL TAKE YOUR QUESTIONS AFTER THE PRESENTATION. THANK YOU.

HANNES AMETSREITER:

I'LL GIVE YOU OPERATION AND FINANCIAL HIGHLIGHTS OF THE SECOND QUARTER 2011. MOBILE BROADBAND AND SMARTPHONES WHO HAVE SUBSCRIBERS NUMBERS IN ALL OPERATIONS. WE COULD SEE AND VERY GOOD DEVELOPMENT OF ESPECIALLY MOBILE BROADBAND IN ALMOST ALL OPERATIONS. IT IS ALSO NOTICEABLE THAT WE COULD SEE VERY NICE REVENUE DEVELOPMENT ESPECIALLY IN SERBIA AND ALSO MACEDONIA. SERBIA IS A PLUS OF 36 PERCENT AND MACEDONIA IS A PLUS OF 56 PERCENT.

BUNDLE PRODUCT STRATEGY PROVES INCREASINGLY SUCCESSFUL WITH CONTINUED ACCESS LINE GROWTH WITH FURTHER TREND TOWARDS AVERAGE REVENUE PER LINE STABILISATION. SO WHAT WE CAN SEE IN AUSTRIA THAT THE BUNDLE PRODUCT POLICY CLEARLY PAYS OFF. WE CAN CONTINUE THE TREND OF INCREASING CUSTOMER NUMBERS AND HERE WE BELIEVE WE REALLY FOUND SOMETHING WHICH GIVES US A QUITE NICE DEVELOPMENT IN THE (FIXMENT? 01:21) AREA IN AUSTRIA.

CONTINUATION OF CONVERGENT STRATEGY THROUGH AI SINGLE BRAND RELAUNCH. THIS, FOR US, WAS A VERY IMPORTANT STEP TO REALLY MAKE THE TRANSFORMATION FROM TWO BRANDS TO ONE BRAND AND TO REALLY POSITION OURSELVES AS OUT OF ONE HAND AND THEREFORE CREATE SOME EASE OF MIND IN THE BRAINS OF OUR CUSTOMERS SO THAT THEY RELY PREFER AND THAT'S WHAT THEY ARE TELLING US, AN OFFER WHICH IS CONSISTING OUT OF DIFFERENT SERVICES; MOBILE AND ALSO FIXED AND ALSO TV. SO THIS IS WORKING QUITE SMOOTHLY.

WE ACQUIRED B.NET IN CROATIA. AGAIN FOLLOWING THE CONVERGENT STRATEGY. THIS WAS APPROVED BY THE AGENCY NOW AND NOW ALSO IS THE BASE FOR A FURTHER CONVERSION PRODUCT BUNDLE DEVELOPMENT IN CROATIA. WE CAN SEE A VERY STRONG OPERATIONAL PERFORMANCE IN BELARUS, WHICH, ON THE OTHER HAND, WAS OVERSHADOWED BY 54 PERCENT RUBLE DEVALUATION. IMPAIRMENT IN BELARUS WILL NOT BE NECESSARY. (02:30)

WE SEE SOUND REVENUES AND EARNING TRENDS IN ADDITIONAL MARKETS, I ALREADY MENTIONED MACEDONIA AND ALSO SERBIA. GROUP REVENUES AND

EBITDA COMPARABLE DECLINED DUE TO REGULATORY EFFECTS CHALLENGING MACRO ECONOMIC SITUATION ESPECIALLY BELARUS AND FIERCE COMPETITION. THE GUIDANCE 2011 ADJUSTED FOR A LOW RUSSIAN RUBLE DEVALUATION; REVENUES APPROXIMATELY 4.5 BILLION, EBITDA COMPARABLE UP FROM 1.55 BILLION. DIVIDEND FLOOR OF 76 CENTS REITERATED FOR 2011 AND 2012. I WILL NOW HAND OVER TO HANNES TSCHUDEN.

HANS TSCHUDEN:

THANK YOU AND GOOD AFTERNOON, FROM MY SIDE I WILL LEAD YOU NOW THROUGH THE KEY FINANCIAL DEVELOPMENTS OF THE SECOND QUARTER. THE REVENUES DECLINED 5.1 PERCENT AND EBITDA RESPECTIVELY WITH 8.6 BUT DUE TO REGULATORY CUTS BUT ALSO DUE TO THE MACRO ECONOMIC CHALLENGES AND QUITE FIERCE COMPETITION IN MOST OF OUR MARKETS. THERE ARE ALSO A FIXED RELATED IMPACTS ON REVENUES WHICH ARE RESPONSIBLE FOR ABOUT HALF OF THE REDUCTION IN OUR REVENUE DEVELOPMENT RESPECTIVELY PLUS 20 PERCENT OF THE REDUCTION IN OUR EBITDA COMPARABLE. FOR RESTRUCTURING WE INCLUDED THE CHARGE OF €35 MILLION WHICH COVERS MORE THAN HUNDRED PEOPLE WHICH EITHER TOOK A SOCIAL PLAN OR WERE TRANSFERRED TO THE GOVERNMENT.

THE PROGRAMME, AS SUCH, IS ON PLAN. WE EXPECT TO REACH TOTAL OF APPROXIMATELY 700 FTE AT THE YEAR END AND THE TOTAL CHARGE FOR THE FULL YEAR WILL BE AN AMOUNT OF UP TO €250 MILLION. WE HAD NO IMPAIRMENT CHARGES TO BE TAKEN BASED ON OUR NEW BUSINESS PLAN WHICH WAS DEVELOPED AFTER THE DEVALUATION AND IN OUR FINANCIAL RESULT THERE IS A FX LOSS INCLUDED (ALL BACKED 04:44) WITH A LOWER, SMALLER AMOUNT. NET INCOME IS 20 MILLION FOR THE PERIOD WHEREAS LAST YEAR WE POSTED 69 MILLION AS NET INCOME FOR THE SECOND QUARTER.

NOW, LOOKING A LITTLE BIT MORE INTO THE REVENUE DEVELOPMENT, WHICH DECLINED FROM 1.168 MILLION TO 1.109 WHICH IS A MINUS 5.1 PERCENT REDUCTION. THE MAIN OR THE STRONGEST REDUCTION WE SEE IN THE AUSTRIAN MARKET, WHERE WE ON THE ONE SIDE AND POSITIVE IMPACTS FROM THE FIXED BROADBAND DEMAND AND ACCESS LINE GROWTH. ON THE OTHER SIDE WE HAD, AGAIN, IMPACTS FROM OUR DECLINE (05:24) FIXED VOICE MINUTES. THE GROWTH IN OUR MOBILE CUSTOMER BASE WAS DRIVEN BY NO FRILL CUSTOMERS AND, AS ALREADY MENTIONED, A BIG PART OF THE DECLINE ON THE GROUP, BUT ALSO IN AUSTRIA, IS DUE TO REGULATORY EFFECTS WHICH ARE RESPONSIBLE FOR ABOUT 50 PERCENT OF THE REDUCTION IN REVENUES, BUT THERE ARE ALSO SOME IMPACTS

ON OUR REVENUES DUE TO FIERCE COMPETITION AND RESPECTIVE PRICE PRESSURE ON OUR MOBILE SERVICE REVENUES.

IN BULGARIA WE HAVE A DECLINE OF 11 MILLION, WHERE ABOUT 50 PERCENT OF THIS DECLINE IS DUE TO ARPU RELEVANT ONE-OFF EFFECTS. WE HAD ALSO SOME LOWER, MOBILE TERMINATION RATES REFLECTING THE TIME DECLINE ON THE OTHER SIDE WE SAW AN INCREASE IN OUR FIXED LINE CUSTOMER BASE AND MOBILE CUSTOMER BASE DESPITE WEAK DOMESTIC DEMAND. AND, OF COURSE, WITH THE FIRST TIME CONSOLIDATION STARTING IN THE FIRST QUARTER, WE HAVE POSITIVE CONTRIBUTION FROM OUR FIXED LINE ACQUISITIONS IN THE BULGARIAN MARKET.

IN CROATIA WE SAW A DECLINE OF 10 MILLION WHICH REFLECTS THE ONGOING CHALLENGE IN MACRO ECONOMIC SITUATION AND REGULATORY EFFECTS ON THE OTHER SIDE, WE COULD CONTINUE OUR CONTRACT SUBSCRIBER GROWTH.

BELARUS POSTED VERY STRONG OPERATIONAL PERFORMANCE, WHICH WERE STRONGLY IMPACTED BY THE DEVALUATION. WE HAVE SEEN SUBSCRIBER GROWTH STRONGLY INFLUENCED AND DRIVEN BY THE DEMAND FROM MOBILE BROADBAND OFFERS. AND WHICH HELPED TO GROW OUR ARPU BY 15 PERCENT ON CONSTANT CURRENCY RESPECTIVELY MINUS 24 PERCENT AFTER THE DEVALUATION OF THE LOCAL CURRENCY, SO VERY STRONG OPERATIONAL SET OF RESULTS IN BELARUS. UNFORTUNATELY AFFECTED BY FX DEVALUATION.

NEXT COUNTRIES ARE POSITIVELY CONTRIBUTING TO AN INCREASE OR IN THE REVENUES. IN SLOVENIA WE SAW 5 MILLION HIGHER REVENUES WHERE WE COULD, THE IPHONE SALES IN SLOVENIAN MARKETS HELPED US TO POST THIS GROWTH. IN THE SERBIAN MARKETS WE BASED OUR GROWTH ON HIGHER CUSTOMERS, HIGHER CUSTOMER BASES AND MORE CUSTOMERS AND THE SAME IS TRUE FOR THE MACEDONIA MARKET WHERE CUSTOMER NUMBERS ARE GROWING AND CONSEQUENTLY ALSO REVENUES.

IF WE TURN NOW TO OUR EBITDA DEVELOPMENT COMPARED TO LAST YEAR, WE SEE A DECLINE OF 8.6 PERCENT TO €380 MILLION. AGAIN, THE BIGGEST DROP IS SHOWN IN AUSTRIA. WE ARE REGULATORY EFFECTS AND STRONG DEMAND FOR SMART PHONES COSTS AND IS DECLINE WHICH PARTLY COULD BE OFFSET BY (08:24) (SENIOR 08:25) COST MANAGEMENT WHERE WE REDUCED, PARTICULARLY MAINTENANCE AND REPAIR COST, WE HAD LOWER PERSONNEL EXPENSES WHICH WERE MAINLY DUE TO THE ACCEPTANCE OF SOCIAL PLANS.

IN BULGARIA WE HAVE AN EXTRAORDINARY EFFECT IN OUR OTHER OPERATING INCOME, WHICH HELPS TO REDUCE THE DECLINE OF OUR EBITDA. ON THE OTHER

SIDE WE HAD SOME OPEX, HIGH OPEX DUE TO BAD DEBT PROVISIONS ON THE COST SIDE.

IN CROATIA, WE BOOKED SEVERANCE PAYMENT FOR THE SOCIAL PLAN WE PUT IN PLACE TO REDUCE THE WORKFORCE, WHICH AMOUNTS TO €7 MILLION AND (UNCLEAR 09:10) THE MAJORITY OF THE DECLINE, OR EXPLAINED THE MAJORITY OF THE DECLINE. WE HAD VARIOUS STRONG AND STRICT COST CONTROL MEASURES IN PLACE WHICH HELPED TO MITIGATE THE IMPACT OF DECLINING REVENUES.

IN BELARUS WE HAVE A NEGATIVE IMPACT OF 17 MILLION FROM FIXED DEVALUATION, SO THE WHOLE DECLINE WHICH IS CLOSE TO 9 MILLION IS EXPLAINED BY (RED 09:34) OR IN OTHER WORDS OPERATIONAL PERFORMANCE SHOW THE GROWTH DUE TO THE LOWER EXCHANGE RATE NOW, WE SEE...BUT WE HAD TO BOOK DECLINE IN OUR EBITDA FROM BELARUS.

SLOVENIA, SERBIA AND MACEDONIA ARE OUR ADDITIONAL MARKETS, ALL OF THEM ARE CONTRIBUTING POSITIVELY TO THE EBITDA, MAINLY DRIVEN BY HIGHER CUSTOMER BASE AND USAGE AS WELL AS THE FLAT COSTS DEVELOPMENT IN SERBIA.

LOOKING TO OUR CASH FLOW DEVELOPMENT, CASH FLOW BEFORE OPERATIONS, CAPITAL OPERATIONS BEFORE WORKING CAPITAL ADJUSTMENTS AMOUNTS TO €350 MILLION WHICH IS A DROP OF 8.6 PERCENT AND FULLY REFLECTS THE OPERATIONAL PERFORMANCE. WE HAD FURTHER 8 MILLION TO BE SPENT ON ADDITIONAL WORKING CAPITAL NEEDS AND WE SPENT 156/7 MILLION FOR CAPEX IN THE SECOND QUARTER, WHICH RESULTS IN A FREE CASH FLOW OF €155 MILLION. HERE TO BE MENTIONED THAT WORKING CAPITAL NEEDS IN THE FIRST HALF OF THIS YEAR AMOUNTING TO MORE THAN €220 MILLION WILL BE OFFSET IN THE SECOND HALF AND WE DO EXPECT TO HAVE A SIMILAR LEVEL OF WORKING CAPITAL AS LAST YEAR.

I HAND BACK TO HANNES WHICH WILL GUIDE YOU THROUGH SOME FOCUS POINT OF OUR OPERATIONAL PERFORMANCE IN THE SECOND QUARTER. (10:55)

HANNES AMETSREITER:

LET ME LEAD YOU THROUGH THE DIFFERENT COUNTRIES. STARTING WITH AUSTRIA, WE MENTIONED THAT WE REBRANDED OUR AI BRANDS AND WE ARE NOW USING IT AS A SINGLE BRAND IN AUSTRIA BESIDES OUR (UNCLEAR 11:09) BRAND. THIS RELAUNCH WORKED PRETTY WELL WITH SELLING OUR SMARTKOMBI PRETTY SMOOTHLY

MOVING TO SLOVENIA, SLOVENIA IS SHOWING VERY DEVELOPMENT. WE ARE THE ONLY ONE OFFERING IPHONE IN THE COUNTRY. WE'RE ALSO OFFERING (CALLED

11:26) SERVICES AND WE JUMPED ALREADY OVER THE 30 PERCENT MARKET SHARE THRESHOLD WHICH WE CROSSED JUST RECENTLY.

CROATIA, AS WE MENTIONED, WE ACQUIRE B.NET AND WE ANNOUNCED THAT WE WOULD ENTER THE NEXT PHASE BEING ABLE TO OFFER SOME (CONVERGENT 11:44) BUNDLES.

BELARUS, WE ALREADY MENTIONED IT WE SEE A VERY INTERESTING GOOD DEVELOPMENT IN MOBILE BROADBAND. OPERATIONALLY THE DEVELOPMENT IS GOOD.

BULGARIA SEEMS TO BE A DIFFERENT MACRO ECONOMIC SITUATION IN THE COUNTRY. WE ARE WORKING ON SOME INNOVATIONS HD VOICE, IPTV VIA FTTH ET CETERA, SO HAVING AN EXCELLENT NETWORK AND USING THIS OPPORTUNITY OF TRIPLE OR QUADRUPLE PLAY (UNCLEAR 12:18) IN BULGARIA.

ON THE TOPIC OF MACEDONIA, WE SEE VERY GOOD MARKET SHARE DEVELOPMENT BETWEEN 22 AND 23 PERCENT MARKET SHARE WHICH, I BELIEVE, AN EXTREMELY GOOD DEVELOPMENT. SINCE WE ONLY STARTED IN THE SECOND HALF OF '07. WE ARE IN MACEDONIA ALREADY, WE ALREADY REACHED BREAKEVEN NOW, IT WAS PLANNED LATER.

THE REPUBLIC OF SERBIA, GOOD VERY NEW DEVELOPMENT, A GROWTH OF 36 PERCENT AND HERE WE ARE, AS WELL, WELL POSITIONED AND DRIVE THE OPERATION PRETTY OKAY.

MOVING TO THE NEXT SLIDE COMING TO AUSTRIA AGAIN. WHAT IS NAMED HERE, FIRST OPERATOR IN AUSTRIA TO FOLLOW VALUE APPROACH MEANS THAT WE INCREASED PRICES AND WE COULD SEE THAT IN FIXED LINE AS WELL AS IN MOBILE ALSO ALL THE COMPETITORS OR ALMOST ALL OF THEM FOLLOWED THAT MOVED. WHAT DID WE DO? WE INTRODUCED A SIM CHARGE; SIM CHARGE OF €19.90 PER YEAR FOR NEW CUSTOMERS AND THOSE WHO CHANGE TARIFFS. WE ALSO INTRODUCED INTERNET SERVICE FEE (13:34) OF €15 PER YEAR FOR NEW AND EXISTING CUSTOMERS, THAT IS, WAS A CHANGE ALSO IN THE CONTRACT OF THE EXISTING CUSTOMERS.

WHAT DOES IT BRING? IT WILL BE THIS YEAR IN 2011 A TOTAL OF THE TWO, OF SIM CHARGE AND INTERNET SERVICE FEE, OF AROUND €11 MILLION, NEXT YEAR WE'RE TALKING ABOUT €20 MILLION PLUS IMPACT OF THAT MOVE. I'M NOW HANDING AGAIN OVER HANS.

HANS TSCHUDEN:

I WOULD LIKE TO SHOW YOU SOME MORE SLIDES ABOUT THE ENVIRONMENT AND THE IMPLICATIONS OF OUR OPERATION IN BELARUS. THE LAST YEAR, WE HAVE SEEN QUITE A STABLE FIXED RATE AROUND 4,100 BELARUSIAN RUBLE TO THE EURO AND

THEN IN MAY THERE WAS A STEEP INCREASE OF THE (UNCLEAR 14:30) DEVALUATION OF THE LOCAL CURRENCY AMOUNTING TO A NEW EXCHANGE RATE OF €7,100 WHICH IS CURRENTLY THE OFFICIAL RATE. UNFORTUNATELY AT THAT RATE IT IS HARDLY POSSIBLE TO CHANGE FROM LOCAL CURRENCY INTO HARD CURRENCY SO WE CANNOT EXCLUDE THE POSSIBILITY OF THE PRODUCT DEVALUATION LOOKING INTO THE FUTURE.

IN PARALLEL REFINANCING RATES HAVE ALSO INCREASED SIGNIFICANTLY FROM 10 PERCENT TO 18 PERCENT AND DUE TO THE MORE EXPENSIVE IMPORT NOW INFLATION HAS JUMPED FROM 9 PERCENT TO 42 PERCENT IN JUNE THIS YEAR. GOVERNMENT IS TRYING TO MITIGATE THE IMPACT OF THE DECLINING LEVEL OF HARD CURRENCY RESERVES, THEY HAVE ASKED TO LOANS TO THE RUSSIAN GOVERNMENT, THERE ARE TALKS ABOUT THAT RUSSIA IS GOING TO PROVIDE THESE LOANS UNDER CERTAIN CONDITIONS. THESE CONDITIONS ARE CERTAIN ASSETS, STRATEGIC ASSETS ARE GOING TO BE PRIVATISED. WE HAVE NOT YET SEEN MOVES THAT THAT IS GOING TO HAPPEN, BUT I THINK THAT'S SOMETHING WHICH WOULD BE REQUIRED IN ORDER TO GET MONEY OUT OF THESE LOAN FACILITIES. SIMILAR DISCUSSIONS ARE ONGOING WITH THE IMF FOR FREE FLOAT LOAN AND FOR A LOAN WHERE THE CURRENCY FREE FLOAT IS THE PRE-CONDITION, SO THEREFORE WE HAVE NOT SEEN THIS HAPPENING. CONSEQUENTLY, THERE IS NO PAY-OUT YET, OUT OF THIS LOAN FACILITY. SUMMARISING ALL THESE INDICATIONS, WE REMAIN CAUTIOUS ABOUT THE FUTURE OF FIXED DEVELOPMENT OF THE BELARUSIAN RUBLE AND, AS I SAID ALREADY, A FURTHER DEVALUATION CANNOT BE EXCLUDED.

NOW WHAT IS THE IMPACT ON OUR OPERATION IN, DUE TO THE DEVALUATION? IN REVENUES WE HAVE SEEN THAT WE (MISS 16:38) AROUND €37 MILLION WHICH WOULD HAVE BEEN THE DEMAND, OUR REVENUES WOULD BE HIGHER AT CONSTANT CURRENCY RATES (16:50). THERE ARE FIXED EFFECTS ON EBITDA AROUND 17 MILLION FOR THE SECOND QUARTER. ON THE OTHER SIDE, WE REACTED BY CUTTING BACK ON THE CAPEX, THE CAPEX VOLUME OF LAST YEAR, AT THE SECOND QUARTER, WAS AROUND 10 MILLION. THIS SECOND QUARTER WE ONLY SPENT 4.4 MILLION SO WE HAVE REACTED TO THIS DEVALUATION, BUT ONLY ON THE CAPEX SIDE, WE'VE ALSO ANNOUNCED A PRICE INCREASE OF AROUND 10 PERCENT ON 24<sup>TH</sup> OF JUNE AND UP TO NOW WE ARE NOT NOTICING ANY MATERIAL ELASTICITY FROM OUR CUSTOMERS SO USAGE IS FAIRLY CONSTANT.

WE ARE STILL SELLING HANDSETS, ALTHOUGH AT MUCH LOWER NUMBERS THAN WE USED TO IN THE PAST. STILL WE'RE GENERATING A CERTAIN MARGIN ON THIS SALE AND THIS RESPECT BELORUSSIA IS, AGAIN, AN EXCEPTION. IT'S ONE OF THE FEW

COUNTRIES WHERE WE SELL HANDSETS WITH MARGINS. DUE TO SOME TASKS WE HAVE, SEEMS WITH SOME EFFORTS WE'VE ALREADY DONE LAST YEAR THE OPEX TO CAPEX IMPACT AFTER DEVALUATION IS LIMITED BECAUSE WE WERE HARDLY...WE WERE STRONGLY WORKING ON REDUCING THE OPEX AND CAPEX PROPORTION WHICH IS TO BE PAID IN HARD CURRENCIES.

CURRENTLY ABOUT 30 PERCENT OF THE OPEX AND 70 PERCENT CAPEX IS STILL IN HARD CURRENCY AND WILL CONTINUE TO FOCUS ON FURTHER REDUCTION IN THIS RESPECT. VELCOM DID NOT PARTICIPATE IN A POTENTIAL TENDER FOR AN LTE FREQUENCY OF 2.6 GIGAHERTZ BECAUSE WE STRONGLY BELIEVE THAT IT'S NOT YET THE TIME TO GO INTO THE NEW TECHNOLOGY STEP WHEREAS WE ARE ADJUSTING TO THIS (UNCLEAR 18:49) SERVICES LAST YEAR FOR THE COUNTRY.

ON THE NEXT PAGE WE MADE A CALCULATION ABOUT THE FULL-YEAR EBITDA AND OPERATING FREE CASH FLOW IMPACT AFTER DEVALUATION AND WE EXPECT OUR EBITDA TO BE IMPACTED BY 40 TO 50 PERCENT. RESPECTIVELY OUR OPERATING FREE CASH FLOW (UNCLEAR 19:11) 40 TO 50 MILLION NOT PERCENT ON EBITDA AND OUR OPERATING FREE CASH FLOW IS IMPACTED BY 30 TO 40 MILLION. THE IMPAIRMENT THAT HAVE MADE HAS SHOW THAT OUR BOOK VALUE OF OUR ASSETS IS FULLY COVERED BY THE FUTURE CASH FLOWS, SO THERE IS NO IMPAIRMENT REQUIREMENT AND CONSEQUENTLY NO IMPAIRMENT CHARGE TO BE TAKEN.

THE LAST TWO PAGES ARE OUR OUTLOOK, WE HAVE REDEFINED THE ADJUSTED OUTLOOK FOR THE FX IMPACT IN BELORUSSIA. WE EXPECT REVENUES TO BE APPROXIMATELY €4.5 BILLION, OUR EBITDAs WOULD BE UP TO €1.55 BILLION (19:58); CAPEX IN THE RANGE OF €750 TO €800 MILLION SHOULD GIVE US AN OPERATING FREE CASH FLOW OF UP TO 800 MILLION AND THE DIVIDEND IS UNCHANGED; GUIDANCE SHOULD GIVE FLOOR OF 76 CENTS PER SHARES AS A MINIMUM LEVEL RESPECTIVELY 55 PERCENT OF CASH FLOW SHOULD BE PAID OUT AS DIVIDEND.

THE ADJUSTMENT IN EBITDA COMPARABLE OF THE GUIDANCE FROM 1.6 TO 1.55 (MILLION 20:30) IS FULLY ATTRIBUTABLE TO THE DEVALUATION. IN BELARUS ALL THE OTHER COUNTRIES ARE PERFORMING ACCORDING TO OUR EXPECTATIONS.

THAT WAS, IN SHORT, OUR PRESENTATION AND WE ARE HAPPY NOW TO ANSWER THE QUESTIONS YOU HAVE.

OPERATOR:

LADIES AND GENTLEMEN, THIS IS THE CHORUS CALL CONFERENCE OPERATOR. WE WILL NOW BEGIN THE QUESTION AND ANSWER SESSION. ANYONE WHO WISHES TO ASK A QUESTION MAY PRESS STAR AND ONE ON THEIR TOUCH TONE TELEPHONE. IF YOU WISH TO REMOVE YOURSELF FROM THE QUESTION QUEUE, YOU MAY PRESS

STAR AND TWO. ANYONE WHO HAS A QUESTION MAY PRESS STAR AND ONE AT THIS TIME. THE FIRST QUESTION COMES FROM HANNES WITTIG FROM J.P. MORGAN. PLEASE GO AHEAD SIR.

HANNES WITTIG: YES, GOOD AFTERNOON. I'VE TWO QUESTIONS ACTUALLY. FIRST RELATED TO THE DIVIDEND WHERE YOU HAVE REITERATED THE FLOOR OF 76 CENTS FOR 2011/12. I JUST WONDERED IF THAT STATEMENT HAS THE FULL SUPPORT OF THE SUPERVISORY BOARD AT THIS POINT IN TIME. AND SECONDLY I WOULD BE GRATEFUL FOR A LITTLE BIT OF GUIDANCE RELATED TO THE OUTLOOK FOR B.NET IN CROATIA LAST YEAR ON A PRO-FORMA BASIS REVENUES GREW 44 PERCENT AND THE EBITDA JUMPED FROM ONE MILLION TO EIGHT MILLION BUT, OF COURSE, WOULD BE INTERESTING TO SEE WHAT IS THE SORT OF MORE NORMALISED OUTLOOK BASED ON THE CURRENT OPERATING MOMENTUM OF THE ASSETS. THANK YOU.

HANNES AMETSREITER: I'M TAKING THE FIRST QUESTION. SO, CONCERNING THE DIVIDEND OUTLOOK THERE'S NO PERSON IN THE SUPERVISORY BOARD (UNCLEAR 22:17) THAT STRATEGY AT THE MOMENT. SO, I MEAN THERE IS ACTUALLY ALIGNMENT ON THAT TARGET WE'RE HAVING.

HANS TSCHUDEN: REGARDING, REGARDING B.NET, OF COURSE, THE GROWTH RATES WE'VE SEEN IN THE LAST YEARS (22:36)...LAST YEAR WILL NOT BE REPEATABLE FOR THIS YEAR BUT THE COMPANY IS WELL ON TRACK WITH ITS BUSINESS, WITH ITS BUDGET AND ACHIEVING TARGET THEY HAVE SET THEMSELVES FOR THIS YEAR SO WE QUITE CONFIDENT THAT THEY SEE A DOUBLE DIGIT EBITDA CONTRIBUTION ON A FULL-YEAR BASIS. OF COURSE, IT IS ONLY IN OUR RESULT AS OF MIDDLE OF APRIL SO WE ARE NOT YET FULLY BENEFITTING FROM THIS VERY POSITIVE DEVELOPMENT.

HANNES WITTIG: THANK YOU, THAT'S GREAT.

OPERATOR: THE NEXT QUESTION COMES FROM HUGH MCCAFFREY FROM GOLDMAN SACHS. PLEASE GO AHEAD SIR.

HUGH MCCAFFREY: GOOD AFTERNOON GUYS, I HAVE TWO QUESTIONS ON AUSTRIA PLEASE. FIRSTLY, THE MONTHLY FEES IN TRAFFIC REVENUE DECLINED, SLOWED DOWN POINT 9 PERCENT YEAR-ON-YEAR IN THE QUARTER FROM MINUS 3.2 PERCENT IN THE FIRST QUARTER. SHOULD WE EXPECT THAT IMPROVEMENT TO CONTINUE? AND SECONDLY JUST ON THE RESTRUCTURING ACTIVITY, YOU'RE DOING MUCH MORE IN 2011 THAN YOU HAVE DONE IN THE LAST THREE OR FOUR YEARS CAN YOU GIVE US OR QUANTIFY RATHER THE IMPACT THAT THIS IS GOING TO HAVE ON THE COST BASE IN AUSTRIA IN 2012? THANKS.

HANNES AMETSREITER:

STARTING WITH THE RESTRUCTURING, WE ALREADY SAID AT THE BEGINNING OF THE YEAR THAT WE PART €350 MILLION FOR RESTRUCTURING PURPOSE. WE'VE ALREADY SPENT IN THE FIRST HALF 290, SO THE MATURE PART OF IT THERE'S ANOTHER €31 MILLION TO COME IN THE NEXT SIX MONTHS SO BY FAR, LESS THAN IN THE FIRST HALF. SO THIS IS WHAT WE ARE DOING AND THIS IS THE IMPACT WHICH WE ARE SEEING ON THE BUSINESS, BUT YOU ARE RIGHT THAT WE ARE NOW DOING MUCH MORE SO THAT'S ONE ASPECT OF THE PROGRAMS WE ARE RUNNING. THE OTHER ASPECT IS THAT WE ARE NOW ALSO TOUCHING THE PEOPLE SITTING IN THE POOL, WHICH MEANS THEY ARE SITTING AT HOME AT THE MOMENT WITH NO WORK. WE ARE BRINGING THEM BACK AGAIN TO SERVICE COM TO EITHER GET SOME MONEY FOR THEIR WORK WHICH COULD BE EITHER INTERNALLY OR EXTERNALLY. SO I MEAN THESE ARE THE ACTIVITIES WE ARE RUNNING IN THE SECTOR OR EMPLOYEES OR WHO ARE UNEMPLOYED.

HUGH MACCAFFREY:

CAN I JUST CLARIFY THAT A LITTLE BIT PLEASE. WHAT I WAS TRYING TO GET AT IS WHAT KIND OF REDUCTION IN EMPLOYEE COST DO YOU EXPECT I.E. WHAT KIND OF (UNCLEAR 25:21) SUPPORT ON 2012 EBITDA. DO YOU EXPECT TO HAVE FROM THE PROVISIONS YOU'RE TAKING THIS YEAR? (25:28)

HANNES AMETSREITER:

WHAT WE ARE TRYING IS TO REALLY HAVE PERSONAL EXPENSES FLAT IN 2012.

HUGH MACCAFFREY:

OKAY, GREAT THAT'S CLEAR. THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM LUIS PROTA FROM MORGAN STANLEY. PLEASE GO AHEAD SIR.

LUIS PROTA:

YES, THANK YOU. I HAVE TWO QUESTIONS PLEASE. FIRST IS ON BELARUS ON THE PRICE INCREASE OF 10 PERCENT IN LATE JUNE THAT YOU HAVE PUT IN PLACE. THE QUESTION IS WHETHER COMPETITION HAS FOLLOWED AND WHETHER THESE PRICE HIKES ARE GOING TO REMAIN IN PLACE OR WHETHER YOU ANTICIPATING ANY REACTION FROM COMPETITION LEADING YOU TO MAYBE CHANGE OR FINE-TUNE PRICES DOWN AS IT HAPPENED LAST TIME THAT WE ARE ADJUSTING PRICES FOR CURRENCY DEVALUATION IN BELARUS. THE SECOND QUESTION IS ON AUSTRIA, UNDER THE LOWER DECLINING AVERAGE FOR REVENUE PER LINE, I'M INTERESTED ON HEARING YOUR THOUGHTS ON THE KEY DYNAMICS BEHIND THAT. YOU HAVE BEEN MENTIONING THE POSITIVE DEVELOPMENT IN TERMS OF ACCESS LINES BUT OBVIOUSLY REVENUE PER LINE IS REVENUE PER LINE, SO THERE'S SOMETHING ELSE GOING ON PROBABLY THE ACCESS FROM BUNDLES OR SOMETHING THAT I'D LIKE YOU TO ELABORATE ON. AND IF THE REASON BEHIND THE SUCCESS OF THIS IS THE BUNDLE WHETHER YOU COULD PROVIDE US WITH THE NUMBER OF BUNDLES SOLD

SO FAR AND HOW THAT COMPARES WITH, MAYBE, LAST YEAR OR YEAR-END 2010.  
THANK YOU.

HANS TSCHUDEN:

STARTING WITH THE QUESTION CONCERNING BELARUS, THE PRICE INCREASE WAS NOT YET FOLLOWED BY OUR COMPETITOR (UNCLEAR 27:15), BUT AS FAR AS WE KNOW THEY LOOK AT IT VERY POSITIVELY. SO IT'S TOO EARLY TO SAY THAT THEY WILL FOLLOW BUT I WOULD SAY THERE WOULD BE A GOOD CHANCE FOR IT. COMING TO AUSTRIA AND COMING TO THE AVERAGE REVENUE PER LINE DEVELOPMENT, WHAT WE ARE DOING IS HEAVILY CROSS SELLING. SO I MEAN FOR INSTANCE WE'RE USING THIS OPPORTUNITY OF FTTC AND FTTH OPPORTUNITIES WHICH WE'RE HAVING IN THE MARKET AND WE'RE TRYING TO CROSS-SELL OUR CUSTOMERS AT PREMIUM ACCESS LINE, WHICH MEANS IF YOU ARE MOVING FROM EIGHT (MEGABIT 27:58) WHICH IS THE STANDARD PRODUCT TO SIXTY (MEGABIT 28:01) OR THIRTY (MEGABIT 28:02), THIS IS NOT OUR FULL €4.90 OR €14.90 FOR INSTANCE TO MAKE THAT STEP UP TO THAT PRODUCT (28:10).

WE WILL START SOON WITHIN THE NEXT WEEKS ALSO IN (UNCLEAR 28:14) WITH FTTH AND FTTD. THIS THEN WILL ALSO INCLUDE 100 (MEGABIT 28:19) PACKAGE, SO I MEAN THIS IS WHAT WE ARE DOING TO REALLY STABILISE AND THESE ARE OUR IMMENSE AND EXTENSIVE ACTIVITIES IN THAT AREA TO REALLY FIND A NICE AVERAGE REVENUE PER LINE. SO WE SEE IT AS STAYING PRETTY STABLE.

LUIS PROTA:

OKAY, THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM JACOB BLUESTONE FROM CREDIT SUISSE. PLEASE GO AHEAD SIR.

JACOB BLUESTONE:

HI THERE, THANK YOU VERY MUCH. I JUST TWO QUESTIONS; FIRSTLY IN BELARUS, DO YOU THINK IT WOULD BE POSSIBLE TO RAISE PRICES BEYOND THE 10 PERCENT HIKE THAT YOU'VE PUT THROUGH. OBVIOUSLY IF YOU'RE FACING 42 PERCENT INFLATION THE PRICE IS OBVIOUSLY DOWN AROUND THE A THIRD IN REAL TERM AND THEN SECONDLY JUST IN TERMS OF YOUR PAYOUT POLICY. YOU'VE OBVIOUSLY SAID YOU'RE PAYING 76 CENTS MINIMUM AT LEAST, 55 PERCENT OF YOUR FREE CASH FLOW BUT I REALLY JUST WANTED TO FIND OUT, IS A CEILING TO THE FREE CASH FLOW PAYOUT RATIO THAT YOU WOULD BE WILLING TO GO TO SO YOUR FREE CASH FLOW IS FALLING BY OVER 20 PERCENT CURRENTLY. AND OBVIOUSLY THAT MEANS YOUR PAYOUT RATIO IS GOING UP OVER THE NEXT COUPLE OF YEARS, SO MAYBE CAN YOU GIVE US A SENSE OF HOW HIGH A PAYOUT RATIO WOULD YOU BE WILLING TO GO TO OVER THE NEXT FEW YEARS?

HANNES AMETSREITER: FIRST OF ABOUT PRICE INCREASE, BELARUS WE HAVE TO BE CAREFUL WITH THE PRICE INCREASES IN ORDER NOT TO GET POLITICAL REACTION AS WE HAD IT IN THE LAST TIME. THIS DOES NOT INCLUDE THE FURTHER STEPS SHOULDN'T FOLLOW, BUT WE HAVE TO BE THERE SENSIBLE IN A WAY WHEN AND HOW TO INTRODUCE IT. REGARDING PAYOUT RATIO, WE HAVE COMMITTED FOR THIS IN THE (UNCLEAR 30:14) FOR THE 76 CENTS AS A MINIMUM PAYOUT AND AFTERWARDS IT'S THE 56 PERCENT PAYOUT OF THE FREE CASH FLOW WITH THE CURRENT DIVIDEND POLICY WE HAVE ANNOUNCED AND WE ARE STICKING TO.

JACOB BLUESTONE: AND SO, JUST TO BE CLEAR, JUST TO CHECK THE 55 PERCENT EXTENDS BEYOND 2012, IS THAT CORRECT?

HANNES AMETSREITER: WITH 2013 IT'S THE 55 PERCENT FREE CASH FLOW, YES (30:38).

JACOB BLUESTONE: OKAY, BUT NO DIVIDEND FLOOR OF 76 CENTS?

HANNES AMETSREITER: EXACTLY.

JACOB BLUESTONE: GREAT, THANK YOU.

OPERATOR: THE NEXT QUESTION COMES FROM MICHAEL BISHOP FROM BARCLAYS CAPITAL. PLEASE GO AHEAD SIR.

MICHAEL BISHOP: THANKS, COUPLE OF QUESTIONS PLEASE. FIRSTLY JUST TO CONFIRM THE WORKING CAPITAL COMMENTS THAT YOU DO EXPECT IT TO ADD SIMILAR ABSOLUTELY LEVEL TO 2010 I.E. AN OUTFLOW OF SORT OF EIGHTY TO HUNDRED MILLION AND THAT MEANS THAT THE EXTRA HUNDRED MILLION OUTFLOW WE SAW IN 1Q WILL PROBABLY REVERSE IN THE SECOND HALF 2011. THEN THE SECOND QUESTION, THERE'S BEEN A LITTLE BIT OF TALK ABOUT A FOURTH OPERATOR IN BULGARIA AND THE REGULATOR TALKING ABOUT GIVING THEM SOME SPECTRUM SO JUST WANTED TO GET YOUR THOUGHTS ON THAT AND HOW SERIOUS YOU THINK THAT IS. THIRDLY, THERE'S BEEN SOME NICE PRICE INCREASES IN SLOVENIA AS WELL AND, OBVIOUSLY, WE'VE SEEN, PRICE INCREASES IN AUSTRIA, COULD YOU JUST GIVE US A BIT MORE COLOR ON WHETHER THERE IS ANY OTHER REGIONS WHERE YOU MIGHT POSSIBLY BE ABLE TO PUT THROUGH PRICE INCREASES OR ARE THINGS STILL A BIT TOUGH TO BE ABLE TO DO THAT? THANKS VERY MUCH.

HANNES AMETSREITER: MAYBE STARTING WITH THE LAST QUESTION, TALKING ABOUT PRICE INCREASES OF COURSE IT WAS THE KIND OF TESTING IN AUSTRIA WHAT CAN BE ACHIEVED AND I ALREADY TOLD YOU WHAT (UNCLEAR 31:55) BE FOR THIS YEAR YOU KNOW ITS FOR NEXT YEAR. SO I BELIEVE IT IS A SIGNIFICANT STEP AND ALSO SHOWS IF IT REALLY MAKES ECONOMIC SENSE THAT MAYBE OUT OF THE FOLLOW. WE MADE ALSO (UNCLEAR 32:06) IN SLOVENIA JUST BRIEFLY LAST TWO WEEKS THAT WE INCREASES

PRICES ON TARIFFS AND WE ARE, OF COURSE, TESTING AND EVALUATING ALL OPPORTUNITIES WITHIN THE GROUP. IF THERE IS ANY CHANCE TO HAVE HIGHER VALUE CREATION. I MEAN THIS IS PART OF THE GAME IN THINKING ABOUT THE FUTURE AND THINKING ABOUT OPPORTUNITIES WHICH WE ARE HAVING ON THAT MARKETS.

HANS TSCHUDEN: REGARDING THE WORKING CAPITAL YOU ARE RIGHT, WE DO EXPECT THE RELEASE OF FUNDS IN THE SECOND HALF FROM WORKING CAPITAL SO THAT THE CASH WE GENERATING TO FINANCE WORKING CAPITAL WILL BE (32 48) A SIMILAR LEVELS AS IN 2010.

REGARDING A FOURTH LICENCE IN BULGARIA, WE SEE NO BUSINESS CASE WERE BOTH OPERATOR ADVANCING ADDITIONAL (LINKS 33:00) IN THE NEW INFRASTRUCTURE IN THE LOCAL MARKET SO WE ARE QUITE RELAXED ON THIS IDEA OF THE LOCAL GOVERNMENT.

MICHAEL BISHOP: THANKS VERY MUCH, (OPERATOR 33:14)

OPERATOR: THE NEXT QUESTION COMES FROM BERND MAURER FROM RCB. PLEASE GO AHEAD SIR.

BERND MAURER: GOOD AFTERNOON, SOME BRIEF QUESTIONS PLEASE. FIRST YOU MENTIONED IN THE SLIDES THAT YOU HAD SOME ARPU RELEVANT ONE-OFF EFFECTS IN BULGARIA. CAN YOU PLEASE ACTUALLY EXPLAIN THOSE EFFECTS? SECOND THE TWO NEW BONDS IN YOUR PRESENTATION YOU STATED THEN, HARD CURRENCY OPEX PORTIONS (BELARUS 33:42) CAN YOU PLEASE REPEAT IT? MY LAST QUESTION IS, REGARDING THE SIM CHARGE IN AUSTRIA, YOU IN THE PRESENTATION YOU MENTIONED THAT YOU EXPECT FOR 2012 FIGURE ABOUT TWENTY MILLION. CAN YOU STATE WHICH PORTION OF CUSTOMERS YOU SEE TO HAVE (NEW NEW 34:02) CONTRACTS BY THE END OF NEXT YEAR THAT YOU ARE ABLE TO CHARGE THE CLIENT €19.

HANNES AMETSREITER: REGARDING THE CAPEX IN BELARUS THE ABSOLUTE AMOUNT IN CAPEX IS SPENT IN THIS SECOND QUARTER WAS 4.4 MILLION WHEREAS IN THE FIRST QUARTER WE SPENT 10.2 AND ON THE CAPEX ITSELF IS ABOUT 70 PERCENT OF THE CAPEX WE SPEND IS IN HARD CURRENCIES.

BERND MAURER: AND REGARDING OPEX, THAT'S THE FIGURE I'M LOOKING.

HANNES AMETSREITER: IT WAS 30 PERCENT.

BERND MAURER: 30 PERCENT, THANK YOU.

HANS TSCHUDEN: THE ONE-OFFS IN BULGARIA ARE RELATED TO OUR ANNUAL BILLING SYSTEM WHICH HAS BEEN INTRODUCED WHERE WE HAD SOME DIFFICULTIES WITH THEM. WE'RE

DELAYING THE CHARGING TO OUR CUSTOMERS AND, AS A RESULT, WHEN WE GIVE THEM SOME INCENTIVES FOR EARLY PAYMENT AND THESE ONE-OFF CHARGE IS INCLUDED IN OUR RESULT BUT HAS BEEN COMPENSATED ALSO TO US BY THE SUPPLIER OF THE BILLING SYSTEM. AND HIS COMPENSATION IS PUT IN THE LINE 'OTHER OPERATING INCOME' WHEREAS THE CHARGE IS IN THE COST INCLUDED.  
(35:15)

BERND MAURER:

OKAY, THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM VIKRAM KARNANY FROM NOMURA...

HANNES AMETSREITER:

SORRY, ONE MISSING...THIS ONE QUESTION FROM...

OPERATOR:

I'M SORRY.

HANS TSCHUDEN:

WELL SORRY, FOR THE SIM CHARGE, I MENTIONED WITHOUT WHICH WE'LL SEE IN '11 AND ALSO IN '12 TO SPECIFY THAT WE DON'T WANT TO GIVE ANY MORE DETAILS ON THAT ONE, BUT I BELIEVE IT SHOULD GIVE YOU ALREADY QUITE A GOOD INDICATION ABOUT WHAT CAN BE ACHIEVED WITH THAT NEW CHARGES IN FIXED AND ALSO WITH MOBILE.

BERND MAURER:

(UNCLEAR 35:51) THANK YOU.

OPERATOR:

SORRY, THE NEXT QUESTION IS FROM VIKRAM KARNANY FROM NOMURA. PLEASE GO AHEAD.

VIKRAM KARNANY:

YES, HI THERE THANKS VERY MUCH. I'VE TWO QUESTIONS, FIRSTLY IN AUSTRIA IT SEEMS THAT YOUR COMMENT ON THE MOBILE MARKET CONTINUES TO REMAIN FIERCELY COMPETITIVE AND WITH SUBSCRIBER GROWTH COMING FROM THE LOW END (UNCLEAR 36:11) PLANS. I WOULD LIKE TO KNOW HOW DO YOU SEE THE MOBILE REVENUE GROWTH DEVELOP IN AUSTRIA IN THE NEXT THREE/FOUR QUARTERS WITH LOW VISIBILITY AND WITH CONSOLIDATION WITH THE MARKET. AND SECONDLY, ON YOUR 2012 AND '13 OUTLOOK WHICH YOU ANNOUNCED AT THE INVESTOR DAY, ARE YOU STILL CONFIRMING YOUR OLD TARGETS DESPITE THE RISK OF DEVALUATION IN BELARUS?

HANNES AMETSREITER:

WE ALREADY MADE A CLARIFICATION ON THE OUTLOOK SO IT'S CLEARLY INCLUDED IN THE PRESENTATION. WE SAID ITS 4.5 BILLION REVENUES (OFF MICROPHONE 36:47). WHAT WE CONFIRMED IS IN THE ELEVEN FIGURES THE 4.5 BILLION AND ALSO THE (UP TO 36:53) 1.55 BILLION. THIS IS FOR THE PARTICULARS WHICH WE ARE CONFIRMING ON.

VIKRAM KARNANY:

NO, I WAS TALKING – SO SORRY TO FOLLOW-UP – I WAS TALKING ABOUT THE GUIDANCE FOR 2012 AND '13. (37:08)

HANS TSCHUDEN: NO (ANY 37:09) UPDATES ON THAT FIGURES FOR '12 OR '13.

VIKRAM KARNANY: OKAY. OKAY.

HANS TSCHUDEN: SORRY.

VIKRAM KARNANY: NO WORRIES.

HANNES AMETSREITER: THERE WAS STILL AN QUESTION OPEN FROM HUGH MACCFREY, I THINK, ABOUT MONTHLY FEE AND DRASTIC REVENUE DECLINES AND DEVELOPMENTS THERE. THE IMPROVEMENTS IN THE TREND SHOULD BE CONTINUED.

OPERATOR: THE NEXT QUESTION COMES FROM GEORGEOS RERODIASOOU FROM CITI GROUP. PLEASE GO AHEAD.

GEORGEOS RERODIASOOU: GOOD AFTERNOON. I HAVE A COUPLE OF QUESTIONS. FIRST ONE IS ON THE OPEX IN AUSTRIA, THERE WAS A 6 PERCENT DECLINE IN THE AVERAGE EMPLOYEE VERSUS ON THE COST OF LAST YEAR AND I THINK A 7 PERCENT IN ABSOLUTE NUMBER. YET EMPLOYEE COSTS WERE ONLY DOWN 2 PERCENT. I WAS WONDERING IF YOU COULD EXPLAIN TO US HOW DOES THIS RECONCILE GIVEN THAT THE COLLECTIVE AGREEMENT YOU SIGNED IN DECEMBER WERE FOR A 1.9 PERCENT INCREASE AND PERHAPS IF YOU CAN GIVE US AN INDICATION TO NEXT YEAR. I BELIEVE YOU TALKED EARLIER ABOUT THE FLAT DEVELOPMENT IN 2012. AND MY SECOND QUESTION IS ON RESTRUCTURING CASH COSTS. OUT OF THE 100 TO 110 MILLION THAT YOU ARE SPENDING THIS YEAR, IS IT POSSIBLE TO GIVE US A SPLIT BETWEEN WHAT IS THE SALARIES YOU PAID TO (PRE-RETIREMENT 38:35) EMPLOYEES AND THEREFORE WILL CARRY ON FOR THE NEXT FEW YEARS AND WHICH, HOW MUCH IS RELATED TO THE PLANTS THAT YOU ARE IMPLEMENTING NOW AND THEREFORE ARE NOT RECURRING. THANK YOU.

HANNES AMETSREITER: JUST UNDER TEN TO UNDER €110 MILLION INCLUDES THE FULL RESTRUCTURING PLANS WE HAVE PUT IN PLACE IN THE LAST COUPLE OF YEARS. I HAVE NO SPLIT IN MIND WHAT IS RELATED NOW TO THIS YEAR'S PLAN AND WHAT IS ATTRIBUTABLE TO PLANS WHICH WERE INTRODUCED IN 2007/8 AND '9. So, I CANNOT GIVE YOU A BREAKDOWN BETWEEN THE DIFFERENT SOCIAL PLANS OR (PRE-RETIREMENT 39:16) (39:16) SCHEMES WE HAVE PUT IN PLACE.

GEORGEOS RERODIASOOU: AS A CLARIFICATION IF YOU ARE NOT TO FOLLOW-UP WITH MORE RESTRUCTURING NEXT YEAR, WILL THIS NUMBER COME DOWN OR WILL IT STAY AROUND A HUNDRED?

HANNES AMETSREITER: NO, IT WOULD BE AROUND THIS FIGURE ALSO FOR THAT, FOR NEXT YEAR. REGARDING THE EMPLOYEE COST, THE DECLINE OF 1.9 PERCENT IS ATTRIBUTABLE TO THE RESTRUCTURING WE HAVE DONE AND IT INCLUDES, ALREADY, FOR EXISTING

PERSONNEL BASED, THEIR SALARY INCREASE AND FOR OUR TARGET IS FOR NEXT YEAR TO HAVE A FLAT PERSONNEL COST DEVELOPMENT, WHICH PARTLY WILL, ALSO OF COURSE, BENEFIT FROM THIS RESTRUCTURING. DUE TO THE FACT THAT NOT ALL THE PEOPLE WE ARE ADDRESSING WITH THE CHARGE ARE STEPPING OUT OF THE OPERATION WITH THE FIRST OF JANUARY 2011 AND SO PARTLY THEY ARE STILL WORKING AND THE FULL EFFECT THEN WILL BE IN 2012. SO WE ARE BENEFITTING IN THAT SENSE FROM THE DECLINE OF OUR PERSONNEL HEADCOUNT THROUGHOUT 2011 IN 2012.

GEORGEOS RERODIASOYOU:

THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM USMAN GHAZI FROM BERENBERG BANK. PLEASE GO AHEAD.

USMAN GHAZI:

GOOD AFTERNOON GENTLEMEN. I JUST HAVE THREE QUESTION PLEASE. THE FIRST QUESTION WAS ON THE BROADBAND PENETRATION NUMBERS THAT YOU'VE DISCLOSED IN AUSTRIA. I THINK IN THE FIRST, I THINK THE FIRST QUARTER THAT THE BROADBAND PENETRATION NUMBER DIDN'T GROW QUARTER-ON-QUARTER SO IT WAS 106.2 IN THE SECOND QUARTER, IT WAS 106.2 IN THE FIRST QUARTER AS WELL. I WAS JUST WONDERING IF YOU COULD TALK A BIT ABOUT YOU KNOW THIS, WHAT YOU SEE FOR BROADBAND PENETRATION IN AUSTRIA GOING FORWARD. I MEAN IS THIS A PEAKING THAT WE'RE SEEING OR IS THIS, JUST SOMETHING IN THE QUARTER THAT EXPLAINS IT. THE SECOND QUESTION I HAD IS ON THE RECENT SCANDAL THAT'S BEEN REPORTED IN THE PRESS ON THE SHARE FIXING ET CETERA. I WAS JUST WONDERING IF THAT IS HAVING ANY OR THERE'S A RISK OF THAT HAVING ANY REPUTATIONAL DAMAGE ON YOUR BRAND IN AUSTRIA. THE FINAL QUESTION WAS ON YOUR DEBT REDEMPTION SCHEDULE. IT LOOKS QUITE HEAVY, YOU KNOW IN MOST OF THE SECTOR PLAYERS THEY'VE KIND OF PUSHED BACK MATURITIES ET CETERA. JUST WONDERING HOW YOU VIEW THE DEBT REDEMPTION RISK GOING FORWARD. THANK YOU. (41:54)

HANNES AMETSREITER:

WE DON'T SEE ANY RISK WITH OUR DEBT REDEMPTION SCHEME. IT'S A, I THINK IT'S (UNCLEAR 42:00-02) 900 MILLION FOR EACH YEAR SO WE ARE, WE ARE AWARE OF FACT. WE DO HAVE OPPORTUNITIES ON THE BOND MARKET TO (DEBIT 42:13) IF NECESSARY, SO WE ARE VERY RELAXED THAT THE REFINANCING OF IT WOULD BE EASILY DOABLE, SO I'M NOT SEEING ANY RISK AT ALL IN OUR MATURITY PROFILE.

HANS TSCHUDEN:

COMING TO THE QUESTION CONCERNING THE SCANDAL. THIS IS A, OF COURSE, VERY SERIOUS SITUATION WHICH IS NOT GOOD FOR THE REPUTATION OF THE COMPANY. WE HOPE THAT WE GET THROUGH ALL THAT QUICKLY. WE CO-OPERATING HERE

WITH ALL THE INSTITUTIONS WHERE WE NEED TO CO-OPERATE SO WE BELIEVE THAT THIS WILL HURT OUR ACTIVE BUSINESS WHICH WE ARE RUNNING.

COMING TO THE BROADBAND PENETRATION, HERE WE GIVE YOU SOME INFORMATION ABOUT TOTAL MARKET. IT WENT UP FROM THE (UNCLEAR 43:08) 2010 TO THE FIRST QUARTER 2011 FROM 102.9 PERCENT TO 206.2 PERCENT IN THE SECOND QUARTER, IT WAS AGAIN 106.2 PERCENT. SO IF WE SEE IN OUR DEVELOPMENT IS THAT WE ARE SIGNIFICANTLY INCREASING THAT NUMBER OF (UNCLEAR 43:30) USERS WE ALSO ARE SIGNIFICANTLY INCREASING AND THAT'S A CLEAR TREND ALSO THE NUMBER OF KOMBI PACKAGES WHICH IS MORE OR LESS TALKING ABOUT BROADBAND ACCESS WITH THESE PACKAGES.

USMAN GHAZI:

OKAY, CAN I JUST FOLLOW-UP ON THE PENETRATION QUESTION I MEAN, I MEAN I CAN SEE THAT YOU ARE TAKING SHARE OBVIOUSLY IN THE TOTAL BROADBAND MARKET WITH THE MOBILE FIXED BROADBAND. BUT THE MARKET AS A WHOLE YOU KNOW THE PENETRATION GROWTH SEEMS TO BE SLOWING SOMEWHAT BY THE NUMBER THAT YOU'VE DISCLOSED. I MEAN, I WAS JUST WONDERING IF YOU CAN GIVE SOME COMMENTS ON WHAT IS HAPPENING IN THE OVERALL MARKET. I KNOW THAT YOU ARE DOING PRETTY WELL BUT IS THE OVERALL MARKET KIND OF MATCHING...?

HANNES AMETSREITER:

YES I CAN GIVE YOU, YOUR QUESTION IS WHOSE LOSING? LOSING IS CABLE AND LOSING UNBUNDLED THERE.

USMAN GHAZI:

OKAY.

HANNES AMETSREITER:

THEY'RE (UNCLEAR 44:23) (44:23), THEY'RE GOING DOWN FROM 16.0 TO 15.1, THE CABLE AND GOING DOWN – I TALK ABOUT THE FIRST QUARTER '10 TO '11 – AND 7.9 TO 6.7.

USMAN GHAZI:

ALRIGHT, THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM VERA SUTEDJA FROM ERSTE BANK. PLEASE GO AHEAD.

VERA SUTEDJA:

YES, I WOULD LIKE TO ASK REGARDING THE GUIDANCE FOR THIS YEAR. DO YOU ALREADY INCLUDE THE POSSIBILITY THAT THE MOBILE TERMINATION RATE IN BULGARIA MIGHT BE REDUCED HEAVILY CONSIDERING YOU STILL SIT AT AROUND €6 CENTS AND THE TARGET FOR NEXT YEAR IS ACTUALLY DOWN TO 3 CENTS AND THE SECOND IS ACTUALLY THE QUESTION REGARDING YOUR COMMENT AND THE RELEASE PAGE FIVE. YOU ANTICIPATE A DELAY POSITIVE IMPACT OF IMPROVEMENT ON THE RESULT BY APPROXIMATELY THREE TO FOUR QUARTERS, SO DOES IT MEAN THAT AFTER THE NEXT FOUR QUARTERS, YOU SHOULD SEE A BOTTOMING OUT IN

THE REVENUE, GROWTH MEANING LIKE THERE'S A ZERO GROWTH OR PART OF THE POSITIVE GROWTH AGAIN?

HANNES AMETSREITER:

REGARDING MTR FOR THE INTERNATIONAL TERMINATION RATES WE HAVE FORESEEN THE REDUCTION IN THE BULGARIA MARKET. WE EXPECT THAT IT WILL PARTLY INFLUENCE ONLY THE RESULTS THIS YEAR. THE FULL IMPACT WOULD BE IN 2012, BUT IN THE GUIDANCE FOR THIS YEAR IT HAS BEEN TAKEN INTO ACCOUNT, THAT WE WANTED TO ADDRESS WITH THE STATEMENT THAT THE DEVALUATION IS THE ONLY IMPACT WHICH HAS LOWERED GAS ON EBITDA AND ALL THE OTHER OPERATIONS ARE PERFORMING ACCORDING TO OUR INITIAL EXPECTATIONS.

VERA SUTEDJA:

AND DELAYED IMPACT FROM THREE TO FOUR QUARTERS?

MATTHIAS STIEBER:

SORRY, IF I MAY CHIP ON. I THINK THIS IS A GENERAL COMMENT THAT WE SAY, WHICH APPLIES, OF COURSE ALL THE MARKETS ARE BEHAVING DIFFERENTLY. IF YOU LOOK CROATIA, BULGARIA, ET CETERA BUT IN GENERAL WE SAY THAT THE IMPACT OF A MACROECONOMIC IMPROVEMENT IS TAKING THREE TO FOUR QUARTERS UNTIL IT ENDS UP WITH OUR RESULT AS WELL AND I THINK THAT SUMS UP, I THINK IS WHAT WILL DISTINGUISH IT.

VERA SUTEDJA:

IF I MAY ASK ONE MORE QUESTION PLEASE, IT'S ABOUT THE (BELORUSSIA 46:56) WHAT IS THE WORK THAT YOU ARE USING IN YOUR FAIR VALUE? (47:00)

HANNES AMETSREITER:

WE ARE APPLYING DIFFERENT WORKS TO IT, WE'RE IN A BUSINESS PLAN PERIOD WHICH WE HAVE MADE THE IMPAIRMENT IS AND IS RANGE WHERE I THINK IT STARTED, IF I AM NOT MISTAKEN, WITH 29 PERCENT FOR THE YEAR 2012 AND '10 IS GRADUALLY COMING DOWN TO A NORMALISED LEVEL OVER THE TIME PERIOD.

VERA SUTEDJA:

SO IT'S 29 FOR 2012?

HANNES AMETSREITER:

2012, YES.

VERA SUTEDJA:

OKAY, THANK YOU.

OPERATOR:

LADIES AND GENTLEMEN, AS A REMINDER, IF YOU WISH TO REGISTER FOR A QUESTION PLEASE PRESS STAR AND ONE ON YOUR TELEPHONE. THERE ARE NO MORE QUESTIONS AT THIS TIME.

MATTHIAS STIEBER:

THANK YOU VERY MUCH. THANKS FOR JOINING THE CONFERENCE CALL AND IF YOU'VE GOT ANYMORE QUESTIONS YOU'RE ALWAYS (UNCLEAR 47:59). THANK YOU VERY MUCH.

HANNES AMETSREITER:

THANK YOU.

HANS TSCHUDEN:

BYE-BYE (48:03)