



# Business and Financial Review January – March 2009

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30 April 2009

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- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required under IFRS. In addition, some key performance indicators utilised by the Company may be calculated differently by other companies operating in the sector. Therefore the non-IFRS measures and key performance indicators used in these materials may not be directly comparable to those of the Group's competitors.

## Group Highlights

- Market leadership maintained in all business segments
- Continuing solid financial performance with 1.7% revenue growth despite challenging market conditions
  - Croatian National Bank 2009 forecast: 4% decline in economic activity
- General Assembly adopted all proposed decisions
  - Total dividend of 29.99 HRK/share – payment in two parts

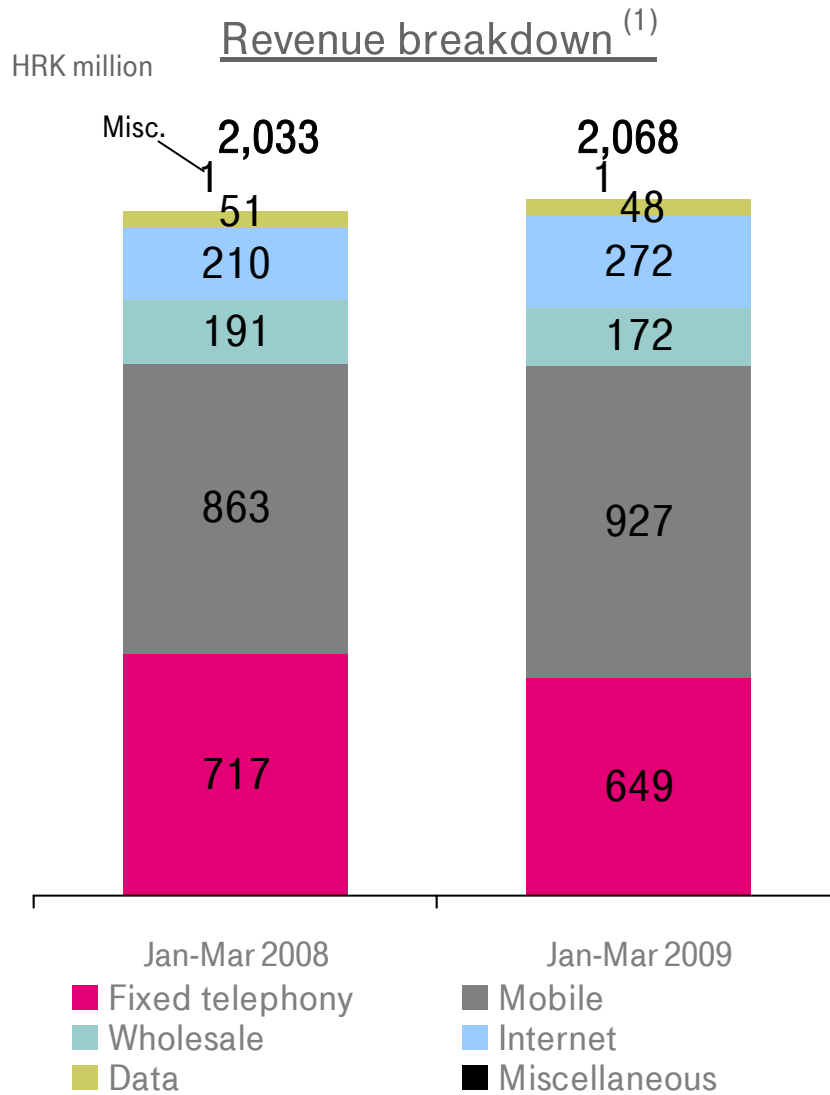
		IFRS, unaudited		
		Jan - Mar	Jan - Mar	%
		2008	2009	change
Revenue <sup>(1)(2)(3)</sup>	( in HRK million)	2,033	2,068	1.7%
	(in EUR million)	279	279	0.0%
EBITDA	(in HRK million)	927	950	2.5%
	(in EUR million)	127	128	0.8%
Net profit	(in HRK million)	548	583	6.4%
	(in EUR million)	75	79	5.3%
Headcount (at 31 Mar)		6,567	6,331	-3.6%

<sup>(1)</sup> Kuna per Euro average rate of exchange: Jan- Mar 2009: 7.41; Jan- Mar 2008: 7.29

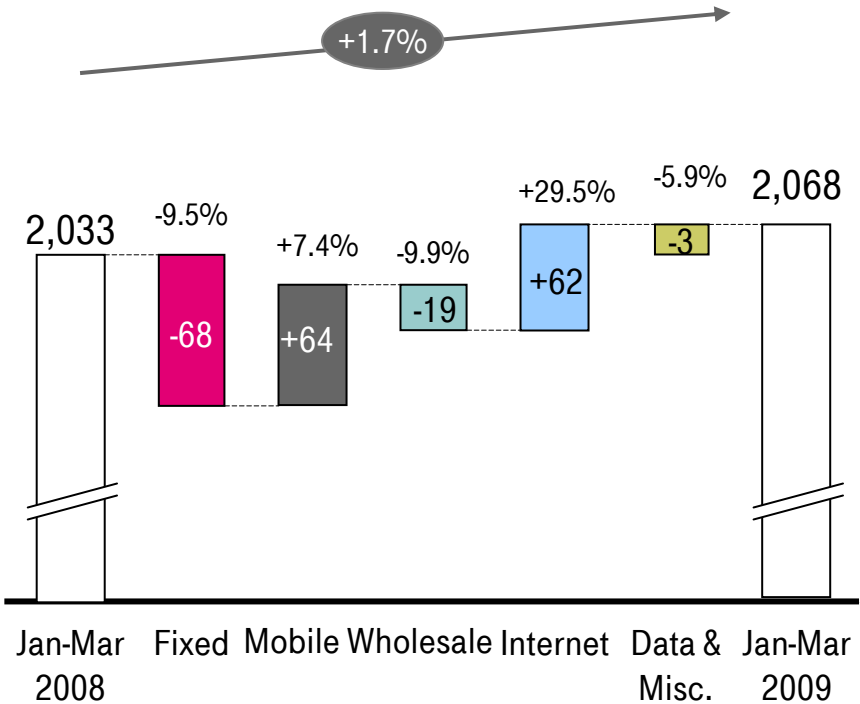
<sup>(2)</sup> Excluding Other operating income

<sup>(3)</sup> Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customers loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the points. Consequently, previous year 2008 have been restated. Impact of IFRIC 13 on T-HT Group revenue is: Q1 2008: 6.1 mill HRK; Q1 2009 5.0 mill HRK.

# Group Revenue Development



■ Continuing growth in Mobile and Internet revenue



<sup>(1)</sup> Consolidated revenue (excluding other income);

# T-Com Highlights

- Maintaining market leadership
- Strong position in expanding Broadband market
- Leading player in the Croatian PayTV market
- Expected decline in fixed-line revenue almost offset by the increase in revenue from Internet services
- Capital expenditure increased in line with market demand and continued migration to IP

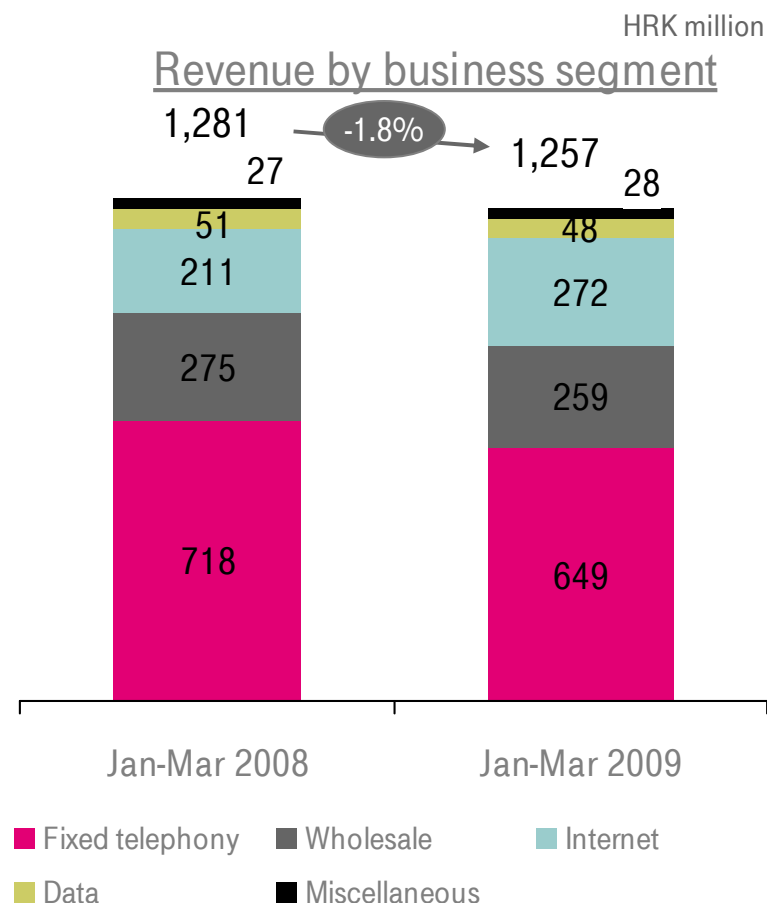
## Key financials (HRK million)

	Jan - Mar 2008	Jan - Mar 2009	% change
Revenue <sup>(1)(2)</sup>	1,281	1,257	-1.8%
EBITDA	549	525	-4.3%
EBITDA margin	42.9%	41.8%	-1.1 p.p.
Capex	134	181	35.5%
Capex / Revenue	10.5%	14.4%	3.9 p.p.
Headcount (at 31 Mar)	5,498	5,250	-4.5%

<sup>(1)</sup> Excluding other income.

<sup>(2)</sup> Since the beginning of 2009 IFRIC 13 has been applied. Consequently, previous year 2008 have been restated. Impact of IFRIC 13 on T-Com revenue is: Q1 2008: 0.9 mill HRK; Q1 2009 4.8 mill HRK.

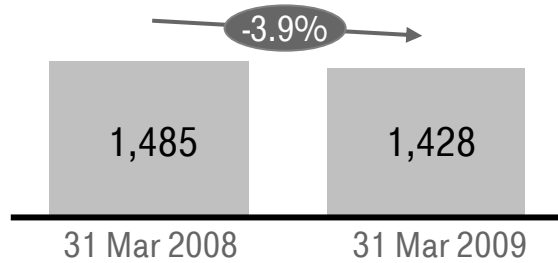
## Revenue by business segment



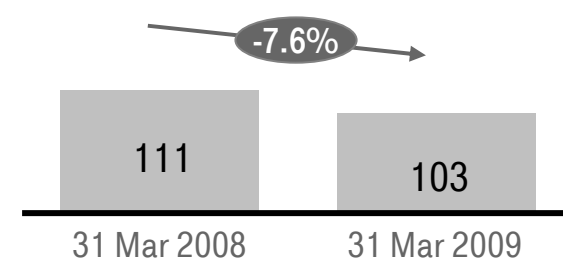
## Fixed Telephony

- Fixed-line revenue down 9.5% to HRK 649 million
- Total mainlines of all types fell 4.1% (1.3% if compared to the end of 2008)
- Decline in traffic slowing to 7.5% compared with fall of 10.1% in Q1 2008
- Fixed voice ARPA declining mostly due to fixed to mobile substitution and an increase in the use of internet telephony within broadband subscriptions

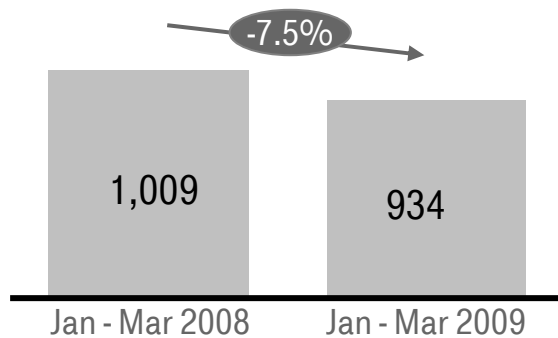
No. of POTS <sup>(1)</sup> mainlines ('000)



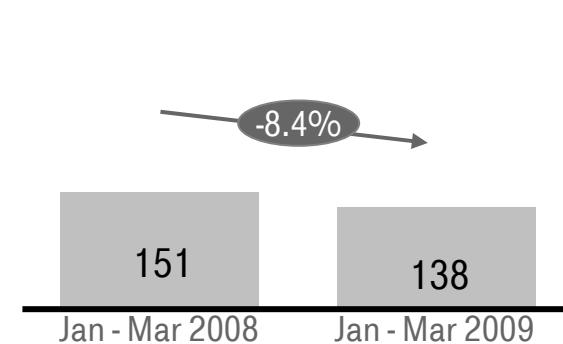
No. of ISDN mainlines ('000)



Total traffic in minutes (million)



ARPA <sup>(2)</sup> (HRK)



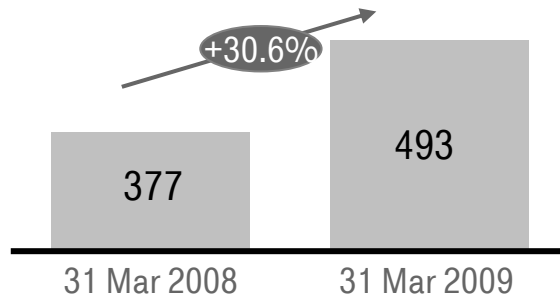
<sup>(1)</sup> FGSM included; payphones not included

<sup>(2)</sup> Voice revenue per voice access - monthly average for the period

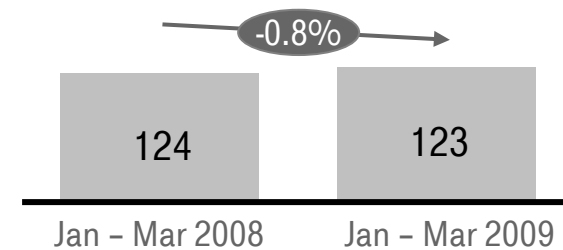
## Internet Services

- Internet revenue up 29.3% to HRK 272 million; now 21.7% of T-Com revenue
- Strong growth in broadband following promotional activities: more than 20,000 net adds in Q1 2009
- Percentage of active dial-up users decreased to 12.1% in Q1 2009
- ADSL ARPA maintained <sup>(2)</sup> mainly as a result of promotional activities and migration of active dial-up users to ADSL
- Attractive content and promotions driving strong growth in IPTV - reaching almost 3x more customers than in Q1 2008 and 11.3% more users than at the end of 2008

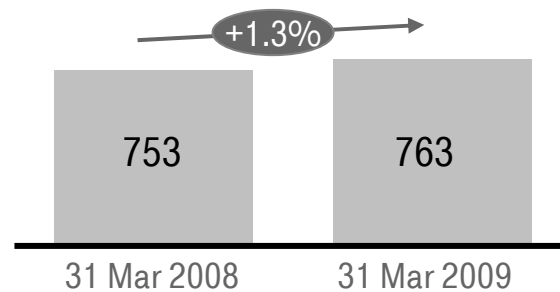
No. of ADSL mainlines ('000)



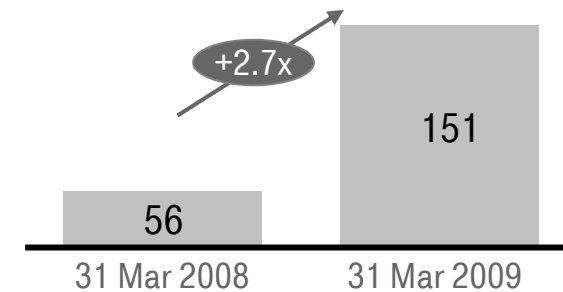
ADSL mainlines ARPA <sup>(2)</sup> (HRK)



No. of dial-up users <sup>(1)</sup> ('000)



No. of IPTV customers ('000)



<sup>(1)</sup> Active and non-active users  
<sup>(2)</sup> Monthly average for the period

# Wholesale and Data Services

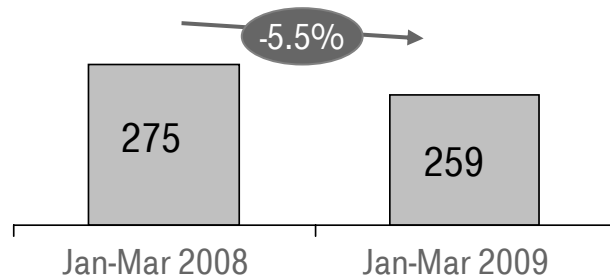
## Wholesale

- Wholesale revenue decreased mainly due to a decrease in dial-up traffic from migration to broadband services
- Large increase in ULL (number of ULL at the end of 2008 : 87,072), while CPS customers decreased due to migration to ULL

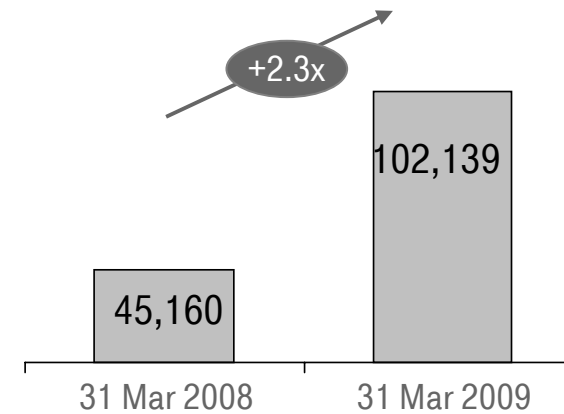
## Data

- Data revenue down 6.2% to HRK 48 million
- Total data lines and connection points decreasing as customers migrate towards new services such as Metro Ethernet and IP VPN

Wholesale revenue (HRK million)



Number of ULL (1)



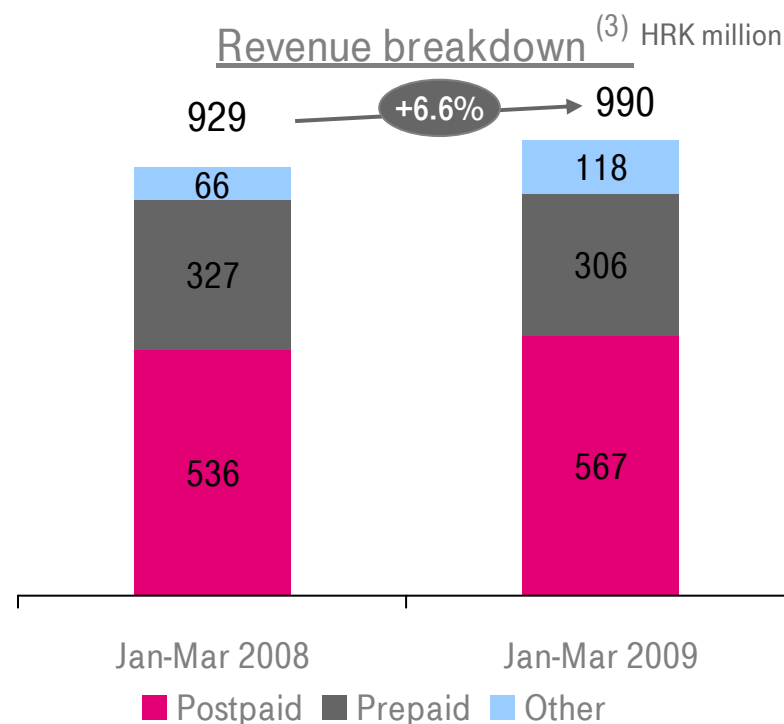
(1) Previous year has been restated according to actual reporting (w/o Iskon ULL number of lines)

## T-Mobile Highlights

- 5.7% increase in postpaid revenue to HRK 567 million or to 57.2% of T-Mobile revenue
- EBITDA increase due to higher mobile revenue
- Capital expenditure decreased due to delays in base station and core network projects

### Key financials (HRK million) <sup>(1)(2)</sup>

	Jan - Mar 2008	Jan - Mar 2009	% change
Revenue	929	990	6,6%
EBITDA	379	425	12,3%
EBITDA margin	40,8%	42,9%	2.2 p.p.
Capex	42	38	-9,5%
Capex / Revenue	4,5%	3,8%	-0.7 p.p.
Headcount (at 31 Mar)	1.069	1.081	1,1%



<sup>(1)</sup> Unconsolidated figures, excluding other operating income.

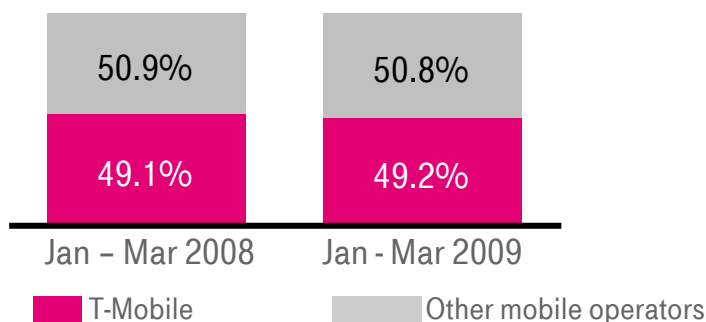
<sup>(2)</sup> Previous year have been restated due to the appliance of IFRIC 13 which impact on T-Mobile revenue is: Q1 2008 5.2 mill HRK; Q1 2009: 0.2 mill HRK.

<sup>(3)</sup> Including visitor's revenue.

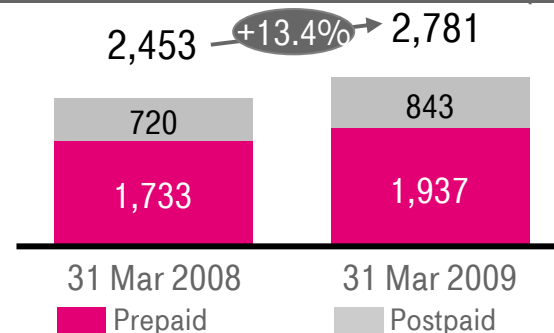
## T-Mobile Operational Data

- Largest market share: 46.1% of SIM market share and 49.2% of revenue market share
- 17.1% growth in postpaid base representing 30% of subscribers
- ARPU down as a result of lower usage in prepaid segment and increased penetration
- Monthly average MOU decreased mostly due to increase of subscriber numbers and the lower prepaid usage as a result of different offers compared to Q1 2008

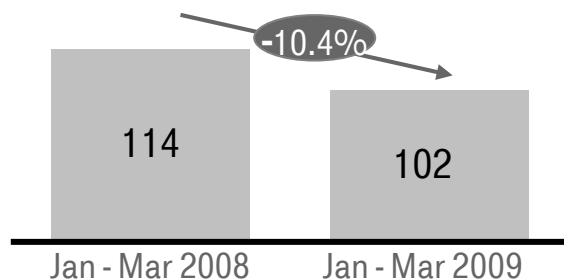
Market share by revenue (%) <sup>(1)</sup>



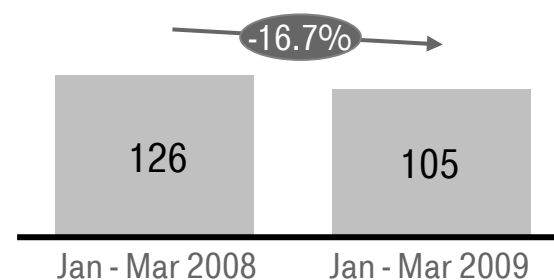
Number of T-Mobile customers ('000)



Blended ARPU (HRK/month) <sup>(2)</sup>



Average MOU (minutes/month)



<sup>(1)</sup> Source: Telekom Austria Annual report for Q1 2008. VIPnet's and Tele2 net revenue for Jan-Mar 2009 internally estimated.

<sup>(2)</sup> Blended ARPU is effected by restating year due to the appliance of IFRIC 13.

## Group Financial Highlights

IFRS, unaudited	HRK million		
	Jan - Mar 2008	Jan - Mar 2009	% change
Revenue <sup>(1)(2)</sup>	2,033	2,068	1.7%
EBITDA	927	950	2.5%
EBITDA margin	45.6%	45.9%	0.3 p.p.
Net profit	548	583	6.4%
Net profit margin	27.0%	28.2%	1.2 p.p.
Capex	176	219	24.8%
Capex / Revenue	8.6%	10.6%	2.0 p.p.

<sup>(1)</sup> Excluding Other operating income

<sup>(2)</sup> Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customers loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the points. Consequently, previous year 2008 have been restated. Impact of IFRIC 13 on T-HT Group revenue is: Q1 2008: 6.1 mill HRK; Q1 2009 5.0 mill HRK.

# Group 2009 Outlook

## Revenue

- Within the context of the global crisis, the Croatian economy faces a period of uncertainty. Recent estimates by the Croatian national bank forecast a 4% decline in economic activity this year and this reinforces our view that 2009 revenues will decline, despite the solid performance in the first quarter.

## EBITDA

- The Group continues to anticipate some erosion of its strong EBITDA margin, but pursues an ongoing programme of cost-control initiatives that should mitigate this erosion to some extent.

## CAPEX

- The Group anticipates a similar level of capex to 2008.
  - Investment in the fixed network will focus on optical access network development aiming to increase broadband coverage and capacity
  - Investment in the mobile network will focus on deployment of new access network technologies aiming to enable mobile data growth and secure wireless broadband performance.

## Regional Expansion

- The Group continues to monitor and evaluate expansion opportunities to increase shareholder value.

# Appendix

## Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Mar 2009	Jan-Mar 2008	% of change 09/08
Mobile telephony	926	863	7.4%
Fixed telephony	649	717	-9.6%
Wholesale services	172	191	-9.8%
Internet services	272	210	29.3%
Data services	48	51	-6.2%
Miscellaneous	1	1	7.6%
<b>Revenue</b>	<b>2,068</b>	<b>2,033</b>	<b>1.7%</b>
Other operating income	64	69	-6.9%
<b>Operating expenses</b>	<b>1,182</b>	<b>1,174</b>	<b>0.6%</b>
Merchandise, material, services, energy and other expenses	888	881	0.8%
Merchandise, material and energy expenses	222	239	-6.9%
Services expenses	332	313	5.9%
Other expenses	334	329	1.5%
Employee benefit expenses	288	279	2.9%
Work performed by the Group and capitalised	-17	-22	-22.6%
Write down of current asset	23	36	-35.0%
<b>EBITDA</b>	<b>950</b>	<b>927</b>	<b>2.5%</b>
Depreciation and amortization	342	337	1.7%
Impairment of non-current assets	3	1	440.2%
<b>EBIT</b>	<b>605</b>	<b>590</b>	<b>2.4%</b>
Net financial income	125	92	35.9%
Income from investment in joint ventures	2	6	-58.1%
<b>Profit before taxes</b>	<b>732</b>	<b>688</b>	<b>6.3%</b>
Taxation	149	140	6.0%
<b>Net profit for the year</b>	<b>583</b>	<b>548</b>	<b>6.4%</b>

## Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 31 Mar 2009	At 31 Dec 2008	% of change 09/08
Intangible assets	922	972	-5.1%
Property, plant and equipment	6,347	6,428	-1.2%
Goodwill	77	77	0.0%
Investments	521	404	28.8%
Other long term assets	94	96	-2.8%
<b>Total non-current assets</b>	<b>7,962</b>	<b>7,977</b>	<b>-0.2%</b>
Inventories	375	314	19.5%
Trade and other receivables	1,381	1,292	6.9%
Prepayments and accrued income	60	107	-43.5%
Available-for-sale investments	871	53	
Cash equivalents and time deposits	3,638	5,436	-33.1%
<b>Total current assets</b>	<b>6,325</b>	<b>7,201</b>	<b>-12.2%</b>
<b>TOTAL ASSETS</b>	<b>14,287</b>	<b>15,179</b>	<b>-5.9%</b>
Subscribed share capital	8,189	8,189	0.0%
Reserves	406	408	-0.4%
Retained earnings	3,375	3,843	-12.2%
<b>Total issued capital and reserves</b>	<b>11,970</b>	<b>12,440</b>	<b>-3.8%</b>
Provisions	130	127	2.3%
Employee benefit obligations	191	187	2.3%
Deferred income and other non-current liabilities	141	150	-5.8%
<b>Total non-current liabilities</b>	<b>462</b>	<b>463</b>	<b>-0.3%</b>
Trade and other payables	1,322	1,672	-20.9%
Provisions for redundancy	80	139	-42.3%
Accruals, deferred income and short term borrowings	453	465	-2.5%
<b>Total current liabilities</b>	<b>1,855</b>	<b>2,275</b>	<b>-18.5%</b>
<b>Total liabilities</b>	<b>2,317</b>	<b>2,739</b>	<b>-15.4%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,287</b>	<b>15,179</b>	<b>-5.9%</b>

## Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Mar 2009	Jan-Mar 2008	% of change 09/08
Net profit	583	548	6.4%
Depreciation and impairment loss of non-current assets	346	337	2.5%
Income tax expense	149	140	6.0%
Decrease/ (Increase) in inventories	-61	-16	289.3%
(Increase) / Decrease in receivables and payables	-406	-337	20.6%
Decrease in provisions	-65	-92	-30.0%
Other transaction with impact on operating activities	-119	-101	17.3%
Taxes paid	-153	-141	8.6%
<b>Net cash flows from operating activities</b>	<b>275</b>	<b>339</b>	<b>-19.0%</b>
Net Purchase/Proceeds of non-current assets	-253	-175	44.8%
Net Purchase/Proceeds of financial assets	-683	814	-183.8%
Interest received	124	94	31.6%
Dividend received	0	0	
<b>Net cash flows from / (used in) investing activities</b>	<b>-812</b>	<b>733</b>	<b>-210.7%</b>
Repayment of long-term borrowings and lease liability	-1	-3	-48.4%
Dividends paid	-1,051	0	
<b>Net cash flows used in financing activities</b>	<b>-1,053</b>	<b>-3</b>	
<b>Net decrease in cash and cash equivalents</b>	<b>-1,590</b>	<b>1,070</b>	<b>-248.6%</b>
Effect of F/X rate changes on cash and cash equivalents	2	-3	-168.8%
Cash and cash equivalents at the beginning of period	5,223	3,366	55.2%
Net cash (outflow) / inflow	-1,588	1,067	-248.9%
<b>Cash and cash equivalents at the end of period</b>	<b>3,635</b>	<b>4,432</b>	<b>-18.0%</b>

# Croatia and its telecom market

## Croatia at a glance

- 4.4 million population
- 1.5 million households
- Largest 10 cities house 36% of population
- 90,000+ companies
- 11.3 million tourists in 2008  
(84% from abroad)



## Economic data

- GDP<sup>(1)</sup> per capita: €9,344
- Real GDP growth<sup>(1)</sup>: 2.2%
- Unemployment rate<sup>(2)</sup>: 15.05%
- Average net salary<sup>(3)</sup>: €721
- Inflation rate<sup>(4)</sup>: 5.5%

((1) Gross domestic product. Figures for 2008.

((2) Official registered unemployment rate in March 2009 (increasing from 13.7% at the end of 2008).

((3) In January 2009.

((4) Annual average inflation in Q1 2009. (Average inflation in 2008: 6.1%.)

Sources: Ministry of Finance, Central Bureau of Statistics, Croatian National Bank, Croatian Employment Service, Raiffeisenbank Croatia

## Croatian telecom market

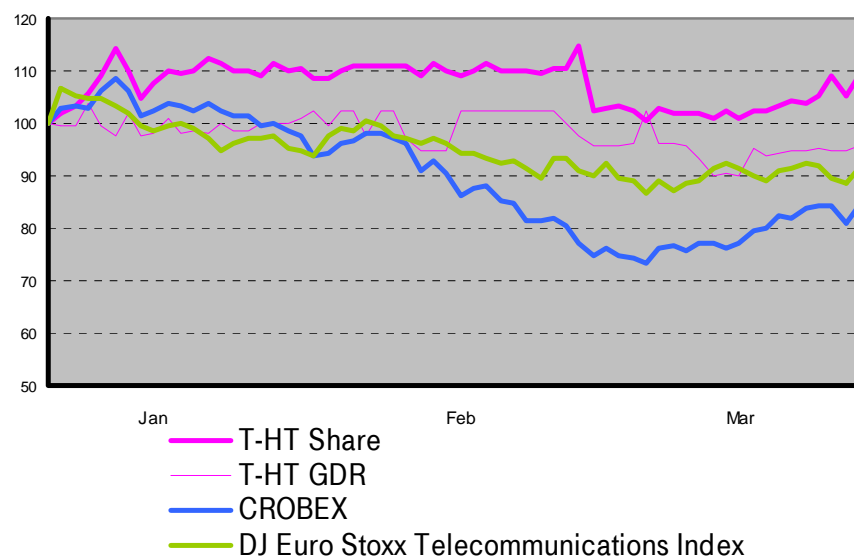
- Fixed line
  - 15 licensed operators, of which 9 active
  - CPS, ULL and bit-stream available
- Mobile
  - 3 operators on the market, no mobile virtual network operators (MVNO)
  - Mobile penetration: 135.8%
- Internet
  - Internet penetration: ~51% of population
  - Broadband household penetration<sup>(1)</sup>: 31%
- Cable
  - Cable TV household penetration: 9%
  - Cable TV broadband penetration: 2%

(1) Residential broadband lines per total households

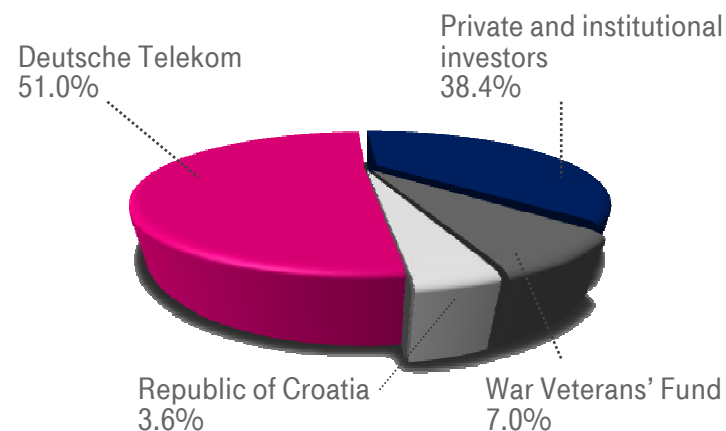
Sources: Croatian Agency for Telecommunications, Central Bureau of Statistics, Company's internal estimates

# About T-HT Group

T-HT Share and GDR as compared to CROBEX and DJ Euro Stoxx Telecommunication Index  
1 January 2009 - 31 March 2009



Ownership structure <sup>(3)</sup>



- CROBEX decreased by 15.73%
- Value of T-HT share increased by 9,10% if compared to the last trading day of 2008
- Closing price at the last trading day in Q1 2009: **HRK 217,99**
- Most traded share on the ZSE
  - average daily volume: 33,097 shares; average daily turnover: HRK 7,167,655

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[www.t.ht.hr/eng/investors/](http://www.t.ht.hr/eng/investors/)

London Stock Exchange GDR trading symbol: THTC

Zagreb Stock Exchange Share trading symbol: HT-R-A

Reuters: THTC.L, HT.ZA

Bloomberg: THTC LI, HTRA CZ