

TELEKOM AUSTRIA GROUP

Results for the Financial Year 2009

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Moderators:

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Hannes Ametsreiter; Telekom Austria Group; CEO
Hans Tschuden; Telekom Austria Group ; CFO

Barbara Ploessnig: Good afternoon. This is Barbara Ploessnig and I would like to welcome you to today's conference call of Telekom Austria Group's results for the fourth quarter 2009. Hannes Ametsreiter, our CEO, and Hans Tschuden, our CFO, have joined me to present the results and discuss recent trends in the markets we operate in.

Hannes Ametsreiter: will discuss the operational details of our Mobile Communication and Fixed Net segments, while Hans Tschuden will present the financial results for the fourth quarter and full year of 2009. We will end this presentation with the outlook for the full year and some information about the merger of our domestic operations. The presentation will be followed by a Q&A session. I will now give the floor to Hannes and Hans for key developments, and an overview of the key financials of the fourth quarter of 2009.

Hannes Ametsreiter: Thank you. 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 fiscal year of 2009. For the first time in the Fixed Line, in more than a decade, it was possible to report an increase in access lines in the Fixed Net segment during the fourth quarter 2009. This is a result of stronger customer retention measures and new product panels that we have been marketing during the past years.

In the Mobile Communication segment, we increased our subscriber base by 6.4% to EUR18.9 million, despite a difficult economic environment and fierce competition in all of our markets. Revenues were impacted by weaker FX rates, lower roaming prices and also reductions of mobile termination rates; as a consequence, they declined by 7.1% to EUR4.8 billion.

Successful cost reductions in both segments reduced operating expenses and softened the impact of lower revenues on EBITDA, and kept the EBITDA margin on a like-for-like comparison. That means, excluding last year's charges for the restructuring program, above stable at 37.4%.

We have achieved our 2009 target of EUR1.1 billion for the free cash flow as the reduction in CapEx compensated the lower EBITDA. We remain committed to distribute the dividend per share of at least EUR0.75 for 2010 until 2012, which underlines our confidence in our operational strength, in our cash generating capacities. I will hand it over to Hans, who will guide you through the financial overview of our fourth quarter 2009 results.

Hans Tschuden: Thank you, Hannes. Ladies and gentlemen, in 2009 revenues declined by 7.1% to EUR4.8 billion, as already mentioned. EBITDA increased by 40% to EUR1.8 billion, due to the impact of the EUR630 million restructuring charge in 2008.

On a like-for-like basis, EBITDA decreased by 6%, helped by a strong cost reduction measures. Net income amounts to EUR95 million after a loss of EUR49 million year but the comparison was additionally affected by impairment charges for the goodwill relating to our Belarussian activity and the mobile license in Serbia in 2009. On a like-for-like basis that means excluding the impact of impairment and restructuring charges, net income decreased from EUR440 million in 2008 to EUR350 million in 2009.

In the fourth quarter, the combined impact of weaker foreign exchange rates, price reductions for roaming and mobile termination rates, as well as lower Fixed Net voice volumes,

affected both revenue and EBITDA. While revenue declined by 9.6% to EUR1.18 billion in the fourth quarter a 9.5% reduction in like-for-like operating expenses resulted in a comparatively lower decrease in EBITDA of only 5% to EUR400 million. On a like-for-like basis, that means excluding the impact of the restructuring charge in the fourth quarter of 2008, net income increased from EUR54 million in the fourth quarter of 2008 to EUR64 million in the fourth quarter of 2009. I'll pass back to Hannes, who will go ahead with the Fixed Net results.

Hannes Ametsreiter: In Q4, our Fixed Net broadband operations recorded strong growth of broadband line subscribers, exceeding the mark of 1 million customers for the first time. Fixed Net revenues declined by 7% to EUR463 million in Q4 2009 from EUR498 million in the fourth quarter 2008, which was mainly driven by lower Voice volumes. Fourth quarter 2008 included revenues in the amount of EUR6.6 million from subsidiaries in the Czech Republic and Slovakia, which was sold in November 2008. Lower revenues from Data and Wholesale Voice & Internet also contributed to the decrease in revenues.

Very strict cost management was continued and allowed a decline in operating expenses by EUR14.8 million in the fourth quarter 2009, excluding a restructuring charge of around EUR18 million. Lower costs reduced the impact of lower revenues and resulted in a decline of EBITDA by 11% to EUR118 million in the fourth quarter 2009, on a like-for-like basis excluding the impact of EUR632 million from the restructuring charges in the fourth quarter 2008.

Now let us take a look at the effects of our marketing initiatives. For the first time in more than ten years, the Fixed Net segment reported quarterly access line net additions in the fourth quarter 2009, and access lines rose by 4,400 compared to a line loss of 2,400 in the fourth quarter 2008. This is a result of a continued buyer's demand for product bundles and strong customer retention. While the total access line base almost stabilized compared to the previous year, the decline in average revenue per line by around 5% reflects the continued decrease in Voice minutes.

Now let us turn to the Austria broadband market. You are probably aware of the success of mobile broadband in Austria. In this environment of a very dynamic mobile broadband development, the Fixed Net is very stable. We achieved a combined market share increase by 1.7 percentage points to 48.7%. Today ADSL covers 98% of all Austrian households.

Let me now give you an update about the process of our restructuring program in the Fixed Net segment. While one of the targets of the program which started at the end of -- the midst 2008, was 400 people who had agreed to the social plan by the end of 2010. The actual result was that close to 600 people in 2009 took the social plan, which led to an overachievement of 194 people and that a year earlier than anticipated.

Similarly, we had targeted that 850 people would be released from work with their salaries funded by the restructuring provision accrued last year when the actual figures are now 887. Altogether, this led to a reduction of the headcount by 1,481 full-time equivalents in 2008 and 2009, and then over fulfillment by 230 people, or 18.5% compared to our initial target of 1,250 people.

Thus an additional restructuring provision of EUR17 million was accrued for the overachievement in the fourth quarter 2009.

In mid-2008, the Fixed Net division initiated a cost cutting program with the end to save an amount of EUR140 million to EUR150 million in personnel and non staff costs by 2008 and 2009. By the end of the year, we had achieved a cost reduction by EUR167 millions and outperformed our target by EUR17 millions.

Let me now turn to our Mobile Communication activities. A rising number of contract subscribers in all mobile operations drove the growth of the customer base in the Mobile Communication segment by 6.4% to 18.9 million subscribers in the fourth quarter 2009. Revenues in the Mobile Communication segment fell by 11.5% to EUR783 million in the fourth quarter 2009, primarily driven by lower prices for voice and data, as well as lower termination and roaming tariffs.

Foreign currency translation impacted revenues negatively by EUR35 million. On a local-currency basis, revenues decreased by 7.5%. Operating expenses were reduced by 14.3% on the back of strict cost management in all operations which allowed an increase of EBITDA by 3.3% on a local-currency basis. The increase was primarily due to higher EBITDA from mobilkom austria. Reported Mobile Communication EBITDA declined by 2.3% to EUR288 million in the fourth quarter 2009, mainly due to the negative impact from foreign currency translation in the amount of EUR16.5 million.

The next slide gives you an overview, and a breakdown by operation, of the cost savings we achieved in the Mobile Communication segment with a total amount of EUR86 million. While the biggest amount was delivered by mobilkom austria, all operations managed to cut their operational costs during the fourth quarter 2009 compared to the same period last year. With this initiative our Mobile Communication operation successfully responded to the challenging market conditions in the fourth quarter 2009.

Let's have a look at the strong performance of mobilkom austria. The subscriber base of mobilkom austria, the leading mobile operator in Austria, grew by 7.5% to more than 4.8 million customers by the end of December 2009. This growth was due to the Company's successful market brand strategy, primarily driven by the premium brand A1; and the no-frills brand bob and aonMobil. Revenues of mobilkom austria declined by around 13% to EUR386 million compared to fourth quarter 2008, mainly due to lower prices for Voice, Data, Roaming and Interconnection services.

ARPU decreased by 17.5% to EUR23.6, as a increase in data usage partly offset lower prices for Voice and Data caused by fierce competition, roaming regulation and lower interconnection rates. Furthermore, more no-frills customers with lower ARPU contributed to the decrease of the blended ARPU.

The rise in EBITDA by 5.1% to EUR139 million in the fourth quarter 2009 compared to the fourth quarter 2008, just like the increase of the operating income, by 20% to EUR82 million,

reflected the improved profitability of the Company driven by a decline in operating costs by 17%.

mobilkom austria also succeeded in maintaining its leading market position, slightly increasing its market share from 42.5% in fourth quarter of 2008 to 42.6% in fourth quarter 2009.

The mobile penetration rate in Austria rose to 135.7% at the end of December 2009, compared to 127% in the previous year. mobilkom austria grew its mobile broadband subscriber base by 35% and had 540,000 mobile broadband customers at the end of December 2009, compared to 400,000 mobile broadband customers at the end of 08.

Data revenues as a percentage of traffic related revenues rose from 34% in fourth quarter 2008 to 39% in fourth quarter 2009.

Now let's turn to Mobiltel in Bulgaria. Mobiltel's market share remained almost unchanged at about 50%, a slight decline of Mobiltel's customer base by 0.8% to 5.3 million customers by the end of December 2009 compared to the end of December 08 was due to inactive prepaid customers which were taken out of the subscriber base during 2009. The number of subscribers actually increased compared to the end of September 2009.

Mobiltel's revenues declined from EUR168 million in fourth quarter 2008 to EUR149 million in fourth quarter 2009, mainly due to lower prices out of fierce competition, as well as lower interconnection and roaming tariffs. The economic downturn in Bulgaria impacted both Mobiltel's business and private customer segments. Operating expenses were reduced by 8.8%, resulting in a

higher EBITDA margin and a slowdown of the EBITDA decline due to savings in marketing and material expenses.

The following slide provides an overview of our Belarussian operation, Velcom. Velcom is the second largest mobile operator in Belarus, increased its overall subscriber base by 11% to 4.1 million customers at the end of December 2009. Due to aggressive market activities of the third operator Velcom's market share declined from 45% at the end of December 2009 to 42.7% as of the end of December 2008.

Revenues grew by 14.5% on a local-currency basis, fueled by the increase in subscribers, while reported revenues fell by 19% to EUR75 million in the fourth quarter 2009, due to currency translation adjustments of EUR30 million following the devaluation of the Belarus ruble in 2009. Similarly, EBITDA increased by around 20% on a local-currency basis, while the impact of currency translation adjustments in the amount of EUR16 million led to a decline of the reported EBITDA by 15% to EUR38 million in fourth quarter 2009 compared to fourth quarter 2008.

Now let's turn to operations in Croatia and Slovenia. Vipnet in Croatia increased its subscriber base by 4.7% to 2.6 million customers at the end of December 2009. Vipnet's revenues declined by 9.7% to EUR109 million in fourth quarter 2009 compared to EUR121 million in fourth quarter 2008, due to price reductions for Voice, Data, Roaming and termination, as well as lower usage. Weaker foreign currency translation impacted revenues negatively by EUR1.5 million.

Operating expenses were cut by 11.3% and partly compensated reduced revenues, which led to a 6.6% lower EBITDA of EUR32.6 million in fourth quarter 2009. Weaker FX rates impacted EBITDA by EUR0.5 million, the burden from the tax on mobile services also fueled the decline in EBITDA.

Si.mobil, the second largest operator in Slovenia, increased its subscriber base by 3.3% to 589,000 customers by the end of December 2009, mainly driven by the growth in contract subscribers. Revenues decreased by 9.9% to EUR44 million during fourth quarter 2009 due to lower prices, lower interconnection revenues, resulting from the symmetry of termination rates, with the incumbent introduced in April 2009, and lower equipment revenues.

Profitability received a strong boost due to cost saving measures adopted in the fourth quarter 2009, which led to a reduction of operating expenses by 25%. As a result, EBITDA increased by 10% from EUR11.6 million in the fourth quarter 2008 to EUR12.8 million in fourth quarter 2009.

Vip mobile, the third largest mobile operator in the Republic of Serbia, increased its subscriber base by 27.1% to 1.2 million customers by the end of December 2009. Revenues rose by 31% to EUR24 million, compared to EUR18 million in the fourth quarter 2008. This was a result of higher subscription and traffic revenues, driven by an increasing subscriber base, as well as higher usage.

Organic growth, excluding the negative impact from weaker foreign currency translation in the amount of EUR3 million, was 48%. Due to enhanced marketing initiatives during fourth quarter

2009, EBITDA showed a loss of EUR5.5 million in fourth quarter 2009, compared to a loss of EUR4.4 million in fourth quarter 2008.

Vip operator, Macedonia, the third largest mobile operator in the Republic of Macedonia, increased its subscriber base by 25% from 242,000 customers in 2008 to 303,000 in 2009. Vip operator's market share was 10.7% at the end of fourth quarter 2008 and rose to 15.9% at the end of fourth quarter 2009.

Vip operator's revenue increased by 73% to EUR6.4 million in fourth quarter 2009 compared to EUR3.7 million in fourth quarter 2008, as a result of higher subscription and traffic revenues. The negative EBITDA of the Company improved from EUR3.9 million in fourth quarter 2008 to EUR2.2 million in fourth quarter 2009, reflecting the continued enhancement of Vip operator's operating performance. Now, Hans will give a financial overview.

Hans Tschuden:

Thank you, Hannes. The 9.6% decline in revenues during the fourth quarter was primarily driven by the negative foreign currency effects in the Mobile Communication business segment. Fourth quarter comparisons of operating earnings are distorted by last year's charges for our restructuring program, amounting to EUR632 million. Without these charges, EBITDA decreased by about 5% to EUR399 million, as a clear focus on cost management drove down operating costs by 9.5%.

In the fourth quarter, financial results declined to EUR50 million from EUR61 million a year ago despite non-cash interest expenses related to restructuring program in the amount of close to EUR9 million are included in the fourth quarter 2009 financial results. Last year's restructuring charge resulted in an income tax benefit of

EUR139 million in the fourth quarter 2008, compared to an income tax expense of EUR6 million in the fourth quarter 2009.

Quarterly net income of EUR63 million in the fourth quarter this year, 2009, compares to a net income of EUR54 million on a comparable basis. Basic or diluted earnings per share amounts to EUR0.14 in the fourth quarter 2009.

Now let's have a look at the cash flow development. The decline in free cash flow by 29% in the fourth quarter 2009 compared to 2008 was primarily the result of the combined impact of lower operating earnings and a shift of fixed net capital expenditure from the first into the second half of 2009.

During the full-year 2009, lower capital expenditures softened the impact of weaker operating results and the higher working capital on the free cash flow generation resulting in a decline of the free cash flow, year-on-year of 10% to EUR647 million. Working capital requirements increased due to higher prepaid expenses and pay -- higher payments for provisions -- and payments for provisions billed in 2008.

As a result of the seasonal shift in the Fixed Net CapEx, total capital expenditures showed an increase of 6.7% in the fourth quarter 2009. Full-year figures declined in line with the expectations by 12% to EUR711 million, driven by a strong decrease in Mobile Communication, capital expenditures while high investments in access and core infrastructure led the CapEx increase in the Fixed Net segment.

The comparatively high level of cash used for other investing activities during the fourth quarter 2009 was due to cash deposits we made in the amount of EUR200 million.

Looking to our balance sheet structure the decline in total assets by 5% or EUR500 million to EUR8.5 billion as of December 31, 2009, compared to the year-end 2008, is attributable to lower long-term assets. This decrease was a consequence of the impairment made for the goodwill in Velcom in Serbia, the devaluation of the Belarussian ruble, as well as the depreciation exceeding CapEx in property, plant and equipment.

While current assets increased by 31% due to higher cash and cash equivalents following the issue of a EUR750 million bond in January, the reclassification of liabilities resulting from the purchase price of Velcom led to an increase in current liabilities to EUR2.7 billion and a decrease of the long-term liabilities to EUR4.2 billion.

Stockholders equity decreased from EUR2.1 billion, as of December 2008, to EUR1.6 billion as of December 2009, due to the payment of the dividends amounting to EUR330 million. Furthermore, higher currency translation adjustments followed the devaluation of the Belarussian ruble are reflected in the equity.

Net debt decreased by close to 10% to EUR3.6 billion as of December 2009, as cash flow generation offsets the payment of dividends and capital expenditures by EUR400 million, resulting in a net debt to EBITDA ratio of two times, compared to 2.1 times at the end of 2008, if we exclude the restructuring charges in 2008.

Now, let's have a look to the outlook of 2010. The outlook shows the impact, excluding the impact from our merger of our domestic operations on a constant-currency basis. For the financial year 2010, revenues are expected to amount to roughly EUR4.7 billion. EBITDA should reach about EUR1.6 billion, and capital expenditures for the Group are forecasted to reach approximately EUR800 million. This amount does not reflect any material rollout of glass fiber, which is not expected to start in 2010.

Operating free cash flow which is, EBITDA minus CapEx, remains the primary focus of the management and is expected to reach EUR800 million in 2010. We reiterate our intention to distribute the higher of 65% of the annual net income, or at least EUR0.75 per share as dividend for 2010. Now let's have a look at the planned merger of our domestic operations, and I hand over back to Hannes.

Hannes Ametsreiter: Before we start our question-and-answer session, let me please address yesterday's announcement about the planned merger of our Fixed Net and Mobile Communication operations in Austria. First of all, I want to stress that this step happens in line with the industry trend, as changed customer needs have prompted almost all our European peers to move into that direction.

You can see on this slide most European telcos are either integrated or have started with integration of their mobile and fixed net operations. The merger reflects the development of the Austrian market, as customers increasingly demand convergent products and allows us to combine the strength of both business segments in Austria.

The joint operation of the sales activities provides the basis to offer integrated telecommunications solutions, it will generate cross-selling opportunities. Furthermore, it enables the effective rollout of the joint, future-proof network infrastructure. In addition, the merger will offer the full leverage of synergies across all internal processes.

Hans Tschuden: The next slide should provide you with the first, rough, initial estimate of the impact of the merger on our cash flow generation. It should lead to a substantial and sustainable enhancement of the profitability of our domestic activities.

Preliminary forecasts show an ongoing increase of our cash flow through the merger of about EUR100 million on a yearly basis, as of 2014, respectively 2015 onwards. The improvement is primarily a consequence of additional revenues and lower costs, but also includes lower capital expenditures.

Initial costs are estimated to impact our cash flow with about EUR80 million in 2010 and by 2012, we expect the benefits to outweigh the costs. This merger will strongly improve our operational flexibility, and at the same time, increase shareholder value of Telekom Austria Group on an ongoing basis.

The next slide provides you with the future Group structure. On the left-hand side, you see the current structure with Telekom Austria as the finance holding, and Fixed Line and mobilkom austria as two subsidiaries, whereas below, mobilkom austria, our international operations are organized.

mags, which is mobilkom austria group services, takes care of the synergies within the mobile segment. In the future, mags will be integrated in Telekom Austria to identify and utilize synergies not only for the Mobile segment, but for the whole Group.

Our international operations will be then sister companies to the combined Austrian activities. This should ensure quick reactions due to short decisions. The focus of this of course will be concentrated on local markets, customer needs and performance, while the Group should take care and ensure that synergies are identified and realized.

Barbara Ploessnig: Thank you, Hans, and Hannes. Ladies and gentlemen, after this presentation we would like to answer your questions, and discuss the trends in the markets, the operation and, of course, the results we have just presented. Please ask your questions.

Operator: Ladies and gentlemen, this is the Chorus Call conference operator. We will now begin the question-and-answer session.

The first question is from Mr. Ulrich Rathe from Societe Generale. Please go ahead, Mr. Rathe.

Ulrich Rathe: Thank you very much. Two questions, please. One is on the average revenue per line in your Fixed business. I was just wondering whether you can give us a sense of how you see that evolving in 2010, and in particular, with regards to the pricing assumptions you currently have on your calls, given that your call volumes are declining. I was just wondering whether at some point you are willing to reduce prices, maybe in the form of bundling products or in any other way, to stop the decline of the call

volumes and what impact that has on the average revenue per line trends.

The second question is in regards to the restructuring program or the integration program, rather. Could you give us any sense at all about the baseline for this EUR100 million savings from 2014 onwards? Is there something like a margin you have in mind, in terms of the pre versus post-integration situation, or any other sort of indication that can allow us to integrate this EUR100 million savings into our models? Thank you.

Hannes Ametsreiter: I will give you an answer on the first question, on the average revenue per line on Fixed Net. The factors which are really influencing the development is -- and that's the major part, is the development of the voice volume.

The real voice traffic is leading the fixed line and moving over to the mobile technology and mobile operators. But this is the most significant element which is influencing the development of the average revenue per line.

What are we doing against that? We are in steady discussion with the regulator to be able to offer minute bundles like in Germany, like Deutsche Telekom is doing. What we are thinking of, and this not finally approved now, but in discussion with the regulator, is to have a bundle for a kind of unlimited use of voice telephony on fixed line for around EUR5 per month. So, this could help us to have additional value for the fixed line user, on one hand. It also would be an opportunity to increase the ARPU for fixed line users. So, that is one major part.

At the moment that's also important to know, we only have 12% -- 20% out of total voice market is with the fixed line. Out of this 20%, 12% is with Telekom Austria, of the voice market. So, it is already extremely low. How far will it go down? We don't really know. We still see the trend ongoing. At the moment, it's minus 12% year-on-year, which we are seeing. This will not be forever. It will not go down to zero, but somewhere in between it will stop over the next years. That's our assumption. That's another aspect, understanding the flow of the minutes.

The third thing is we are already offering -- we are offering Kombi-packages. These Kombi-packages, they are somewhere between in pricing EUR19.90 and EUR29.00 per month, per user. So, I mean this is like talking about the mass market and the high value -- more high value offers also for the business market, but that's more a niche market. So that's influencing, of course, the pricing and also the average revenue per line.

On the other hand, we are -- have significant growth in new services, innovations like IPTV, our own (inaudible). We could see a very significant increase in these new services. It's generating an additional EUR5 per user per month, if they are taking not the Kombi-package, but the SuperKombi-package, including IPTV services. So I mean, these are the main factors influencing the average revenue per line which we see at the moment, this is what we can give you as an information what are the factors influencing.

Hans Tschuden: Regarding the question of the EUR100 million cash effect, if you make a simple calculation, revenues divided -- cash effect divided, but the revenues would end up somewhere between 2% and 2.5% margin improvement on EBITDA.

But we have to state that we did not calculate a margin improvement which we are targeting, but based on the changes in the organization, the up-selling opportunities, we believe we can achieve the EUR100 million, so it was a different approach; we were trying to calculate the savings.

Ulrich Rathe: Thank you.

Operator: The next question is from Mr. Hannes Wittig from JPMorgan. Please go ahead, Mr. Wittig.

Hannes Wittig: Yes. Good afternoon. I've got two questions. The first question is, again, going back to the proposal or the plan to merge the Fixed and Mobile units we heard announced yesterday. I am a bit -- I was a bit surprised by the high first-year charge, and also the length of time until the benefits will accrue. The EUR80 million charge that you are anticipating for 2010 is a bit unusual. We have not seen this from other operators who have implemented similar programs.

Could you maybe give some color as to what is related to, whether it includes restructuring charges, whether it is CapEx, OpEx, what's happening there? And maybe also explain why it takes so long for this to come through in terms of positive cash flow impact.

The second question is, looking at Serbia and Macedonia, these two units together are losing you about EUR100 million operating cash flow per year, and that's the three years into the operation. Are you confident that these operations will contribute positively any time soon? Wouldn't it be better maybe to sell them and improve your overall cash flow profile?

Hans Tschuden: Taking the first question, as I said in the presentation, we have made a rough estimation about cost and benefits. Now we have a green light from our Supervisory Board, so the next step would be to go more into details about what the benefits and the cost will be. For the time being, we are not able to give a clearer split. Of course, it includes cost for combining, for instance, software it includes some one-offs for restructuring.

And -- but all of that has to be more clearly identified in the coming weeks. Once we have a more accurate view on to which extent do we need money now, and what is the cash flow generation out of that, we will inform you, but for the time being, we have to keep as it is presented.

Hannes Ametsreiter: For the second question concerning Serbia and Macedonia. It is the two countries where growth is coming for the Group, but it is absolutely right that then EBITDA is negative. We see very positive trends; we see a market share of over 12% in Serbia, within a very short time span. We started the second half of '07 we now have reached almost 16% in Macedonia. Also, that one is a very healthy -- includes development.

We still believe that we can turn the EBITDA to positive, and we are working on that. The companies are on track so far and we do not see negative deviation from the path which we set for the companies in Serbia and Macedonia.

Hannes Wittig: Okay. Thank you.

Operator: The next question is from Mr. Andrew Lee from Citigroup. Please go ahead, Mr. Lee.

Andrew Lee: Good afternoon. A couple of questions for you on competition. In Austria, you didn't give us much detail on how you're seeing, or where you're seeing price competition come through from in through 2009 and into 2010. I wondered do you see the aggressive promotional discounts in mobile continuing through the year? If you could just give us some color on competition development there, that would be great.

Then, secondly, on Bulgaria, could you give us an update on the aggression you are seeing Vivatel? Do you still expect this asset to be sold in 2010? And if that is the case, do you think that it can restore rationality to the market? Thank you.

Hannes Ametsreiter: Yes. Answering the second question first, it looks like that there is a sales process ongoing. So, it could very well be that it will be sold in 2010, but we do not have detailed information about that, but it very much looks like that.

Talking about the competition in 2009 and '10 in the different countries, we still have very fierce competition in Austria. It had the peak summer 2009 in Austria, where Orange was kicking into the market some new promotions. It now seems to be a bit more rational, but we still need to assume that the promotions which were running at the mid of last year, also will have some implications on the year of 2010 because it is half the monthly fee, and this means that we have part of the impact in 2009, and we will have an impact in '10. So, Austria is still a very difficult environment.

Coming and going to other countries, Slovenia is very much hit by one, small player being very aggressive in the market, putting price pressure -- bringing price pressure to the country. This player was more quiet during the Christmas season. We don't really know how long they can afford to be still an aggressor in the market, but we felt it in 2009, clearly.

Talking about Croatia, Croatia is pretty much settled so its -- T-Mobile is number one, we are number two, and Tele2 was attacking. They were extremely bullish and pushy, entering into the market, as far as I know. They said to the capital market that they have very ambitious plans on their market share and development of the company.

We made the experience that we were dominating with Vipnet in the Christmas business, owning over 50% of profit share, and so this was a clear signal. And we are in a strong position there playing with two brands; it's Tomato and Vipnet. We believe that we are in a good position to place one brand against Tele2, and the other one against T-Mobile.

Coming to Bulgaria, there is heavy competition, especially from Vivacom. If they are in the sales process, this also would be the clear answer to that one, why they are pushing and being aggressive. Belarus, it's the third entrant, the Turkish operator who was very aggressive on the market, he still is very aggressive on the market. We will see how far he has to grow until he is a little more rational on the market.

Serbia, or coming to Macedonia, we are doing really well market share wise. We developed very quickly, having 16% after 2.5 years is, I think, an excellent achievement. They seem -- number two seems to be a bit silent at the moment, which helps us developing in that market. Serbia, we also see growth on our operator side, so this is a rough overview about what is going on in the markets in all countries.

Andrew Lee: Can I just ask a quick follow-up question on Bulgaria, in terms of handset subsidies, which Vivacom has dabbled in, in the past. Do you think by the time it exits -- well, AIG exits its ownership in that asset that we'll have handset subsidies in the market for the foreseeable future? Or, have they not really -- has the market really not taken interest in the handset subsidy story?

Hannes Ametsreiter: In Bulgaria, it's very difficult to really assess what Vivacom will do in the future since they are, obviously, in a sales process. This means that they are pushing for customers. It looks like that here and there for some segments they have some handset -- that they're using some handset subsidiaries.

It is still very low so their subscriber acquisition cost is at around EUR7 in 2009. We would expect an increase to maybe -- but it really depends on activities, maybe EUR10 or EUR11 in 2010.

Andrew Lee: Thank you.

Operator: The next question is from Mr. Justin Funnell from Credit Suisse. Please go ahead, Mr. Funnell.

Justin Funnell: Thanks very much. Some very impressive cost control in the business in 2009 in mobile. EBITDA trends much better than revenue trends. Just wondering how much that can continue in 2010? Is there more to do, or was there some sort of special things done in 2009, in which case should we expect more margin erosion in Mobile in 2010?

Secondly, just wondered if you could give us a bit more color, again, the sort of results on how the economy is affecting your business, your customer behavior, particularly in Eastern Europe. Is it largely now in consumer effects, or is it sort of business customer? Is it usage, people trading down? Just some color on that would be great, please.

Then, finally, on CapEx, obviously there is a quite different trend on one on CapEx versus Mobile. I think you explained it a bit during the slides, but I didn't pick up quite what was going on. I'm particularly interested in your Mobile CapEx trends, down quite a lot. Is that a trend, or is just sort of one of those quarters where it is quite volatile?

Hannes Ametsreiter: Regarding the first question about cost savings, how sustainable are they, we have initiated in the course of 2009 in the Mobile segment cost reduction efforts, and there are efforts still ongoing, so we do expect also in 2010 that we see in some of our operations further cost reductions. But of course, cost reduction is not something which you can repeatedly deliver. But, nevertheless, I think also for 2010, we should see some further reductions especially if Bulgaria is there contributing, but also in our general operations, we have a focus on it.

Talking about the macroeconomics, especially in CEE, it is still an environment which is not easy. It really depends on country-by-country basis. What we see, in general, that regulation from Brussels is impacting us, heavily in Austria, but also in other countries like in Bulgaria, like in Croatia, like in Slovenia.

So this roaming regulation is definitely something which we can feel in our results. We've seen it part time last year; we will see it total year in 2010. There are still ongoing discussions at Barcelona from the new Commissioner that she is thinking about data roaming. This is something which is still open, but it could be something which might come.

It already was officially mentioned to the industry. What is also impacting, of course, is the interconnection development. Here we have different positions in Austria. It is already very low; we are in the lower third or lower 10%, 20% in Europe. It is pretty high in Bulgaria.

So this means that Bulgaria can assume that interconnection path will go down. This needs to be understood to see the development. It's also clear that the taxes which we had in Croatia, and also Serbia, are impacting business; it's 6% and 10%. We need to understand if they would move it out again.

It is very often the case if you once start a tax that it takes quite a long time, or never, would be taking out off a market. But this, again, will be in 2010 full year impact on the results. Macroeconomics in these countries, Bulgaria still difficult, we have seen that private consumption went down. We've seen bankruptcies of some companies, especially smaller companies.

They either put their SIM cards on ice, or just disconnected their SIM cards that's what we could see in the market. The good thing is that, especially in the private and residential segment, people keep the SIM card. They might use the phone less than before but they are still keeping the SIM card, and try to still be connected and stay in our network.

So, I think it's not -- the crisis is not over in Eastern Europe. We need to be cautious; we need to be realistic but we do not see any big downturn coming from out of any corner at the moment. It seems to be on the steady, not easy, situation which we already had for quite awhile.

Hans Tschuden: If you look at the CapEx guidance for 2010, we are not anticipating that in the Mobile segment, we will need more CapEx than what we have spent this year. The increase will come mainly from the Fixed line due to the fact that we are building up this class-five approach, especially in Vienna, where we planning to build in two districts, fiber. This is reflected in the CapEx program for 2010.

So, clearly, what we need to run the business in mobile is on a constant basis to the level of 2009. There are no additional needs for CapEx in Mobile.

Justin Funnell: Thanks. Could I ask a follow up on the Mobile CapEx? It's sort of -- see quite a fashionable thing to discuss at the moment and Austria has always been ahead of the game. What are you seeing as your network fills up with traffic? You're, obviously -- on increasing your CapEx.

It seems that you are allowing the download speeds to slow down. Presumably, your competitors are doing the same thing. Are you hopeful that that would actually, in the end, cause people to go back to the fixed line?

Hannes Ametsreiter: Yes. We are in the middle of that discussion and we see very heavy traffic loads in our networks. So we now have an average usage of around one giga per person, per month with our mobile broadband.

There are some competitors that even have more like two or three gigabytes per user, per month. So we have less loads on per capita, per user in our network, compared to the others. That's a good effect. Why is that? Because we have more business customers.

We are also using alternative technologies, so we think in a very hybrid way. So we used Fixed line at home to do some WiFi offloading. WiFi offloading, at the moment, it's huge topic at GSMA. Many operators, on a global basis are thinking about it like Orange and others, it is a good opportunity to transport traffic cheaper and more efficient.

And that's what we are already using and bringing to the market, which helps our network. But on the other hand, traffic is doubling every year. So, this, of course, puts pressure on CapEx and on the network. We are, for the moment, very confident in Austria because we have the, by far, best network. There was a test of the magazine -- of the German magazine, Connect, and we have the best network in the German speaking area. Best network means very low dropped calls, very low blockings and most speed. So we have an average speed of three megabytes, and that's quite decent offer we are having in the market.

People like that and we have, at the moment, some or many customers churning from other operators to us because they experienced and expect quality with our network and they made bad experience with other networks.

So, I think we are at a beginning of a discussion that we either do smart things to the mobile network, or it needs to have other ideas. We try to follow our own specific road which means you are seeing WiFi offloading with our fixed line network, which means using better compression, and other technology and spectral efficiency with better, easy to install new technologies like HSPA+.

We've been the first one in Europe to deploy that new technology. This gives us up to 21 megabytes per second and is a quite nice offer to the customer. So, that is the road we are following. We are confident about our well positioned network. We still have space to grow. We still have space to offer good enough product to the customers. I believe, if anybody is in trouble, we are not first, at least in Austria.

Justin Funnell: Thank you very much. Thank you.

Operator: The next question is from Mr. Simon Duff from M&G. Please go ahead, Mr. Duff.

Simon Duff: Hi. I have just got some debt questions. On liquidity, can you talk about that pro forma, the EUR500 million bond redemption you made in January, and also in the context of the Velcom minority and earn-out payment schedules for later this year?

Secondly, on the 1.8-2 times leverage targets that you have got in place, how confident do you feel on those, and can you reiterate them at this point? When I think about an 11% potential EBITDA decline and weak free cash flow, I find it hard to reconcile those numbers with my sort of estimate of what leverage will be by yearend.

Lastly, can you just talk about the impact of the structural changes on the Group, if -- in terms of where the bonds are now sitting in the Group, and also in terms of upstream guarantees, because I think they previously benefited from specific upstream guarantees?

Hans Tschuden: A lot of questions, but I tried to catch them all. We have made a repayment of the EUR500 million end of January, out of the cash position we had on the balance sheet which came from the bond we issued at the beginning of 2009.

Second question, remaining payment of purchase price in Velcom, it's already part of the net debt calculation which we provided.

Simon Duff: Sure.

Hans Tschuden: So that will not impact our net debt position at all. We assume we will not pay the full amount this year because of the variable part of the purchase price, because the devaluation of the local currency also had an impact on the profit generation therefore, not all of it will be payable. But it will be payable once the profits are generated over time, so -- because the underlying performance is okay.

Simon Duff: But just on that liquidity, can I just be clear? I think you finished the year with around EUR730 million cash.

Hans Tschuden: Yes.

Simon Duff: And sort of, previously, you've talked about potentially about EUR600 million payments on Velcom to be of age.

Hans Tschuden: Yes.

Simon Duff: I appreciate they may be lower. And you paid out EUR500 million for the bond redemption in January. So, are you saying you will have to issue this year in the bond markets?

Hans Tschuden: No. No, we are not assuming that we are going back to the bond market in 2010.

Simon Duff: Okay.

Hans Tschuden: Besides that, we have about EUR1.1 billion on unutilized committed lines of credit in place. So any -- we are happy with the liquidity position we are having.

Simon Duff: Okay. And on the leverage targets, were you were able to reiterate those?

Hans Tschuden: The target is 1.8 to 2 -imes net debt to EBITDA. That is unchanged. Regarding guarantees, there will be no disadvantage to current bondholders due to the planned merger of the Austrian operation. The guarantees which are in place will remain in place.

Simon Duff: So, previously, I think it was just Telekom Austria Fixed Net that guaranteed them. Now you're merging the two businesses together. Am I correct in thinking that Austria Mobile will then now be guaranteeing, the assets that were in that entity will now be part of the guarantor?

Hans Tschuden: The merger will be in a way that the Mobile operations will be merged into the Fixed Line operation and there were also some cross guarantees in place. So even today, you are -- all the assets are guaranteeing for the bondholders, and that would be the case also for the future.

Simon Duff: That's perfect. Many thanks.

Hans Tschuden: Thank you.

Operator: The next question is from Ms. Justine Dimovic from Exane. Please go ahead, Ms. Dimovic.

Justine Dimovic: My first question is about the outlook for 2010. I just don't understand how come top line can decline by EUR100 million, and EBITDA by EUR200 million. So what is the cost that is going up? If you can shed some light that would be very helpful. That's the first one.

Second one, I would like to understand whether the recent impact in Q4 of a retroactive implementation of MTR cuts for you and your competitors in Austria in Mobile, at the cost base and at the revenue line. Thank you.

Hannes Ametsreiter: Regarding the outlook, there is some cost implications also, for instance, that mobile tax in Croatia impacted our results, only for less than half a year in 2009, and will have a full impact in 2010, and this is cost we cannot avoid.

So besides -- roaming is also impacting our business for a full year basis, which was the second step introduced in the second half of 2009. This is besides the fact that we anticipated the overall economic environment will not improve in the regions where we are active. So, therefore, we anticipate a stronger impact on the EBITDA than on the revenues.

Hans Tschuden: Regarding MTR in the fourth quarter, we are not aware of any changes in the Austrian MTR or MTR environment in the fourth quarter at all.

Justine Dimovic: Wasn't it a retroactive implementation at the time when the MTR cut was announced?

Hans Tschuden: But this was not booked in the fourth quarter that was booked in the third quarter.

Justine Dimovic: Okay. Thank you. Thank you very much.

Operator: The next question is from Mr. Jacob Bluestone from Merrill Lynch. Please go ahead, Mr. Bluestone.

Jacob Bluestone: The substantial decline in free cash flow in 2010, given the restructuring costs and the guidance that you have given, and I was just wondering can you give us a feel for do you see this as the

bottom for free cash flow generation, or should we continue to expect further declines beyond that?

Secondly, I appreciate that you don't want to give too much detail on the integration at this stage, but maybe if you can just say at this point whether you are factoring in another round of redundancies in the cost savings that you expect to generate.

Then finally, maybe if you can just give a little bit of some guidance maybe for working capital for next year given that you obviously had reasonably negative, working capital movements in 2009. Thanks.

Hans Tschuden:

Regarding capital, the working capital, we -- the operating working capital, so accounts receivables, accounts payables and inventory hasn't changed significantly it's more or less in the same level as last year. All the changes which are reflected in the cash flow statements are more or less through other operating -- are working capital items which are hard to predict. But in fact, we are not expecting any material changes for 2010 to happen on a working capital level. So, therefore, we are not anticipating major requirements there.

Second question about the free cash flow for 2010, we are not giving yet guidance for the years beyond 2010, so therefore, we are not able to comment on the question about the free cash flow beyond 2010. For the cost regarding the merger of the Austrian operation, as I said before, there are cost savings expected, so some of these costs savings will also include some one-time investments, within brackets. But we are not able to specify them more.

Jacob Bluestone: Okay. Thank you.

Operator: The next question is from Mr. Luis Prota from Morgan Stanley. Please go ahead, Mr. Prota

Luis Prota: Yes, thank you. I have two questions please. The first is on your EUR55 million OpEx cut in the fourth quarter 2009 in the domestic mobile. If you could give us some more information in the nature of this reduction, for instance, telling us what proportion of this is due to lowering the connection rates and wholesale roaming expenses that would be useful.

The second question is also on domestic mobile in Austria, you are mentioning increasing proportion of no-frills customers. If you could give us a percentage of no-frills customers you have at the moment now, relative to a total customer base, and relative to last year. Also, what is the average ARPU from the no-frills customers would be useful as well.

In this regard, the revenue decline you had in Mobile in Austria in the fourth quarter was 12.something percent, a complete increase relative to previous quarters. Any clue on whether you are expecting a high single-lead decline in 2010 or mixing the lead decline, or what kind of decline should we expect in for 2010 in domestic mobile revenues? Thank you.

Hannes Ametsreiter: Starting with the answer on the no-frill development, we have seen a very good development on the no-frill sector. In total, it would be around 600,000 to 700,000 SIM cards in the no-frill segment which we are having at the moment in our network, in our business.

The ARPU would be around EUR7 to EUR10. It really depends on what kind of offer the customer is using and what offer he is taking, but this, of course, lower ARPU which has an impact on the overall ARPU development, of course.

Hans Tschuden: Answering the question about the saving in the fourth quarter on line through 2008, about 25% is due to roaming and interconnection reduction. We have about 20% for marketing costs and the rest is for leased lines and material expenses which we had savings on.

Luis Protá: And, if you could as a follow up, on the question on the no-frills, if you could give us a reference figure for last year, in terms of no-frills customers. And also, I was making a question on your expectations for revenues in 2010 for domestic mobile.

Hannes Ametsreiter: We are not giving any forward-looking statement on development of no-frills. I already mentioned the absolute number of how many customers we are having now. It is for us a promotional opportunity to give an answer also on promotional moves.

We are not pushing the offers, but we have them in the market to more be reactive with that offer. That is our plan on that one and, so far, this works quite well so that we not missing out the discount and target segment. I think that we are well positioned with our two brands, which we have major brands which we are offering, both on the one hand that is like cheapest offer, but it is also with the lowest cost level.

So we do not have any subscriber acquisition costs there. We are earning a few euros for every SIM card sold. On the other hand, it is the Kombi-package, including the SIM cards, with the Fixed line. And this is also at no additional sales costs, which also gives us some cost advantage. But sorry I cannot give you some more, in detail information about what our plans are on that specific segment.

Luis Prota: Okay, thanks, and I was just --.

Operator: The next question is from Mr. David Wright from the Deutsche Bank. Please go ahead, Mr. Wright.

David Wright: Yes. Following up on the last question, really, which was about the Q4 domestic mobile costs, it also seems like domestic fixed costs were very volatile from Q3 to Q4, sort of EUR4 million less operating expense to EUR33 million less operating expense, so, maybe just a little explanation of that. then, so just thinking about guidance overall, we're at EUR1.6 billion in constant currency terms, there's an EUR80 million cash cost from the integration that we were expecting on top of that, I'm assuming there should be some kind of tax credit on an actual sort of investment there. So with that in mind, should we be looking more sort of a EUR1.55 billion or something around that kind of mark post-integration?

Then, how is the currency situation evolving in Belarus and what is your estimate for the year there? I'm just trying to get a little bit more of a cleaner guidance versus all these sort of exceptional factors.

Hans Tschuden: If you look the delta for 2010, we have said it is EUR1.6 billion EBITDA on constant-currency basis. If you look at the currency development, for the time being it is stabilizing in Belarus. So, we will see how it further develops, it's not under our control.

Regarding the operating cost development on the Fixed Net, we do provide a breakdown for the fourth quarter for the Fixed Net expense where you would see all the details per line item coming from a fuel expense to a pre-cost down to services received, and so, where it could easily identify where the decline is coming from. What was left -- was the question?

David Wright: Let's leave it there. Thanks.

Operator: The next question is from Mr. Hugh McCaffrey from Goldman Sachs. Please go ahead, Mr. McCaffrey:

Hugh McCaffrey: Good afternoon, guys. I have just a couple of kind of broader questions. Obviously, there is a significant revenue pressure in your Fixed business, and do you think we can see a stabilization in that business at some point? And under what circumstances can that happen?

Secondly, just in mobile data, and so there's a lot of focus on the cut rates requirements around mobile data, so as there is more capacity constraints, do you see any pricing par as the networks fill up? And how do you think about the returns in Mobile data? Thanks.

Hannes Ametsreiter: Talking about the revenue pressure on the Fixed Net. I've already explained before the factors which are putting the pressure on the prices. I think there is one major theme which cannot be controlled from us at the moment, and that's the minutes of use moving from the Fixed line over to the Mobile.

This is something which we cannot really influence it is being driven by extremely cheap and interesting offers from the mobile side. It is some packaged bundles which are on the market. That is very attractive to the customers and they prefer to use the mobile phone from less traffic. We have seen that in a very significant decrease of the total share of the voice market, we now have only 20% in the Fixed line, 80% in Mobile, the decline is still ongoing.

We are thinking about some minute bundles. Can it stop it? We don't know. So this is definitely something we cannot know, we cannot assess. But we know that it will stop somewhere between zero and 12% which is the portion we are having out of the voice market. This we should be able to see over the next years. And this is the most significant development which is ongoing. It hurts, on the one hand, top line it also hurts bottom line. And this is something which just gives the indication that a Fixed network is not a voice network anymore, but it is a broadband network. We now do feel the impact very strongly. It is, I think, us Austria and Finland where you could see this very event development on the market.

So this -- if we fix that one, and if we keep growing or stabilizing our subscriber base, then I mean we could expect to have a better situation in the future.

When exactly we are reaching that point, we really don't know. So far, we are still losing every year this minus 12% on minutes and there is no change foreseeable at the moment.

Talking about the capacity on the mobile networks, as I mentioned before, in Austria where we have heavy traffic, we don't have that heavy traffic in the Central, Eastern European countries. Here, in Austria, where we see this heavy traffic, we are in a very comfortable position because we have the best network, we have the best speed; we have the best back hauling.

We have -- we are using already fiber for back hauling for our base stations, for many of them. So we see ourselves very well prepared. We are also using WiFi offloading. I think that we are much better prepared than others. That leaves us in a good position. We are also using more spectral efficient technology which is available already on the market. So we are not afraid about that situation and I think this can't last forever.

Hugh McCaffrey: Just on the mobile data stuff, I wasn't really asking about CapEx implications. I'm more trying to get at do you think pricing par can improve as the other operator's network to fill up? So do you think your price premium could be increased because the other guys just can't provide as good as service as you guys, as Telekom Austria?

Hannes Ametsreiter: Not now. If the situation deteriorates for the others, we could think about that. But it is too early to say that because so far all networks are offering decent quality, and it depends on the customers, what they are using their network for. If they are just surfing the Internet and sending some emails, then it is very easy to achieve customer satisfaction.

But more and more customers are moving into more data and volume demanding services. And here we are in the better situation. If we now could apply a premium and increase significantly prices, I don't think so.

Hugh McCaffrey: Okay, that's good. Thank you.

Operator: The next question is from Mr. Bernd Maurer from RCB. Please go ahead, Mr. Maurer.

Bernd Maurer: Hello. Good afternoon. Only one brief question. Can you please comment on spectrum options which are scheduled so far in Austria, and if any into E-countries, so what frequencies are going to be auction, at what dates, and if so far as CapEx, therefore, is included in the CapEx guidance?

Hannes Ametsreiter: Talking about frequencies, licenses, we had one in Belarus, but we sent the information -- this is just recently. In Austria, there is the discussion, and within the next weeks of months, we will get more information about LTE on 2.6 gigahertz. So there -- I think there will be an auction on that one.

But the detailed information will come from the regulation within the next month. So we expect that, I think, in the second quarter, more information should be available. That's it so far and nothing is foreseen for this, let's see, technologies, sorry, CapEx is foreseen in the guidance for the capital market for the 2.6. This one is foreseen, but what is not foreseen is like digital dividend, and this kind of thing and this kind of 800, 900 megahertz. This is still an ongoing discussion situation there is that there will be issues a

study from the regulation, from the regulatory body, I think in summer or autumn, and then they will take a decision if they offer this frequency band to the operators or if they keep it with the TV stations. So this is an ongoing discussion. I think we cannot expect that before, that's what they said between 2013 or '15.

Bernd Maurer: Okay. So that is far to go.

Hannes Ametsreiter: Yes.

Bernd Maurer: Okay. Thank you.

Operator: The next question is from [Mr. Evan Mueller from Wood & Company]. Please go ahead, Mr. Mueller.

Evan Mueller: Good afternoon. This is Evan Mueller from Wood & Company. I have a question regarding your workforce or this program to reduce workforce, that's slide number 12. Can you give us an update whether this will change according to your merger plans of Fixed and Mobile networks, and whether you have reached any additional agreement or plan with some state bodies to release this workforce to them? Thanks.

Hannes Ametsreiter: Regarding a political solution with the civil servants issue we are facing no news about discussions with the government for the time being, we are not in discussions with them. What we can say is that part of the staff released from work has, in the meantime, also accepted the social plan. So in the first quarter, we will see some people moving out of the job and taking up the social plan.

Regarding the merger of the Austrian operations, we are not foreseeing in 2010 a staff reduction. Of course, there will be some management functions abandoned, but besides that, there is nothing materially foreseen in 2010. Of course, if people are voluntarily leaving the Company, that is something which happened in the past also, and net total attrition is about 300 people per year in Fixed and Mobile. So we will see how that is going to affect our staff number.

Operator: Okay. The next question is from Mr. Ulrich Rathe from Societe Generale. Please go ahead, Mr. Rathe.

Ulrich Rathe: Well, thanks. It's a follow up. There was an earlier question on the FX outlook in Belarus. I was just wondering how you -- if you don't want to comment much on the FX, how you -- can you comment on the inflation situation in Belarus. I think it was sort of around 15% last year, and how you see that developing in 2010, and also what commercial freedom you have to address the inflation in Belarus. Thank you.

Hannes Ametsreiter: We had -- when the devaluation took place beginning of last year, immediately increased prices, had been some discussions with the politics, but ultimately, we were allowed to increase the prices as planned, with a slight delay in timing. But nevertheless, the local politicians accepted that there is a market regulation which will more or less decide to which extent prices can be adjusted.

Regarding the inflation, we do expect that -- it is about 10% to 11%, also in the year to come. But it is less a question of inflation adjustment, it's more about how aggressive is the number three in the market offering its products, its tariffs and services.

And that is much more important to us, to which extent we can adjust rates and tariffs and the few inflation.

Ulrich Rathe: Thank you very much.

Operator: The next question is from Mr. Justin Funnell from Credit Suisse. Please go ahead, Mr. Funnell.

Justin Funnell: Yes, just a follow up please. It's quite a big picture question. When you look at the trends in your business, they are obviously not great. Your business is certainly shrinking. EBITDA is going to come down quite hard.

Has this given you a sort of platform to go back to the politicians in Austria and try and get some sort of new deal, whether on regulation, perhaps, just simply not helping your business, or indeed in going and seeking a partner? Are you able to see some sort of change in your sort of level of freedom that the government is giving you?

Secondly, just sort of detailed questions really. What mix of your contract customers in Austrian Mobile, and now on your own EUR15 plan, the half-monthly-fee plan, and how many of your Fixed customers are on the EUR19.90 a month Kombi-plan, please?

Hannes Ametsreiter: Starting with the first question, it is not very likely that this discussion happens and that there is any change happening with the Austrian government, this is how we commented. Concerning the number of Kombi-packages of EUR19.90, there are a few hundred

thousand using the EUR19.90 package. The other question was concerning the Mobile?

Justin Funnell: Yes, the 15, I understand that you mentioned, euro and half --.

Hannes Ametsreiter: Here again, it's a number, five-digit number having this promotional offer which we started, I think, in August or September.

Justin Funnell: Okay. Thanks for the detail.

Operator: The next question is from Ms. Vera Sutedja from Erste Group. Please go ahead, Ms. Sutedja.

Vera Sutedja: Good afternoon, gentlemen, and Barbara. I just want to ask about the update of the police, the civil servant or any part of your employees who is moving to the police, any of numbers or any trend increasing?

Hans Tschuden: We have, at the moment, 34 people from Telekom Austria working for the police force. We have another 62 who applied for the program. We will receive the information, I think, within the next days if they are accepted or not, the next appointment date where we could send some more will be in March though.

Vera Sutedja: Do you have any target actually for the number of employees to be sent to the police or --.

Hans Tschuden: We have some internal targets which we are using.

Vera Sutedja: Is that to be communicated, perhaps?

Hannes Ametsreiter: Our target is to make use of the full 500 people, but I think it's not realistic that that would be possible in the course of 2010 because we already got from the administrator, indication that the 1,000 people they are targeting will not be needed in the course of 2010.

Vera Sutedja: I understand. Thank you very much.

Operator: The next question is from Mr. [Cliff Elliott] from RBS. Please go ahead, Mr. Elliott.

Cliff Elliott: Yes. Good afternoon. Thanks for the question. Just one quick one on Mobile data revenues and ARPU in Austria, the ARPU seems to have come down quite rapidly over the last couple of quarters. And the growth in Mobile data seems to have slowed quite quickly, Mobile data revenues.

Could you just comment on what is really driving that pricing? Is it a mix affect on the ARPUs? Really what is behind that? Thanks.

Hannes Ametsreiter: It is clearly pricing because they are very cheap offers in the market. This puts pressure, of course, on the pricings which we had in the past. We also see that there is room for growth, but it seems to develop a bit slower than what we have seen in the past. That is roughly the situation on that Mobile prop end.

Cliff Elliott: Okay, thanks.

Operator: Gentlemen, there are no more questions at this time.

Barbara Ploessnig: Ladies and gentlemen, if there are no further questions, I would like to thank you for dialing today's conference call. Thank you and goodbye.