Telekom Austria Group

"Results for the First Quarter 2010"

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PETER ZYDEK: Good afternoon ladies and gentlemen. This is Peter Zydek and I would like to welcome you to today's conference call for the results of the First Quarter 2010. As you may have seen this is the last quarterly conference call that I host as I've been appointed CFO of our Macedonian operation starting June 01. Matthias Stieber will take over as Investor Relations Officer of Telekom Austria. Today, Hannes Ametsreiter our CEO and Hans Tschuden, our CFO have joined me here to present the results and discuss recent trends in the market that we operate in.

Hannes will start with the operational details of our Fixed Net and Mobile Communications Segment while Hans Tschuden will present the financial results for the first quarter of 2010. We will end this presentation with the outlook for the full year and give you some color on the progress of the merger of our domestic operation. The presentation will be followed by a Q&A session.

I will now give the floor to Hannes and Hans for the key development and then overview of our key financial for the first quarter 2010.

HANNES AMETSREITER: Thank you, Peter. Good afternoon ladies and gentlemen this is Hannes Ametsreiter speaking. I would like to highlight the most important developments for the Telekom Austria Group during the first quarter of 2010.

Overall first quarter developed very much as expected with the group being affected by persistent economic head wins and the on going competitive pressure in Austria. Nevertheless in the fixed line segment the stabilization of excess lines continued and we accounted less than 1% line loss compared to the first quarter '09. The continued success of our product bundles were instrumental to this development.

The performance of the Mobile Communication Segment was mainly driven by lower prices in the Austria and Bulgaria mobile market as well as lower volumes in the Fixed Net Segment. Nevertheless we managed to counteract this pressure on revenues by cost cutting measures to bolster the effect on EBITDA. Hence we are pleased to reiterate the outlook for 2010 and the DPS-floor of €0.75 for the period of 2010 until 2012.

Now, I will handover to Hans who will guide you through the financial overview of our first quarter 2010 results.

HANS TSCHUDEN: Thank you, Hannes. Good afternoon ladies and gentlemen. As Hannes mentioned before the price pressure impacting particularly the domestic operations in Bulgaria the key factor influencing the group performance. In the first quarter group revenues declined 5.9% to 1.1 billion. The domestic business especially domestic mobile operation accounted for about 8% of this decline. Strong cost control allowed us to compensate 60% of the revenue decline and protect EBITDA which rose at 426 million.

Net income grew to 91 million as lower interest expenses and depreciation and amortization over compensated the effect of lower revenues. This impacted as well, earnings per share positively which increased more than 6% and a 0.5% to €0.21 during the first quarter 2010. Free cash flow grew by 26% to 166 million driven by a lower working capital and a slightly higher cash flow from operations.

Looking at the fixed net segment the first quarter 2010 was characterized by a further stabilization of the excess line loss still on going trend towards lower voice volumes and a growing penetration of product bundles in the subscriber base. This resulted in fixed line revenues declining only 3.7% which is the lowest rate of decline in four quarters. In total this led to an EBITDA of €146 million in the first quarter. Now let us take a look at the effects of our marketing initiatives in the Fixed Net segment.

The success of our product bundles continued to stabilize the fixed net subscriber base and excess line loss was cut by 60% on a year-on-year comparison. The success of this product bundles is as well reflected in the average revenue per line development which hit a four quarter low with a decrease of only 3.9% to €34.3.

By the end of the first quarter more than one third of all fixed net customers had a product number with a contract binding period which will have a further stabilizing effect on our subscriber base and also an effect on churn. Although we see a continued double-digit growth in demand for fixed line TV services which we seek to establish as a further customer retention instrument. The subscriber base grew to over 110,000 customers in the first quarter.

Now let us turn to the Austrian broadband market. In the first quarter 2010 the fixed net retail broadband line subscriber base grew by almost 16% to more than 1 million lines. As total broadband penetration in Austria reached 94% fixed net retail, fixed broadband could defend its market position in the first quarter in a growing market.

Our mobile broadband gains 2.4% points reaching a total share of 17.6%. Both cable operators and unbound clients lost significantly market shares and continued to lose traction on the Austrian market. All in all we further expanded the combined position of Telekom Austria Group, in an overall market share of 49.3%.

Let's have a look at the mobile communication segment now and its performance during the first quarter. The mobile customer base further grew by 6% to 19 million subscribers this is primarily driven by a rising contract subscribers.

In the first quarter 2010 moments (Ph) of the mobile communication segment was characterized by lower revenues due to lower price levels and a further reduction of mobile termination rates in Austria, Bulgaria, Croatia and Slovenia.

The biggest driver of revenues…revenue development was our Austrian operation. Nevertheless our strong focus on cost reduction is evidenced by the improvement of the EBITDA margin to 39%. EBITDA of the segment was a €286 million in the first quarter.

On the next slide we will discuss on our domestic mobile operation. On this slide is a discussion on mobile operation in Austria. Mobilkom Austria customer base grew by 6.8% to 4.9 million subscribers driven by a higher number of mobile broadband customers.

Revenue of Mobilkom Austria were down to €365 million as higher minutes volumes partly offset lower prices. However a cost reduction of 9.3% mitigated the affect on EBITDA. Lower prices and higher number customers shaped up here, which declined by 12.9% to €22.2 nevertheless the increase of more frills customers in the subscriber base had a very positive impact on SSEs which were cut by half to 7.2 million.

Now let’s turn to Mobiltel, in Bulgaria. In Bulgaria Mobiltel first quarter performance was clearly influenced by a steep reduction of mobile communication rates of 16% and lower prices. This resulted in a decline of revenues by almost 10% to €135.5 million. However Mobiltel managed to increase its market share slightly to 50.1% also the customer base remained stable at 5.3 million subscribers. Moreover by taking 14% of costs out of the business Mobiltel’s EBITDA margin expanded to 53.5%. Furthermore demand for mobile broadband remained strong, evidenced by the mobile broadband customer base increasing by 130% to more than 66,000 customers.

The following slide provides an overview of our Belarussian operations Velcom. Velcom had a year-on-year growth to 4.1 million customers at the end of March 10. The enlarged subscriber base supported revenues and led to a 12.5% growth on a local currency basis. However much of this growth was consumed by FX fluctuations reducing reported growth to 1%. EBITDA grew 5.5% on a local currency basis which was well offset by foreign currency translations.

Now let's turn to the operation in Croatia and Slovenia. In Croatia Vipnet product base grew by 5.2% to 2.6 million customers by the end of March 2010. Vipnet's operating performance was primarily impacted by further cuts and termination rates of mobile tax of 6% which was introduced last summer that increased the cost base. A 28% cut of mobile termination rates was the main driver for our revenue decline of 4.8%. Nevertheless overall costs were down evidencing our ability to hold costs. This is despite the fact that operating expense includes the additional 6% mobile tax. A strict cost management led to reduction of 2.6% of operating expenses partly offset the impact on EBITDA.

In Slovenia, Si.mobil subscriber base grew by 1.5% to 591,000 customers, the growth was primarily driven by complex subscribers. Revenues decreased by 13.6% to €39.5 million during first quarter 2010 due to lower prices and termination rate reduction. Also in Slovenia we were able to take a significant part of cost out. This cost cut by 24% actually led to an EBITDA growth of almost 12% to €11.5 million.

Lets us now look on operations in Serbia and Republic of Macedonia. Vip Mobile operator in the Republic of Serbia doubled its revenues during the first quarter 2010. The increase to 23 million was supported by a 16% increase of its subscriber base. EBITDA improved further to a loss of €5 million, the company more over expanded its market position to a share of 12%.

In the Republic of Macedonia, Vip Operator increased its subscriber base by almost 57% to more than 333,000 customers. The uplift of its subscriber base led to an improvement of revenues by 77% to €6.9 million plus the EBITDA showed a loss of €1.5 million as the company remains on track to break even. Vip Operators market share rose to 16.4% by the end of the first quarter 2010. I will now hand over to Hans Tschuden for an overview on the financials for the first quarter '10.

HANS TSCHUDEN: Thank you. Top line revenues during the first quarter were primarily driven by the lower revenues from domestic operations, while the main revenue drivers for the fixed segment were lower voice volumes. The mobile communications segment was impacted by lower prices and MTR cuts.

Therefore the group revenues decreased by .5.9% to 1.1 billion, 60% of the revenue decline was absorbed by a reduction of operating expenses evidencing our ability to control the cost base.

EBITDA was down 6.4% to €426 million. Quarterly net income grew by 6.9 % to €91 million with lower depreciation, amortization and a better than…better financial result over compensating the pressure on revenues. If we take a look at the development of our cash flow, you can see that we increased of the cash flow by almost 26% to €166 million through the reduction of working capital.

In the first quarter, working capital improved by 37%and this was primarily driven by lower payments for taxes. Group's CapEx increased 17% more details on that will follow in the next slide. The free cash flow increase resulting in a free cash flow per share of $0.37 up from €0.30 in the first quarter of 2009.

Now let's have a look at the CapEx for the first quarter 2010. As mentioned before the CapEx in total grew by more than 17% in the first quarter from a unusually low level we had in the first quarter 2009. This low level of last year was due to the postponement of substantial CapEx into the second half of the year. In the first quarter 2010 we spent more CapEx in the fixed net segment while the mobile communication segment required less CapEx.

Let's have a look at our balance sheet. The balance sheet total shrank by 4.6…7.6% to € 7.9 billion driven by the repayment of a 500 million bond which was issued in January 2005. Long-term liability remained unchanged at €0.2 billion while stockholders equity increased as earnings were retained.

The free cash flow was used to reduce the net debt by 4.6 % in the first quarter. Total net debt amounted actually to €3.5

billion it is equivalent to two times net debt to EBITDA generated in the last twelve months.

After the discussion about our financials, I would like to give the usual update on the merger of our domestic operations which we announced in February this year. As you are aware by merging also the fixed net and mobile communication operations we seek to align our set up with today's and future customer demand.

During the first quarter we reached a first milestones by pointing the first and second measurement levels of the national operation in line with our time schedule. As planned, we expect, the legal merger to take place in the summer whilst organizational transition will be finalized by the end of this year.

As promised, we will give you more color on the financial impact of the merger which is still excluded from our 2010 outlook with the first half year results in August, and this will also provide more details on the project.

This brings you now to the next slide, the outlook for Telecom Austria Group for 2010. Based on the results of the first quarter and our expectations for the remainder of 2010, we fully reiterate our outlook for 2010 including our distribution policy. For the full year, we expect to generate revenues of about € 4.7 billion and an EBITDA of around €1.6 million.

CapEx is estimated to be at € 800 million. As a consequence operating free cash flow which is defined as. EBITDA minus

CapEx is expected to be at € 800 million. I also reiterate our intention to distribute the dividend of at least €0.75 per share until 2012.

Before we now answer your questions, I would like to announce that we have appointed a new Head of Investor Relations, but before we do so I am pleased to announce that Peter currently Head of Investor Relations has been appointed CFO of our Macedonian operation effective as of June 1st this year. I would like also to take the opportunity to thank Peter for his achievements and his excellent growth during this time when he took over as Head of Investor Relations. Myself and Hannes, we wish Peter all the best for his new position Macedonia.

The position as Head of Investor Relations will be taken over by Matthias Stieber who joined Telecom Austria in February this year. Mathias, studied in London and has a professional career in investment banking. We would like to welcome him on board and wish him all the best for his new role. Contact details for Mathias are included in the presentation and are also available on our web site.

Now for the last time let's give thanks to Peter.

PETER ZYDEK: Thank you Han. After this presentation, we would like to answer your question and discuss the trends in the markets that we operate in and first quarter results as we just presented it to you. Please go ahead and ask your questions.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2." Anyone who has a question may press "*" and "1" at this time.

The first question comes from Hugh McCaffrey from Goldman Sachs.. Please go ahead sir.

HUGH MCCAFFREY: And good afternoon guys. I just have two questions and firstly have there been any development on fixed voice price regulation in Austria and secondly there the ARPUs in the Austria market appear to be under pressure. Can you just give us some color on why that's happening and is there any scope for that trend to change later in the year? Thank you.

HANNES AMETSREITER: I am starting with the first question that's the fixed voice regulation in Austria. What we are discussing at the moment with the regulatory body is we would like to offer minute panels and we are now trying to find the way to be able to offer that during summer time. It is very much a discussion about competition law margins creative that are…so hopefully we can find the right set up to added to our combi packages. So that's our plan. And that's the discussions we are having at the moment. Coming to I think you mentioned mobile pricing voice and data for mobile pricing in Austria, it seems that we are coming closer to a floor. We are not seeing any more bold moves on the market and on that data area we also saw a development that it was pretty stable over the last month. So it seems to get a little slower, a little more silent and we do not see again this bold move which happened for instance last summer with very hasty actions from Orange Sat.

HUGH MCCAFFREY: Okay great that's very clear. Thank you.

OPERATOR: The next question is from Justin Funnel from Credit Suisse. Please go ahead sir.

JUSTIN FUNNEL: Thanks, I've got a few I'll just try a couple of ones if that's okay. I guess just a follow up on Hugh's questions firstly, the, just to be specific. Have you seen Orange come back with a 15 year old promotion for thousand minutes or have they stayed out of the market without promotion now please? Secondly now that sort of we've initials come down in Austria, you know it is not happening there for a while pretty steep glide path, just wondering firstly if you now cut fixed mobile pricing to reflect that at all? In fixed line I am just wondering if you could tell us what proportion now of your broadband customers are on combi package. I guess you know once we hit a high ratio that your ARPU erosion slows down and given your improving trends in fixed line, do you think its…there is an argument now for no longer offering combi package to new customers at €20 who are staying at the €25 price point? Thanks very much.

HANNES AMETSREITER: Okay, many questions. I will start with the first one. The promotion tariffs from Orange. At the moment they are running a promotion including international calls. We did not match that offer and we don't have to. They are very stable at 10% market share. At the moment we are running at above 40%gross, sorry not market profit share, so Orange is at 10%

profit share and we are running off at the moment 40% plus profit share. So this promotion doesn't really change the market and doesn't really have a big impact that is not working very well.

Then there was the, you know, a question about the combi-package, we now do have 1 million broadband customers on fixed plan in Austria, around between 615,000 to 700,000 customers are combi-package customers. So it's the major part is combi-package and if we talk about growth, it's almost 100% of new broadband customers are using and buying combi-packages. What else, the termination?…no, we are not stopping combi-package. So we'll keep our combi-package, it's always a mix of offers we are having in the market. It depends on what we are allowed to offer in the market. So, we still have this period of offering it for two months then we need to step off the market and then we can move in again with promotions. So the most aggressive pricing is the 1990…the official pricing is the €34.90. That means, we are almost somewhere in between with our promotion of [Inaudible] which we are having

Talking about the mobile termination cuts, we have now also a discussion about having, you know, the carrying password of mobile termination for the fixed plan we could achieve an increase then our discussions again in taking this down again, it's the formal way to register €0.07 so I mean, this is the discussion we are having at the moment with the Regulatory Body.

JUSTIN FUNNEL: So just to clarify that last point. So there was an increase in the fixed termination rates….

HANNES AMETSREITER: Yes.

JUSTIN FUNNEL: …and that the discussion about bringing it back down to the previous rate, €0.07…

HANNES AMETSREITER: Right.

JUSTIN FUNNEL: Okay and so my question, I didn't say it very well. My question, have you cut your fixed mobile retail prices from the standard, you were…your M-sales were coming down and it wasn't necessary for you cut fixed mobile [Multiple Speakers]?

HANNES AMETSREITER: No, no, we did not cut.

JUSTIN FUNNEL: Okay, thank you.

OPERATOR: The next question is from Hannes Wittig from JP Morgan. Please go ahead, sir.

HANNES WITTIG: Yes, good afternoon. I have one question and it mainly relates to the revenue trends that you have seen this quarter relative to our…your outlook for the full year and you said he said he is not minded to change guidance at this point in relation to either revenues or EBITDA but its here that the revenue trends would have to improve quite materially during the year to get closer to the…to get close to the guidance. So I just wanted to ask you what you were seeing in terms of trends maybe that would encourage you to think that the revenue guidance is achievable?

HANNES AMETSREITER: What we said in our guidance is that it will be circa 4.7 billion in revenues. This means that we would try to come as close as possible, I mean that's a clear commitment which we are having. And yes, we need to really focus on our activities to be able to achieve that, that's correct. And we are pushing for activities. But what we are clearly focusing now is EBITDA and having clearly shown especially in the first quarter that we are getting results and that our cost savings programs are really working and you can clearly see that in the result of the…in the development of the EBITDA.

HANNES WITTIG: So you would say you have more confidence on the EBITDA guidance and in the revenue guidance at this point?

HANNES AMETSREITER: Yes, we do. And EBITDA for us more important because it's really talking about the profitability and then sometimes we have a very clear stress on that one.

HANNES WITTIG: So at this point there is nothing in terms of let's say about good trends, it is that you've got something that would make feel slightly more comfortable let's say based say on the trading you've seen in March relative to February or April, maybe relative to March.

HANNES AMETSREITER: No, it's too early to release the trends. I mean that's not because of attrition.

HANNES WITTIG: Thank you.

OPERATOR: The next question is from Luis Prota from Morgan Stanley. Please go ahead, sir.

LUIS PROTA: Yes, thank you. I have two questions please. The first is on your CapEx profile within fixed telephony that CapEx has gone up by much being offset by domestic mobile CapEx. So if you could give us some light on what could be the CapEx split between domestic fixed, domestic mobile and the rest of the divisions would be useful. And also whether these hike in CapEx in fixed telephony means that you are accelerating your investments in DTH sale or potentially fiber? And secondly on Bulgaria, margins have been very strong in the first quarter widening year-on-year despite termination rate cut and very aggressive competition et cetera. What can we expect there, I mean is this something sustainable or what's the nature of the OpEx you are reducing on and how convinced you are that you can sustain margins at those levels? Thank you.

HANS TSCHUDEN: May I answer the CapEx first, question to you. We are spending more in the fixed line than what we spent last year and this will be the case for the rest of the year due to the fact that we are investing in this Fiber project in two districts of Vienna and then in one city in the southern part of Austria and whereas the mobile CapEx will be more or less flat to the level of last year. So any increase you see compared to last year is attributable to the fixed line activities. And there is no major shift in the mobile CapEx for this year compared to last year.

HANNES AMETSREITER: Adding to that Fiber cases which Hans mentioned, we are also in several areas using some media sales I mean this is like the

"Fiber Cities" and a lot of opportunities which are running with different technologies. Coming to Bulgaria, Bulgaria we do see a situation that we could strengthen the position of Mtel so we very, very slightly increased the market share. We are still the market leader in cross sell from the contract side which means capturing more high value customers than competition. So we are well set, where are the areas for cost cutting in the OpEx area, it's more or less everywhere. Wherever we could cut cost, we are cutting cost and having it said, it's still difficult in Bulgaria but it seems to come bit slower and I think it's only a good signal but we've strengthened position with market share and that we also do the right things on the cost savings side. So, it's…I would expect that we can and will keep it stable, I would not expect a short change now from the development which we've seen.

LUIS PROTA: Okay, thank you.

OPERATOR: The next question is from Bernd Maurer from RCB. Please go ahead, sir.

BERND MAURER: Hello can you hear me?

HANNES AMETSREITER: Yes.

BERND MAURER: Okay, sorry. Two of the questions I do have, first are related to headcount in the fixed net segment. You reported at the end of 1Q 2010, a higher number of headcount than at the end of 2009. Can you please state your reason therefore and the second question relates to the cost cuts in Bulgaria. Despite disappointing…quite disappointing sales you regained margin of 53% surprised positively. Can you focus on the most, on the biggest steps regarding cost cuts, what are the main projects you are focused on, can we expect that cost cuts in Bulgaria are lasting already some cuts which are only transferred to one of the quarters to come?

HANNES AMETSREITER: Yeah, you can expect that in Bulgaria there are cost cutting that it should last because I mean, we are really cut it in areas I mean we laid off some employees, some people, we cut it, costs in every area. And so you could expect I mean that we do have lighter cost in the future than we had.

BERND MAURER: Okay so there was no one-off effects leading to a lower, very much lower cost base in Bulgaria.

HANNES AMETSREITER: No.

BERND MAURER: Thank you.

HANS TSCHUDEN: Mr. Maurer, I did not understand the question regarding headcount in the fixed line, if you compare end of March last year with this year we reduced by 270…

BERND MAURER: But in the end of December, the end of 2009, I have a lower number than at the end of Q1, if my figures are correct.

HANS TSCHUDEN: I am not sure that's…

BERND MAURER: Okay then…

HANS TSCHUDEN: …we will check. But I am out of the head of my mind I couldn't expand it.

BERND MAURER: Okay. I couldn't as well and I checked myself and if it's still the case, then I come back to you…to your colleagues in Investor Relations.

HANNES AMETSREITER: Yeah, please.

BERND MAURER: Thank you.

OPERATOR: The next question is from Graeme Pearson from Nomura. Please go ahead sir.

GRAEME PEARSON: Thanks a lot. Good afternoon. You've done a pretty good job on cost reduction across the group, over the last few quarters, but the group EBITDA, still fell about 6% in the quarter, so, just wondering Hans if you can just sort of outline the next steps on cost reduction and second, and I hope I've got this right, but in Austrian mobile, it looks like you're SAC per gross ad was down very substantially in the quarter. Can you just talk about what's driving that and also in particular, what level of subsidy you're offering on some of the net books? Thank you.

HANS TSCHUDEN: The cost reduction programs are still continuing throughout 2010, so a big part of what you've seen in the first quarter will also be reflected in the coming quarter. So, for instance in Bulgaria, we have reorganized the whole company and consequently the improvement in personnel cost will be a sustainable improvement, which will help also the results of the coming quarters. So, there is nothing particularly beside the fact that we are clearly committed to further improve our efficiency and we'll do what's best possible in this respect.

Regarding subscriber acquisition cost in Austria, we had in the first quarter 2009, quite a high share of smart bonds, which was pushing the subscriber acquisition cost in the first quarter last year, while this year's first quarter, we were more…we had no frills customers acquired and the notebook subsidy is around €300, I think so.

GRAEME PEARSON: Okay. Great, thanks.

OPERATOR: The next question is from Michael Bishop, from Macquarie. Well, please go ahead sir.

MICHAEL BISHOP: Hi, good afternoon. Just following in on the SAC costs in mobilkom. I notice that they halved and you've mentioned the success of the no-frills brand, but really, do you know what proportion of contracts that are out there on the no-frill brands and which are on sort of A1 and also going forward, what effect do you think this change in mix might have on ARPU?

HANNES AMETSREITER: What I am can…what I can tell you is, that we are now having around 500,000 BOB customers, the BOB is still one major brand, which we are saying, it's the classic no-frills brand, but we also do see a very good development on A1 mobile and here we have somewhere between 250 and 300,000 customers. For BOB and A1 mobile, we do have zero emphasis.

MICHAEL BISHOP: Okay and the impact on ARPU, between those, sort of different customers and the potential for data revenue?

HANNES AMETSREITER: It very much depends on the tariff, because as I said, I mean the major selling product is BOB and BOB you do have two tariff schemes, on is the big BOB, big BOB is having an ARPU of €21 and we have about 4% and here the ARPU is below in euros, I mean that's the set up, about the mix we're not giving a detailed information.

MICHAEL BISHOP: Okay. Thanks very much.

OPERATOR: The next question is from Soomit Datta from New Street Research. Please go ahead.

SOOMIT DATTA: Hi there. Yeah, could I just go back to the question on fixed mobile retail pricing? I think you said, you haven't changed those rates yet, but I just was wondering, going forward, is there any regulatory pressure on you to do so or even any commercial pressure. I notice the volumes…fixed mobile volumes have been deteriorating and I just wondered whether you would be, if not talking about the regulator from a commercial perspective, looking to lower those prices and secondly, just on mobile in Austria. I wondered if you could give any color on smart phone development there, I believe you don't have the iphone, do you feel like you, sort of missed our on any initial growth in the smart phone related data revenue market or are you sort of comfortable with current hand set and line up you've got and then final question if that's okay. Could you quantify at all, in a bit more detail, the termination rate cut impact in Bulgaria and Croatia, in the first quarter. Thank you.

HANNES AMETSREITER: I am starting with the smart phone question. Yes, it really was a pain, the not being able to offer iphone, I think that we lost high value customers, who turned to our competitors because we were not able to offer you. At the moment we are a bit more happy because we do have portfolio devices, which could at least be compared and be competitive to the iphone, it is the HDC Dezire and the HDC Legend. The Legend, we're having exclusively, but we are now better prepared to be an attacker and more aggressive on the smartphone market. We now have, I think, a good mix of having the right tariffs, having the right devices, but we still miss the iphone, I mean that's something which is very much shaping the market in Austria. As far as we know, around 60% of orange and Si.mobil…they're selling iphones, so out of their total turnover of sales, around 60%, that's what we're hearing is iphones, so it's a really high portion of what they sell and this [technical difficulty] this shows the importance for that market. I mean we…I think, it could keep a very good development, I mentioned, the profit here is above 40% at the moment, so we are well settled and I think we have a good portfolio and set up at the moment, but still would be happy if we would get an iphone.

If we talk about the termination rate cut impact on Croatia, if we're looking at the ARPU, it's…a substantial part of the ARPU decline is related to that, that means more…clearly more than 50%, but in absolute terms it doesn't impact our interconnection margin, because we also save on the other side, so there’s no material impact on our absolute EBITDA. In Bulgaria, also there the…and more than 50% of our ARPU decline was triggered by the interconnection, where we had a…roughly one million negative impact on our EBITDA.

Yeah, fixed mobile retail pricing, we…as we said already before, we didn’t change the pricing, so the only discussion concerning interconnection on the fixed side, is this increase, which we received, I think they are eight or…eight months ago, that’s the fixed termination rate should come down to the value which we had before and that was 0.77.

SOOMIT DATTA: And if you say, may I have some quick follow up. Just on that last question or last point. There’s no regulatory or commercial pressure, you think for you to lower your retail fixed mobile prices?

HANNES AMETSREITER: No…no, it’s not.

SOOMIT DATTA: Okay. All right, thank you.

OPERATOR: The next question is from Thomas Friedrich, from UniCredit. Please go ahead sir.

THOMAS FRIEDRICH: Yeah. Good afternoon, thanks for taking the question. The question is related to this…to the servant agreement, you made last year. What is the current status, or what can you say about the current status of it and the potentially…yeah the potential financial impact for this year? Thanks.

HANNES AMETSREITER: We now have…we now do have 110 civil servants who joined the police force or the Ministry of Justice. This is quite an okay result for the moment, about this savings, I am not sure if we already are giving some data on that one. I think, not, but what is important for you to understand and to know is that we are on track and that we are moving and pushing this project and we also have on a very regular meeting, on a very regular time frame meetings with the minister of interior and also with the minister being responsible for civil servants, to work on the progress in moving people over to the police, with also the ministers, they have an interest, because they promised the media and they are now trying to optimize and to improve the process, to get even better results, because what they did is, they promised 1,000 people to the police force, coming from post AG and also telecom.

HANS TSCHUDEN: Just to add here, this cash saving for this year will be more or less zero, because we will still pay those people, which have moved to the police, until mid of 2014, so there would be no cash saving for us at all.

THOMAS FRIEDRICH: Yeah. My follow up question would be exactly related to the provisions for potential transfers of people.

HANS TSCHUDEN: The provision will depend on, to which extent people are taken out of the operations or people taken out of the already provisioned pool of civil servants which are not working anymore. As we have, not yet a picture, what the mix will be, we cannot provide, currently a detail about the impact on the provision.

THOMAS FRIEDRICH: And a general guess from my side would be that, probably more people from the working pool would decide for that, than from the already provisioned pool, significantly more, actually. Is that a correct assumption or is that completely wrong?

HANS TSCHUDEN: I think the people which we have sent there yet, a majority coming out of the operation.

THOMAS FRIEDRICH: Okay. Thank you.

OPERATOR: The next question is from Andrew Lee, from Citi. Please go ahead sir.

ANDREW LEE: Yes. Good afternoon. A couple of questions, firstly on your comments that domestic mobile price competition was sustainable. I wonder if you can give a bit more color, also about stabilizing. On this, if you can give more color on how sustainable the stable pricing is. I believe, we saw a brief period of stabilization in price constitution this time last year, but that cracked again into the second half of the year. Maybe if you could, a few comments on that and then secondly, on the question of third price competitors in Belarus and Bulgaria, have you seen any development in their behavior and just lastly, on Bulgaria, you mentioned it has hit a floor. Can you just clarify, were you commenting on pricing pressure, macro pressure, or just revenue pressures in general? Thank you.

HANNES AMETSREITER: Starting with Austria and there, a mobile price development. I think the market learnt a lesson, especially Orange did whenever they start a hefty promotion, they will immediately receive an answer from the others, and this I think is cooling down the market, that's a period which we are seeing now. What we of course do not know, is how long this period would last, but I think it is kind…in a cooling phase at the moment. Talking about the pricing in Belarus…Belarus, I mean that's the third entrant of course, entering with aggressive prices, at least trying to at least attract customers and then he's constantly also increasing prices for this very aggressive prices which he offered to the customer. So, I mean…I think, on one hand, yes, it's aggressive pricing from a third player, on the other hand, you can also very clearly see that they also act in a kind of rational way, I mean that's what we're seeing there. In Bulgaria, [indiscernible] at the moment is not moving a lot. Viacom, I mean they are more or less on sale, so they have a, kind of unclear future ahead and what they try to do is, to play more on this convergent game and what they are trying to do, is of course as now I am a free player to be aggressive, but as I mentioned before, Amtel has the clear lead in the grosser development of high value customers, contract customers and I think the important thing for us, we are keeping the market share 50% plus and we are attracting more high value customers than the other players in the Bulgaria market.

ANDREW LEE: Thanks and just as a third question, as you mentioned, that Bulgaria had hit a floor, can you just clarify, what are your comments in…on that, was that pricing pressures hit the floor, macro pressure or just revenue pressures in general. Thank you.

HANNES AMETSREITER: I didn't say that pricing reached a floor in Bulgaria. I said, I mean that, the macro economic development…it doesn't really look like it's deteriorating, it seems to somehow smoothen a bit and I wouldn't say that it's getting much better, but at least, least it's also not getting very much worse, compared to what we are seeing at the moment.

ANDREW LEE: Thank you.

OPERATOR: The next question is from Will Milner from Arete Research. Please go ahead sir.

WILL MILNER: Question on Austrian Wireline and specifically on the broadband net ads. The growth in the base look very good particularly relative to the net ads reported by UPC and I just wondered are you winning share in cable areas despite UPC having done you know, it talks of free upgrade and offering higher speed or is a loss of that the growth in the broadband base now coming from the rural more rural areas? And secondly on Austrian Wireline do you expect Wireline CapEx to go up in 2011 when you start this material?

HANNES AMETSREITER: What we are seeing that with our promotions we are successful as well in rural areas as in city urban areas. At the moment we are running a promotion with TV set which we are offering for quite good conditions and here we clearly see that we are successful especially in Vienna which is quite because our market share here is very low and to just give you an indication about how we developed. We had I think one and half year ago a market share in Vienna of 17%. We are now at a market share of 28%, so we are clearly increasing also in areas where UPC is offering with co-ax cable even more speed. So I think our package which we are offering on the market is pretty compelling and especially in the rural areas, here its easier for us to play with our internet combi-package. TV in rural areas is more difficult because people in Austria, 50% of TV market they are using satellites so it's not that easy to enter that fast market.

HANS TSCHUDEN: Regarding the question about CapEx we are currently investing in the area of Vienna so that will continue throughout 2010 and also through 2011. So we expect a similar level of CapEx in 2011, may be slightly less. But no, substantial changes. Next question please.

OPERATOR: As a reminder if you would like to ask a question please press "*" and "1" on your touchtone telephone. Okay there are no more questions at this time.

PETER ZYDEK: As it appears there are no questions so I would bring this conference call to an end. I also like to thank you for the cooperation in the last couple of years and its been a really great pleasure working with all of you. Thank you and have a nice evening. Goodbye.

OPERATOR: The conference is now concluded. Thank you very much for joining us. You may replace your telephones. Have a nice day.