

TELEKOM AUSTRIA AG
Third Quarter Results 2011
CONFERENCE CALL
November 14th, 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 GENTLEMEN, THIS IS MATTHIAS SPEAKING. I AM JOINED HERE BY HANNES AMETSREITER, OUR CEO, AND HANS TSCHUDEN, OUR CFO, WHO WILL LEAD YOU THROUGH THE PRESENTATION ABOUT THIRD QUARTER 2011 AND AS USUAL WE WILL TAKE QUESTIONS AFTER THE PRESENTATION. THANK YOU.

HANNES AMETSREITER:

GOOD AFTERNOON LADIES AND GENTLEMEN, THIS IS HANNES AMETSREITER SPEAKING. I WOULD LIKE TO LEAD YOU AND GUIDE YOU THROUGH THE OPERATIONAL AND FINANCIAL HIGHLIGHTS OF THE THIRD QUARTER 2011. FOLLOWING THE HEADLINE, WE HAD A STRONG FOCUS ON THE OPERATIONAL DEFERMENTS AND DISBANDMENT THE IMPACT OF THE EXTERN CHALLENGES. WE STILL COULD SEE VERY GOOD DEVELOPMENT ON A FIXED BROADBAND A DEMAND FOR A FIXED BROADBAND AND PRODUCT BUNDLES DRIVES FIXED ACCESS LINE GROWTH OF 3200 LINES IN AUSTRIA SO A CONTINUOUS GROWTH WHICH WE SEE THERE IN AUSTRIA. MOBILE BROADBAND NO-FRILLS AND SMART PHONE DRIVES SUBSCRIBER GROWTH IN ALL OPERATIONS, SO WE CLEARLY SEE GROWTH IN DIFFERENT MENTIONED SEGMENTS IN THAT MOBILE SECTOR. FURTHER CONVERGENCE MILE STONES FOLLOWING OUR STRATEGY WE ACQUIRED B.NET, THE BIGGEST CABLE OPERATOR IN CROATIA. REVENUE DECLINE OF 6.2 PERCENT AND 8.1 PERCENT LOWER EBITDA COMPARABLE, MAINLY DRIVEN BY COMPETITION IN AUSTRIA, FOREIGN EXCHANGE ADJUSTMENT IN BELARUS. EXCLUDING FX TRANSLATION EFFECTS, SLIGHT RISE IN GROUP REVENUES, AND ALMOST STABLE GROUP EBITDA COMPARABLE. SUBSCRIBER GROWTH AND INCREASED USAGE TRANSLATE INTO STRONG REVENUE AND EBITDA COMPARABLE GROWTH AND IN THE ADDITIONAL MARKETS. SO WE COULD SEE VERY STRONG FURTHER DEVELOPMENT OF THE ADDITIONAL MARKETS IN MACEDONIA, SERBIA BUT ALSO SLOVENIA DEVELOPED PRETTY WELL. GUIDANCE 2011 WE REITERATED THAT GROUP REVENUES APPROXIMATELY 4.5 BILLION, GROUP EBITDA COMPARABLE UP TO EUR 1.55 BILLION. DIVIDEND FLOW OF 76 CENT DISTRIBUTED FOR THE YEARS 2011/2012. NOW HAND OVER TO HANS WHO WILL LEAD YOU TO THE KEY FINANCIAL DEVELOPMENTS OF THE THIRD QUARTER.

HANS TSCHUDEN:

GOOD AFTERNOON LADIES AND GENTLEMEN. I WILL GIVE YOU SOME MORE DETAILS ON THE GROUP RESULTS BUT ALSO ABOUT THE DIFFERENT COUNTRIES WE ARE ACTIVE IN. ON GROUP LEVEL, THE REVENUES DECLINED AS ALREADY MENTIONED WITH 6.2 PERCENT AND EBITDA WAS 8.1 PERCENT LOWER THAN LAST YEAR. THE MAIN DRIVER FOR THIS WAS THE COMPETITION IN AUSTRIA, FOR THOSE WITH THE FX EXCHANGE RATE DEVALUATION IN BELARUS. WITHOUT THOSE IMPACTS OR THIS

EXCHANGE RATE DEVALUATION IS RESPONSIBLE FOR 40 PERCENT OF THE REVENUE DECLINE AND IN RESPECT OF 33 PERCENT OF THE GROUP EBITDA DECLINE. LIKE-FOR-LIKE REVENUES WERE UP 0.2 PERCENT AND EBITDA COMPARABLE WAS DOWN JUST 0.3 PERCENT ELIMINATING THE FX EFFECTS. THE RESTRUCTURING IN AUSTRIA IS ON TRACK AND THE LOWER DNA AND RESTRUCTURING IMPACT ON OUR OPERATING RESULT. WE SEE AN INCREASE IN OUR NEGATIVE FINANCIAL RESULT DUE TO A FIXED LOSSES STEMMING FROM BELARUS, ON THE OTHER SIDE WE HAD A BENEFIT OF HIGHER DEFERRED TAXES, WHICH LED TO AN INCOME TAX BENEFIT AND THE NET INCOME INCREASED TO LAST YEAR, WHICH WAS 32.5 PERCENT TO EUR 128 MILLION. HAVING A LOOK AT THE REVENUES DEVELOPING IN THE DIFFERENT COUNTRIES, IN AUSTRIA WE SAW A DECLINE OF 38 MILLION ON REVENUE, 40 PERCENT OF THE DECLINE IS DUE TO ROAMING AND MTR REGULATION. WE HAVE PRICE PRESSURE RESULTING FROM THE MIGRATION OF EXISTING CUSTOMERS TO LOWER PRICE PACKAGES WITHIN OUR MAIN BRAND. ON THE OTHER SIDE, THERE ARE NO FIRST BRAND DRIVERS FOR SUBSCRIBER GROWTHS. ALREADY THERE ARE MORE THAN ONE MILLION CUSTOMERS IS ONE OF OUR BUNDLE PRODUCTS. IN BULGARIA, THE DECLINE IS ATTRIBUTABLE TO A VERY FIERCE COMPETITION IN COMBINATION WITH AN ECONOMIC ADVANCE WHICH CAUSED PRICE DECLINES IN RESPECT OF LOWER USAGE OF OUR EXISTING CUSTOMER BASE. WE HAVE ON THE OTHER SIDE NEGATIVE EFFECTS FROM ACTIVITIES TO ENHANCE THE COLLECTION RATE. FURTHERMORE WE ARE FOCUSING STRONGLY ON THE CONTRACT SEGMENT AND WE SEE MORE A IMPORTANT PUSH TO IN ORDER TO GROW OUR SUBSCRIBER BASE FURTHER. CROATIA IS EXPOSED TO QUITE A CHALLENGING MICROECONOMIC ENVIRONMENT AND REGULATORY CONVENTIONS WHICH DRIVE THE REVENUE DECLINE OF CLOSE TO EUR 12 MILLION. WE HAVE SEEN OUR CONTRACT SUBSCRIBER BASE FURTHER GROWING AND OUR ACQUISITION OF B.NET FOR THE FIRST TIME AT 5.6 MILLION ON REVENUES. IN BELARUS THE DECLINE IS EUR 36 MILLION, ALTHOUGH WE SAW VERY STRONG OPERATIONAL PERFORMANCE BUT THE DEVALUATION IS IMPACTING THE OPERATIONAL GROWTH. SUBSCRIBER GROWTH IS ONGOING AND ESPECIALLY THE DEMAND FOR THE MOBILE BROADBAND IS HELPING. WE HAVE MID PRICE INCREASES AND SOME HIGHER USAGES WHICH TOGETHER DRIVE THE UPHILL INCREASE OF 23 PERCENT ON A CONSTANT CURRENCY BASIS. GOOD DEVELOPMENT MAY BE MENTIONED FOR THE ADDITIONAL MARKETS BASED ON STRONG CONTRACT SUBSCRIBER GROWTH AND HIGHER USAGE, WHICH IS ATTRIBUTABLE TO STRONG DEMAND FOR SMART PHONES AND TRANSLATES AS A CONSEQUENCE INTO REVENUE GROWTH. ALL IN ALL WE SAW A DECLINE OF 6.2

PERCENT ON REVENUES. NOW MOVING ON TO THE EBITDA DEVELOPMENT: EBITDA DECLINE OF 8.1 PERCENT MINUS 13 MILLION COMING FROM AUSTRIA, WHERE THE DECLINE WAS DRIVEN BY REGULATORY BURDENS, ON THE OTHER SIDE SOME COST SAVINGS, LOWER PERSONNEL COSTS AND LOWER COST FOR MAINTENANCE AND REPAIR. HIGHER MATERIAL COSTS ARE DUE TO THE ONGOING STRONG DEMAND FOR SMART PHONES. IN BULGARIA WE HAVE A STRICT FOCUS ON COST CONTROL WHICH ABSORBED THE FIXED LINE COST IN THE LINE OF THE DEBT PROVISIONS WE HAVE AN INCREASE IN OPEX WHICH IS MAINLY DUE TO THE AGING PROFILE OF OUR ACCOUNTS RECEIVABLE. IN CROATIA THERE IS A DECLINE OF 5.8 MILLION IS DUE TO ROAMING AND INTER-CONNECTION AND MARGIN DECLINES. ON THE OTHER SIDE, WE WERE ABLE TO REDUCE OUR OPERATING EXPENSES WITH 6.9 PERCENT. A POSITIVE FIRST TIME CONTRIBUTION IS COMING FROM THE ACQUIRED B.NET ACTIVITY. IN BELARUS, WE HAVE SEEN A 17.9 MILLION DECLINE IN EBITDA, WHEREAS THE EBITDA COMPARABLE IS CLEARLY IMPACTED BY THE 33 MILLION FX EFFECT ON A LIKE-FOR-LIKE BASIS EBITDA WOULD HAVE INCREASED WITH 36 PERCENT. WE ARE FOCUSING ON DE-DOLLARIZATION OF THE OPEX. WE HAVE SEEN ON LIKE-FOR-LIKE BASIS AN OPEX INCREASE WHICH IS DRIVEN BY REVENUE RELATED ITEMS SUCH AS MATERIAL EXPENSES FOR HANDSETS. IN OUR ADDITIONAL MARKETS ALL OF THEM, ALL THE THREE OF THEM ARE GROWING BASED ON THE REVENUE GROWTH AND STRICT COST CONTROL. MOVING ONTO THE CASH FLOW, WE HAVE SEEN A DECLINE IN OUR CASH FLOW FROM OPERATIONS BEFORE WORKING CAPITAL ADJUSTMENTS WHICH REFLECT THE IMPACT OF THE DEVALUATION OF THE BELORUSSIAN ROUBLE AS WELL LOWER OPERATIONAL RESULTS. THE HIGHER PAYMENTS OF ACCOUNTS PAYABLE DUE TO HIGHER CAPEX AT YEAR-END 2010 DRIVE THE INCREASE IN WORKING CAPITAL FOR THE FIRST NINE MONTHS, IN THE THIRD QUARTER THE IMPROVEMENT IS ALREADY REFLECTING THE EXPECTED IMPROVEMENT IN WORKING CAPITAL. THE INCREASE IN OUR CAPEX DRIVEN BY AUSTRIAN SEGMENTS DUE TO NETWORK INVESTMENTS WE HAVE REALISED IN THE FIRST NINE MONTHS. I HANDOVER BACK TO HANNES, WHO WILL FOCUS ON SOME PARTICULAR ITEMS, WHICH ARE THE FOCUS OF THIS QUARTER'S PRESENTATION.

HANNES AMETSREITER:

COMING TO A FEW FOCUS POINTS, I WOULD LIKE TO STRESS A FEW CERTAIN DEVELOPMENTS WHICH WE SEE IN OUR MARKETS. THE FIRST ONE IS THE LAUNCH OF NO-FRILLS IN TWO MARKETS BASED ON GROUP NO-FRILLS STRATEGY. WE SEEMED TO INTRODUCE NO-FRILLS STRATEGY QUITE SOME TIME AGO ALREADY IN AUSTRIA. WE BELIEVE THAT THIS IS A GOOD MEASUREMENT TO COPE WITH HIGH

PENETRATION MARKETS AND TO BETTER SEGMENT AND ADDRESS CERTAIN CUSTOMER TARGET GROUPS. SO THE STRATEGIC RATIONALE CLEARLY IS THAT WE BELIEVE THAT WE HAVE A BETTER BRAND PORTFOLIO BY OFFERING IN HIGHLY PENETRATED MARKET A MULTI-BRAND APPROACH. A NO-FRILLS BRAND SHIELDS AGAINST PRICE AGGRESSION, LIMIT VALUE EROSION OF EXISTING CUSTOMER BASE BY AVOIDING WEAK PRICING UNIT GROWTH POTENTIAL OF THE AGGRESSOR. SO A GOOD COMBINATION WITH A CLEAR DIFFERENTIATION IN FUNCTIONAL PRODUCT OFFERING, THIS MAKES IT ABSOLUTELY ATTRACTIVE TO HAVE A VERY STRONG POSITIONING IN MARKET. WHAT IS THE RISK, IT IS THE RISK IS THE CANNIBALISATION OF THE MAIN BRAND. IF WE WOULD HAVE AN INSUFFICIENT BRAND DIFFERENTIATION THEN THIS OF COURSE COULD HURT US BUT WE HAVE EXPERIENCED THAT NOW ALREADY IN AUSTRIA WE ALSO HAVE IT IN CROATIA AND WE ARE NOW INTRODUCING IN TWO OTHER MARKETS. YOU SEE THAT ON THE NEXT SLIDE THAT WE ARE INTRODUCING BULGARIA AND SLOVENIA, WE ARE INTRODUCING A BOB BRAND. IT IS A CLEAR FUNCTIONAL DIFFERENTIATION WE ARE HAVING, SO IT IS A DIFFERENT DISTRIBUTION, IT IS ABSOLUTELY SIGNIFICANT DIFFERENT COST STRUCTURE WHICH WE ARE USING AND IT IS JUST ANOTHER BRAND PROMISE NOT FOLLOWING THE ORIGINAL MAIN BRAND WHICH WE ARE HAVING IN THESE COUNTRIES. IF WE LOOK AT NO-FRILLS PROPOSITION AUSTRIA THAT'S ALSO ABOUT THE LEARNING ON THE NEXT SLIDE, IT SHOWS THAT WITH PENETRATION RATE WHICH IN APPROXIMATELY 154 TOTAL MARKET GROWTH PREDOMINANTLY BASED ON NO-FRILLS SEGMENT. 12 PERCENT YEAR-TO-DATE, NO-FRILLS GROWTH WAS 4.4 PERCENT IN THE TOTAL MOBILE MARKET. NO-FRILLS BRAND SUPPORTS THE A1 STRATEGY AS THE LEADING OPERATOR BY A MULTI BRAND STRATEGY. IT ALLOWS DIFFERENTIATED TARGETING OF PRICE SENSITIVE CUSTOMER GROUPS WHICH WE OTHERWISE WOULD NOT BE ABLE TO REACH WITH A PREMIUM BRAND LIKE A1 IN AUSTRIA. IT SHIELDS PREMIUM BRANDS AGAINST PRICE EROSIONS AND IF WE LOOK AT CHURN RATE IN THE PREMIUM SEGMENT APPROXIMATELY STABLE DESPITE NO-FRILLS GROWTH, SO I BELIEVE THAT IT IS GOOD INFORMATION THAT CHURN IS NOT INCREASING BUT REALLY BEING STABLE. THERE IS NO SIGNS OF MATERIAL CURRENTLY ASSOCIATION OF PREMIUM SEGMENT FROM NO-FRILLS. COMING TO ANOTHER TOPIC, IT IS ABOUT FREQUENCY AND IT IS ABOUT OPTIONS. REGULARY MEANS THE THIRD QUARTER 2012 FOR COMBINED FREQUENCY OPTION IN AUSTRIA. SO TIMING AND FORMAT, IT IS NOT FINALISED AT THE MOMENT, BUT IT LOOKS LIKE WE WILL HAVE A COMBINATORIAL CLOCK AUCTION FOR 800 MHz, 900 MHz AND 10 000 MHz IN THE THIRD QUARTER 2012. THE 800 MHz DIGITAL DIVIDEND

WILL BE TOTAL OF 75 MHz OF 5 MHz BLOCKS WILL BE AUCTIONED. FROM A TECHNOLOGY POINT OF VIEW 60 MHz COULD BE USED. TENDER DOCUMENTS WILL PROVIDE CLARITY OF CONDITIONS SUCH AS ROLLOUT REQUIREMENTS AND MENIAL PRICING IN SECOND QUARTER 2012, SO ALL THIS DEEPER INFORMATION IS NOT AVAILABLE AT THE MOMENT. WE NEED TO WAIT FOR IT BUT WE ALREADY KNOW THAT THE TIMING WILL ROUGHLY BE WHAT WE JUST MENTIONED. 900 AND 1800 GSM SPECTRUM IT IS A RE-AUCTIONING OF EXISTING GSM FREQUENCIES FROM 2015 TO 2030. USEABLE FOR ALL TECHNOLOGIES, THIS MEANS REAFFIRMING, PROVIDES CLARITY AND VISIBILITY FROM NETWORK PLANNING FOR THE NEXT 20 YEARS AND THIS OF COURSE IS NOT ONLY FOR US BUT EVERYBODY IN THE AUSTRIAN MARKET. CONCERNING OTHER PLAYERS IN OUR COUNTRY WE ALSO SEE SCHEDULE ABOUT WHAT COULD COME IN WHAT FREQUENCY PACKAGES IN WHAT COUNTRY, BUT THERE IS NO DETAILED INFORMATION SO FAR. I NOW HAND OVER TO HANS TO GIVE US SOME UPDATE ON THE FX ENVIRONMENT IN MICROECONOMICS INDICATORS IN BELARUS.

HANS TSCHUDEN:

IN BELARUS WE HAVE THE LIQUIDITY RE-ESTABLISHED ON THE 14TH SEPTEMBER ONCE THERE WAS A NICHE MARKET OPEN AGAIN AND AT THAT TIME ROUGHLY TRADING VOLUMES OF CLOSE TO EUR 47 MILLION ON A DAILY BASIS WE HAVE TRADED AND A SINGLE FX-SESSION WAS ESTABLISHED ON 20TH OCTOBER WHICH UNIFIED THE OFFICIAL AND THE FLOATING FX RATES. IN THE MEANTIME, FOR YEAR-TO-DATE WE HAVE REPATRIATED ABOUT EUR 36 MILLION FROM BELARUS TO AUSTRIA. THE OUTLOOK FOR THE INFLATION, WE DO EXPECT IT WILL FURTHER INCREASE IT IS AT THE END OF SEPTEMBER IT IS 78 PERCENT. WE EXPECT TO REACH 100 PERCENT BY YEAR-END. THERE IS NO DECISION YET ON HYPER-INFLATION ACCOUNTING. THIS IS TO BE EXPECTED ON 22ND NOVEMBER. THE IMPACT OF THE FX DEVALUATION IS SIGNIFICANT ON REVENUES ON EBITDA. YOU HAVE SEEN ON THE NEXT CHART THAT ON REVENUES IT IS ABOUT 40 PERCENT FX EFFECT ON EBITDA, IT IS 36 PERCENT FX EFFECT. PARTLY THIS COMPENSATED, OR THIS DEVALUATION HAS BEEN COMPENSATED BY PRICE INCREASE, TWO OF THEM WE HAVE ALREADY EXECUTED WHILE IN JUNE WITH ON THE RICH 10 PERCENT AND ANOTHER ON IN PART 7 PERCENT, WHEREAS WE HAVE NO NEGATIVE IMPACT ON USAGE NOTICED SO THAT'S THE GOOD NEWS. ON THE OTHER SIDE WE ARE STILL CONTINUOUSLY FOCUSING ON CONTROLLING THE COST TO MINIMISE DEVALUATION, WHICH IS INDUCED BY OPEX GROWTH BELOW INFLATION. WE HAVE REDUCED THE CAPEX TO THE ABSOLUTE MINIMUM IN ORDER TO PROTECT THE FREE CASH FLOW GENERATION. NOW TO THE OUTLOOK FOR 2011, IT IS

UNCHANGED TO WHAT WE HAVE HIGHLIGHTED OR ANNOUNCED ON 17TH AUGUST, WE STILL EXPECT REVENUES TO BE APPROXIMATELY EUR 4.5 BILLION . EBITDA COMPARABLE TO BE UP TO EUR 1.55 BILLION . CAPEX SHOULD BE IN THE RANGE BETWEEN EUR 750 AND 800 MILLION AND CONSEQUENTLY AN OPERATING FREE CASH FLOW SHOULD BE UP TO EUR 800 MILLION AND THE DIVIDEND FLOW OF 76 CENT RESPECTIVELY 55 PERCENT OF FREE CASH FLOW FOR 2011 AND 2012. THIS IS ON CONSTANT CURRENCY BASIS FOR ALL MARKETS AS WELL AS TO ANY EFFECTS OF POTENTIAL INFLATION ACCOUNTING FOR THE BELARUSIAN SEGMENT, WHICH COULD BE ATTRIBUTABLE FOR THE FOURTH QUARTER OF 2011. OKAY, THANK YOU VERY MUCH. WE ARE NOW HAPPY TO TAKE YOUR QUESTIONS, PLEASE REGISTER WITH THE CONFERENCE CENTRE.

OPERATOR:

EXCUSE ME, THIS IS THE 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 THE 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. AND THE FIRST QUESTION COMES FROM HANNES WITTIG OF JP MORGAN.

HANNES WITTIG:

JA, GOOD AFTERNOON, I HAVE TWO QUESTIONS ONE RELATES TO THE SPECTRUM AUCTION THAT YOU MENTIONED IN AUSTRIA. YOU SAID IT WASN'T FINALISED YET. DOES THAT RELATE TO THE TIMING OR DOES THAT RELATE TO THE DESIGN OF THE AUCTION OR BOTH? AND THE SECOND QUESTION IS IN RELATION TO BULGARIA, THE PERSISTENT BAD DEPT PROBLEM THAT HAS TAKE THE OPERATION THIS YEAR WHEN DO YOU THINK IT WILL BE OVERCOME AND HOW SIGNIFICANT WILL THAT BE IN TERMS OF THE REVENUE CONTRIBUTION AND THE DOW CONTRIBUTION ONCE IT IS ADDRESSED?

HANS TSCHUDEN:

I START WITH THE FIRST ONE CONCERNING THE AUCTION DESIGN. WE KNOW THAT IT SHOULD BE IN SEPTEMBER, THAT IS WHAT IS THE PLAN AT THE MOMENT. THEY ALSO MENTIONED THAT THEY WILL USE THE SAME AUCTION PROCEDURE LIKE LAST TIME BUT THIS STILL IN DISCUSSION. SO WE KNOW WHEN IT IS COMING AND WE ARE NOT 100 PERCENT SURE ABOUT THE PROCESS BUT THIS INFORMATION SHOULD BE DELIVERED WITHIN THE NEXT WEEKS OR MONTH OR SO.

HANNES WITTIG:

YES I AM REFERRING SPECIFICALLY TO THE QUESTION WHETHER ALL THE SPECTRUM WILL HAVE TO BE RE-ACQUIRED. IS THAT SORT OF DEFINITE OR IS THAT STILL IN DISCUSSION?

HANS TSCHUDEN:

YES, NO, NO THAT IS DEFINITE.

HANNES WITTIG: OKAY.

HANNES AMETSREITER: WE ARE ASKING THE QUESTION ABOUT BAD DEBTS, IN THIS QUARTER THE IMPACT IS ROUGHLY EUR 4 TO 5 MILLION, WHICH ACT ALL THE DEBTS WILL BE SORTED OUT IN THE BEGINNING OF 2012.

OPERATOR: THANK YOU. NEXT QUESTION COMES FROM GEORGIOS IERODIACONOU FROM CITIGROUP.

GEORGIOS IERODIACONOU: YES GOOD AFTERNOON, I WOULD LIKE TO ASK TWO QUESTIONS, THE FIRST ONE IS ON THE IMPACT OF ROAMING AND INTERCONNECTION, I KNOW THERE ARE SOME DECISIONS LIKE IN BULGARIA WE ARE STILL PENDING, BUT BASED ON INFORMATION YOU HAVE NOW, CAN YOU GIVE US A COMPARISON OF HOW SIGNIFICANT THE IMPACT YOU EXPECT TO BE IN 2012 VERSUS WHAT YOU HAVE SEEN ALREADY IN 2011 AND MY SECOND QUESTION IS ON THE FIXED REVENUE PER LINE, WOULD YOU IF I AM NOT MISTAKEN DETERIORATED THIS QUARTER AND I WAS WONDERING WHAT HAS DRIVEN THIS DETERIORATION GIVEN THAT YOU HAD THE FULL QUARTER OF THE INTRODUCTION OF THE MODEM CHARGE AND WHETHER THAT COULD RELATE TO THE REVENUES AND IF YOU CAN GIVE US ANY CLARITY ON WHY THAT LINE IN PARTICULAR HAS BEEN WEAKENING IN THAT QUARTER? THANK YOU.

HANS TSCHUDEN: STARTING WITH THE SECOND QUESTION, SO CONCERNING THE UPHILL DEVELOPMENT, WE COULD SEE THE FIXED PLAN LITTLE REDUCTION OF UPPER GOING DOWN FROM 33 TO 32, THIS IS DRIVEN BY ON THE ONE HAND NEW PRODUCTS WHICH WE BROUGHT TO THE MARKET WHICH IS ONE PRODUCT WITHOUT ANY VOICE FEATURES. ON THE OTHER HAND WE COULD SEE THAT WE SEE QUITE GOOD DEVELOPMENT BECAUSE I MEAN IF YOU LOOK AT THE ARPL WITHIN THE LAST QUARTERS, THEN THE FIXED PLAN WAS PRETTY STABLE COMPARED TO THE MOBILE, HERE WE HAD A SIGNIFICANT REDUCTION AND THIS WAS MAINLY DRIVEN TO 40 PERCENT OUT OF REGULATION, SO IT IS THE INTERCONNECTION, IT IS ALSO THE COMPETITION PUTTING PRESSURE ON US AND THAT COMBINATION OF INTERCONNECTION, ROAMING AND COMPETITION THEN WITHOUT SHARP DECLINE OF THE UPHILL ON THE MOBILE SIDE. THE OTHER ONE WAS THE BULGARIA DEVELOPMENT WHAT? THE INTERCONNECTION. THERE IS CURRENTLY STILL A DISCUSSION IN BULGARIA WHERE THE INTERNATIONAL INTERCONNECTION RATES WHEN THEY HAVE TO BE APPLIED, THE NEW ONES, WHICH ARE ON EUROPEAN LEVEL, CLEARLY IT WILL HAVE AN IMPACT IN 2012, WHICH WILL BE SIGNIFICANT BUT STILL WE ARE UNABLE TO GIVE A FIGURE, AS WE ARE CURRENTLY IN THE

PROCESS OF MAKING UP THE BUDGET FOR 2012. BUT IT WILL HAVE A MATERIAL IMPACT FOR SURE.

GEORGIOS IERODIACONOU: DO YOU BOOK THESE REVENUES UNDER INTERCONNECTION OR UNDER WHOLESALE INCLUDING ROAMING? WHEN WE LOOK ON SLIDE 21.

HANS TSCHUDEN: INTERCONNECTIONS ARE A SEPARATE LINE ITEM.

GEORGIOS IERODIACONOU: OKAY.

OPERATOR: NEXT QUESTION COMES FROM BERND MAURER OF RCB.

BERND MAURER: HELLO, GOOD AFTERNOON, JUST TWO QUESTIONS. QUESTION NUMBER ONE REFERS TO IS HYPERINFLATION ACCOUNTING IN BELARUS WHICH MIGHT BE THE TOPIC FOR FOURTH QUARTER. CAN YOU GIVE A BIT OF COLOUR ON THIS TOPIC, WHAT EFFECT YOU EXPECT, THERE ARE VARIOUS INTERPRETATIONS CURRENTLY OUT IN THE MARKET. AND THE SECOND QUESTION REFERS TO OPERATING DEVELOPMENT IN SLOVENIA, IT SEEMS BEGINNING OF THIS YEAR IT SEEMS THE SECOND QUARTER THE FORMER SLOVENIA TURNS OUT TO BE MUCH BETTER THAN IN PREVIOUS QUARTERS, IS THIS ONLY BASED ON THAT YOU ARE THE ONLY ONE THE FIRST ONE THAT INTRODUCED THE IPHONE IN SLOVENIA OR IS THE MARKET CHANGING THAT YOU CAN REACH HIGHER PROFITS IN SLOVENIA AND IF THIS DEVELOPMENT OF THIS, CAN WE ASSUME IT IS ONGOING?

HANS TSCHUDEN: ABOUT THE HYPERINFLATION WE ARE CURRENTLY WORKING TOGETHER WITH OUR AUDITORS IN TRYING DIFFERENT SIMULATION HOW THE HYPERINFLATION ACCOUNTING MAY AFFECT TELEKOM AUSTRIA GROUP. IT IS EXPECTED THAT THE INTERNATIONAL PRACTICES STAFF FORCE WILL DECIDE ON 22ND NOVEMBER WHETHER BELARUS WILL BE CLASSIFIED AS A HYPERINFLATION COUNTRY. ONCE THIS DECISION IS TAKEN THE COMPANIES WILL COME TO A CONCLUSION WHETHER THE INFLATION IMPACT ON GROUPS WILL BE BOOKED VIA PROFIT AND LOSS AS AN IMPAIRMENT OR STRAIGHT AS A MATTER OF FACT ON OUR BALANCE SHEET. ONCE THESE FACTORS ARE CLEAR, WE WILL COMMUNICATE THE POTENTIAL IMPACTS ON THE MARKETS IF IT IS NECESSARY. SO FOR THE TIME BEING THERE IS NO CLEAR PICTURE YET FIRST OF ALL WHAT THE IMPACTS WILL BE, HOW THEY WILL BE ADDRESSED AND THEREFORE NO CLEAR ANSWER CAN BE GIVEN NOW. IN PRINCIPAL WHAT ONE HAS TO DO IF ONE APPLIES HYPERINFLATION ACCOUNTING, YOU HAVE TO INCREASE THE VALUE OF THE ASSET ACCORDING TO THE INFLATION SINCE THE ACQUISITION AND YOU HAVE ALSO TO INCREASE YOUR QUARTERLY REVENUES AND COST SPACE. SO ONCE YOU START INCREASING THE ASSETS, CLEARLY YOU HAVE TO MAKE AFTER THE INCREASE MAKE A COMPARISON WHETHER THIS INCREASE HAS TO

BE COMPENSATED BY AN IMPAIRMENT. THIS IS THE ASSET SIDE AND ON THE PROFIT AND LOSS SIDE, YOU WILL INFLATE YOUR REVENUES, YOU WILL INFLATE YOUR COSTS, SO IT WILL BE INFLATED EBITDA AND BELOW THE EBITDA YOU WILL HAVE HIGHER D&A COSTS BECAUSE THE ASSET SIDE HAS BEEN INFLATED BEFORE. BUT THIS IS QUITE A COMPLEX CALCULATION STRONGLY DEPENDING ON ASSUMPTIONS ABOUT FUTURE INFLATION RATES AND THEREFORE WE HAVE NO DEFINITE ANSWER ABOUT ANY IMPACT ON TELEKOM AUSTRIA YET.

BERND MAURER: DID I GET YOU RIGHT THAT YOU INTEND TO COME WITH STATEMENTS TO THE MARKET WHEN A DECISION IS TAKEN BY THIS BORDER WHEN YOU DO HAVE YOUR CALCULATIONS READY AND THIS WE DO NOT HAVE OBVIOUSLY WAIT FOR THE PRESENTATION OF FOURTH QUARTER RESULTS AT THE SAME POINT OF TIME?

HANS TSCHUDEN: THAT WILL DEPEND ON THE IMPACTS, SO IF THE IMPACTS ARE MINIMAL I THINK THERE ARE NO REASONS TO COME TO THE MARKET BEFORE AND IF THERE ARE MATERIALS WE WILL COME BACK TO THE MARKET EARLIER.

BERND MAURER: JA, OKAY, THANK YOU.

HANS TSCHUDEN: CONCERNING THE QUESTION ON SLOVENIA, WE DO SEE VERY GOOD DEVELOPMENT IN SLOVENIA IT IS DRIVEN BY TWO THINGS. ON IS THAT WE SEE THE STRONG MARKET POSITION OF SI.MOBIL IN THE COUNTRY SINCE WE INCREASED ALSO THE MARKET SHARE OVER THE LAST QUARTERS. ON THE OTHER HAND WE INCREASED PRICES. THIS IS NOW BEING REFLECTED IN THE ARPU. WE SET TWO MEASURES AND ONE WAS TAKEN ABACK BY THE REGULATOR, THE OTHER ONE IS STILL IN THERE AND THIS STRENGTHENS OUR POSITION AND ALSO STRENGTHENS OUR PROFITABILITY IN THAT COUNTRY. OKAY, THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM MICHAEL BISHOP OF BARCLAYS CAPITAL. MAY WE HAVE YOUR QUESTION PLEASE.

MICHAEL BISHOP: HI, YES GOOD AFTERNOON. TWO QUESTIONS PLEASE. THE FIRST ONE IS JUST ON THE CAPEX YOU HAVE DONE 450 MILLION YEAR-TO-DATE AND CLEARLY IN 4 QUARTER IO IT IS QUITE A BIG SEASONAL UPLIFT FROM A COUPLE OF ONE OFF IMPACTS LIKE IN BELARUS. DO YOU THINK WE WILL SEE ANY SPECIFIC IMPACTS IN QUARTER 4 OR IS THERE POTENTIAL FOR THE CAPEX TO BE AT THE LOW END OR EVEN BELOW THE GUIDANCE? AND THE SECOND QUESTION IS BACK TO BULGARIA IT SEEMS THAT OBVIOUSLY THEIR SERVICE REVENUE TRENDS ARE QUITE POOR AGAIN CONSIDERING THERE WASN'T REALLY A BIG MTR CUT THE USAGE IS DOWN BUT COULD YOU TOUCH A BIT ON PRICING, SORT OF HOW MUCH YOU HAD TO CUT PRICING IN RESPONSE TO THE COMPETITIVE THREATS IN BULGARIA? THANKS.

HANNES AMETSREITER: THE SECOND QUESTION, HANS IS THEN TAKING THE FIRST ONE, SO BULGARIA, THE SITUATION IT IS STILL VERY DIFFICULT MARKET ECONOMIC SITUATION WHICH WE SEE IN BULGARIA. IT IS ALSO VERY COMPETITIVE. VIVATEL, VIVACOM IS HAVING LOW PRICES AND IS BEING VERY ACTIVE ON THE MARKET AND THIS IS PUTTING PRESSURE ON US AND WE DO HAVE A VERY CLEAR PRICE PREMIUM. TO NOT STRONGLY SO TO NOT HAVE THE NEED TO STRONGLY REACT ON THE MAIN BRAND, WE ARE NOW INTRODUCING A NO-FRILLS BRAND WHICH IS DONE JUST VERY RECENTLY. WITH THIS NEW BRAND PORTFOLIO BRAND MIX, WE TRY TO ADDRESS THAT TOUGH SITUATION THE BEST, BUT WE ARE ALSO FACING AND WE DISCUSSED ALREADY IS THAT INTERCONNECTIONS IS COMING DOWN BECAUSE THERE IS OF COURSE LOTS OF PRESSURE FROM EUROPEAN UNION BECAUSE BULGARIA ALWAYS HAD VERY HIGH INTERCONNECTION RATES AND I MEAN THIS IS LIKE THE DEVELOPMENT AND THE PIN POINT WHICH WE ARE SEEING ON THE PRICING DEVELOPMENT AND THIS IS OF COURSE ALSO IS BEING REFLECTED IN THE ARPU DEVELOPMENT.

HANS TSCHUDEN: REGARDING THE CAPEX TRADITIONALLY WE SEE AN INCREASE IN OUR CAPEX SPENDING IN THE FOURTH QUARTER THAT WILL BE ALSO THE CASE IN THE FOURTH QUARTER OF 2011 AND NEVERTHELESS I THINK IT IS GOOD ASSUMPTION THAT OVERALL CAPEX SPENDING WILL BE RATHER THE LOWER END OF OUR GUIDANCE.

MICHAEL BISHOP: OKAY, THANKS SO MUCH.

OPERATOR: THANK YOU NEXT QUESTION COMES FROM HUGH McCAFFREY OF GOLDMAN SACHS.

HUGH McCAFFREY: GOOD AFTERNOON GUYS, I HAVE GOT TWO QUESTIONS. FIRSTLY, JUST ON FIXED MOBILE SUBSTITUTION IN AUSTRIA. IN THE RELATIONSHIP YOU TALK ABOUT THAT CONTINUING ON UNABATED BUT YOU ARE CLEARLY HAVING SOME SUCCESS WITH INCREASING THE POPULARITY OF YOUR FIXED LINE BUNDLES. WHAT IMPACT DO YOU THINK FIXED LINE SUBSTITUTION IS STILL HAVING ON THE BUSINESS FINANCIALLY AND IS THERE ANYTHING YOU CAN DO TO SLOW THAT DOWN? AND SECONDLY, JUST ON THE CONSIDERATION FOR VELCOM, I UNDERSTAND THAT YOU STILL HAVE EUR 55 MILLION OF CASH OUT FOR THAT ACQUISITION COMING IN 2012, WHAT IS THE TOTAL CASH CONSIDERATION LEFT TO PAY ON VELCOM? THANK YOU.

HANS TSCHUDEN: CONCERNING THE FIXED TO MOBILE SUBSTITUTION AND DEVELOPMENT OF FIXED PLAN IN AUSTRIA, I THINK ON THE ONE HAND IT IS AN EXCELLENT DEVELOPMENT, WHICH WE ARE SEEING CONCERNING THE CUSTOMER BASE. I BELIEVE WE ARE THE

ONLY ONE OR ONE OF THE RARE PLAYERS IN THE EUROPEAN MARKET INCREASING THE NUMBER OF SUBSCRIBERS IN FIXED LINES, SO THAT'S POSITIVE. WE CLEARLY DEVELOPED THE NUMBER OF BUNDLES, IT IS NOW REACHING OVER 1 MILLION, I THINK THAT'S A GOOD DEVELOPMENT. ON THE OTHER HAND, WE ARE FACING STILL A SUBSTITUTION AND WE ARE LOSING A -12 PERCENT, THIS IS UNFORTUNATELY PRETTY STABLE OVER THE YEARS AND WE ARE NOW HAVING OUT OF TOTAL VOICE MARKET IN AUSTRIA 11 PERCENT ON OUR FIXED LINE NETWORK, AROUND 82 PERCENT IS ON MOBILE. SO IN-BETWEEN IS THE FIXED ALTERNATIVES. SO THAT IS THE SITUATION IN WHICH WE ARE FACING AND THIS DIDN'T REALLY CHANGE SO ON ONE HAND POSITIVE IMPACT SUBSCRIBERS AND ON THE OTHER HAND NEGATIVE PRESSURE ON THE MINUTES, WHICH ARE WALKING AWAY FROM FIXED AND TO THE MOBILE.

HANNES AMETSREITER:

REGARDING THE QUESTION OF THE THIRD PAYMENT FOR VELCOM BELARUS, THAT'S THE REMAINDER WHICH HAS TO BE PAID MOST PROBABLY IN 2012, AND SO WE EXPECT ABOUT TWO THIRDS TO BE CASH EFFECTIVE.

HUGH MCCAFFREY:

OKAY. SO JUST TO CLARIFY ON BOTH THOSE THINGS, THERE IS THE 55 MILLION YOU HAVE GOT IN FOR 2012 IT IS THE LAST CASH PAYMENT AND JUST ON THE VOICE DECLINES AND I UNDERSTAND THAT THOSE HAVE BEEN DECLINING AT 11 OR 12 PERCENT A YEAR FOR QUITE A LONG TIME BUT IS THERE ANY SCOPE FOR A REGULATORY RELIEF THERE OR IS THAT STILL NOT FORTHCOMING? THANKS.

HANS TSCHUDEN:

IT IS NOT REALLY FORTHCOMING, SO IT IS NOT VERY LIKELY THAT WE WOULD SEE A SITUATION LIKE IN GERMANY THAT WE WOULD BE ALLOWED TO BUNDLE A SIGNIFICANT AMOUNT OF MINUTES INTO OUR OFFERINGS. AT THE MOMENT IT DOESN'T REALLY LOOK LIKE IT.

OPERATOR:

AND THE NEXT QUESTION COMES FROM VIKRAM KARNANY OF NOMURA.

VIKRAM KARNANY:

THANK YOU. I HAVE TWO QUESTIONS, PLEASE. FIRSTLY SORRY AGAIN TO FOCUS AGAIN ON BELARUS, I JUST WANTED TO GET AN UPDATE OVER THERE, HAVE YOU PERFORMED AN IMPAIRMENT TEST FOLLOWING THE SECOND DEVALUATION IN MID-SEPTEMBER AND DO YOU STILL BELIEVE THERE IS NO NEED TO WRITE DOWN ANY IMPAIRMENT TEST THAT YOU HAVE DONE? AND SECONDLY ON DOMESTIC MOBILE SAC GROWTH RATE TREND YEAR-ON-YEAR WAS SLIGHTLY LOWER IN THIRD QUARTER, WAS IT DUE TO THE DELAY IN IPHONE LAUNCH?

HANS TSCHUDEN:

FOR IMPAIRMENT TEST, WE HAVE DONE DIFFERENT SCENARIOS, WITH THE FIRST DEVALUATION WHICH INCLUDED ALWAYS A FURTHER DEVALUATION SCENARIO SO THERE WAS NO NEED FOR US TO MAKE A SPECIFIC ONE IN SEPTEMBER AND THERE IS

THE OUTCOME WAS THAT THERE WAS NO IMPAIRMENT NECESSARY EVEN WITH THE SECOND DEVALUATION.

VIKRAM KARNANY:

OKAY AND DOMESTIC MOBILE?

HANNES AMETSREITER:

DOMESTIC MOBILE YOU WERE TRYING TO ASK FOR IPHONE IN AUSTRIA OR SLOVENIA? IN AUSTRIA, WHAT WE ARE SEEING IS THAT WE THERE IS QUITE A GOOD DISTRIBUTION BETWEEN THE PLAYERS OFFERING IPHONE AND WE ARE NOW BACK AGAIN TO THE LEADING POSITION, WHICH WE ALWAYS HAVE. AND THIS IS NOT ONLY IN THE DATA AREAS BUT ALSO CONCERNING THE IPHONES, SO WE HAVE LEADING PRECISION IN SELLING THIS PRODUCT SO THERE IS NO NEGATIVE IMPACT THAT WE STARTED LATE WITH THE MOBILE.

OPERATOR:

THANK YOU AND THE NEXT QUESTION COMES FROM USMAN GHAZI OF BERENBERG.

USMAN GHAZI:

GOOD AFTERNOON GENTLEMEN, I HAVE GOT TWO QUESTIONS PLEASE. THE FIRST QUESTION WAS ON YOUR DEBT REFINANCING SCHEDULE, I THINK YOU ALONG WITH TELEFONICA ARE THE MOST CHALLENGING DEBT REFINANCING SCHEDULES ARE AMONGST ALL THE TELECOM COMPANIES, I AM JUST WONDERING GIVEN THE PRESSURE AUSTRIA CBS LAST WEEK AND THE ONGOING DEBACLE IN THE EUROZONE I AM JUST WONDERING IF YOU KNOW, WHEN CAN WE EXPECT TO THE SEE THE DEBT MARKETS? AND MY SECOND QUESTION IS JUST ON THE WHOLESALE PRICING FOR FIBRE, I KNOW THAT THE REGULATOR SET A CAP OF AROUND IF I RECALL CORRECTLY WAS AROUND EUR 44 FOR 100 MEGA BIT PER SECOND PRODUCT GIVEN THAT UPC HAS JUST GOT ITS 100 MEGA BIT PER SECOND PRODUCT RANGE FROM EUR 80 TO 49.9 JUST ROUND TWO WEEKS AGO, IT SEEMS TO LEAVE TELEKOM AUSTRIA WITH VERY LITTLE LEEWAY TO PRICE IT IS FIBRE PRODUCT. I AM JUST WONDERING IF I CAN GET ANY COMMENTS ON THAT. THANKS.

HANNES AMETSREITER:

WITH REGARD TO THE REFINANCING NEEDS, WE ARE ALREADY IN DISCUSSIONS WITH DIFFERENT BANKS ABOUT HOW TO REFINANCE THE MATURING DEBTS IN 2012. SO WE SEE NO SQUEEZE ON THE MARKET AT ALL SO WE HAVE ACCESS TO DIFFERENT INSTRUMENTS IN THE MARKET WITH OK DE-FINANCING WHICH IS EXPIRING WHICH WE HAVE GOT CLEAR INFORMATION THAT THAT CAN PROLONGATED IF YOU LIKE TO SO THERE IS CURRENTLY NO NEED THAT THE DEBT MARKET THERE IS 750 BOND EXPIRING 2013 SO MOST PROBABLY WE WILL BE IN THE MARKET IN THE COURSE OF 2012 TO REFINANCE 2013.

USMAN GHAZI:

DO YOU HAVE ANY INDICATION ON THE COST, WHAT IT WOULD COST YOU IN THE CURRENT CONDITIONS?

HANNES AMETSREITER:

I THINK CURRENTLY IT WOULD BE AROUND 5 PERCENT COUPON.

USMAN GHAZI : 5 PERCENT OKAY, OKAY.

HANS TSCHUDEN: CONCERNING THE PRICING FOR FIBRE PRODUCTS WHICH WAS RECENTLY INTRODUCED THE FIRST TIME TO THE HOME WAS 50 MEGA BIT AND 100 MEGA BIT. PRICING WISE, IT IS A PREMIUM VERSUS UPC, WE DID THAT ON PURPOSE BECAUSE WE NOW WOULD LIKE TO FIRST TEST IT AND CHECK ALL TECHNOLOGY AND DEVELOPMENT AND PROCESSES BEFORE WE HAVE MORE COMPETITIVE AND AGGRESSIVE PRICES IN THE MARKET. SO AT THE MOMENT IT IS A TEST RUN WE ADDED 90 000 HOUSEHOLDS IN THE 15TH AND 19TH DISTRICT IN VIENNA. THIS CLEARLY IS A SUPERIOR PRODUCT OVER PROVIDERS IN THESE AREAS AND GIVES US A CHANCE TO REALLY ENQUIRE QUITE SOME HOUSEHOLDS WITH OUR TOTAL PRODUCT RANGE, RANGING FROM TV TO BROADBAND TO MOBILE ETC.

USMAN GHAZI : OKAY, THANK YOU.

OPERATOR: NEXT QUESTION IS FROM ANDY PARNIS OF UBS.

ANDY PARNIS: HI, I HAVE GOT TWO QUESTIONS. I THINK IN YOUR PRESENTATION YOU SAID THAT THERE HAS BEEN NO SORT OF MATERIAL IMPACT FROM CANNIBALISATION BETWEEN YOUR TWO BRANDS YOUR TWO MAIN BRANDS IN AUSTRIA MOBILE, COULD YOU GIVE SOME FIGURES BEHIND THAT, WHAT PERCENTAGE OR WHAT SORT OF NUMBER OF CUSTOMERS HAVE YOU SEEN MOVING BETWEEN YOUR MAIN AI BRAND DOWN TO THE BOB BRAND, ALSO WHAT'S THE POTENTIAL OR THE VARIABLE RP DILUTION FOR MOVING FROM THE MAIN BRAND DOWN TO THE NO-FRILLS BRAND? THE SECOND QUESTION WAS JUST A QUICK ONE ON BELARUS, WHAT PERCENTAGE OF YOUR COST BASE THERE IS NOT IN THE LOCAL BELARUSIAN ROUBLE? THANKS.

HANNES AMETSREITER: CONCERNING THE CANNIBALISATION WE DO HAVE A MARKET SHARE IN AUSTRIA OF 40 PERCENT. CANNIBALISATION IS CLEARLY BELOW MARKET SHARE SO IT IS AROUND 25 PERCENT OR SO, SO THIS MEANS THAT WE ARE ADDING FROM OTHER PLAYERS IN THE MARKET A SIGNIFICANT PORTION. SO THAT IS THE POSITIVE SIGNAL, WHICH WE ARE SEEING. IT DEPENDS ON WHAT KIND OF PRODUCT THE CUSTOMERS ARE CHOOSING, SO THE IPO FOR BOB COULD BE SOMEWHERE BETWEEN EUR 7 AND 18 DEPENDING ON THE PRODUCT HE IS CHOOSING.

HANS TSCHUDEN: REGARDING THE COST WHICH ARE IN LOCAL CURRENCY RESPECTIVELY HARD CURRENCY IN BELARUS, WE ESTIMATE FOR THE FULL YEAR A SHARE OF 35 PERCENT ON OPEX AND HERE ON CAPEX IT IS BETWEEN 70 AND 80 PERCENT.

ANDY PARNIS: OKAY, THANK YOU VERY MUCH.

OPERATOR: THE NEXT QUESTION COMES FROM IGOR MULLER OF WOOD AND COMPANY.

IGOR MULLER: HELLO, GOOD AFTERNOON. I WOULD JUST LIKE TO ASK IF YOU CAN GIVE US ANY UPDATE ON THE SHAREHOLDERS ACTIVITY OR WHETHER YOU HAVE ANY COMMENTS TO THE RECENT NEWS FOLLOWING THE 5 PERCENT STAKE OF MR. PECIK? THANK YOU.

HANS TSCHUDEN: JA, THERE IS NO ADDITIONAL INFORMATION TO THAT, WE NOW ALREADY HAD A MEETING WITH MR. PECIK LIKE WE HAD WITH OTHER SHAREHOLDERS. THERE IS NO NEW INFORMATION ABOUT ANY ADDITIONAL STAKES. SO IT IS STILL THE INFORMATION WHICH WAS SENT OUT A FEW WEEKS AGO.

IGOR MULLER: THANK YOU.

OPERATOR: THE NEXT QUESTION COMES FROM VERA SUTEDJA OF ERSTE BANK. MRS SUTEDJA MAY WE HAVE YOUR QUESTION PLEASE.

VERA SUTEDJA: YES I JUST HAVE ONE QUESTION PLEASE REGARDING THE OUTLOOK FOR 2011. IT IS MENTIONED TO BE BASED ON THE CONSTANT CURRENCY BASIS, CAN YOU REMIND US AGAIN, WHAT IS THE ASSUMPTION FOR THE ROUBLE-EUR CURRENCY THAT IS INCLUDING IN THIS OUTLOOK?

HANS TSCHUDEN: IT IS AT CONSTANT CURRENCY THAT'S AT THE ACTUAL CURRENCY RATE, SO THE ROUBLE IS CALCULATED AT 11 THOUSAND ROUBLES PER EUR.

VERA SUTEDJA: SO IT WAS NOT BASED ON THE LAST YOU KNOW AS IT WAS ANNOUNCED AS IT WAS IN THE SECOND QUARTER ANNOUNCEMENTS, IT WAS LOWER RATES THAT IS EUR 11 THOUSAND, THAT'S THE MAIN ASSUMPTION FOR THE FULL YEAR?

HANS TSCHUDEN: EXACTLY IT IS FROM TODAY'S CURRENCY RATE THOSE ARE APPLICABLE AND INCLUDED IN THE OUTLOOK.

VERA SUTEDJA: AND IF I MAY ASK SECOND QUESTION REGARDING THE GOODWILL OF THE BELARUS, CAN YOU TELL ME HOW MUCH IT IS APPROXIMATELY, THE LAST STATUS OF THAT?

HANS TSCHUDEN: IT IS LESS THAN EUR 100 MILLION.

VERA SUTEDJA: LESS THAN 100? OKAY, THANK YOU.

OPERATOR: THEN WE HAVE A FOLLOW-UP QUESTION OF USMAN GHAZI OF BERENBERG. MAY WE HAVE YOUR QUESTION?

USMAN GHAZI: HI GUYS SORRY JUST ONE FOLLOW-UP, IT IS JUST A MORE BROADER QUESTION ON A SHAREHOLDER EQUITY AT TELEKOM AUSTRIA, YOU ARE DISTRIBUTING AT DIVIDEND THAT'S HIGHER THAN NET INCOME, AND YOUR SHAREHOLDER EQUITY OBVIOUSLY COME UNDER SOME PRESSURE FROM LAST YEAR, I WAS JUST WONDERING YOU KNOW WHAT THE GROUP'S VIEW IS WHETHER IF SHAREHOLDER EQUITY IS

RELEVANT OR WHETHER IT IS JUST IRRELEVANT AND YOU DO NOT CARE IF IT GOES INTO NEGATIVE TERRITORY? THANKS.

HANS TSCHUDEN:

I THINK THE MAIN VIEW MOST OF OUR SHAREHOLDERS THAT WE HAVE IS THAT IT IS IMPORTANT TO COVER THE DIVIDEND PAYMENT BY CASH FLOW SO THAT IS THE CASE. THE DECLINE IN OUR EQUITY IN THE LAST YEARS IS MAINLY ATTRIBUTABLE TO MAJOR INSTRUCTIONS PROVISIONS WE HAVE PUT IN PLACE AND THOSE HAVE HAD FIXED EFFECTS ON THE EQUITY. AS WE DO NOT HAVE ANY COVENANTS IN OUR CONTRACTS WITH BANKS OR CAPITAL PROVIDERS, OUR FOCUS IS ON CASH FLOW RATHER THAN ON THE EQUITY. BUT THAT'S OUR VIEWPOINT.

USMAN GHAZI:

OKAY, ARE THERE ANY RESTRICTIONS IN AUSTRIAN COMPANY LAW THAT PREVENT YOU FROM PAYING A DIVIDEND IF YOUR EQUITY IS NEGATIVE?

HANS TSCHUDEN:

YOU HAVE TO LOOK AT THE, NOT AT THE CONSOLIDATED ACCOUNTS BUT ON THE SINGLE ACCOUNTS, THERE IS A MINIMUM EQUITY RATE FOR A SINGLE ACCOUNT OUT OF WHICH YOU HAVE PAID A DIVIDEND WHICH IS 8 PERCENT, THE RATIO WE HAVE IN THE SINGLE ACCOUNT IS 42 PERCENT EQUITY RATIO.

USMAN GHAZI:

THANK YOU VERY MUCH.

OPERATOR:

AS A REMINDER IF YOU WISH TO REGISTER FOR A QUESTION, PLEASE PRESS STAR ONE ON YOUR TELEPHONE. WE ARE WAITING FOR FURTHER QUESTIONS. THERE ARE NO FURTHER QUESTIONS.

HANS TSCHUDEN:

IF THERE ARE NO FURTHER QUESTIONS, I WOULD LIKE TO CONCLUDE THIS CALL. THANK YOU VERY MUCH FOR DIALING IN. THANK YOU VERY MUCH. HAVE A NICE EVENING. BYE BYE.

HANNES AMETSREITER:

THANK YOU GOOD BYE.

(43.44.8) END OF TAPE.