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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Telekom Austria results of the first quarter 2009 conference call. My name is Bill, and I will be your coordinator for today's conference. For the duration of this call, you will be on listen-only. However, at the end of the call, you will have the opportunity to ask questions. (Operator instructions)

This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements.

Forward-looking information involves risks and uncertainties that could significantly affect expected results. I will now hand you over to Peter Zydek, to begin today's conference call.

Peter Zydek - Telekom Austria AG - Head of IR

Welcome, ladies and gentlemen, to today's conference call for the results of Telekom Austria Group for the first quarter 2009. Hannes Ametsreiter, our new CEO, and Hans Tschuden has joined me here today to present the results, and discuss the recent trends in the market that we operate in.

Hannes Ametsreiter will start the presentation and will discuss operational details of the Mobile Communication and the Fixed Net segment, while Hans Tschuden will present the financial results for the first quarter of 2009.

As always, we will end this presentation with our outlook for the full year, and the outlook will be followed by a Q&A session. I will now give the floor to Hannes and Hans, for the key developments and an overview of the key financials for the first quarter of 2009.

Hannes Ametsreiter - Telekom Austria AG - CEO

Good afternoon, ladies and gentlemen. This is Hannes Ametsreiter speaking. I'd like to highlight the most important developments of Telekom Austria Group in the first quarter 2009.

Against a background of a difficult economic framework, we managed to show a continuous growth in our mobile subscriber base, which increased by 13% to 17.9 million customers during first quarter 2009. I am especially proud that the significant slowdown of Fixed Net access line loss, which we showed last year as a result of our product bundle strategy, proved sustainable. Our cost reduction program supported EBITDA development.

On the whole, a lower Fixed Net segment, also due to the disposal of Fixed Net subsidiaries in Eastern Europe, led to a decline in Group revenues of 5%, with a flat picture in Mobile Communications. Our EBITDA declined by 6.4%, due to weaker contribution from Mobile, while we managed to slow a slight increase in the Fixed Net segment.

Now I hand it over to Hans to guide you through the financial overview of our first quarter results.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Thank you, Hannes. Welcome, ladies and gentlemen. This slide shows the financial key data for the first quarter 2009. Our revenues decreased by 5%, to EUR1.197 billion, primarily due to the lower revenues in the Fixed Net segment, resulting from lower wholesale revenues and voice volumes, as well as the sale of the Fixed Net subsidiaries in Czech Republic, in Slovakia, and Poland, respectively.

While EBITDA decreased by 6.4% to EUR455 million on Group level, the Fixed Net segment showed a slight EBITDA growth. The EBITDA decline was primarily impacted by asset sales during the first quarter '08, the expiry of the national roaming agreement in Croatia, and negative impact of currency translation, mainly due to the devaluation of the Belarusian ruble.

The lower operating result, together with high interest expenses following the placing of a EUR750 million Eurobond in January 2009, and the restructuring program, as well as losses from FX translation, resulted in a net income of EUR85 million in first quarter '09. Basic and diluted earnings per share amounted to EUR0.19 in the first quarter.

I'd like to give the floor back to Hannes, who will tell you his strategy as our new CEO, before he guides you through the results of Fixed Net and Mobile Communications results.

Hannes Ametsreiter - Telekom Austria AG - CEO

Thank you, Hans. On April 1, 2009, I took over as CEO of Telekom Austria Group, and I'm very proud that I got the trust of the Supervisory Board, with a responsible position. Together with Hans, we remain committed to the strategy presented at the Capital Market Day in January 2009.

Our focus in 2009 [lays on] operational excellence, to tackle economic crisis, and exploit the potential of existing operations.

The current footprint of Telekom Austria provides enough scale to generate value, and no footprint M&A opportunities will be pursued in 2009.

I'd like to point out that investment in our infrastructure really depends on cost reductions in other areas, and on the findings of ongoing trial project and test markets.

Summing up, my main priority is a (technical difficulty) are to deliver superior customer experience, to offer innovative products, and to stick, clearly stick, to the communicated dividend policy.

On the next few slides, I will put you through the results of the Fixed Net segment.

In the Fixed Net segment, despite lower revenues, we managed to show a slight increase in EBITA, supported by the success of our cost reduction measures. As a result of lower revenues from access voice and broadband, and from wholesale voice and Internet, reflecting in lower volumes, Fixed Net revenues decreased by 10%, to EUR469.5 million in the first quarter '09. First quarter '08 included communities of revenues of EUR 10 million from eTel Polska, as well as eTel Slovensko, and Telekom Austria Czech Republic, which were sold in February 2008 and November 2008 respectively.

Benefiting from our cost reductions, EBITDA increased slightly, the first time ever, by 0.6% to EUR 158 million in first quarter '09, compared to EUR 156 million in first quarter '08. Operating expenses were reduced by 15%, due to lower interconnection costs, the implemented restructuring program, as well as the disposal of the subsidiaries.

Now let us take a look at the effects of our marketing initiatives.

Our new strategy (inaudible) in the Fixed Net segment has clearly proved effective in line loss reduction. Customers like the idea of keeping the access line, and getting broadband connection, and (inaudible) for a small incremental fee. This (technical difficulty), and consequently, lower churn as evidenced by quarterly line loss falling from 32,000 lines a year ago to just 8,000 lines in first quarter of '09. But the expiry of promotions, running for only one fifth of the quarter, it could reduce line loss by 75%.

Primarily the reduction of voice minutes in the Fixed Net led to the decline of average revenues per access line by 3.5%.

Now let me turn to mobile broadband market. You are probably aware of the success of mobile broadband in Austria, which contributed to the increase in broad penetration in Austria to 82% at the end of the first quarter '09, compared to 67% the year before. In this environment, the Fixed Net segment could maintain its share of around a third of total market. Our product bundle enabled even a small growth, compared to the fourth quarter of 2008. This contrasts with other operating fixed broadband operators, which have lost substantial ground against (inaudible) mobile broadband.

The rising number of retail broadband lines drove the number fixed (inaudible) broadband line 14%, to 935,000 at the end of March '09, more than compensating for a decline in our (inaudible) lines.

On the next slide, I will present you our new project for the Fixed Net segment.

Following this strategy, Project Energy is the name of our program in the Fixed Net segment to tackle future challenges. The key message is, the future is broadband. There are three strategies to support it.

The first column represents the growth of the customer base in the private and business segments, and in wholesale. A prerequisite to allow us to offer our customers the best products is a fair regulatory environment.

The second column is technology. Investments in our infrastructure and trials and new systems will be essential for that point.

The third column is efficiency, including cost conscious action and lean processes. Employees and management are committed to this strategy, which requires fundamental change and open communication.

On this slide, I'd like to point out the progress of our personal restructuring program. The program progresses according to plan, with 398 FTE agreed to accept the social plan. There are 333 employees already have left the Company as March, 2009. 654 FTEs were released from work by March 31, 2009, and the salary of those employees gets paid from the restructuring provision accrued last year.

As mentioned on the Capital Market Day in January, '09, the measures initiated are expected to lead to a reduction of 1,250 employees in '09.

Now I'll go over to the Mobile Communications segment.

The customer base of the Mobile Communications segment grew by 13%, to almost 18 million customers as of March 31, 2009, primarily driven by an increase in contract subscribers in all Mobile operations. Revenues in the Mobile Communications segment fell slightly, by 0.8%, to EUR790 million in first quarter, primarily due to lower revenues in Croatia following the expiry of the national roaming agreement with Tele2, and lower international roaming revenues.

The negative currency translation impact on revenues amounted to EUR12 million. In local currencies, revenues would have increased by 0.8%. EBITDA decreased by 8.1%, to EUR306 million in first quarter, mainly due to a lower contribution from Austria, Bulgaria, and Croatia.

On the positive side, the losses associated with the launch of operations in the Republic of Serbia and the Republic of Macedonia were reduced by -- from EUR90 million in first quarter '08 to EUR11 million in first quarter '09. The negative impact of foreign currency translation amounted to EUR4.3 million. In local currencies, EBITDA would have decreased by only 6.8%.

Let's have a look at the performance of mobilkom Austria.

The subscriber of mobilkom Austria grew by 11.7%, to 4.6 million subscribers at the end of March '09, mainly driven by a directive tariff model, and additional (inaudible) for mobile broadband. Revenues of mobilkom Austria declined by 1.3%, to EUR403 million, compared to first quarter '08 as a result of lower subscription and traffic revenues, following lower prices for voice and data as well as lower roaming revenues.

Subscriber acquisition costs increased from EUR11 million in first quarter '08 to EUR40 million in first quarter '09, due to a more expensive handset portfolio, including a higher number of smartphones and netbooks, which will [still not] feature data usage.

Mobilkom Austria's EBITDA decreased by 5.5%, to EUR160 million, compared to EUR170 million in first quarter '08 as a result of lower revenues and higher subscriber acquisition costs.

Let's turn to mobilkom Austria's key operational figures on the next page.

Mobilkom Austria extended its market leadership and grew its market share to 42.4% at the end of first quarter '09, compared to 41.2% at the end of first quarter '08. Mobile broadband was an important contributor, and increased by over 42%, to 441,000 customers at the end of March '09, compared to 310,000 at the end of March '08. Data revenues, as a percentage of traffic-related revenues, rose from 31.6% in first quarter '08 to 30 -- very high 37.4% in first quarter '09, as almost half of our net adds in the first quarter '09 took a data plan.

Now let's turn to Mobiltel Bulgaria. Mobiltel increased its customer base to 5.3 million customers at the end of March 2009. An increase in average minutes of use charged per subscriber by 15% shows the ongoing strong usage despite the difficult economic environment in (technical difficulty), and partly compensated for lower prices. Revenues of Mobiltel declined from EUR154 million in the first quarter '08 to EUR150 million in first quarter '09 in spite of the higher contract subscriber base due to lower prices as a consequence of fierce competition and higher discounts granted.

EBITDA decreased from EUR92 million in first quarter '09 -- '08, to EUR76 million in first quarter '09 due to a one-off effect in the amount of EUR5 million from an asset sale included in first quarter '08, as well as higher interconnection costs. The following slide provides an overview of our Belarusian operation, Velcom.

At the end of March 2009, Velcom grew the subscriber base by over 16%, to 3.8 million customers compared to just 3.2 million at the end of March 2008. During that time, Velcom's market share remained almost stable, at 43.8%. Revenues increased by around 13%, to EUR72 million in first quarter '09, driven by higher revenues from subscriber and traffic due to higher usage, and the larger subscriber base. Currency translation differences following the devaluation of the Belarusian ruble at the beginning of '09 impacted revenues with an amount of EUR9 million. In local currency, revenue growth was 27%.

In first quarter '09, EBITDA rose by 15%, to EUR36.7 million, as revenue growth more than offset higher marketing interconnection costs. In local currency, excluding the impact of the currency translation effect in the amount of EUR4.5 million, EBITDA increased by over 29%.

Now let's turn to operations in Croatia.

Vipnet grew its subscriber base by 14%, and had 2.5 million customers at the end of March '09. Revenues of Vipnet declined by 9.5% to EUR105.4 million in first quarter '09, due to lower wholesale roaming revenues, mainly due to the expiry of the national roaming agreement with Tele2 in '08, as well as lower prices for voice and data. EBITDA decreased by 22.7% to EUR32.6 million in first quarter '09, mainly due to lower revenues and higher interconnection costs despite lower other operating expenses.

Si.mobil, the second largest operator in Slovenia, grew its subscriber base by over 13%, to 582,400 customers at the end of March '09. Revenues grew by 3.6% to EUR45.7 million during first quarter '09, mainly as a result of higher subscription traffic revenues overcompensating for lower roaming and for lower interconnection revenues. EBITDA decreased from EUR14.7 million in first quarter '08, to EUR10.3 million in first quarter '09 as a consequence of higher material expenses, due to higher share of multimedia handsets as well as increased marketing and sales costs.

Last but not least, I would like to discuss our operations in the Republic of Serbia, and the Republic of Macedonia.

Vip mobile, the third largest mobile operator in the Republic of Serbia, reached the first 1 million subscriber mark at the end of March '09, only 20 months after the start of its operations, and had a market share of 10.2% at the end of first quarter '09, compared to 6.7% at the end of first quarter '08. During first quarter '09, Vip mobile increased revenues by 27.3%, to EUR15.4 million as a result of higher subscription and traffic revenues driven by a larger subscriber base and higher usage. A negative EBITA could have nearly halved, to EUR6.8 million, compared to EUR13 million in first quarter '08.

Vip operator, the third largest mobile operator in the Republic of Macedonia, had [230,000] customers in first quarter '09, compared to 163,000 customers in first quarter '08. Its market share was 9.3% at the end of first quarter '09, compared to 8.1% in first quarter '08. Vip operator's revenues more than doubled to EUR3.9 million in first quarter '09, compared to EUR1.8 million in first quarter '08, driven by the strong increase of the subscriber base and usage.

The negative EBITDA of the Company declined from EUR6 million in first quarter '08 to EUR4.3 million in first quarter '09, reflecting a continuing operating improvement.

Now I would like to present to you the recent decision of the regulatory authority in Austria on the MTR gliding path.

On April 21, the Austrian regulatory authority announced that it will adopt new mobile termination charges in Austria. The regulator has decided to lower termination rates compared to the previous schedule published in 2007. [The issuance] of the Austrian mobile communication operators will be reduced retroactively to a uniform termination rate of EUR0.0572 as of July 1, 2008, equivalent to the level charged by mobilkom Austria since January 1, 2008. In addition, the uniform termination rate of all Austrian mobile communication operators will be reduced retroactively from EUR0.0572 to EUR0.045 as of January 1, 2009.

[Definitely] mobilkom Austria has a positive effect from the earlier introduction of symmetry of the negative impact from lower levels starting with January 2009. Those two effects balance each other.

Furthermore, the Austrian regulatory authority published a draft for a new gliding path, designed to reduce the termination rate to just EUR0.02 by January 1, 2011, for all mobile communication operators. This decision will lead to lower revenues in 2009. However, it will also result in lower costs. Therefore, the retroactive reduction of mobile termination rates poses no risk to our 2009 EBITA guidance.

Now I hand it back to Hans, who will guide you through the financial overview of the first quarter 2009.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Thank you, Hannes. I will take the next few minutes to talk you through our financial results for the first quarter 2009. My first slide summarizes the positions of the profit and loss accounts. The 5% decline in revenues during the first quarter was a result of lower Fixed Net wholesale revenues and voice volumes, as well as the sale of the Fixed Net subsidiaries in Czech Republic, Slovakia, and Poland.

EBITDA decreased by 6.4%, to EUR455 million, reflecting amongst others the impact from asset sales in Bulgaria in -- during the first quarter '08, the expiry of the national roaming agreement in Croatia, and the currency translation mainly due to Belarus.

Operating income fell by 11% to EUR180 million, with the higher contribution from the Fixed Net segment partly compensating for a lower operating income in the Mobile Communications segment.

The first quarter '09 showed additional non-cash net interest expenses due to higher interest bearing liabilities resulting from the EUR750 million bond placed in January '09, and to restructuring program. Effects from foreign currency devaluations in the financial results turned from a gain of EUR12.7 million in the first quarter '08 to a loss of EUR13 million in the first quarter '09, due to the devaluation of the ruble in Belarus in January, and more favorable US exchange rates in 2008.

Income tax expense decreased from EUR36 million in the first quarter '08 to EUR24 million in the first quarter '09 due to lower taxable income. Net income amounted to EUR85 million in the first quarter '09 after net income of EUR129 million in the first quarter '08.

The next slide provides a detailed overview on the free cash generation of our Company.

Our cash flow from operations before working capital adjustments declined by 9.1%, to EUR382 million, reflecting a weaker operating performance. During the first quarter of '09, our free cash flow generation was influenced by higher working capital requirements, which increased by 16% to EUR134 million.

Although we decreased sharply our capital expenditures from EUR160 million last year to EUR116 million this year, our free cash flow declined by 9.5% to EUR132 million.

For more details on CapEx, let's move on to page 27.

The decrease in ordinary capital expenditure is caused by a nearly 51% decline in the Fixed Net segment due to a postponement of investments into excess and core infrastructure. In the Mobile Communications segment, capital expenditures decreased by close to 10%, to EUR82 million in the first quarter 2009, as lower capital expenditure in Austria and Croatia offset higher capital expenditures in the excess infrastructure in Bulgaria.

Total CapEx amounted to EUR190 million, which is 26% less than the year before. Other investing activities amounted to approximately EUR90 million, and include investment of proceeds from the issue of the bond into short-term corporate bonds.

Overall, cash used in investing activities reached EUR209 million, compared to EUR155 million in the first quarter of last year.

On the next slide, I will discuss the changes in the composition of our balance sheet. The total assets of Telekom Austria Group increased from EUR8.9 billion as of December 31, 2008 to EUR9.1 billion as of March 31. During the first quarter, current assets increased by EUR520 million, mainly driven by higher cash and cash equivalents and higher short-term investments following the issue of the bond in January 2009.

Long-term assets declined by EUR430 million, to EUR7 billion, due to currency translations following the devaluation of the Belarusian ruble, and lower property, plant and equipment SD&A exceeded CapEx spending.

While current liabilities decreased due to payments of accounts payable, long-term liabilities increased mainly due to the changes in long-term debts, following the issue of the bond.

Stockholders' equity decreased from EUR2.2 billion as of December 31, to close to EUR2 billion as of March 31, mainly due to foreign currency translation adjustments amounting to EUR260 million following the devaluation of the Belarusian ruble and the dinar in Serbia, despite a net income amounting to EUR85 million.

Net debt decreased by EUR150 million to about EUR3.9 billion as of March 31 as a result of free cash flow generation. Net debt to EBITDA for the last 12 months remained unchanged at 3.1 times at the end of March, compared to the end of December 2008. Excluding the restructuring effects on our EBITDA, net debt to EBITDA remains stable at 2.1 times.

On slide 29, we compare the expected cash available with the debt maturing in 2008 -- 2009 and 2010. The sources of cash include both cash and short-term investments, which comprises the proceeds of the bond issued in January 2009, and the expected free cash flow generation during the course of 2009 and 2010 after dividends. Those sources of cash cover more than what we have to refinance on maturing debts in this period. This clearly shows our solid financial policy, and that we can easily meet all our obligations, even without drawing on our bank facilities, of which we have currently about EUR1.2 billion unutilized committed lines in place.

We will hold our Annual General Meeting on May 20 in Vienna, and I would like to make you aware that Telekom Austria withdraws their request for the extension of the authorization for the convertible bond, which was planned for the -- to be renewed for the upcoming AGM next week. The existing authorization to issue a convertible bond has been in place for five years, and expires in June, 2009.

The request for an extension was planned at the upcoming AGM to maintain financial flexibility. However, since the funding for the next year is already in place, additional funding in the form of a convertible bond is not required. Therefore, also based on feedback received from shareholders concerning a potential dilution, we have decided that we will not seek an extension of the authorization in the upcoming AGM.

Now the last slide, we are coming to the presentation of the outlook of 2009. For the full year 2009, and based on constant currencies, we anticipate slightly weaker revenues than originally expected, due to lower Fixed Net wholesale revenues, as well as lower Mobile Communications interconnection and equipment revenues, which would be accompanied by a proportionate reduction in costs.

Therefore, EBITDA guidance remains unchanged, at about EUR1.9 billion in 2009. Capital expenditure for the year 2009, I expect it to amount to approximately EUR800 million, which translates into an operating free cash flow, which is EBITDA with less Capex, of EUR1.1 billion.

Telekom Austria Group expects to distribute 65% of net income in the form of dividends, at the minimum floor of EUR0.75 per share.

Thank you for your attention. Now I hand it over -- back to Peter.

Peter Zydek - Telekom Austria AG - Head of IR

Thank you, Hans. Ladies and gentlemen, after this presentation, we would like to answer the questions that you have and discuss the trends in the markets that we operate in, and of course, also, those are as for the first quarter of 2009 that we just presented to you. Please go ahead and ask your questions now.

QUESTION AND ANSWER

Operator

Thank you. (Operator instructions) The first question comes through from the line of Will Draper of Execution Ltd. Your question, please.

Will Draper - Execution Ltd. - Analyst

Good afternoon, gents. It's Will Draper at Execution. A couple things, one on EBITDA and one on CapEx.

If I could just ask you about the EBITDA guidance for 2009. You've reiterated at EUR1.9 billion. That, at least on my numbers, is looking a little bit stretched. And I'm wondering where you see the strength. You would need a step up in EBITDA margin in order to achieve that number, and I'm just wondering where you see that coming from -- is it Fixed, is it Mobile, or is it across the board?

And my second question, which is on CapEx, is, you put up a very low first quarter. I wonder if your guidance for EUR800 million of CapEx this year looks a little too high now, and whether you'd consider bringing that down. Thank you.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

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Regarding the CapEx question first, the first quarter is not representative for the full year, especially in the Fixed line segment, we anticipate that there will be a ramp-up of investments in the -- as of the second quarter onwards. And on the other side, we also expect that in Mobile, CapEx trends will not continue, as we have seen in the first quarter.

So overall, we stick to our EUR800 million, and have -- consequently, we have not made any change to that guidance.

Regarding EBITDA, you are right that the margin, EBITDA margin, is slightly increasing, but this is a simple mathematic consequence out of the fact that if you eliminate revenues, and more or less to the same extent, the costs, that the margin is going up.

So we feel -- we feel comfortable with the guidance reiterated at EUR1.9 billion.

Will Draper - Execution Ltd. - Analyst

Okay. Thank you.

Operator

Thank you. The next question comes through from the line of Andrew Lee of Citigroup. Your question, please.

Andrew Lee - Citigroup - Analyst

Good afternoon, gentlemen. Two questions on your outlook. One, just firstly on the revenues -- what is the key driver behind the reduction revenue guidance? I mean, is it the deterioration in Fixed line, or emerging market Mobile problems? And as a -- just a follow on from that question. With 10% Fixed revenue decline we saw in the first quarter, should we be taking this as a run rate for the rest of 2009, or do you expect that to improve?

And secondly, just as a follow up from the first question you received, on your OpEx cutting to offset this revenue weakness, I think I understand where you can remove costs in the Fixed business. But I wonder if you could give us a little bit more help on how you can raise margins in emerging market Mobile, and have you identified what costs can be cut already? Thank you.

Hannes Ametsreiter - Telekom Austria AG - CEO

Coming to the first question, development of revenues. You've seen this first quarter on the Fixed line a few one-off effects. One is that we sold our operations in, for instance, Slovakia, but this was one effect. The other one was that we had a reduction on wholesale revenue, and this means that we kept the margin stable, and we increased in the Fixed line. So that was the main reason on that one.

In the Mobile segment, it is a mix of competitive pressure in some countries, and some other countries -- in Belarus, we had the devaluation, and in Bulgaria, it's also pressure on the market because of the crisis which can be felt in that country especially.

Andrew Lee - Citigroup - Analyst

Just following up on that. Given you've lowered your outlook, is it the emerging market Mobile that you see being more pressured through the year that's led you to lower your outlook, or is it -- you know, 50% Fixed, 50% emerging market Mobile? I mean, what's your key concern that's led you to lower guidance for revenues?

Hannes Ametsreiter - Telekom Austria AG - CEO

I believe the main concern would be Mobile international, because we've seen on the Fixed line in Austria, you'll see (technical difficulty) development of subscribers. I mean, that was good. It's also, as I mentioned, it's some one-off effects and some wholesale effects which we've seen, so -- I mean, that makes us confident that there is a good chance to level off that development in the Fixed line.

On the Mobile side, of course, it depends on the macroeconomic situation of several countries we are in, and at the moment, we see quite a stable situation in Croatia and Slovenia, but we see some pressure on Macedonia, Serbia, and Bulgaria and Belarus. That's a different thing.

I believe Mobile international, that we need to be cautious the most.

Andrew Lee - Citigroup - Analyst

And the second question was on cost cutting. I mean, where -- you say that you're going to remove costs to offset the revenue pressures, that you're getting the same level of EBITDA. I mean, where exactly -- is it just fixed on costs that's going to do that, or are you -- can you see costs are being removed in the emerging market Mobile?

Hannes Ametsreiter - Telekom Austria AG - CEO

Of course, we're always running some cost cutting programs, but it's also important to mention, and that's why we have this effect, that's revenues going down, but we are keeping EBITDA stable, that we have some mobile termination cuts in several countries, which means lower revenues but also lower costs. We also have some wholesale effects, that, again, means that this business is a low margin business, and it's about handsets. And if you just take out the material expenses of handsets, this also means revenues. And if this is going down, this has not hurt for the results of our business.

So these are the main effects which we are calculating, and which will happen the next month.

Andrew Lee - Citigroup - Analyst

Thank you.

Operator

Thank you. The next question comes through from the line of Jakob Bluestone from Merrill Lynch. Your question, please.

Jakob Bluestone - Merrill Lynch - Analyst

Oh, hi, there. I've got two questions, please. Firstly, could you talk a little bit about the competitive environment in Austria, just maybe a little bit what's changed over the last couple of months. Mostly revenue growth was quite a bit slower in Q4, and I appreciate there's some exceptional items within that, particularly for last period. But just -- you know, what you've seen in terms of changes, and price plans, and so on in the market generally.

And then secondly, in Serbia, Telenor has talked about a 10% tax coming in on Mobile Communication. I was just wondering, is that something you see being replicated in other open markets?

Hannes Ametsreiter - Telekom Austria AG - CEO

I start with the last question first, and no, we don't see that replicated in other markets. Talking about the competitive environment in Austria, on the first line side, I mean, really, Telekom Austria dominating the market, and we increased our market share, and we kept our share in total market (inaudible) market stable, despite Mobile had pretty much pressure and a very dynamic development, so I believe that was a good achievement on the Fixed line side.

On the Mobile side, we could increase our market share in this very tough environment. There's still some pressure, also, on prices. So I believe it still is a very, very competitive market in Europe, and -- but also, I have to say that mobilkom Austria is pretty well positioned in that fight against the other competitors.

Jakob Bluestone - Merrill Lynch - Analyst

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Thanks.

Operator

Thank you. The next question comes through from the line of Chris Fremantle of Morgan Stanley. Your question, please.

Chris Fremantle - Morgan Stanley - Analyst

Yes, thanks very much. I've got two or three questions, in fact. The first is, can you give us a little bit more detail about where you are on fiber investment plans, and whether you can achieve fiber investment on a multiyear basis within the current EUR800 million CapEx envelope? That's the first question.

The second question is, can you tell us how the new mobile termination rate changes have affected the first quarter results, if at all, and also, how the Company will retrospectively account for that, potentially, in the second quarter?

And then finally, we talked about this at the last quarter. But at some stage, improvement in line losses in the Fixed line business should feed through to a slower rate of decline in the revenue development. And are you able to say that you -- can you now say that the first quarter will be the low point for Fixed line revenue declines?

Hannes Ametsreiter - Telekom Austria AG - CEO

I mean, talking about this development. I believe it was a good achievement (technical difficulty) significantly by 75%, reduce the line loss. And I am fully with you that this, at the end of the day, needs to have a positive impact on our business.

I would not like to give any outlook now on the further development, but as I mentioned before, we had some one-offs in the first quarter in the Fixed line revenue area, and so therefore, this will not happen again in the other months. I mean, this is just to let you know about the effects which we had in the first quarter.

Your other question concerning interconnection (inaudible) effects in the first quarter this year of mobile terminations in our business.

Fiber investment, we are now exploring to build fiber in Austria in two regions. For us, it's a clear test market. For us, it is very important to get some hard data, to really have good planning, and it's all very good test market, to really see what regulatory is offering to us. At the moment, we are in a phase, and this will be decided in the next -- within the next weeks, a new telecommunication law. And we are very actively participating in getting the right things in, and hopefully, getting a telecommunications law which supports our plans and really helps Telekom Austria Group.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Regarding the question about CapEx, these trials are included in our CapEx guidance for 2009. But the potential fiber rollout is not included in our CapEx guidance in the years afterwards.

Chris Fremantle - Morgan Stanley - Analyst

Thanks very much.

Operator

Thank you. The next question comes through from the line of Hannes Wittig with JPMorgan. Your question, please.

Hannes Wittig - JPMorgan - Analyst

May 13, 2009 / 02:00PM GMT, TKAGY.PK - Q1 2009 Telekom Austria AG Earnings Conference Call

Yes, good afternoon. I think you have already said that you are currently seeing a stable situation in Croatia and Slovenia, and pressure on Bulgaria. Obviously, that's not exactly the description of the trends that we saw in Q1, so I wondered if that related to the most recent trading, where the -- and my question would be, if you could give us an update on how -- you said European trends have continued, let's say, intra-quarter, and then into April.

The second question is, is there any development related to a civil servant outplacement scheme with the government at this stage, or is that idea essentially dead and buried? Thank you.

Hannes Ametsreiter - Telekom Austria AG - CEO

Starting with the second question first, at the moment, it doesn't look like this agency for civil servants will start. I mean, it's definitely a difficult situation for the government at the moment. And so, I believe this is not very realistic to be able to start such an agency.

The first question, concerning the eastern European countries, what I mentioned is that -- when I was talking about the macroeconomic environment, I believe that it is pretty stable, and it looks good in Croatia and Slovenia. It is some pressure on Bulgaria, Macedonia and Serbia, so that's what I said, talking about macroeconomics, and do we see some stable economics in Slovenia and Croatia, and we see some weak economics in Bulgaria, Serbia, Macedonia.

Talking about the business, what you could see, and what you are referring to is revenues in Croatia. In Croatia we lost national roaming of Tele2, and of course, you will find that in the results now. This will fade out in the future, of course.

Hannes Wittig - JPMorgan - Analyst

But, I mean, in Croatia, if I can come back to this -- you had a loss of revenues already in Q4, and yet Q1 revenues were significantly worse than Q4 revenues. So I can -- but my broader question, of course, was related to whether the trend that you saw between Q4 and Q1 across the whole range of eastern European businesses continued into most recent weeks, or whether you have seen some stabilization at the lower levels that we have reached during the first quarter.

Hannes Ametsreiter - Telekom Austria AG - CEO

It is too early to really say that we already reached stabilization. So I believe that the pressure of the crisis is still on, especially in Eastern Europe, and it is -- it would be too early to really say everything is safe and clear, so we definitely need to watch very closely what's going on there.

Hannes Wittig - JPMorgan - Analyst

Thank you.

Operator

Thank you. The next question comes through from the line of Hugh McCaffrey of Goldman Sachs. Your question, please.

Hugh McCaffrey - Goldman Sachs - Analyst

Good afternoon, guys, and I just have a couple of questions. And -- on Mobile, and in Austria, how much of that is from handsets versus laptop dongles? And secondly, on interconnect costs and revenue in Austria, it looks like the total level of interconnect revenue is going up in Mobile, and it just seems that all it's given the direction of Mobile termination rates, so the fact that (inaudible) is going down. So can you give us any more clarity on the dynamics there?

And finally, just -- again, in Austria, how is network capacity looking at peak levels in Austria? And do you know -- are you guys looking forward to Digital Dividend spectrum coming anytime soon? I know there was some discussion of Digital Dividend at the start of the year in Austria.

Hannes Ametsreiter - Telekom Austria AG - CEO

Yes. Starting with the last question, there are some discussions about Digital Dividend, but I believe we are talking about the year of 2012. I mean, that's what I mentioned in the regulatory talks. So this means that it's not a very hot topic at the moment. We are involved in talking to people, but it also means that it will take a while (technical difficulty).

The other questions were about interconnection, volume effect from other operators. It's (technical difficulty) package (technical difficulty) which we are promoting at the moment, and which are also promoted by the other operators in Austria, so I mean, that's clearly written from that effect, and from that promotion packages which we have in the market.

And the first question was the mix and the ratio between smartphones and data dongles. The actual major part is via dongles. I mean, I would say 90% to 10%. So the smartphones, they are at the very beginning (technical difficulty), first time ever we have really smartphones where you can generate some volume of data like we (inaudible), phone, the [G2], the second one, the [NT-6], which really enable our customers to use data.

But this is at the very beginning of development. I believe this is a big hope for the future. At the moment, the real volume is generated by data dongles, and we sell them very, very well, as you can see in our figures which we've shown.

Hugh McCaffrey - Goldman Sachs - Analyst

Okay, great. Great. Thank you very much. And just to touch on that again, is your network capacity at peak loading? Is it fine even with all these data dongles?

Hannes Ametsreiter - Telekom Austria AG - CEO

So far, yes. So I believe we still have quite some way to go to be -- to really have the full network. And I believe this is also where we jump in with our Fixed lines, so we are waiting now, booking -- on having hybrid technology. This means that in some areas, what we see, it is very, very dense with our mobile traffic. There, we are also offering a combination of DSL at home (technical difficulty), and (technical difficulty) using the data dongle.

We found out of market research that 80% of data usage of mobile broadband is at home, so a combination of Fixed and Mobile definitely makes sense to unload the mobile infrastructure, and to give full speed of normal DSL product to the customer.

Hugh McCaffrey - Goldman Sachs - Analyst

That's great. Thank you, (inaudible).

Operator

Thank you. The next question comes through from the line of Justin Funnell, Credit Suisse. Your question, please.

Justin Funnell - Credit Suisse - Analyst

Thanks very much. Two questions, please. I believe -- and maybe I'm wrong, but UPC cut their prices during Q2 on [double play], down to EUR25. It seems to be a part reaction to the success of combi-packet. I'm just wondering what that all means for [line offs] in Q2, and the sort of future of one-on pricing in Austria. Maybe a comment, anything, both in the short term and the long term outlook for pricing. That would be helpful.

On a sort of related topic, just wondering what you thought about the indirect effects of these big MTR cuts would be, perhaps in '09, but also beyond. And as we come down to these low EUR0.01 or EUR0.02 MTRs, are we going to see costs of Mobile thrown into the Fixed line bundle? Are we going to see increasing fixed substitution by Mobile as people increasingly don't worry about penalizing their friends by getting rid of their fixed line, in terms of the cost of inbound calls?

Hannes Ametsreiter - Telekom Austria AG - CEO

Concerning the UPC bundle, which was brought to the market, there is no impact at the moment, and I also feel that there will be no or minor impact in the future. So I mean, if you have a look at the development of different operators in this tough operating environment, we could keep our share stable, and I believe this is a big success for fixed lines, for Telekom Austria in this very dynamic and growing environment of the mobile broadband industry.

So that's the first one. The second one is, will we see if this mobile termination cut increased Fixed-Mobile substitution? There will be several effects from that move. On the one hand, it will be positive for mobilkom Austria, but it will be retroactively applied, so we are gaining six months of symmetry, and that's good for us.

I believe to have the symmetry is extremely important for us, and keeps us competitive and in very good position. On the other hand, it's a release for the Fixed line, a significant release, because costs are going down. And in total, this move, I believe, for our Group, is a positive effect.

Justin Funnell - Credit Suisse - Analyst

Thanks. Just a -- could I just follow up on UPC? They're coming down to EUR25. It hypothetically should make a difference to them. Are they -- so, facing barriers elsewhere on distribution, or mounting costs just not making an impact with that price?

Hannes Ametsreiter - Telekom Austria AG - CEO

I mean, they tried to react to the combi-package. It took a while for them to react to the combi-package. And we still see a very good growth on our side, and we don't see any competitive pressure from UPC at the moment.

Justin Funnell - Credit Suisse - Analyst

Okay, thank you very much.

Operator

Thank you. The next question comes through from the line of Soomit Datta of New Street Research. Your question, please.

Soomit Datta - New Street Research - Analyst

Hi, good afternoon. A couple of things, please. First of all, on line loss, is it possible to break down by month the trends for the first quarter -- obviously, it was a very strong quarter overall, but was that a very strong January, when the combi-products were offered, and then sort of weakness in February and March? Any granularity there would be very helpful.

And second question, on Belarus. Obviously, the price increase in February -- how sustainable do you think that is, A) vis a vis the government, and B) given the economic weakness, which you've hinted at, taking place in the market.

And then just a final question if I could, on the social plan Europe, to -- I think you said 398 people signed up for it. The original target was for 400 -- you're obviously there, pretty much. Is there any capacity to beat the original target, do you think? Thank you.

Hannes Ametsreiter - Telekom Austria AG - CEO

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Starting with the last one. Yes, we had the expectation that we are reaching 400 people at the end of 2011. We are already almost there, with 398. We believe that there is some room for further growth, of course, but we don't want to mention any figures on that one.

Concerning line loss on the Fixed line, we've been, in January and February, positive, so we had line gain, and we had a loss in March. So in combination, this was the picture which you have seen in the first quarter.

And then you mentioned Belarus, the price increase, whether it is sustainable or not. There are both some pressure on us from the Prime Minister in Belarus to take the price increase which we started on mid-[February] to take it out of the market, then President of the country said, it's okay. And at the same day, so (inaudible) increased prices.

We have a third player in their market, it's a Turkish player, and it has cheaper and lower prices. So it's a matter of the normal competitive game and play, what price sustainable. At the moment, it looks okay that we have to watch -- of right brands and right pricing schemes to be competitive, and to have good [offerings] in the market.

Soomit Datta - New Street Research - Analyst

Okay, and just a quick follow up. You couldn't be at all more specific on the line loss numbers, could you, or is that asking too much?

Hannes Ametsreiter - Telekom Austria AG - CEO

We could provide you this information. It's -- I think (inaudible) --

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

If you can give us a couple of minutes, then we'll have the data ready.

Soomit Datta - New Street Research - Analyst

Okay. That's great, thanks.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Thanks.

Operator

Okay, thank you. Moving on to the next question. The next question comes through from the line of Bernd Maurer with RCB. Your question, please.

Bernd Maurer - Raiffeisen Centrobank - Analyst

Yes, Bernd Maurer speaking from Raiffeisen Centrobank here in Vienna. Two questions I have, if I may. First, regarding the mobile termination rates, the draft for the cuts in Austria. You said that for this year, for 2009, the positive and the negative effects will broadly balance out. Can you give a bit more insight to the effects for the coming years, for 2010, 2011, when MTRs are really cut from EUR0.057 cents to only EUR0.02? That's question one.

And question two is a short one for -- referring to interest expenses. Can you give us please a split for the interest expenses between the interest you paid on the provision, and the interest expensing for your interest bearing borrowings?

Hannes Ametsreiter - Telekom Austria AG - CEO

Okay, I start to give you an overview about what's going on with mobile termination rates. First, I mean, this cap of the mobile termination rates of EUR0.0572 in 2012, this would mean the Group EBITDA has a positive effect of between [one and two] (technical difficulty). (spoken in German)

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Regarding the interest expense, this would have -- we had a non-cash interest expense for the provision, which is around EUR9 million in the first quarter. We had interest to be paid for the bond, which is about EUR4 million, then in the financial results, it's included at EUR13 million, [a fixed] loss, and the remainder, to the EUR17 million, which is about EUR45 million, is attributable to our net debt position.

Bernd Maurer - Raiffeisen Centrobank - Analyst

Okay, thank you, therefore, but may I come back for an answer to the MTR cuts? You said maybe a positive impact of EUR1 million to EUR2 million in 2009, but what happens in the coming years, if the draft comes into effect that it is has been from the regulator to the current stage?

Hannes Ametsreiter - Telekom Austria AG - CEO

And also in the following years.

Bernd Maurer - Raiffeisen Centrobank - Analyst

And also in the following years?

Hannes Ametsreiter - Telekom Austria AG - CEO

So, not be a major threat, no.

Bernd Maurer - Raiffeisen Centrobank - Analyst

Okay, so a positive effect on Group EBITDA of the one or the other million.

Hannes Ametsreiter - Telekom Austria AG - CEO

It will be a positive effect.

Bernd Maurer - Raiffeisen Centrobank - Analyst

Fine. Thank you.

Operator

Thank you. The next question comes through from the line of Gianmarco Bonacina of Equita. Your question, please.

Gianmarco Bonacina - Equita - Analyst

Yes, good afternoon. I have a couple of questions. The first question is on the Fixed line margin, which went up at 350 basis points year-over-year. So do you expect the margin for the full year to be up year-over-year, maybe not by this amount, but still positive?

And the second is just clearly in this market environment, M&A has slowed down. But can you give us an update on the situation of privatization? I mean, Eastern Europe, is there something going on at the moment? Thank you.

Hannes Ametsreiter - Telekom Austria AG - CEO

At the moment, concerning privatization, nothing is going on. I mean, there could be some opportunities in the future, when -- since Bosnia is talking about privatization [six] years. But at the moment, there are no targets on the market, and I -- this will not happen.

Talking about Fixed line and Fixed line margin, I believe that this Fixed line margin will be in a pretty stable development.

Operator

Are we ready to move on to the next question? The next question comes through from the line of Will Draper of Execution Ltd. Your question, please.

Will Draper - Execution Ltd. - Analyst

Hello. Just a quick follow-up on working capital. Just a question, really, on how you see it developing. We've seen a number of telcos managing to improve their working capital position through things like getting tougher with suppliers, etc. Do you think it's reasonable that the working capital outflow in Q1 could reverse over the rest of the year? And do you have a plan to address what your working capital requirements over the next few quarters?

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

On a full year basis, we assume that there will be no major need for financing working capital. This is a special situation the first quarter, which should reverse in the coming quarters. So overall, we are not expecting any major impact of financing requirements for working capital.

We have a very tight control on the side of accounts receivable, which are a major part of working capital, and there, we have not seen yet any specific bad debt or negative bad debt, that developments, on the other side. We have, in the past, used our purchasing power as a Group to get the best payment terms from our suppliers, and it's more a question of pricing rather than on payment terms, where we have negotiated in the past. So we are not expecting there are any major change in the requirements of working capital.

Will Draper - Execution Ltd. - Analyst

Okay, thank you.

Operator

Thank you. The next question comes through from the line of Justin Funnell, Credit Suisse. Your question, please.

Justin Funnell - Credit Suisse - Analyst

Yes, thanks. Sorry, I've just a couple of small ones, please. The -- you've achieved pretty impressive, stable market share in Belarus, despite the price move. Could you just perhaps explain a little bit more the dynamics of that market at the moment -- you know, who's winning, who's losing.

Secondly, could you just clarify what you said on -- while on margins, did you say that margins would be stable, or the margin increase in Q1 will basically be the trend for the year? Just -- when you said stable development, what did you mean?

Third, I was just wondering if you'd be prepared to clarify what are the conditions that you need for fiber regulation in Austria to make it worth your while.

Hannes Ametsreiter - Telekom Austria AG - CEO

Concerning Belarus, then, one, gaining market share at the moment is the (technical difficulty). That's no (technical difficulty), because they entered as a greenfield into the market, and they have very aggressive prices. But we can manage to keep the first quarter stable market share. I believe that pressure, of course, will increase if we are further (technical difficulty) the market, which I would expect to find over (technical difficulty).

Justin Funnell - Credit Suisse - Analyst

Sorry, the line keeps cutting out. Did you say the pressure would increase?

Hannes Ametsreiter - Telekom Austria AG - CEO

I believe the pressure will increase on market share, because, I mean, they are squeezing the target, and the number we have to offer, very (inaudible) promotions on the market. And so, I believe that the pressure for both MTS and Velcom will increase in the future, yes.

Justin Funnell - Credit Suisse - Analyst

Okay.

Hannes Ametsreiter - Telekom Austria AG - CEO

Concerning margin of the Fixed Net, it will not be a trend which we have seen. I believe, and we also mentioned that there was some one-offs effect, and this drove the development of the EBITDA margin. But we see the margin of Fixed line pretty much being in a stable situation.

Justin Funnell - Credit Suisse - Analyst

Okay, thank you. And fiber regulation?

Hannes Ametsreiter - Telekom Austria AG - CEO

Fiber regulation? Fiber regulation, there's an industry working group at the regulatory authority, and they are discussing that. I mean, it's too early to say that there is a result, because there is none, but they are discussing that, and I believe they should finalize within the next weeks.

Justin Funnell - Credit Suisse - Analyst

There seems to be some movement within the Commission that would allow a more generous regulation of fiber for the incumbents -- you know, a longer period of market analysis, premium rates of return. I'm not sure if you agree with that assertion, but if I'm right -- I mean, does that move the probabilities towards a likelihood of you investing?

Hannes Ametsreiter - Telekom Austria AG - CEO

As I mentioned already before, we are now working on a new telecommunications law. And of course, all the things which we see necessary to invest in fiber is this telecommunications law. And what we have seen is that there are some institutions really supporting us, because they understand the value of infrastructure for Austria in the future, and it now really depends on the final outcome of this telecommunication law.

I am sure that we will be able to, in June or July, give you some details.

Justin Funnell - Credit Suisse - Analyst

Okay, thank you.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Soomit, just on the outstanding question. In January, we had about 3,000 lines that were added to our subscriber base in the Fixed line. February was more or less flat, slightly positive. And the balance was, in March, a line loss creeping up again. (inaudible).

Operator

Thank you. (Operator instructions) We have another question from the line of Markus Remis of Cheuvreux. Your question, please.

Markus Remis - Cheuvreux - Analyst

Good afternoon, gentlemen. A question that relates to Bulgaria. You were talking about increasing price pressure. Could you indicate who has been the driving force behind -- and how you see that developing going forward? And then maybe you can also give us an indication as regards Fixed line losses for April, where have you -- or how have you performed in the last month?

Hannes Ametsreiter - Telekom Austria AG - CEO

Starting with the Fixed line, if you mean, talking about line loss, we are better than in March. That's what I can tell you.

Talking about Bulgaria, there's -- if we talk about price pressure, there's the number three Vivatel, putting some price pressure in the market. On the other hand, we see an economy which is not an easy one, and we have some companies disconnecting that's incurred because of this economic difficult time.

Markus Remis - Cheuvreux - Analyst

Okay, thank you.

Operator

(Operator instructions) The next question comes through from the line of Sara [Siddya] of Erste Bank. Your question, please.

Sara Siddya - Erste Bank - Analyst

Good afternoon, gentlemen. I have a question, a follow up question about Bulgaria. The revenues went down by 2.8%, and you mentioned some effect of the weak economy, and how do you think this will continue in the next quarters? Do you expect it to be even worse than this? And maybe you can give a bit of hint on the EBITDA, because it declined by double-digits even if we exclude the one-offs. Is this something that we have to see, will continue to see in the next quarters?

Hannes Ametsreiter - Telekom Austria AG - CEO

Our feeling that -- is that it will not become worse, but it is a difficult situation in Bulgaria, and I believe it is extremely important to keep our position, and we made a comparison also with (inaudible) and (inaudible) strengths and their position, and so we are actually in number one. And we do not expect a further worsening of the situation on the country of Bulgaria.

Sara Siddya - Erste Bank - Analyst

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Okay, thank you.

Operator

Thank you. The next question comes through from the line of Justine Dimovic of Exane BNP Paribas. Your question, please.

Justine Dimovic - Exane BNP Paribas - Analyst

Thank you, good afternoon. It's more or less a follow-up on the previous question about Bulgaria. I'd like to know if you can tell us a bit about what's to share of the B-to-B revenues in Bulgaria? You mentioned companies disconnecting the (inaudible) in there, and I was just wondering out of curiosity if you have some data points about the macro environment in Bulgaria such as unemployment rate, and its evolution recently. You said you don't expect the situation to further deteriorate. If you can say what's behind that assessment? Thank you.

Hannes Ametsreiter - Telekom Austria AG - CEO

B-to-B revenues in Bulgaria are around 40%, so we have a pretty strong position in Bulgaria in the business market. And I believe we also need to differentiate between the bigger and stronger companies, and some smaller companies, who cannot release (technical difficulty), difficult economic situation.

Operator

Thank you. We have no further questions coming through, so I'll hand you back over to Peter Zydek to wrap up today's conference call.

Peter Zydek - Telekom Austria AG - Head of IR

Ladies and gentlemen, as it appears there are no further questions, I would like to thank you for dialing in and attending today's conference call, and I also would like to wish you a pleasant evening. Goodbye.

Operator

Ladies and gentlemen, thank you for attending today's conference call. You may now replace your handsets.

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