

TELEKOM AUSTRIA AG

Q1 Results 2011 CONFERENCE CALL

May 11th, 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 EVERYBODY, THIS IS MATTHIAS STIEBER SPEAKING, WELCOME TO THIS AFTERNOON'S CALL FIRST QUARTER CONFERENCE CALL OF TELEKOM AUSTRIA GROUP. I AM JOINED HERE BY HANNES AMETSREITER OUR CEO AND HANS TSCHUDEN OUR CFO WHO WILL LEAD YOU THROUGH TO THIS PRESENTATION AND WE WILL TAKE YOUR QUESTIONS AFTER THE PRESENTATION. THANK YOU VERY MUCH.

HANNES AMETSREITER:

GOOD AFTERNOON LADIES AND GENTLEMEN THIS IS HANNES AMETSREITER SPEAKING. I WOULD LIKE TO LEAD YOU THROUGH THE OPERATIONAL AND FINANCIAL HIGHLIGHTS OF THE FIRST QUARTER 2011. WE COULD SEE CONTINUOUS STRONG DEMAND FOR FIXED AND (UNCLEAR 00:32) SOLUTIONS AS WELL FOR SMART PHONES. (UNCLEAR 00:35) SUBSCRIBERS GROWTH OF OVER 50% FIXED EXCESS LINE GROWTH OF 7,390 LAST YEAR, SO WE COULD SEE A CONTINUATION OF LAST YEAR'S TREND IN THE LAST QUARTER. MOBILE SUBSCRIBER BASE INCREASED BY 5.7% MORE THAN 20 MILLION CUSTOMERS. FURTHER CHALLENGING MACROECONOMIC ENVIRONMENT AND FIERCE COMPETITION CONTINUOUS SLOWDOWN OF GROUP REVENUE DECLINED TO MINUS 0.7% TO EURO 1.118. DECLINE OF GROUP EBITDA COMPARABLE BY 7.1% TO EUROS 396.7, RESTRUCTURING CHARGES WITH AMOUNT TOTAL OF EUROS 184 MILLION IN THE FIRST QUARTER OF '11. ELEVENTH OF 7% REDUCTION CAPEX TO EURO 120 MILLION DUE TO LOWER INVESTMENTS IN CROATIA AND BELARUS. AND NOW HAND OVER TO (HANS? 01:30).

HANS TSCHUDEN:

GOOD AFTERNOON, FROM MY SIDE SOME CHARTS ABOUT THE PERFORMANCE IN REVENUES AND (EBDS?) AS WELL AS OUR CASH FLOW STATEMENT STARTING WITH THE OVERVIEW ABOUT REVENUES INTO NET INCOME. WE HAVE SEEN THAT OUR REVENUES BENEFIT IS FROM THE GROWTH IN BELORUSSIAN AND THE ADDITIONAL MARKET SEGMENT WHICH COULD ALMOST OFFSET THE DECLINE THAT WE HAVE SEEN IN AUSTRIA AND IN CROATIA. WE HAVE SEEN ON THE OTHER SIDE INCREASING MATERIAL EXPENSES IN ALMOST ALL OUR SEGMENTS DRIVEN BY HIGHER SMART PHONE SALES AND THE, THE EBITDA WAS ALSO INFECTED BY TERMINATION ROAMING REGULATION WITH AN AMOUNT OF 9.5 MILLION NEGATIVE IMPACT. THE NET RESULT IS TO MINUS 79 MILLION TRIGGERED BY RESTRUCTURING CHARGE OF 184 MILLION EURO AND COMPARING WITH THE NET PROFIT OF 91 MILLION IN THE FIRST QUARTER 2010. IF WE HAVE A MORE DETAILED LOOK TO THE REVENUE, AS ITS CHARACTERISTICS AND DEVELOPMENT IN THE DIFFERENT MARKETS, IN AUSTRIA WE HAVE SEEN THAT THE FIXED BROADBAND DEMAND FURTHER DRIVES THE ACCESS LINE GROWTH BUT ON THE OTHER SIDE CANNOT

OFFSET THE LOSS IN FIXED VOICE MINUTES. IN MOBILE WE HAVE SEEN ALSO 5.2% INCREASE OF OUR CUSTOMER BASE WHICH LIMITS THE PRICE PRESSURE AND ALSO THE IMPACT FROM REGULATION. (0:03:00) BULGARIA BENEFITED FROM THE FIXED LINE REVENUES WHICH FOR THE FIRST TIME ARE NOW CONSOLIDATED WITH THE AMOUNT OF 3.3 MILLION EURO AND (THIS MITIGATES? 03:12) THE PRICE PRESSURE IN THE LOCAL MARKET AND AS WELL AS REGULATION ON TOTAL REVENUES. STRONG GROWTHS OF POST-PAID AND MOBILE BROADBAND CUSTOMERS ARE ALSO REFLECTED IN THE REVENUE DEVELOPMENT OF THE BULGARIAN ACTIVITY. IN CROATIA, WE SEE A DECLINE OF 10 MILLION EURO WHICH IS A 10% DECLINE DUE TO CONTINUING CHALLENGING MACROECONOMIC ENVIRONMENT ALTHOUGH WE HAD AN INCREASE IN OUR POST-PAID BASE, SUBSCRIBER BASE OF MORE THAN 9%. VERY POSITIVE (TRENDS? 03:44) ARE COMING FROM BELARUS, THE REVENUE GROWTH IS DRIVEN BY HIGHER CONSUMER BASE, HIGHER USAGE AND INCREASED (IPO? 03:51) WHICH IS PLUS 16 MILLION AND WE SEE IT COULD BE A STRONG DEMAND FOR MOBILE BROADBAND AND SMART PHONES. ALL THE ADDITIONAL MARKETS HAVE SHOWN AN INCREASE OF THE MOBILE SUBSCRIBER BASE AND THIS DRIVES ALSO THE REVENUE GROWTH IN THESE THREE MARKETS: SLOVENIA, SERBIA AND MACEDONIA. ALL IN ALL WE HAVE SEEN (UNCLEAR 04:18) MINIMAL DECLINE OF OUR REVENUES BY MINUS 0.7%. THE SAME ANALYSIS NOW MADE FOR THE (EBITDA?), IN AUSTRIA THE EBITDA DECLINE IS DRIVEN BY LOWER REVENUES ON THE ONE SIDE BUT ALSO BY OPERATING EXPENSES BEING STABLE AS LOWER INTERCONNECTION AND EMPLOYEE COSTS BALANCE THE INCREASE IN THE MATERIAL EXPENSES CAUSED BY A HIGHER SMART PHONE SALES. IN CROATIA THE FIXED FOCUS ON COST CONTROL IS TO (SAVINGS?) FROM THE COST SIDE AND THEY ADMIT TO GET THE PRESSURE ON THE EBITDA WHICH WAS COMING FROM THE REVENUE DECLINE. IN BULGARIA, WE HAVE SEEN CLOSE TO 6 MILLION (UNCLEAR 04:57) INCREASE IN OPEX WHICH IS MAINLY DUE TO HIGHER MATERIAL EXPENSES, DRIVEN BY SMART PHONE SALES AS WELL AS THE CONSOLIDATION OF OUR FIXED LINES OPERATIONS WHICH ARE IN THE RECESS SINCE FIRST OF FEBRUARY THIS YEAR. WE HAVE ALSO TO (UNCLEAR 05:12) BUT THAT'S DUE TO BILLING AND COLLECTION DELAYS WHICH WERE BASED ON THE CHANGES IN THE BILLING AND CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM. IN BELARUS, THE STRONG PERFORMANCE IN REVENUES (IS ALSO/SORT OF?) REFLECTED IN EBITDA, (ALBEIT ?05:32) WE HAVE SEEN INCREASE IN PERSONAL AND MATERIAL EXPENSES. THE NEGATIVE IMPACT ON EBITDA COMPARED WITH 1 MILLION IS ATTRIBUTED TO DIFFERENCE CHANGE CANCELLATIONS. THE ADDITIONAL MARKETS ARE

CHARACTERISED BY STRONG GROWTH IN SERBIA AND ALSO MACEDONIA, WHICH HELP TO LIMIT THE DECLINING GROUP EBITDA TO 7.1% OR AN ABSOLUTE (PLANS?) TO 396 MILLION EURO. THE (UNCLEAR 06:03) GENERATION IN THE FIRST QUARTER WAS STRONGLY IMPACTED BY A HIGHER WORKING CAPITAL REQUIREMENT, WHICH IS DRIVEN BY PAYMENT OF ACCOUNTS PAYABLE DUE TO HIGHER INVESTMENTS WE MADE AT THE END OF THE 4TH QUARTER OF 2010, BUT ALSO SOME LOWER CASH FLOW FROM OPERATIONS WHICH REFLECTS THE TOUGH MARKET ENVIRONMENT WE ARE ACTIVE. THIS IS IN A NUTSHELL THE ANALYSIS OF OUR RESULTS FOR THE FIRST 3 MONTHS 2011.

SPEAKER:

COMING FROM (UNCLEAR 06:39) TOPIC OF HEADCOUNT REDUCTION, THE 2011 HEADCOUNT REDUCTION TARGETS SOME MORE THAN (UNCLEAR 06:45) IN THE QUARTER ONE 2011 HAD A VERY HIGH ACCEPTANCE OF OFFERED SOCIAL PLANS, TRANSFER OF CIVIL SERVANTS TO THE GOVERNMENT BODIES ARE ON TRACK AND STILL ONGOING, CASH FLOW IMPACT IN THE FIRST QUARTER OF 2011 21.5 MILLION, ALL NEW PROGRAMS. STRONG ACCEPTANCE AND HIGH COST EFFICIENCY MAY LEAD TO INCREASE OF PROGRAM IN 2011. TOTAL HEADCOUNT TARGET AT APPROXIMATELY 700 (FGS? 07:12), TOTAL RESTRUCTURING CHARGE OF UP TO EURO 250 MILLION IN THE FISCAL YEAR 2011. THE CASH FLOW IMPACT FISCAL YEAR 2011 EURO 100 TO 110 MILLION EXPECTED FOR OLD AND NEW PROGRAMS. WITHOUT A LACK OF INTERFERENCE AND A NEW (UNCLEAR 07:31) WHICH WILL INTRODUCE, THAT'S CALLED SERVICECOM. SERVICECOM IS A COMPANY, (IS A?) DEPARTMENT WHICH IS DEALING WITH CHARTS FROM ACTIVITIES FOR CIVIL SERVANTS AND FOR EMPLOYEES WHICH ARE NOT ANYMORE IN ACTIVITIES WITHIN THE COMPANY. SO WE USED THIS VEHICLE TO, IN ONE HAND (UNCLEAR 07:56) EXTERNAL (LEASING/POLICING?), TO ALSO USE IT AS A VEHICLE IF WE OFFER SOCIAL PLAN OR GOLDEN HANDSHAKES AND TRANSFERS TO THE GOVERNMENT. WHAT WE ARE DOING THAT WE ARE LEAVING THE PEOPLE EITHER INTERNALLY OR EXTERNALLY FOR WHATEVER ACTIVITIES OR JOBS ARE BEING FOUND BY THAT COMPANY SO THAT'S A NEW SET UP, ON ONE HAND WE ARE PULLING BACK AROUND 700 PEOPLE SITTING IN THE POOL, WHICH MEANS SITTING AT HOME, THEY NOW WILL BE ACTIVE OR WILL EITHER EARN SOME MONEY FROM THEM OR USE THEM FOR SOME WORK WITHIN THE COMPANY. SO (THAT'S THE? 08:32) IDEA, AND COST SAVING WILL RESULT OUT OF THAT AND WE'RE GOING TO HAVE THE CHANCE TO GENERATE SOME MORE GOLDEN HANDSHAKES OR WE HAVE SOME MORE CASH COMING INTO THE COMPANY. NEXT STEP WHICH WE ARE PLANNING IT COMES WITH THE INTEGRATION

WITH THE FUSION OF THE TWO COMPANIES, MOBILE AND FIXED, TELEKOM AUSTRIA GROUP WHICH IS A BIG ONE, A SENIOR BRAND IN AUSTRIA, SO WE ARE NOT, WE STILL KEEP THE TELEKOM AUSTRIA GROUP TO WATCH THE CAPITAL MARKET TO WATCH INFORMATION ON CUSTOMERS, BUT IN AUSTRIA WE WILL USE THE EXISTING CONCEPT OUT OF ONE HAND, AND THAT ONE (0:09:12) HAND WILL NOW BE ONE BRAND, AND THAT BRAND WILL BE HEAD ONE. SO THAT WILL BE THE STEP, IT WILL BE THEN CONSISTENT WITH ALL THE CONCEPTS WHICH WE ARE USING IN OTHER COUNTRIES LIKE INTEL, LIKE WELKOM, LIKE VIP, LIKE (VV?), ETC. SO THESE ARE THE DEVELOPMENTS WHICH WE ARE INITIATING. IF WE THEN LOOK AT BELARUS, WE HAVE A STRONG OPERATING PERFORMANCE IN BELARUS OF FOREIGN EXCHANGE WHICH RISES. REVENUE HAS AN INCREASE FROM QUARTER ONE 10 TO QUARTER ONE 11 OF 25% WHICH IS A VERY GOOD GROWTH SEEING (UNCLEAR 09:51) WHETHER, BUT CURRENCY IS UNDER PRESSURE IN THAT COUNTRY AND SO WE DO SEE AT THE MOMENT THE NEED OF VERY GOOD OPERATIVE RESULTS WHICH WE ARE MAKING IN BELARUS, ON THE OTHER HAND WE (ALSO CAN SEE?) IF THEIR MACROECONOMIC DIFFICULTIES MIGHT INCREASE OR WILL INCREASE THE PRESSURE ON THE CURRENCY. COMING TO THE OUTLOOK, THE OUTLOOK, IT'S UNCHANGED FOR THE YEAR 2011, YOU KNOW ALL THE FIGURES SO NO CHANGE TO THAT ONE.

SPEAKER: OKAY THANK YOU VERY MUCH. I HAVE TO APOLOGIZE AT THAT POINT WE REALISE THAT ALL THE SLIDES WE SAW WERE NOT THE CORRECT SLIDES, I APOLOGIZE FOR THAT. I BELIEVE YOU ANYWAY HAVE GOT THE PRESENTATION BEFOREHAND. YOU CAN ALSO FIND IT ON THE WEBSITE AND YOU WILL BE ABLE TO SEE THE CORRECT PRESENTATION IN THE WEBCAST LATER. AGAIN, APOLOGIES FOR THAT. WE ARE VERY HAPPY TO TAKE THE QUESTIONS NOW.

Q&A SESSION

OPERATOR: ANYONE WHO WISHES TO ASK A QUESTION MAY PRESS STAR AND ONE (*1) ON THE TOUCH TONE TELEPHONE. THE FIRST QUESTION IS FROM HANNES WITTIG OF JP MORGAN, PLEASE GO AHEAD.

OPERATOR: MR. HANNES WITTIG, COULD YOU PLEASE UNMUTE YOUR TELEPHONE?

HANNES WITTIG: YES SORRY.

OPERATOR: THANK YOU.

HANNES WITTIG:

I HAVE MANAGED TO ACHIEVE THAT. SO THE FIRST QUESTION WOULD BE - GOOD AFTERNOON - WOULD BE, FOLLOWING THE CURRENT DEVELOPMENT IN, IN SERBIA, WOULD YOU CONSIDER SORT OF A NEW MOVEMENT TOWARDS A TRANSACTION AS PROBABLY DO YOU THINK FOR THE TIME BEING THERE'S, IT IS UNLIKELY THAT WE'LL SEE ANOTHER DEVELOPMENT IN SERBIA. AND SECONDLY IN CROATIA WE OBVIOUSLY HAVE SOME VERY POOR TRENDS, WHICH PARTLY REFLECTS THE ECONOMY BUT ALSO THE COMPETITIVE ENVIRONMENT. WOULD YOU SORT OF, WHAT KIND OF MEASURES DO YOU THINK WOULD BE REASONABLE TO ATTACK THOSE ODDS? THANK YOU.

SPEAKER:

COMING TO SERBIA, THE LAST COMMUNICATION WE HAD WITH SERBIA WAS THE LETTER WHICH WE RECEIVED, THE GOVERNMENT TELLING US THAT THEY WILL NOT ACCEPT OUR OFFER. SO WE (THAT? 12:13) THAT WAS THE LAST COMMUNICATION, WE DID NOT HEAR ANYTHING MORE OF SERBIA. SO WE (UNCLEAR 12:17) FOR THE MOMENT. COMING TO CROATIA, CROATIA IS DEFINITELY HAVING VERY DIFFICULT AND TOUGH MACROECONOMIC ENVIRONMENT. THEY DO HAVE SOME PEOPLE BEING ON STRIKE NOT REALLY BEING CONFIDENT IN POLITICS. IT SEEMS TO BE DIFFICULT SITUATION AT THE MOMENT. SO EVERY MOBILE OPERATOR, EVERY TELECOMMUNICATION COMPANY IS SUFFERING THERE, WHAT WE DID AND WHAT WE ARE DOING AT THE MOMENT IS THAT WE SIGNIFICANTLY REDUCE WORK FORCE BY DOUBLE DIGIT PERCENT AND SO WE ARE WORKING ON THE COST BASE OF THE COMPANY.

HANNES WITTIG:

THANK YOU.

OPERATOR:

THE NEXT QUESTION COMES FROM HUGH McCAFFREY OF GOLDMAN SACHS, PLEASE GO AHEAD.

HUGH McCAFFREY:

GOOD AFTERNOON GUYS I HAVE GOT TWO QUESTIONS. AND FIRSTLY WHAT CAN YOU KIND OF QUANTIFY THE IMPACT FROM THE NEW SERVICE.COM (UNCLEAR 13:25). AND SECONDLY JUST ON THE REVENUE PRO-LINE IN FIXED BUSINESS, HOW DO YOU INCREASE THE AMOUNT OF THE BUNDLING IN THE CUSTOMER BASE AND YOU SELL MORE AND MORE SERVICES INTO YOUR CUSTOMERS? WHEN CAN WE EXPECT TO SEE DUE PRICING OR REVENUE PRO-LINE TRENDS INFLECT?

SPEAKER:

REGARDING SERVICE.COM. SERVICECOM IS A COMPLETELY NEW (VEHICLE? 13:57), WE DON'T REALLY KNOW WHAT TO EXPECT, SO I BELIEVE THAT WITHIN A FEW MONTHS WE WILL BE, WE WILL BE HAVING MORE INFORMATION ABOUT IT. AT THE MOMENT IT WOULD BE JUST GUESSING, DON'T WANT TO GUESS AROUND BUT I WOULD SAY THAT IT SHOULD HAVE SOME POSITIVE EFFECTS BECAUSE WE NOW DO HAVE SOME SEVEN HUNDRED PEOPLE SITTING AT HOME, THEN THEY WILL HAVE THE CHANCE TO EITHER EARN SOME MONEY FOR US FOR THE COMPANY OR THEY ARE TAKING GOLDEN HANDSHAKES. SO IT SHOULD CREATE A POSITIVE EFFECT BUT I DON'T WANT TO SPECULATE ABOUT THE AMOUNT OR THE MONEY. I THINK IT'S TOO EARLY; WE WILL REPORT IT TO YOU AND GIVE YOU SOME MORE INFORMATION WHEN WE HAVE DATA ON THAT ONE. THEN (FIXED PLAN, FIXED PLAN?) DEVELOPMENT, ON ONE HAND WE SEE A POSITIVE DEVELOPMENT CONCERNING SUBSCRIBERS AND (UNCLEAR 14:56) WE DEFINITELY SEE ONGOING POSITIVE TREND OF WHAT WE ARE ALSO TRYING TO DO IS SOME CROSS-SALE SOME BANDWIDTH PACKAGES, SO NOT TO NOT SALE ONLY THE BASIC PACKAGES LIKE, LIKE 8 MEGABYTES, BUT TO ALSO HAVE LIKE 16 AND 30 MEGABYTES, AND WE ARE CREATING THE OPPORTUNITY TO MORE AND MORE DO THAT BECAUSE THE EXCESS LINE, THE EXCESS NETWORK IS GETTING BETTER AND BETTER. SO HERE, WE ARE WORKING ON THAT ONE. AT THE (IPO? 15:21) PRO-LINE IN THE FIXED LINE, IT IS PRETTY STABLE, SO IT'S NOT SO MUCH IMPACT THERE, IT'S MORE ON, IT'S THE DECREASE OF MINUTES, WHICH IS STILL HURTING US AND THIS DECREASE IT'S A MINUS 12% YEAR ON YEAR.

HUGH MCCAFFREY:

THAT'S VERY CLEAR THANKS.

OPERATOR:

THE NEXT QUESTION IS FROM JUSTIN FUNNEL, CREDIT SUISSE, PLEASE GO AHEAD.

JUSTIN FUNNEL: THANKS.

I HAVE GOT SIX QUESTIONS ACTUALLY. FIRST QUESTION ARE YOU BEING (UNCLEAR 15:58) A BIT TOO GENEROUS WITH YOUR GOLDEN-HANDSHAKE DEAL OR YOU WANT ME TO LOOK AT THE EXPANSION OF THIS PLAN, COULD WE SEE THE OFFER IN TERMS OF COST PER HEAD BEING REDUCED A BIT? SECONDLY THE EVENTS IN BELARUS, ARE THERE ANY CHANGES NOW IN REPATRIATING EXCESS CASH FLOW FROM BELARUS? YOUR RELEASE SUGGESTS THAT DIFFICULTIES GETTING HAND THE CURRENCY IN THE COUNTRY. COULD YOU HAVE ISSUES WITH REPATRIATION? AND YOU REFER IN YOUR RELEASE TO A NEW SYSTEM IN BELARUS WHICH HASN'T BEEN DECIDED YET, DID YOU SEE A RISK THAT THERE COULD BE EXCHANGE CONTROLS INTRODUCED

THAT CAUSE A LONGER ISSUE WITH REPATRIATION? JUST THE THIRD QUESTION, IS THIS MOBILE OFFER IN Q1/Q2 - WE SAW MOBILE OFFERS STARTING WORSENING DESPITE THE INCREASE IN THE MONTHLY CHARGE FOR (UNCLEAR 17:07) CUSTOMERS FOR THE, THE 0800-NUMBERS BEING INCLUDED IN THE BUNDLES. LOOKS LIKE CUSTOMERS TOOK THE OPPORTUNITY TO TURN OFF AND GO TO BUNDLES. I AM JUST WONDERING WHAT THE OUTLOOK IS FOR THAT OFFER TREND,, WHAT WAS THE TREND IN MARCH AND WHAT IS THE TREND SO FAR LET'S SAY IN APRIL PARTICULARLY GIVEN THE PRICE MOVE THAT YOU AND YOUR COMPETITORS HAVE DONE RECENTLY IN THAT MARKET? THANK YOU.

SPEAKER:

COMING TO THE SOCIAL PLANS, AS BEING GENEROUS, STANDING ON THE ALTERNATIVE. THE ALTERNATIVE IS TO PAY 100% FOR ALL THE CIVIL SERVANTS UNTIL THEIR RETRIEVING. SO THAT'S THE ALTERNATIVE. WE HAVE CHOSEN TO SAVE 30%, SO WE PAY 70%. IS IT GENEROUS YES OR NO? WE DON'T KNOW. I THINK IT'S A REASONABLE OFFER WHICH WAS TAKEN BY MANY PEOPLE, MANY MEANS MORE THAN FIVE HUNDREDS BEING OLDER THAN 53 (UNCLEAR 18:11). IT IS CLEAR THAT IT IS LIFTING SOME WEIGHT OFF THE COMPANY FOR THE FUTURE AND IT ALSO GIVE US THE CHANCE TO CLEARLY RESTRUCTURE. WE FELT THAT THE MOMENT IN WHICH WE ARE COMBINING TWO COMPANIES IS A GOOD MOMENT TO ALSO RESTRUCTURE AND LAY OFF SOME PEOPLE AND GIVE THEM FAIR SOCIAL PLANS AND I THINK THAT'S WHAT WE DID AND THIS WAS VERY WELL ACCEPTED BY THEM.

JUSTIN FUNNEL:

AND YOU ARE ADVISING THAT OFFER THAT YOU ARE TARGETING FOR THIS YEAR OR IS THIS SAME OFFER?

SPEAKER:

IT IS THE SAME, THE SAME PLAN.

JUSTIN FUNNEL:

SAME OFFER. OKAY, THANK YOU.

SPEAKER:

TO YOUR QUESTION ABOUT EXCESS CASH FLOW REPATRIATION FROM BELARUS, WE HAVE DONE THAT ON A MONTHLY BASIS IN THE PAST. THIS IS CURRENTLY NOT POSSIBLE ANYMORE BECAUSE THERE ARE LIMITATIONS FOR FOREIGN EXCHANGE INTO HARD CURRENCIES, AND THIS IS LIMITED TO MEDICINE AND ENERGY IMPORT. SO FOR THE TIME BEING THERE IS NO POSSIBILITY TO REP, TO EXPATRIATE HARD CURRENCIES AND CASH FLOWS OUT OF BELARUS INTO EURO(PE?) COUNTRIES. WE WILL SEE HOW THIS WILL CONTINUE. THERE ARE SOME DISCUSSIONS STARTING FOR

A NEW LOAN BEING GRANTED FROM RUSSIA TO BELARUS, AND TO WHICH EXTENT IT'S CONTROLLED, WE WILL LIST OR CONTINUE TO SOMETHING, WE DON'T KNOW, IT WILL, I THINK WITHIN MAY, THERE SHOULD BE DISCUSSIONS AND FINAL CONCLUSIONS ABOUT THIS ADDITIONAL LOAN AND THAT WILL THEN DETERMINE AT WHICH EXTENT IT WILL BE POSSIBLE AGAIN TO CONVERT INTO HARD CURRENCIES. COMING TO THE QUESTION ABOUT THE (IPO? PLAN) INTO THE FIRST QUARTER, WE HAVE SEEN DIFFERENT ELEMENTS BEING REFLECTED IN THE OUTLOOK, ON THE ONE SIDE WE STILL SEE SMART PHONE USERS BEING GROWING AND, SMART PHONE USERS HAVE A HIGHER APTITUDE THAN NORMAL USERS, THAT'S ONE ELEMENT. ON THE OTHER SIDE, IT'S EXISTING SO CALLED (UNCLEAR 20:21) CUSTOMER BASE TAKING NEW CONTRACTS USUALLY THEY HAVE A LOWER CONTRACT, SO THAT IT'S ALSO REFLECTED IN THE (UPTAKE?) DEVELOPMENT. AND THIRDLY, WE HAVE OUR LOCAL (BRAND BOB? 20:31), WHICH HAD QUITE A SIGNIFICANT UPTAKE IN THE FIRST QUARTER, AND HOLD IT TOGETHER, GIFTED THE DEVELOPMENT IN OUR (IPO? 20:44) BESIDES THE FACT THAT THERE WAS ALSO A MINUTE OF USE DECLINE IN OUR CUSTOMER BASE TO BE NOTICED.

JUSTIN FUNNEL:

THANK YOU. JUST TO FOLLOW UP ON THAT MINUTE OF USE DECLINE, THE FASHIONABLE QUESTION IS TO ASK WHAT KIND OF (CAPITALISATION? 21:00) DID YOU THINK THAT BIT OF SMART PHONE (CAPITALISATION? 21:03) YOUR VOICE USAGE?

SPEAKER:

SORRY CAN YOU REPEAT THE QUESTION?

JUSTIN FUNNEL:

DO YOU THINK (THAT CANNIBALISATION? 21:11) OF YOUR VOICE USAGE BY A SMART PHONE ADAPTION PEOPLE USING DIFFERENT SERVICES INSTEAD OF VOICE?

SPEAKER:

NO, THAT'S FOR SURE NOT BEING REFLECTED IN (IQ?).

JUSTIN FUNNEL:

THANK YOU, THANK YOU.

OPERATOR:

THE NEXT QUESTION IS FROM DAVID WRIGHT OF DEUTSCHE BANK, PLEASE GO AHEAD.

DAVID WRIGHT:

GOOD AFTERNOON GENTLEMEN. A COUPLE OF QUESTIONS PLEASE. FIRST OF ALL, JUST, I THINK THERE'S A LITTLE GUIDANCE IN THE PRESENTATION ON POTENTIAL

CASH FLOW OUT THIS YEAR, FOR THE RESTRUCTURING. JUST ON THE CURRENT PLANS, COULD YOU JUST GIVE US MAYBE A SORT OF THREE YEAR VIEW: THIS YEAR, NEXT YEAR AND MAYBE 2013 ON THE CASH FLOW OUT YOU EXPECT JUST SO THAT WE ARE A LITTLE MORE CONSISTENT IN THE CONSENSUS, AND THEN MY SECOND QUESTION IS JUST WITH THESE ISSUES DEVELOPING IN BELARUS, IF THERE IS NO PROGRESS ON REPATRIATING CASH, DOES THAT DELAY YOUR DECISION TO BUY BACK STOCK, WHICH I THINK YOU SAID YOU WOULD CONSIDER IN THE EVENT OF NO (SERBIAN? 22:18). IF THERE IS NO PROGRESS IN BELARUS, DOES THAT DELAY YOUR DECISION? THANK YOU.

SPEAKER:

REGARDING CASH FLOW IMPACT FROM THE RESTRUCTURING, WE ARE GUIDED FOR 100 TO 110 MILLION THIS YEAR AND AS FOR 2012, WE EXPECT THAT TO BE ABOUT 120 MILLION ON A DAILY BASIS. REGARDING THE BELARUSIAN ACTIVITY, WE'VE, FIRST OF ALL WE HAVE NOT SAID THAT WE ARE GOING TO BUY BACK STOCK IN CASE THERE IS NO TRANSACTION IN SERBIA, AND ON THE OTHER SIDE, BELARUS IS SOMETHING WHICH IS, UNLESS YOU PUT FOR THE TIME BEING, WE WILL SEE WHAT THE OUTCOME WILL BE. BUT IT'S NOT INFLUENCING AT ALL OUR THINKING ABOUT (SHARE BUY BACK? 23:06).

DAVID WRIGHT:

OKAY, THAT'S VERY CLEAR, THANK YOU.

OPERATOR:

THE NEXT QUESTION IS FROM BERND MAURER OF RZB, PLEASE GO AHEAD.

BERND MAURER:

GOOD AFTERNOON, I DO HAVE FOUR BRIEF QUESTIONS IF I MAY. FIRST, CAN YOU QUANTIFY THE WRITE-OFF OF RECEIVABLES IN BULGARIA? THEN SECOND, CAN YOU ALSO QUANTIFY AND GIVE AN INDICATION ABOUT THE INTEGRATION (COSTS 23:32) IN Q1 AND PERHAPS GIVE A BRIEF OUTLOOK, WHAT FIGURE YOU THINK TO SPEND FOR THE INTERVENTION OF OPERATIONAL SYSTEM OF MOBILE ACTIVITIES AND THE WHOLE YEAR 2011. AND THIRD, COULD YOU TELL US THE INTEREST RATE BASED OF THE PROVISION FOR RESTRUCTURING AND THE FOURTH HAS NOTHING TO DO ANYTHING TO QUANTIFY, THE FOURTH QUESTION, REFERS TO THE LOAN YOU DRAW OF 500 MILLION EUROS. YOU DO NOT HAVE A LOT OF REFINANCING THIS YEAR AND IF THE ACQUISITION SERBIA IS NOT GOING AHEAD, WHAT FOR THE MONEY IS USED FOR?

SPEAKER: FIRST QUESTION ABOUT THE IMPACT ON THE WRITE OFFS, WE ARE IN THE RANGE OF MEETING A DIGIT MILLION EURO A MONTH. THE INTEGRATION COSTS, WE CANNOT SPLIT THEM OUT ANYMORE BECAUSE IT IS INTEGRATED, OUR ACTIVITY IS NOW AUSTRIA, SO WE HAVE REFLECTED THAT IN OUR OUTLOOK FOR THE REST OF THE YEAR, SO THERE WILL BE NO SPECIFIC INFORMATION TO WHAT WOULD BE THE IMPACT ON INTEGRATION COST FOR AUSTRIA. THE DISCOUNT RATE FOR THE RESTRUCTURING IS THE SAME WE USED AT THE END OF LAST YEAR

BERND MAURER: NOT THE DISCOUNT RATE, THE INTEREST YOU (PUT/BOOKED?) IN THE PNDL FOR A PROVISION FOR RESTRUCTURING.

SPEAKER: WE HAVE TO CHECK THAT. I THINK IT'S ROUGHLY 30 MILLION, AROUND 30 MILLION EUROS ON AN ANNUAL BASIS, BUT THERE IS THE FULL YEAR EFFECT.

BERND MAURER: YEAH, OKAY.

SPEAKER: AND THE 500 MILLION LOAN IS FOR GENERAL CORPORATE PURPOSES.

BERND MAURER: PERHAPS ONE FOLLOW UP IF I MAY AT LEAST TO SURVEY, WOULD YOU NOW SAY THAT THE LAST WORD IS ALREADY SPOKEN FROM THE SIDE OF THE SERBIAN GOVERNMENT OR THAT YOU THINK THAT THERE CAN BE STILL REACHED A COMPROMISE THAT (UNCLEAR 25:50) AT LEAST A NEGOTIATION CAN GO ON AFTER PERHAPS A BREAK UP TO COOL DOWN FOR BOTH PARTIES, MAYBE THE SERBIAN ONES.

SPEAKER: YOU NEED TO ADDRESS THE QUESTION TOWARD THE SERBIAN GOVERNMENT. WE DIDN'T EXPECT IT BEFORE; WE DIDN'T HEAR ANYTHING FROM THEM SO FAR.

BERND MAURER: OKAY, THANK YOU.

OPERATOR: NEXT QUESTION IS FROM LUIS PROTA OF MORGAN STANLEY, PLEASE GO AHEAD.

LUIS PROTA: YES, HELLO. I HAVE TWO QUESTIONS FROM BULGARIA. THE FIRST ONE IS WHAT PERCENTAGE OF THE SALES WAS THE PROVISION FOR BAD DEBT, OR MAYBE THE (UNCLEAR 26:23) TO GIVE ME THE, TO GIVE US THE ABSOLUTE LEVEL AND ALSO

WHETHER YOU EXPECT THIS LEVEL OF PROVISIONING TO CONTINUE THROUGHOUT THE REST OF THE YEAR OR IT WAS MORE OF A (ONE/RUN OFF?) IN THE FIRST QUARTER? AND ALSO IN BULGARIA, IF YOU COULD GIVE US THE DETAIL ON THE WIRELESS SERVICE REVENUES EVOLUTION, THIS IS EXCLUDING FIXED AND HANDSET SALES, MAYBE THE ABSOLUTE FIGURE, MAYBE THE YEAR ON YEAR GROWTH RATE WOULD BE GREAT. THANK YOU.

SPEAKER: THE PROVISION (FOR BULGARIA? 26:56) IS ABOUT 1% OF SALES OF (OF THE RETAIL SALES, THE BOOKED? 27:00)

BERND MAURER: THERE WAS A QUESTION OF SERVICE REVENUES EVOLUTION IN BULGARIA PLEASE?

SPEAKER: CAN YOU REPEAT THE QUESTION?

BERND MAURER: YEAH, THE QUESTION WAS IN THE FIRST QUARTER THIS YEAR BULGARIA IS HAVING CONSOLIDATION OF FIXED ASSETS AND YOU ARE ALSO MENTIONING A LOT OF HANDSET SALES BECAUSE THE SUCCESS OF THE BUNDLE PRODUCT, SO I AM JUST TRYING TO FIGURE OUT WHAT'S BEEN THE UNDERLYING SERVICE REVENUE GROWTH OF WIRELESS REVENUES?

SPEAKER: THE REVENUES FROM THE FIXED ACTIVITIES IN THE FIRST QUARTER IS AROUND 3 MILLION.

BERND MAURER: AND THE HANDSET SALES?

SPEAKER: IT'S ABOUT, BETWEEN EIGHT AND TEN MILLION.

BERND MAURER: SORRY, YOU SAID?

SPEAKER: EIGHT TO TEN MILLION.

BERND MAURER: AND IS THIS MATERIALLY DIFFERENT TO LAST YEAR?

SPEAKER: IT'S HIGHER THAN LAST YEAR, YES.

BERND MAURER: OKAY, THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM GUY PEDDY OF MACQUARIE, PLEASE GO AHEAD.

GUY PEDDY: HI (UNCLEAR 28:04), JUST A QUICK FOLLOW UP TO DAVID'S QUESTION ON THE CASH FLOWS FROM RESTRUCTURING. HOW MANY MORE YEARS DO YOU THINK YOU ARE GOING TO HAVE OF THESE CASH FLOWS FOR RESTRUCTURATION? YOU'VE GOT THIS YEAR, YOU'VE GOT 120 MILLION FOR 2012. BUT YOU COULD JUST TELL US WHAT YOU EXPECT OR HOW MUCH MORE YOU EXPECT POST THAT OR HOW MANY MORE YEARS POST THAT. AND SECONDLY ON THE INCREMENTAL (UNCLEAR ANNOUNCED? 28:31) HOW MUCH DO YOU THINK (UNCLEAR 28:33) A PRO FORMA SAVE IN YOUR DOMESTIC COST LINE SO WE SHOULD BE ABLE TO SEE THAT THROUGH THE EBIT NUMBER, THAT WOULD BE GREAT. THANK YOU.

SPEAKER: THE RESTRUCTURING IS AIMING TO STABILISE OUR PERSONNEL COST FOR AN (AUSTRIAN? 28:47) OPERATION, SO THAT'S ONE MAJOR TO ACHIEVE THAT. AND REGARDING THE CASH OUT OF THE RESTRUCTURING PROVISION, WE HAVE TO MAKE A CALCULATION FOR EVERY SINGLE INDIVIDUAL WHICH IS ADDRESSED BY THE RESTRUCTURING AND PART OF THOSE PEOPLE ARE 53, SO YOU CAN ASSUME THAT OVER 12 YEARS (UNCLEAR 29:10) PAYOUT TO THEM, NOT TO THE 120 MILLION WE ARE EXPECTING FOR NEXT YEAR AND THE YEAR BEYOND, SO IT WILL GRADUALLY COME DOWN, BUT I CANNOT GIVE YOU A FIGURE, (A GLIDING PART? 29:23) FOR THE NEXT 12 TO 30 YEARS.

GUY PEDDY: OK, THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM MICHAEL CARRUTHERS FROM GSO CAPITAL, PLEASE GO AHEAD.

MICHAEL CARRUTHERS: HI GOOD AFTERNOON. I THINK MY QUESTION HAS BEEN PARTIALLY ANSWERED, BUT I WAS WONDERING ABOUT MOBILE (UNCLEAR 29:42) A BIT OF INFORMATION, I GUESS. WHAT HAS BEEN THE COMPETITIVE ENVIRONMENT IN AUSTRIA POST QUARTER END, AND I GUESS IN TERMS OF YOUR PRICE INCREASE, IT (UNCLEAR 29:51) WHAT WAS THE IMPACT RETURN?

SPEAKER: THE SITUATION IN AUSTRIA, IT IS STILL VERY COMPETITIVE, AND AS WE PROMISED, WE MADE A PRICE INCREASE. THIS PRICE INCREASE, OF COURSE WE EXPECTED THAT SOME OTHER COMPETITORS WOULD FOLLOW, THEY REACTED WITH A PRICE DECREASE. SO IT IS STILL TOUGH SITUATION. WHAT'S HAPPENED WITH OUR CUSTOMERS BECAUSE WE MADE TWO STEPS ON THE MOBILE SIDE, WE MADE ONE STEP THAT WE, THAT WE EDIT FOR EVERY POST-PAID (RESIDENTIAL?) CUSTOMER TO YEAR'S 75 AND, HERE WE FORCED THEN TO PAY THAT AMOUNT. WE KEPT 125 CUSTOMERS (UNCLEAR 30:53) AND WE LOST AROUND A FEW THOUSANDS. THIS WAS MUCH BETTER THAN WHAT WE EXPECTED AND SO WE WILL MATERIALISE (ON THAT MOVE? 31:08). BUT I HAVE TO SAY IT IS DIFFICULT TO DEAL WITH A SITUATION INCREASING OUR PRICES AND TARIFFS AND HAVING DECREASES BY OUR COMPETITORS, SO THAT'S SITUATION WE ARE FACING.

MICHAEL CARRUTHERS: THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM THOMAS FRIEDRICH OF UNICREDIT, PLEASE GO AHEAD.

THOMAS FRIEDRICH: YEAH HELLO. GOOD AFTERNOON. YEAH COMING BACK TO AUSTRIA AS WELL, I MEAN THE PRICING IN MOBILE HAS BEEN DISCUSSED ALREADY, HOW WOULD YOU SAY YOUR MARKET SHARE IN SMART PHONES HAS DEVELOPED IN THE LAST COUPLE OF MONTHS? AND ESPECIALLY IN THE IPHONE. AND SECOND QUESTION HAS THERE BEEN SOME NEW AND TOTAL EVIDENCE OF SOMETHING LIKE JAMMED NETWORK PHENOMENON AT YOUR COMPETITORS? WERE YOU ABLE TO USE IT OR IN OTHER WORDS, HAS YOUR CLAIM TO HAVE THE BEST NETWORK, HOW HAS THIS WORKED IN THE SMART PHONES SEGMENT IN THE RECENT MONTHS? THANK YOU.

SPEAKER: STARTING WITH THE NETWORK, THERE WAS JUST VERY RECENTLY AN ASSESSMENT AND THEY FOUND THAT WE ARE THE SECOND BEST NETWORK IN EUROPE. THE BEST ONE IS ACTUALLY IN DENMARK AND WE ARE THE SECOND BEST IN EUROPE. SO IT AGAIN SHOWS THAT WE DO HAVE THE BEST (UNCLEAR 32:38) AS NETWORK, AND THEREFORE ARE READY FOR SMART PHONE TRAFFIC. BUT THAT'S ONE PRODUCT. THE OTHER PRODUCT SMART PHONES REPRESENT ON AVERAGE 40% OF NEW HANDSETS (SOLD IN THE FIRST QUARTER? 32:51). IT IS ALREADY QUITE A HIGH

PORTION OF PHONES OF SMART PHONES AND IN AUSTRIA, IT'S ABOUT 60%, SO IT IS EVEN HIGHER HERE. AND WE BELIEVE THAT THIS WILL BE AN ONGOING TREND AND THAT WE'LL SEE MORE AND MORE SMART PHONES BEING AROUND. FOR IPHONE IT DEFINITELY MEANS WE ARE NOW COMPETITIVE. WE HAVE NOT BEEN COMPETITIVE BEFORE.

OPERATOR:

THE NEXT QUESTION IS FROM GEORGIOS LERODIATOLO FROM CITI, PLEASE GO AHEAD.

GEORGIOS LERODIATOLO:

GOOD AFTERNOON. THANK YOU VERY MUCH. I HAVE A COUPLE OF QUESTIONS OF FIXED. THE FIRST ONE IS REGARDING THE AVERAGE REVENUE PER LINE. IF I AM NOT MISTAKEN, IN THE FOURTH QUARTER IT WAS ALMOST STABILISED AND NOW, IT'S DOWN A BIT AGAIN, AND THERE HASN'T BEEN ANY SIGNIFICANT CHANGE IN THE VOICE TRAFFIC TREND. SO I WAS WONDERING WHAT COULD BE THE REASON WHY WE ARE NOT SEEING FURTHER IMPROVEMENT AND IS IT NOT TURNING POSITIVE IN 2011, IF THERE IS ANY PARTICULAR REASONABILITY THAT WE MAY BE AWARE OF. THE SECOND ONE IS ABOUT WHETHER YOU COULD GIVE US AN UPDATE ON YOUR EXPERIENCE WITH NGA AND SOME VBSL TRIALS YOU'VE BEEN OVER THE PAST YEAR AND PARTICULARLY WHETHER YOU COULD GIVE US AN IDEA OF WHAT PROPORTION OF YOUR LINES ARE COVERED WITH (UNCLEAR 34:22) WELL THAT MAKES A SIGNIFICANT DIFFERENCE IN THE PRODUCT THAT YOU DELIVER. AND IF I COULD ALSO ASK ONE LAST QUESTION ON BULGARIA, WHETHER YOU COULD GIVE EXPOSURE FROM FIXED TO MOBILE REVENUES THAT YOU STILL HAVE LEFT OUT OF PERCENTAGE OF SALES. THANK YOU.

SPEAKER:

WELL, COMING TO THE MOBILE (IPO? 34: 41) WE COULD SEE THE FIRST QUARTER COMING BACK BECAUSE WE HAD A DECREASE OF MINUTES COMING DOWN FROM 150 TO 152, SO I MEAN, THAT WAS ONE CLEAR ASPECT WHICH WE COULD VIEW (UNCLEAR GLIDING PATH FOR 34:54) INTERCONNECTIONS THAT'S JUMPING DOWN EVERY SIX MONTHS, THIS IS OF ALSO COURSE IMPACTING US AND IT WASN'T (UNCLEAR 35:05) PRESSURE WHICH WE ARE FEELING. I MEAN THIS IS WHAT WE FEEL IN AUSTRIA SO, I MEAN IF YOU ASK US IF IT'S EATING THE MARKET, NOT IT'S NOT. AND THAT'S WHAT WE FELT AND BEFORE WE MADE A STEP INTO THE OTHER DIRECTION BY INCREASING PRICES, BUT (UNCLEAR TO THE MOBILE IPO? 35:20). COMING TO THE NETWORK, TO OUR EXPERIENCE WHICH WE NEED WITH NEXT GENERATION ACCESS, WE ARE MAKING GOOD EXPERIENCE AS YOU ALSO CAN SEE IN

THE DEVELOPMENT OF FIXED SUBSCRIBERS. WE HAD AGAIN AN INCREASE OF WEBSITE AND THOUSANDS SUBSCRIBERS WHICH I HAVEN'T SEEN (UNCLEAR 35:45) POSITIVE. IT'S BEEN WORKING WELL AND WE ARE ALSO DOING QUITE OKAY IN CROSS-SELLING ADDITIONAL BANDWIDTH PACKAGES OR OTHER PRODUCTS WE STARTED GROWING IN CD AND DVD PRODUCTS. SO WE DO SEE QUITE GOOD ACCEPTANCE. WE COULD SELL MUCH MORE OF THIS NEXT GENERATION NETWORK STUFF, BUT WE NEED TO FURTHER BUILD AN ACCESS NETWORK. THE DEMAND IS STILL OUT THERE IN THE MARKET; THE DEMAND IS BIGGER THAN WHAT WE CAN OFFER. THAT'S WHAT WE CAN SEE AT THE MOMENT.

SPEAKER: REGARDING BULGARIA, THE (UNCLEAR 36:33) INTERCONNECTION MAINLY THE SERVICE-RELEVANT REVENUES ARE MORE OR LESS STABLE IN THE BULGARIAN MARKET AND THE AVERAGE (UNCLEAR) IN BULGARIA (UNCLEAR) IS AROUND 16 EUROS IN THE FIRST QUARTER AND WE HAVE ABOUT 100000 CLIENTS.

GEORGIOS LERODIATOLO: THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM CHRIS ALLIOT OF RBS, PLEASE GO AHEAD.

CHRIS ALLIOT: THANKS, GOOD AFTERNOON. SORRY I MIGHT BE DOING THE MOBILE, DOMESTIC MOBILE OF MINUTES OF USE QUESTIONS A LITTLE BIT TO DEAF, BUT JUST WONDERING, YOU KNOW, WHAT THE, HOW COME YOU SAY THAT, JUST THINKING ABOUT THE DYNAMICS OF PEOPLE SORT OF SPENDING DOWN POTENTIALLY ONTO LOWER PRICES (AND?) NEWER CONTRACT BUT I AM JUST WONDERING WHAT IS IT THAT YOU FEEL IS DRIVING THEN LOWER MINUTES OF USE, THIS COMING THROUGH, GENERALLY COMING FROM (SORT OF/, THROUGH?) PREPAID SUBSCRIBERS; AND THEN QUICKLY ON SERVICECOM, JUST A COUPLE OF POINTS. IS THE ADDITIONAL COST OF SERVICE.COM INCLUDED IN YOUR ADDITIONAL CASH COST FOR THE RESTRUCTURING? AND I JUST WANTED TO CHECK THAT YOU'RE PRETTY CONFIDENT THAT YOU'RE ABLE TO SORT OF OFFSET THOSE ADDITIONAL COSTS. NOW, I AM CONSCIOUS YOU'RE KEEN NOT TO TRY AND GUESS THEM AT IMPACT IT MIGHT HAVE THIS YEAR. BUT YOU'RE PRETTY CONFIDENT THAT YOU SHOULD BE ABLE TO GENERATE REVENUES TO OFFSET THOSE ADDITIONAL COSTS OF SERVICECOM? THANKS.

SPEAKER: COMING TO SERVICECOM, SERVICECOM IS INCLUDED, SO THERE IS NO ADDITIONAL COST WHICH IS ARISING OUT OF THAT, OUT OF THAT TOPIC. COMING TO THE MINUTE DEVELOPMENT, I MEAN THERE ISN'T ONE SINGLE REASON FOR THAT (I THINK IT IS A MIX OF ACTIVITIES THAT? 38:08) IT COULD BE SEASONALITY; IT COULD BE THAT SOME PEOPLE ARE USING SERVICES FROM (UNCLEAR BRANDS? 38:25). IT IS A MIX OF REASONS FOR THAT, BUT THERE'S NO CLEAR (UNCLEAR 38:28) REASONS. SO THIS (SUCs? UNCLEAR) THE DEVELOPMENT OF THE MINUTES ALL THE TIME (UNCLEAR) IT IS JUST LOWER. THERE IS NO SINGLE REASON FOR WHY IT IS (EXAGGERATED NOW?).

CHRIS ALLIOT: OKAY THANKS.

OPERATOR: THE NEXT QUESTION IS FROM JUSTIN FUNNEL OF CREDIT SUISSE, PLEASE GO AHEAD.

JUSTIN FUNNEL: (UNCLEAR 38:52) QUESTIONS FOR THE END, IT'S OKAY. JUST COMING ABOUT TO (UNCLEAR 38:56) THIS QUESTION ON THE REVENUE PER LINE IN 6 IN AUSTRIA, START WORSENING TREND, I GUESS IT'S PRETTY SIMILAR TO REVENUE (UNCLEAR 39:06) THROUGH THE AVERAGE OF 2010. THE Q4 PRETTY FLAT YEAR ON YEAR, WITH ONLY PRICE CHANGES IN Q1 '11. THAT WOULD EXPLAIN THAT WORSENING. FOR EXAMPLE, DID YOU CUT YOUR FIXED TO MOBILE TARIFFS, OR IS THERE A MIX EFFECT GOING ON? SECONDLY CAN YOU TELL US WHAT THE COSTS WERE RELATING TO FIXED LINE ASSETS THAT YOU CONSOLIDATED IN BULGARIA? AND AGAIN JUST COMING BACK TO ANOTHER QUESTION THAT YOU WERE ASKED ABOUT PAIR BONDING ON FIXED IN AUSTRIA KPN ARE SAYING THAT THEY HAVE A VERY HIGH PERCENTAGE OF LINES TO HOMES WHERE THEY HAVE A VERY A SECOND TWISTED COPPER PAIR INTO THE HOME AND THAT WILL HAVE DOUBLE-VIDEO ALL SPEED. IS THAT SOMETHING YOU HAVE POTENTIAL FOR AS WELL (UNCLEAR 39:57)? DO YOU KNOW IF YOU HAVE POTENTIAL FOR AS OF THESE SECOND TO SEE SEPARATE PAIRS OR NOT. THANK YOU.

SPEAKER: WELL IN QUARTER ONE THERE HAS BEEN PRICE CHANGES, THERE WAS A PRICE INCREASE AS I ALREADY MENTIONED BEFORE

JUSTIN FUNNEL: IN FIXED? YEAH I WAS ASKING ABOUT IN FIXED.

SPEAKER: IN MOBILE. IN FIXED ALSO, YES.

JUSTIN FUNNEL: THERE WAS A PRICE INCREASE IN FIXED?

SPEAKER: YEAH

JUSTIN FUNNEL: OK, THANK YOU.

SPEAKER: REGARDING THE COST OF BULGARIA WHICH IS PART OF THE CONSOLIDATED RESULTS, IT'S ABOUT TWO MILLION OPEX WHICH IS INCLUDED.

JUSTIN FUNNEL: THANK YOU.

OPERATOR: THE NEXT QUESTION IS FROM VERA SUTEDJA, ERSTE BANK, PLEASE GO AHEAD.

VERA SUTEDJA: YES GOOD AFTERNOON. I HAVE A QUESTION REGARDING THE SERVICE.COM WITH (UNCLEAR 40:43). COULD YOU TELL ME HOW MUCH IS IN A NUMBER OF OTHER CIVIL SERVANTS INCLUDED IN THIS SERVICE.COM? SECOND QUESTION WOULD BE THE BELARUS PLEASE. TODAY IS BASICALLY THE GOVERNMENT CANCELLING THE RESTRICTIONS ON THE FX; SO BASICALLY, WE KIND OF EXPECT THAT WOULD BE A 20 TO 30% EVALUATION ON A DAY. WHAT WOULD BE YOUR IMPACT ON GOODWILL BELARUS REVENUE HABITAT AND ARE THEY INCLUDED IN YOUR FULLY GUIDANCE?

SPEAKER: SO OUR FULLY GUIDANCE IS AS ALWAYS (ON CONSTANT? 41:20) ON CURRENCY BASIS SO IN THIS RESPECT, IT'S NOT INCLUDED. THE IMPACT WE HAVE A SEPARATE SLIDE WITHIN OUR PRESENTATION (WHERE YOU CAN? 41:32) READ THE IMPACT DEPENDING ON WHICH EVALUATION IS TO BE EXPECTED, OF COURSE IT'S DIFFERENT REVENUES FROM OPEX AND OF CASH GENERATION BECAUSE THERE ARE DIFFERENT LEVELS OF HARD CURRENCIES, SERVICES WHICH ARE NECESSARY TOO TO RUN THE BUSINESS. SO IN THAT RESPECT, WE WILL SEE WHAT THE OUTCOME WILL BE OF THE NEW (UNCLEAR 41:53) REGIME IN THE LOCAL MARKET AND WHAT MEASURES WE ARE GOING TO TAKE IN ORDER TO MITIGATE THOSE IMPACTS ON OUR ACTIVITIES. BUT THIS IS STILL SOMETHING WE HAVE NO CLEAR VIEW YET ON AND IT WILL DEPEND PURELY ON WHAT OPPORTUNITIES WE HAVE AND THEN TO WHICH EXTENT WE CAN INTRODUCE MEASURES LIKE COST INCREASES, LIKE SHARING THE IMPACT

OF (FX? 42:20) EVALUATION WITH OUR SUPPLIERS, SIMILAR TO WHAT WE DID TWO YEARS AGO WHEN AN EVALUATION TOOK PLACE.

VERA SUTEDJA: IF I MAY ASK. SORRY, ONE SECOND ON THE SENSITIVITY AND THE (UNCLEAR 42:33) WHILE WE ARE THERE. SO IF I UNDERSTAND CORRECTLY, IF THERE IS A 20% DEVALUATION THEN REVENUES ARE LIKE, THEY WILL GO DOWN BY 10%, SOMETHING LIKE THAT. CAN I READ IT LIKE THAT, THAT CHART? OKAY.

SPEAKER: THAT'S EXACTLY LIKE THIS. CONCERNING SERVICE.COM AS WE SAID BEFORE WE ARE NOT GIVING ANY SPECIFIC FIGURES AS WE NORMALLY DO WITH HOPEFULLY IT WILL THEN OF COURSE, IT WILL NO FIGURES FOR THE MOMENT.

SPEAKER: THE ONLY THING WITH THE IT IS SET UP IN ORDER TO ADDRESS 700 PEOPLE OF IDLE WORKPLACE SO WE CURRENTLY HAVE AND WE WELCOME THE OPPORTUNITY TO DO SOMETHING ACTIVELY INSTEAD OF SITTING AT HOME. SO THE POTENTIAL IS 700 PEOPLE, BUT WE JUST STARTING AND WE WILL SEE HOW SUCCESSFUL WE ARE IN THE NEXT COUPLE OF MONTHS.

VERA SUTEDJA: THANK YOU.

OPERATOR: AS A REMINDER FOR QUESTIONS, PLEASE PRESS STAR AND ONE (* AND 1) ON YOUR TELEPHONE. AT PRESENT, THERE ARE NO FURTHER QUESTIONS.

SPEAKER: OKAY, THIS CONCLUDES THE CALL THEN. THANK YOU VERY MUCH FOR JOINING AND (UNCLEAR 43:43)

SPEAKER: THANK YOU BYE.

VOICE: BYE BYE