

TELEKOM AUSTRIA AG

Full Year Results 2010

CONFERENCE CALL

February 23rd, 2011

16:00 C.E.S.T.

MODERATORS:

MR. MATTHIAS STIEBER, HEAD OF INVESTOR RELATIONS

MR. HANNES AMETSREITER, CEO, TELEKOM AUSTRIA AG

MR. HANS TSCHUDEN, CFO, TELEKOM AUSTRIA AG

MATTHIAS STIEBER:

Good afternoon ladies and gentlemen, it is Matthias Stieber speaking. Thank you very much for joining our fourth quarter 2010 conference call. I am here joined with our CEO Hannes Ametsreiter and CEO Hans Tschuden and without any further ado I hand over to Hannes who will start with the presentation. Thank you.

HANNES AMETSREITER:

Good afternoon ladies and gentlemen, it is a pleasure to have you here in this conference and to provide you the results for the fourth quarter of the year 2010. I would like to start with the operational highlights of the full year 2010. First and here we are pretty proud about the development we have seen first full year access line growth of one thousand four hundred lines in more than ten till thirteen years driven by increased amounts of fixed line broadband and ptv and product bundles. Here the very special development in the fourth quarter 2010 we had around twelve thousand fixed line net additions in this last quarter, which really shows the direction, which clearly shows the trend which we see in the development of fixed subscribers. Our mobile subscriber base we could see an increase of five percent to more than nineteen dot eight million customers. We could see double digit mobile broadband growth in Austria, Bulgaria, Croatia, Belarus and Slovenia. The launch of the iPhone in the fourth quarter complement Smartphone strategy and now gives us the opportunity to really have full device portfolio in our markets. We have seen as well swift and efficient integration of the Austrian fixed and mobile operations. Pretty low impact backed up. Seventeen million in two million for the year 2010. It could be expected that in the future of course investments still and costs still will be needed to complement the integration of the two operations. Transformation to convergent player in CEE initiated with the first international fix line acquisition in Bulgaria, as you know we bought and acquired two fibre companies and these are now in the phase of integration, offers are already in the market. Emphasis on infrastructure leadership with continued roll out of high band infrastructure both in fixed and also in LT in Austria and launch of 3G network in Belarus. I now hand over to Hans to give you an overview on financial highlights.

HANS TSCHUDEN:

Good Afternoon ladies and gentlemen, from my side I will cover now one chart the full year end results for 2010 followed then by more explanations on the fourth quarter 2010. As a summary 2010 we can conclude we have achieved the financial targets we have guided for. On the revenue side we achieved four billion six hundred and fifty one million Euro on revenues, EBIT A comparable and it had one billion six hundred and forty six million on the upper end of the range, we guided. Our capex was seven hundred and sixty four million Euro within a band width we gave with our guidance for the year, and consequently the operating free cash flow amounted to eight hundred and eighty one million Euro which is more than what we said when we started it in the year 2010. Consequently we are able to pay out a dividend and we propose to pay seventy five cents to our general assembly, so we can conclude that we have met the financial targets we were aiming for 2010 fully. Important to see also that we have seen some revenue declines and EBIT A declines, but in Serbia, Belarus and Macedonia we boasted growth as well in revenues as well as in EBIT A and that our cost control measures hardly reduced the negative impact of fierce competition but also regulatory impact which amounted to forty seven million Euro. If we turn the page now to the fourth quarter we have seen revenues close to stabilisation, only a slight decline of 0 point nine percent, EBIT A comparable amount three hundred and fifty three million Euro which is affected by seasonally higher material and marketing expenses and an EBIT A margin of thirty point two percent as a consequence. We have also booked a restructuring charge of ninety eight million Euro, which covers the future cash flows for people which are moving now to the Austrian government and have taken the opportunity to change the position as well as the impact of lower interest rates which requires to make higher contribution to the restructuring we have booked already in 2008. The impairment of eighteen million Euros is related to a subsidiary of our Austrian activity. As a consequence of this restructuring (depairment/repairment?) charge we boasted a net loss of sixty one million compared to a net profit of sixty four million a year ago. Now, moving on to a more detailed explanation about the revenue trends, and what we have seen is clearly Smartphones are booming and also

mobile data is continuously growing and the revenues decreased only slightly as already mentioned and the main negative deviation is coming out of Austria with minus twenty four million Euro. Here included is a reclassification effect of fourteen million Euros, so if you would eliminate this one time effect, you would have seen a stable revenue development in the fourth quarter. I think that is an encouraging trend. If you look to Bulgaria, a slight decrease, we have seen an increase in our broadband subscriber base and the higher contract share customer bases and that helped to reduce the in regulatory and competitive pressures we have in the local markets. In Croatia the subscriber base for contract subscriber has grown, on the other side, revenue is declining driven by the challenging economic environment. Sixty million growth in revenue is contributed from Belarus based on subscriber growth and slightly helped by some fix effects and all the other countries Slovenia, Serbia, Macedonia are positively contributing to the revenue to the development. Now, turning the page to EBIT A. We have seen there a decline of fifteen point two percent and the biggest effect is again coming from Austria. We have seen seasonal higher material and marketing costs; also integration costs are booked in the fourth quarter. In Bulgaria, the cost reduction helped to partly offset the revenue decline and the margin on EBIT A is at a very healthy forty eight point nine percent and clearly above the average of the group. In Croatia the operating expenses increased slightly by one point eight percent and material expenses grew due to higher number of handsets we have sold. In Belarus, although a strong revenue increase was posted, EBIT A is slightly declining due to the fact that we have made some write offs in the inventory and we had some higher employee costs because we paid out bonuses to our people which delivered excellent results in 2010 and we booked them in the fourth quarter. In Slovenia the opex increased due to higher interconnection and also an increase in our that provisions was necessary. Serbia, positive development with nine million and that clearly proves that the Serbian activity is well on track. We ended the year with a break even on EBIT A and this trend should continue also in the future. The performance is improving. Macedonia had the same level of contribution to our EBIT A as the year

before. Have a look at the generation for the fourth quarter, we see that the operational result also translates into cash flow generation so that we see a decline of the cash flow before making capital adjustments of minus nine point five percent that reduction of working capital in fourth quarter contributed to forty three million Euro to the cash generation but we spent quite substantial amounts in absolute terms, for our Capex, we spent three hundred and twenty million Euro, which is up close to ten percent compared to last year. So, more in the fourth quarter we generated a free cash flow forty four million Euro, but more importantly is that for the full year we posted a six hundred and fifty two million Euro free cash flow generation which is about forty seven million less than last year which is clearly attributable to some higher capex we spent, the cash generated from the operating activity was even slightly better than last year. So, this allows us also to comfortably propose to our AGM to pay out a dividend of seventy five cents. Now I will hand over back to Hannes who will guide you through the markets and operations.

HANNES AMETSREITER:

Giving you some updates on markets and operations, if you have a look at the fixed broadband market shares, you see a steady increase of our market share and it shows the strength we are having on the market and also shows that we are growing at the expense of others. If you look then at, and I mentioned it already before the fixed access line growth, especially in the fourth quarter, this was a significant growth which we could see and we achieved in this fourth quarter around twelve thousand lines and net gains in the fourth quarter. The good message is also that we are not only growing our market share, we are not only growing the number of combi packages, we are also growing in terms of creating positive net adds, we also treat the pretty stable. If we look on our Smartphone strategy, we are more or less offering every Smartphone in different platforms in the market. Here you can see a country's split of iPhones sold. Since we are not allowed to give any additional information on how many iPhones we have sold, you see a split of where we are selling this iPhone, and especially in Austria this was a big, and still is a very big success and it is necessary to still be able to have a good portfolio. It is important to

know that our of smartphones are two to three times higher than normal handsets. If we then move over to continue focus on cost control, new initiatives we are starting for civil servant in 2011. As you know we reduced from the year 2009 to the year 2010 by minus three point three percent in Austria, we are now starting additional activities. These activities will create restructuring charges in 2011. Approximately two hundred million. It's consisting and it means that approximately five hundred people FTE's will leave the company. On the one hand we transferred them to the government, fifteen to twenty five percent. We now already transferred two hundred and five people to work for the government in different ministries and also police force. We expect that the next tranche is coming soon, so there are another few thousand people moving over there within the next month. We also now and we started on January twentieth with a new social plan. The social plan is highly attractive to people at the age of fifty three or sixty five and we expect another seventy five to eighty five percent if they are accepting the social plan. This also helps the company meet a long term but restructuring charges need to be modified that they will come in the year 2011. Coming to the outlook, I hand over to Hans.

HANS TSCHUDEN:

Okay we reintegrate the outlook we have given on our capital markets day in December which included revenues of up to four point six billion Euro, EBIT A comparable should be up to one point six billion Euro which we expect to spend on capex up to eight hundred million and consequently operating free cash flow should be around eight hundred million Euro and we expect to pay out a dividend of minimum seventy six cents. That concludes the presentation and I hand back to Mathias.

MATTHIAS STIEBER:

Thank you very much everybody, as Hans said, that concludes the presentation for the fourth quarter. I hand over to the operator for the Q and A session, thank you.

MATTHIAS STIEBER:

Operator?

OPERATOR: Excuse me. This is the chorus call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Anyone who has a question may press star and one at this time.

OPERATOR: The first question is from Mr Hugh Mc Affery of Goldman Sachs. Mr Mc Affery you may go ahead.

HM: Good afternoon guys, I have got two questions and just firstly the average revenue per line stabilisation that we saw in the fourth quarter, do you believe that is sustainable and actually as the penetration of TV starts to accelerate, do you believe that you could actually see growth in the average revenue per line in the next twelve to eighteen months? And secondly, just in terms of the Smartphone and data opportunity in the non domestic mobile businesses, clearly you are seeing a good uptake of adoption there. When do you start seeing our period of increases coming through?

ANSWER: What concerning the revenue development, you have mentioned the development in the fixed line. In the fixed line we now have different aspects to watch. One is the customer development, customer base development where we clearly see a positive trend. We would see that also in the future. So, that should be ongoing. So, that is one aspect. The second aspect is we are still losing minutes. It's around somewhere between eleven and thirteen percent which we are losing every year so, this is still some pressure on the revenue development. We don't know when we will reach the point where this is really easing out and flattening. This is difficult to say. It will be sometime in the future, but we don't really know when this will come. These are the affects which we are seeing in the fixed line. You also mentioned TV development, it is very positive, that our cross feeding works pretty properly. On one hand there is a huge demand for additional bandwidth packages, we are selling these additional bandwidth

packages for five Euros a month or fifteen Euros a month. Around fifty percent at the moment we need to send away and out of our shops because we are not really able to offer it to them. So, I mean, demand is huge and this also requires work on our network to be able to offer it. I mean, that's a second aspect, TV is one very important offering in our packages. What we see very positively is we are at the moment are having over a hundred and fifty thousand TV customers and we are selling a month three hundred thousand videos over this PTV service which is also a very positive development and is still dynamic in goods. Coming to the mobile operations, it is by far too early to say what direction the development of revenue will be in the future. We are just coming out of an economic crisis, we see some positive signals in the economies of the Eastern European countries but to now, really foresee positive trends in the revenue development, this would be clearly too early to say that.

HM: That is clear, thank you.

OPERATOR: The next question is from Mr Georgios Ierodiconou of Citi. Please go ahead sir.

GI: Yes, Good afternoon, if I could have two questions on Austria please. The first one is based on the one you touched earlier on the fact that average revenue per line is no longer falling, given also that you have growth in access lines, do you see a reason for you to perhaps be a bit less aggressive on promotions, and if you could comment also on what you think cable is doing around the fixed line side. And then my second question around the mobile, if I am not mistaken, you have changed some of your offers on the iPhone, and now offer it for free only for the very expensive offers, but I think your competitors continue to offer it for free at around thirty, thirty five Euros monthly rental. Have you seen a change in your net additions and perhaps your market share since you introduced this more conservative strategy? Thank you.

ANSWER:

Coming to the offering in the fixed line, we did not; we were not more aggressive, we are running the same promotions in four years, so there was no change in pricing of our combi packages, still the same. We are now using the opportunity to cross sensor the positive effect which we are seeing at the moment, but we are not running more aggressive promotions. It's really the same like we had before. Coming to the development of iPhone, we reduced the SAC's, the subsidies for iPhone per around a hundred Euros; it looks like competition is following that move. We also increased prices slightly by including other elements in our pricing schemes. So far we are pretty stable with the growth share so it seems not really to hamper our development in the market and still keeps us competitive.

GI:

If I could clarify my first question, I was more referring towards whether you could perhaps be less, perhaps increase prices, be less aggressive rather than the specific offer being different on the previous ones.

ANSWER:

Look we are seeing a situation that in Austria we are having two point three million fixed customers out of ten, four five hundred thousand are business customers, so they need a fixed line and not a fixed voice. For other customers there is another one seven one eight left, nine hundred and sixty thousand are using, so close to a million are using combi package. If you are using a combi package, germ is reduced by fifty percent compared to POTS customer. The rest is POTS customers. We believe that the strategy is just right to further increase the number of combi packages, this means the further reduction of germ, this means further opportunity to increase net adds. What we are doing already. So, the increase of price at the moment would I think not be very wise because we first want to have penetration and then we could think about any price changes. We for the moment are doing quite well in that development, which we are seeing in the market, because we see our approach stable, and we see customer base rising, so, we think that is good development.

GI: Very clear, thank you.

OPERATOR: The next question is from Mr Jacob Bluestone of Bank of America-Merrill Lynch. Mr Bluestone, you may go ahead.

JB: Hi there, I have got a couple of questions. Firstly you mention you expect a two hundred million Euro restructuring charge in 2011, but most of that is non cash, and I was just wondering if you could maybe be a little more specific what you expect in terms of cash flow impact from restructuring this year, and then secondly could you maybe just talk us through what changed in Bulgaria. Last quarter you had an eleven percent revenue decline, whereas this quarter is only one and a half percent, which is obviously quite a big swing and I was just hoping you could provide a little bit of colour on what drove that improvement in decline.

ANSWER: Regarding the restructuring charge for two hundred million, as you rightly say, we will see the vast majority of it being non cash, but as we have not yet finalised all the contractual details with the people we are not able to specify which amount would be cash relevant in 2011, but experience shows us that it will be not a big part of it. But, as I said, we cannot specify now. Yes, in Bulgaria we have seen a very strong take up of the new bundles which we are offering since the third quarter. With the acquisition of the two alternative fixed line operators we have also introduced now panels which have a very nice take up and we have seen our contract customers coming in, so those are the two main reasons why we see that the revenue trend is in a positive direction in Bulgaria.

JB: Can I just check for the inclusion of the fixed line assets, is that not January?

ANSWER: You are right that the inclusion of the acquisition will be as of January but before we have already on a co-operational basis, introduced

bundle products in the market. Even without the acquisition we were able to do that.

JB: Got it, thank you.

OPERATOR: The next question is from Hannes Wittig from JP Morgan. You may go ahead with your question.

HW: Good afternoon, I have two questions, the first one, when we were in Vienna for the investors day you provided us with the guidance, however you did not at the time flag the two hundred million restructuring charges, so I just wondered if those should be seen as facilitating the achievement of the guidance, or whether they are incremented to the guidance potentially. Secondly, we have heard from the Serbian government today that they are not willing to sell Serbia Telekom for less than one point four billion Euros, so I wondered if at that level you are still a bidder and whether you would be in a position to announce a buy back as soon as you have concluded that you are not involved in Telekom Serbia bidding any longer?

ANSWER: I think the first question regarding the two hundred million, this is necessary in order to achieve quite a flat personnel costs development which has been booked into our business plan to achieve the one point six billion, so, please do not add the positive impact on our guidance, this is something to facilitate the achievement of the guidance.

ANSWER: Concerning the second question of what we are doing, is that we, as we always said, having a look at the asset making our calculations and then coming to a conclusion. So far, we did not find a conclusion so far so we don't want to comment all this information which is coming out of Serbia from British media or others. We would like to have a clear picture from our side about TSF and could include of course some necessary points which we could see but we don't want to comment because we would then have to comment every week and that would

be a bit too much work, so we are listening to the official government ad we are listening to our own calculations which we are doing now.

ANSWER: Regarding that we always said that we will start once we are below the two times net to EBIT A and that is still valid.

HW: Thank you.

OPERATOR: The next question is from Mr David Wright of Deutsche Bank. Mr Wright please go ahead.

DW: Thank you very much. It does seem that you are dealing very much with comparably but DAR I think it's, there is no mention of absolute reportedly with DAR on the front page at all, and consensus also now focusing on that number, and very much following on Hannes' and Jacob's questions, I am looking at a consensus 2011 EBIT DAR on Reuters of one point six billion which clearly matches your comparable guidance given the restructuring charges that are expected to come through, should we see some down side to that. Thanks.

ANSWER: Downside to the one point six?

DW: Yeah, consensus is one point six billion to 2011. That obviously matches the comparable number, but there is clearly downside too that with the restructuring charges. Is that correct?

ANSWER: The reported, I mean the comparable is one point six as we confirmed within our presentation so there is no change the debts and that is before the restructuring charge.

DW: I see, so if I am looking at a consensus of one point six billion reported then that number would seem too high, right?

ANSWER: That's correct, the reported, so we have a one point six comparable and we expect two hundred million restructuring so the reported EBIT A will be one point four.

DW: Very clear, Thank you.

OPERATOR: The next question is from Mr Luis Prota of Morgan Stanley. Mr Prota you may go ahead with your question.

LP: Yes, good afternoon. I have a question on the head count part that you have announced as well, and the cost of this reduction per head which is like four hundred thousand Euros per head which is around two times the cost of prior head count reduction in Telekom Austria, so the question would be whether you see this accretive difficulty, I guess the answer is yes, but is this very accretive or your going ahead with this to reduce the structure or what's the reason behind double the cost per head. And also, I presume from your comments earlier that this five hundred FTE are not coming from the idle work force as this was already provisioned, so this is new and will imply a net reduction or is just increasing the idle workforce, are you expecting these people really to leave the company or could you elaborate on this please.

ANSWER: So, the social plans we have put in place cover different programmes so they partly the golden handshake programme, partly it is a pre-pensioning scheme for people which are in excess of fifty three years of age, and depending what the combination will be, or how many people take which programme, the average will be a calculation out of that. The last programme we have put in place where we put people into that pool for which we haven't had any job anymore, amounted to more than six hundred thousand Euros per head. Now, with the three hundred and fifty thousand on average, clearly this is a cheaper on average cost than what we had in our last programme. Those are the alternatives we have, I think the acceptance level of the people for these schemes are quite strong and therefore, we think it's better to have a cost of three hundred and fifty thousand per head than to

employ them for the rest of their career and then have a total cost of more than double that amount. It's, for the people which is the current idle workforce, they are also eligible to take up to social plans, but up to now the number of those which are already at home, accepting those plans is rather low. It addresses existing workforce people.

LP: Okay, thank you.

OPERATOR: The next question is from Mr Soomit Datta of New Street Research. Mr Datta you may go ahead with your question.

SD: Hi there, yeah, just a couple of questions please. First of all, in Austrian Mobile, I don't know whether you could give a breakdown of your current data op at all, I think it is about seven point three Euros, Just wondering what the split of that today is in terms of kind of dongle driven revenue, sms and Smartphones and then within that, just a question on the dongle revenues, obviously you are still adding dongles in terms of subscribers or adding dongles. I just wondered what the revenue trends there were doing. You are actually seeing kind of up who is broadly stable on the dongle side, is that still a revenue growth business for you? And the just a second question on Serbia please. I just wondered, can you confirm the Telekom's tax has been lifted and if that is the case, are you able to, or have you been able to keep prices at roughly the same level, and are you keeping the incremental margin or have you been forced by competitive pressures to lower prices? Thanks very much.

ANSWER: Following up on your question about dongle development and data R Pure Split. I cannot give you all the information, Mathias Stieber will provide that, but what I can tell you is that we have been seeing double digit growth on our mobile broadband, so it is still developing quite nicely. It is also because new categories are being added, like the iPad for instance, or tablets which are now coming from Samsung and many many other players, also BlackBerry. So mit this is still a good opportunity for us to grow sim cards, and to grow penetration. If we

talk about volumes which are being generated and here we are talking about notebooks and Mac books between one point five giga and two giga, so it is pretty huge volume which we are moving with the solutions. Prices are pretty stable, so we don't see too much combative pressure on that development. If we talk about data, what I can tell you now is around ten percent of total revenue is sms, the other split we will provide as soon as it is available. Coming to Serbia, as far as we know the tax is lifted now, but it is too early to completely tell you what that really means. For the moment it looks very positive.

SD: Great, Okay, thanks.

OPERATOR: The next question is from Mr Michael Bishop of Barclays Capital. Mr Bishop, you may proceed with your question.

MB: Hi, good afternoon, two questions please. Firstly the usage growth in Bulgaria was quite impressive and it's also doing quite well in Belarus. Firstly could you comment a bit more on Bulgaria and what you are seeing there, I mean you could mention the contract adds, is there anything else driving that and can that continue? And also why is the usage growth in Croatia not recovering to the same extent? And then the second question just on the capex. See you were towards the lower end of guidance but if you are talking about capex of back towards eight hundred million in 2011, which areas are you going to increase spend on? Thanks.

ANSWER: Commenting on Bulgaria, Bulgaria was hit pretty much by the economic crisis so we had a downturn of minus ten percent in revenue. It now really seems that Bulgaria is recovering fast. This is what we are seeing, so economy is doing better than in Croatia. We are also focussing more on post paid segment, this means higher value segment, and I think both developments contributed positively to what we have seen in the development in Bulgaria. What was your question on capex?

MB: The question on capex was just, given that you have done seven hundred sixty million this year, but you are talking more of around eight hundred million next year, do you see a definite increase up to that level? If so, in which areas?

ANSWER: No, we are saying up to, so, we don't want to have a specific number at the moment, so it is still open, and we believe that if we tell you up to eight hundred this gives you an indication, and since you have seen how we handled capex also in the past, you see that we really increased efficiency in all our operations we are operating in.

MB: Okay, thanks.

OPERATOR: The next question is from Mr Justin Funnell of Credit Suisse. Mr Funnell, you may go ahead with your question.

JF: Thank you, a few questions. Firstly, in Austria, the pass on of the premium rate number putting up you're pricing a couple of Euros to include CO five numbers. Could you just explain how that affects contracts? Does that cause contracts to be now null and void, or not? Whilst you are saying your share of growth adds is unchanged which is obviously encouraging, what about churn? Have you seen any pick up in churn since the price change in Austria? Secondly, Croatia, what's your quite different trend to Bulgaria, the revenue trends got worse, is that again to do with roaming? The particularly high mix of roaming there and changes to pricing or is it the economy as you mentioned? Thirdly, have you got any indication on the average cost per FTE of those remaining in the business in Austria? This time of year you typically have a wage increase, inflations increasing I guess, are we going to see an accelerating increase in wage costs per employee. What sort of year on year increase could we see? And then finally could you explain again how the new FTE reduction plan fits into those that are already, since you are working from home, is this again a reduction of those who are still accrued as employees or can people who have been

taken out of the PNL opt into this new scheme as well please, thank you.

ANSWER:

Answering your four questions which you just stated, coming to them you are well informed about the CO five numbers in Austria, so far these CO five numbers were not included in the packages, in the minute packages of our mobile phone customers. What we did is that we included the zero five numbers, a thousand minutes at additional two Euro seventy five. This means that we included it for everybody and this also means that this is an increase of for private prospect customers to that significant extent of two Euros seventy five. I mean it is just an inclusion but I think we packaged it well. If you now ask me if we see some higher churn then the answer is not so far, not now, could it come in the future, there are another few weeks where people could use their extraordinary right of leaving the network, for the first weeks this did not happen. So I mean that is the information on the zero five numbers. Coming to Croatia, there is one clear answer to the economy, it is difficult in Croatia and here we do not see as positive signals as coming out of other countries. To the wage development it was more or less in line, the agreements for the new contracts which they passed, so, there is no big change to that one, so I mean you could apply the same normal development which you also could see over the last years. Coming to the idle workforce. Is that an opportunity which can be used, it's a completely different model. What we will do of course, if there is a chance to find a better solution for the company, to get rid of people being in the idle work force and they are not really working from home, they are more or less being at home but not working. If there's a chance to lower that restructuring programmes and money, then we are doing that. But, it is a completely different model so you need to split in idle workforce people being in a pool, these people are now at home since two years now, they are getting ninety percent of their salary, they are civil servants, we are trying to find some work for them inside the company, also outside the company, but this is difficult. It is some saving, but very low saving. If you look at the new model, the new model is a social plan and this is significant as Hans already mentioned before, significant better for us,

obviously the second model is a much better model and also the other model that we are sending civil servants to the government to some ministries is also a better model, so we believe that we are making the right steps and we also believe that we are already moving quite some people because I mean if you send over two hundred people, two hundred and five people to the government, this I think is a good development, it is still ongoing so we are moving more and more, and also the social plan is accepted very well, I mean these are the steps forward which we made and together with all the other activities we believe we are well on track with this very difficult situation again around seventy seven percent of total employees in Austria, even the civil servants are protected from any impact that could be initiated from companies.

JF: Thank you very much.

OPERATOR: The next question is from Mr Bernd Maurer from RCB. Mr Maurer you may go ahead with your question. Mr Bernd Maurer of RCB you may proceed with your question.

BM: Hello, can you hear me now?

ANSWER: Yes, we can.

BM: Sorry for the delay, some technical problems here, I have two questions regarding are the provisions for restructuring for growth personnel expenses you built into 2008. First, can you state the amount of the provision at the yearend 2010, is it the same amount, the same figure which amounted to six hundred twenty three million at the end of 2009 and which amount of interest you paid or better wording is booked in 2010?

ANSWER: The absolute amount at the end of 2010 is six hundred seventy or close to seven hundred million, and I think if I am not mistaken we booked around forty five million interest expenses.

BM: Thank you very much.

OPERATOR: The next question is from Mrs Vera Sutedy of Erste bank. Mrs Sutedy please go ahead with your question.

VS: Yes, Good afternoon, I would like to ask first about Macedonia, is it still going to be EBIT A positive in two thousand eleven and I would like also to ask about the restructuring charge for 2011, sorry to go back to that again. So, these five hundred full time employees are going to accept for sure this year already for this social plan, or the transfer to government and if I see that actually the biggest part of it seventy five to eighty five percent is on social plan, i.e. golden handshake, pre-pension, then there should be a majority of cash impact. That's all my question.

ANSWER: Starting with Macedonia, yes, we expect to be positive this year. This is our expectation we are having to the company and we see ourselves well on track because we are growing steadily. We already crossed the nineteen percent market share threshold. So I believe Macedonia is well positioned. If we talk about the five hundred people, I think we made clear how the model works. It is also clear that this is a much better model than keeping people in operation. It gives us the chance to significantly increase the productivity of the company; it also gives us the chance to have significant savings. It is of course mid to long term thinking, that's clear, but this is really trying to find some reasonable answer to an almost question which is very difficult to answer, because civil servants, this is still accompanying us over six years and it will accompany us for the next year but I think to really set measures is necessary and that is what we are doing here. But to expect any big cash impact this year is not the case because here we are talking about restructuring programme which already happened in different setting but already happened also in the past in the model that was close to that one which we are using now.

VS: So you mean that basically in the social plan it's mainly not going to be golden handshake, rather than is to be pre-pension from the fifty years old.

ANSWER: The golden handshakes will be in absolute amounts much less than what we are provisioning for as the scheme for people which are fifty three go to pre-pension and we are continuously paying them sixty to seventy percent of their monthly salary so therefore the part of the provisioning is much bigger there but their pay out will be spread over the next twelve years for instance for a male employee.

VS: And for the transfer to government is, I remember sometime ago there was also in the news that the terms of including the extra bonus and so on, will that still remain the same, or do you have a new one for this one?

ANSWER: Oh that's unchanged, the same.

VS: Okay, thank you.

OPERATOR: The next question is from Justine Dimovic of Exane BNP Paribas. You may proceed with your question.

JD: Thank you very much, good afternoon. I have a couple of questions. One to start with just to make sure I fully understood and sorry again to come back on that, it's about the restructuring of two hundred million. I just wanted to make sure that you still have in parallel to the plan that has been announced today. The plan to transfer overall I think over two or three years five hundred employees to government of which you have said you have done some two hundred and fifty, so that would be my first question. The second question is a bit more general, is about your strategy when it comes to mobile payment, I read somewhere that T-Mobile had launched a mobile wallet in Bulgaria and I was wondering if you have anything to share with us regarding what's your strategy in that segment, and finally a very basic

question on your share of Smartphone in the onset in the subscriber base in Austria, I understand you cannot disclose the number of iPhone, but the share of Smartphone if you can give an estimate as a percentage of the total customer base, that would be very helpful. Thank you very much.

ANSWER:

Coming to the share of Smartphone we having and the basics between twenty five to thirty percent in the group. What we see in recent sales a share of Smartphones is very very high; it's around eighty percent in Austria. Smartphones are more and more being the generic phone in the markets and here we are talking about androids, we are talking BlackBerrys, we are talking about iPhones, it is really the mix of different opportunities and application platforms which we are having. You said the mobile payment? Mobile payment which has joined the platform of GSMA of NFC we believe that NFC will become a topic in the industry. We are working on that already, we are pretty advanced, we have payments which Deutsche Telekom enhanced to pay, but they will bring it in the future. You can use today in Austria its already working, we have cooperation with using telephone booth as an electro-station for charging and loading electro-cars, so that topic of immobility we are testing and piloting some projects. So, we are ready, forty percent of park tickets in Vienna are being purchased with mobile phone, eighty percent in Zagreb, so we are pretty advanced in that topic and we are not talking about what will come, it is active already.

ANSWER:

Regarding the programme to move people to the government, that's still in place. Just to make it clear which, how many heads we have already moved, end of last year it was about a hundred and sixty. Now currently we have just moved two hundred, a little bit more, and two hundred and five. We will have the opportunity to move more people to the government but that is already included in the provisioning of the two hundred million and as you see on that chart, we assume fifteen to twenty five percent of the five hundred FTEs will take the opportunity to move to the government.

JD: Sorry, there is nothing more than the fifteen to twenty five percent of five hundred FTEs to be expected in 2011, beyond that we should not expect anything else to the government, or at least at this stage?

ANSWER: Not for 2011, but the programme as such is in place and has no limitation at the end of 2011, so if there is an opportunity in 2012 for people to move to the government, we will assume that it is also applicable not only to the people from the Austrian posts but also to our people.

JD: Okay, thank you.

OPERATOR: We have a follow up question from Mrs Vera Sutedyta of Erste Bank. Please go ahead.

VS: Yes, I just want to ask regarding this restructuring charge, is it tax deductible?

ANSWER: It should be tax deductible of course.

VS: For the full two hundred million that would be tax deductible?

ANSWER: Yes.

VS: Thank you.

OPERATOR: As a reminder, if you wish to register for a question please press star and one on your telephone. Gentlemen there are no more questions registered at this time.

MATTHIAS STIEBER: Okay if there are no more questions, thank you very much everybody for dialling in and asking the questions, thank you. Good bye.