



# Q1 2008 Business and Financial Review

8 May 2008

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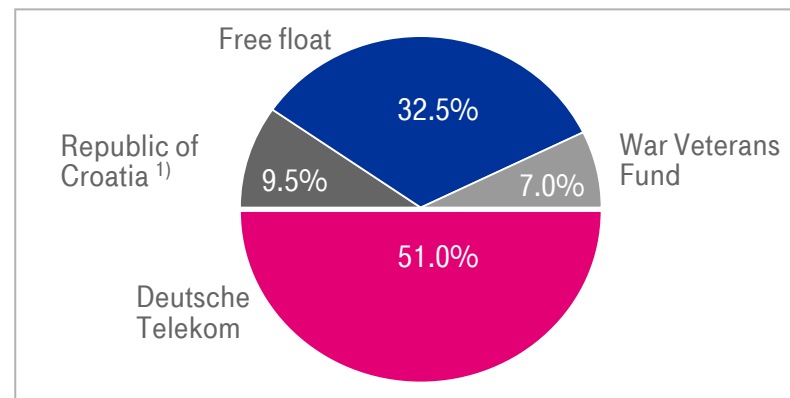
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# About T-HT Group

## Highlights

- Full Telco services provider, market leader in all major segments, full liberalisation since 2005
- Two business units:
  - T-Mobile (mobile operations)
  - T-Com (fixed telephony, internet, data, wholesale)
- Technological and quality leadership, strong competencies in IP Networks
- Company listed on LSE and ZSE since October 5<sup>th</sup> 2007

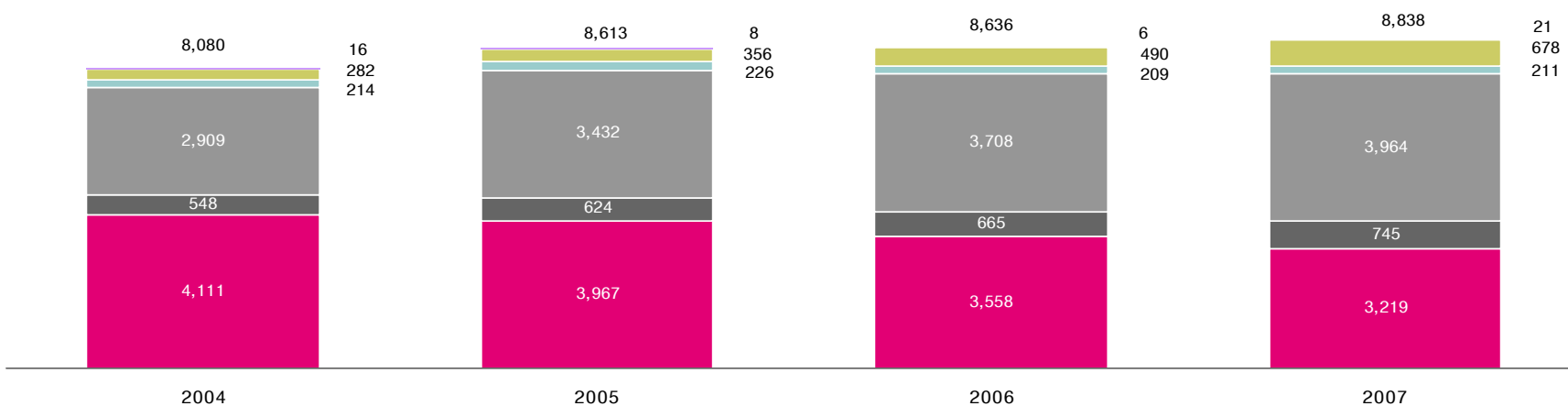
## T-HT Post IPO ownership structure



## Revenue (HRK million) <sup>2)</sup>

CAGR 2004 - 2007 +3.0%

■ Fixed telephony ■ Wholesale ■ Mobile ■ Data ■ Internet ■ Miscellaneous



1) The Government of the Republic of Croatia holds 9.5% of T-HT's shares, 7% of which are earmarked for former and present employees and were transferred to the custodian account with Reiffeisenbank Austria d.d. Zagreb.

2) Note: Consolidated revenue (excluding Other income). Iskon included from 2006 onwards.

# Q1 Highlights

- Strong financial performance
- Maintained position as market leader in all business segments
- Revenue up 2.5 % y-o-y, to HRK 2.0 billion (EUR 280 million<sup>(1)</sup>)
- Growth in mobile, internet and wholesale services more than compensated for the expected decline in fixed line voice revenues
- Headcount optimisation programme ongoing
- AGM approved dividend payment of HRK 29.56 per share which equates to 100% payout ratio
- Full year 2008 guidance maintained

## IFRS, Unaudited

	Jan - Mar 2007	Jan - Mar 2008	% Change
Revenues <sup>(2)(3)</sup> (in HRK million)	1,990	2,039	2.5%
(in EUR million)	270	280	3.7%
EBITDA (in HRK million)	981	927	-5.5%
(in EUR million)	133	128	-4.3%
Net profit (in HRK million)	570	548	-3.8%
(in EUR million)	77	75	-2.6%
Headcount (at 31 Mar)	7,229	6,567	-9.2%

<sup>(1)</sup> Kuna per Euro average rate Jan-Mar 2008: 7.27; Jan-Mar 2007: 7.36

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

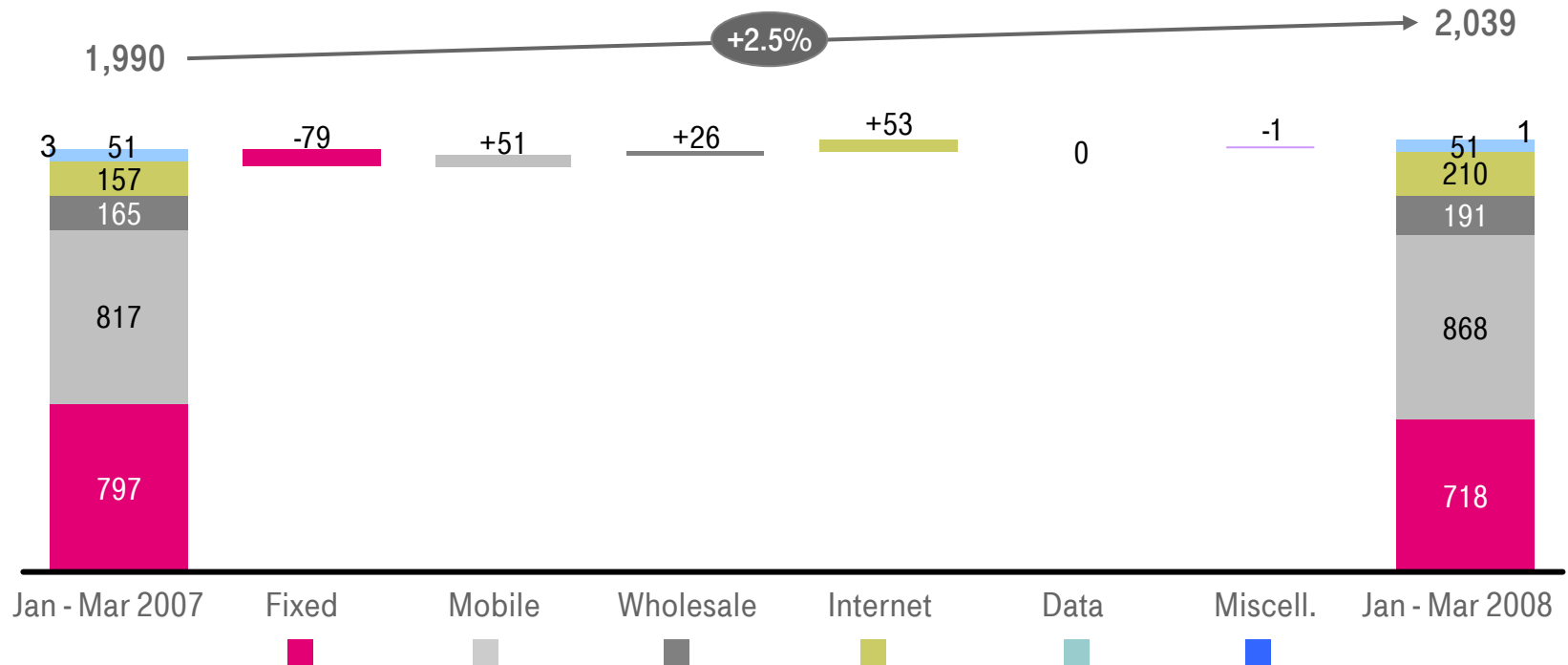
<sup>(3)</sup> Revenue from VAS services is presented on net principle.

# Revenue development

## T-HT Group

- Growth in revenue from mobile telephony, internet and wholesale services more than offset the expected decline in fixed telephony revenue resulting in an overall increase in total consolidated revenue

### Revenue (HRK million)



Note: Consolidated revenue (excluding Other income); Revenue from VAS services is presented on net principle.

## Key Highlights T-Com

- Fixed telephony declining, partly offset by growth in Wholesale services (CPS, ULL) and Mobile (FMS) services
- Strong growth in Internet services driven by IP/DSL services
- Data lines in decline as traditional services are replaced by lower cost IP based solutions

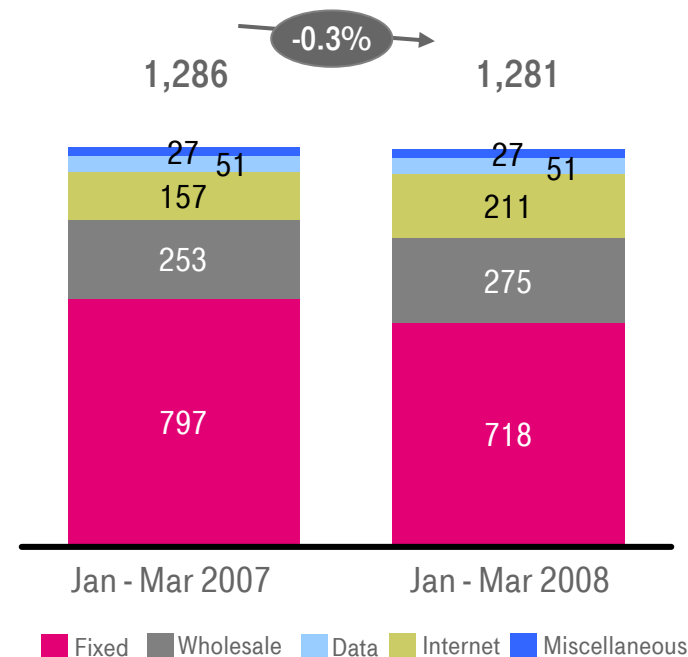
### Key financials (HRK million)

	Jan - Mar 2007	Jan - Mar 2008	% Change
Revenue <sup>(1) (2)</sup>	1,286	1,281	-0.3%
EBITDA	610	549	-10.1%
EBITDA margin	47.5%	42.8%	-4.7 p.p.
Capex	122	134	10.1%
Capex / Revenue	9.5%	10.4%	+0.9 p.p.
Headcount (at 31 Mar)	6,199	5,498	-11.3%

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

<sup>(2)</sup> Unconsolidated figures; Revenue from VAS services is presented on net principle.

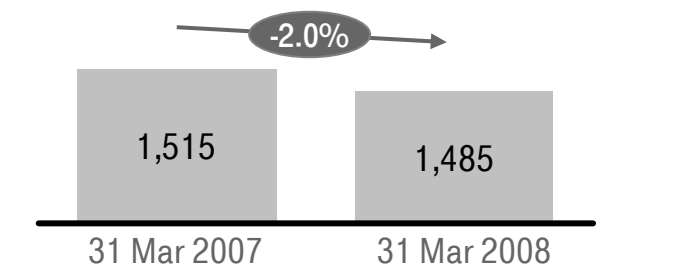
### Revenue by business service<sup>2)</sup> (HRK million)



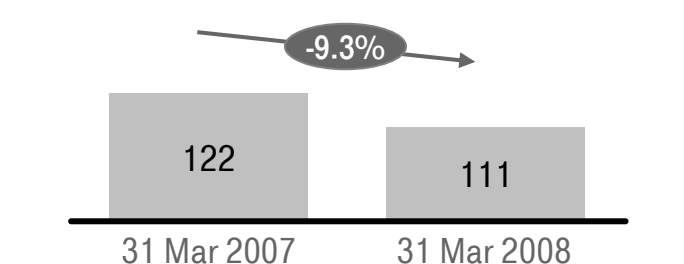
# Fixed telephony

- Number of fixed mainlines remained relatively stable
- Decline in traffic continues, but at a lower rate compared with full year 2007
- Fixed voice Average Revenue per Access (ARPA) declining mostly due to decreased traffic

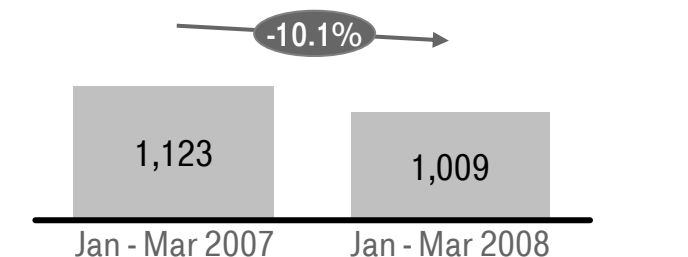
### No. of POTS<sup>(1)</sup> Mainlines ('000)



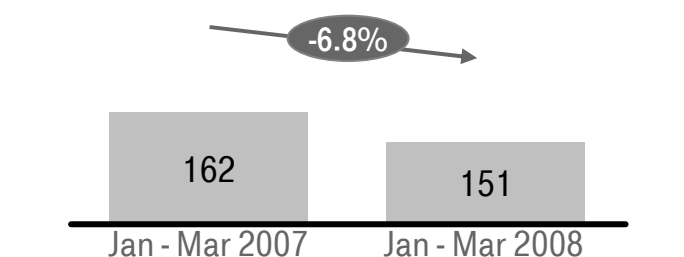
### No. of ISDN Mainlines ('000)



### Total Traffic in minutes (million)



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



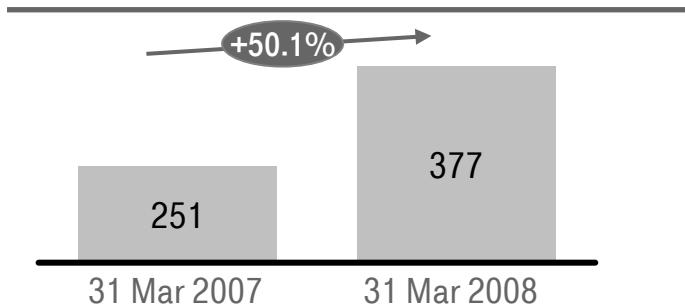
Note: <sup>(1)</sup> FGSM included; Payphones not included

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

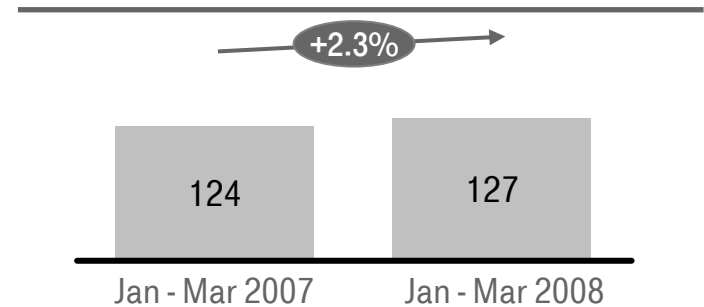
# Internet services

- Shift from dial up to broadband - lower number of active dial-up customers, although total number increased
- ADSL competitive tariff pricing - more broadband traffic for less cost and price reduction for the unlimited package
- Strong growth of MAXadsl users
- MAXtv: excellent initial take-up; promotion of content and features (MAXtv Try & Buy), Eastern Campaign, MGM, increase in exclusive content

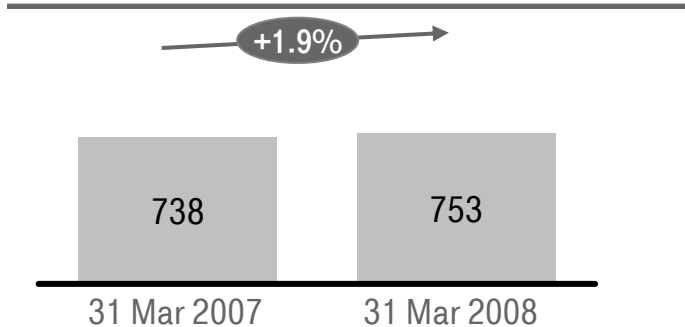
### No. of ADSL mainlines ('000)



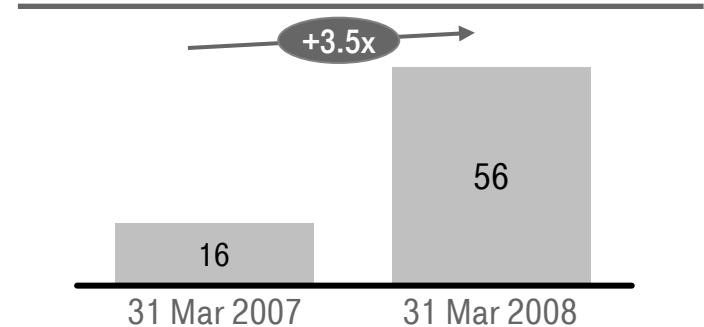
### ADSL mainlines ARPA<sup>(2)</sup> (HRK)



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



### No. of MAXtv customers ('000)



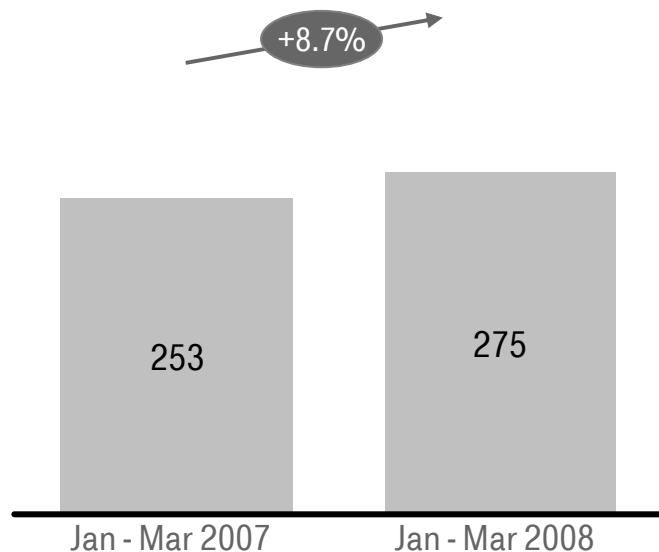
Note: (1) Active and non active users  
(2) Monthly average for the period



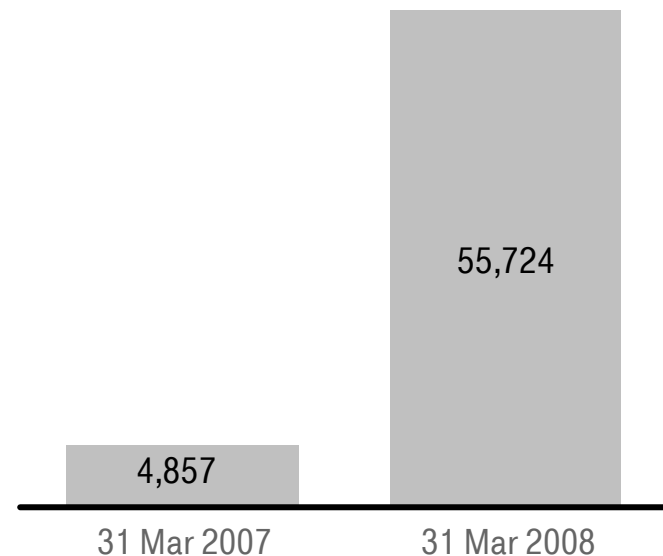
## Data and Wholesale services

- Data revenues remained flat, amounting to HRK 51 million
- Number of data lines decreasing - customer migration towards new IP-based services
- Wholesale revenues increased by 8.7%, primarily driven by continued market liberalisation
- Strong growth in ULL

### Wholesale revenue



### Number of ULL



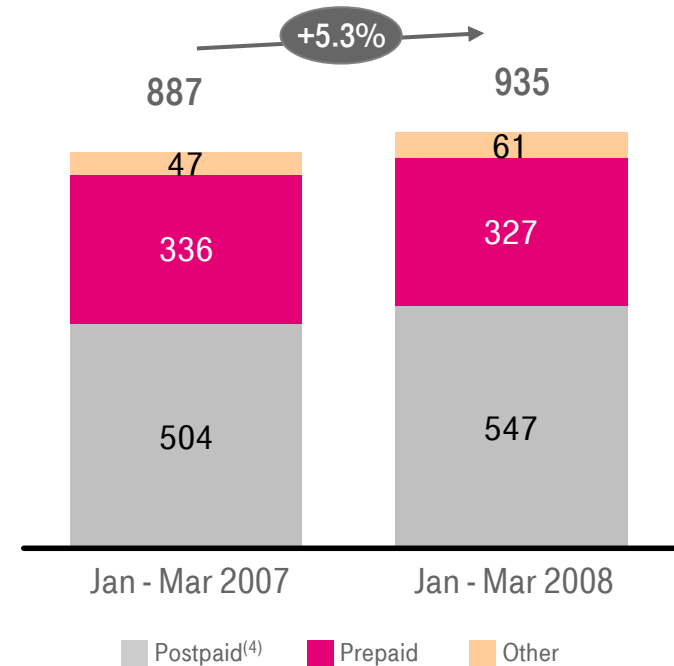
# Key Highlights T-Mobile

- Continued growth in subscriber base driving revenue growth
- Higher subscriber related costs impacting EBITDA margin

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

	Jan - Mar 2007	Jan - Mar 2008	% Change
Revenue	887	935	5.3%
EBITDA	370	379	2.2%
EBITDA margin	41.7%	40.5%	-1.2 p.p.
Capex	51	42	-18.4%
Capex / Revenue	5.8%	4.5%	-1.3 p.p.
Headcount (at 31 Mar)	1,030	1,069	3.8%

## Revenue breakdown<sup>(2) (3)</sup> (HRK million)



(1) Unconsolidated figures

(2) Revenue from VAS services is presented on net principle.

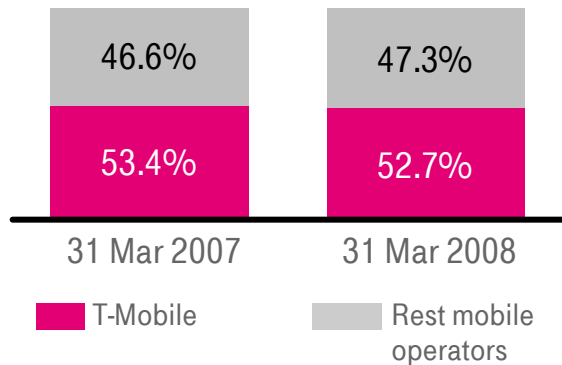
(3) Postpaid / prepaid distribution changed due to change of interconnection revenue ratio according to actual data instead of estimated.

(4) Including visitors' revenue.

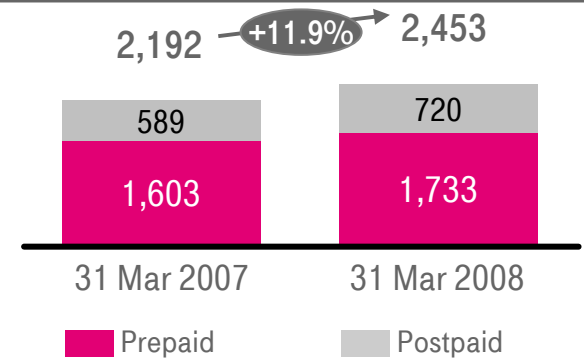
# Mobile telephony

- T-Mobile is maintaining market leadership against competition
- Increased share of postpaid subscribers from 26.9% to 29.4%
- ARPU decrease is managed through effective value-for-money positioning
- Growing minutes of usage (MOU) partially neutralised pricing pressure

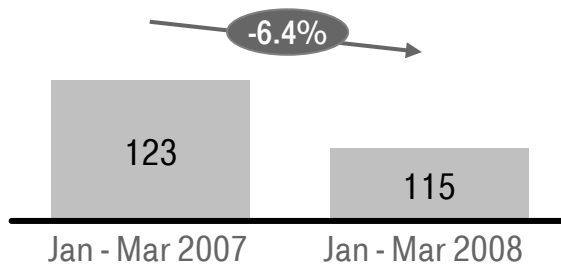
### Market share by revenue (%)<sup>(1)(2)</sup>



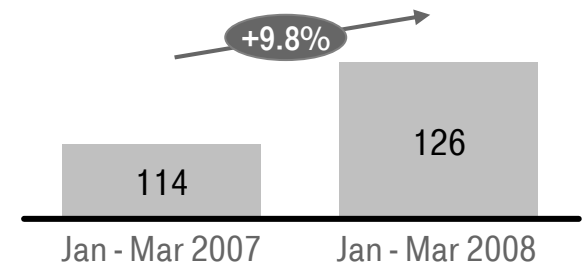
### Number of T-Mobile Subscribers ('000)



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



### Average MOU (minutes/month)



(1) Source: Telekom Austria Annual report for 2007. Tele2 Quarterly report for Q1'08. VIPnet's Total revenues for Q1'08 internally estimated. VIPnet's National roaming revenues internally estimated. Tele2 Total revenues internally estimated. Market shares are based on unconsolidated revenues for T-Mobile (i.e. not net of T-Com revenues).

(2) Revenue from VAS services is presented on net principle.

# Group Financial Highlights

IFRS, Unaudited	HRK million		
	Jan - Mar 2007	Jan - Mar 2008	% Change
Revenue <sup>(1)</sup>	1,990	2,039	2.5%
EBITDA	981	927	-5.5%
EBITDA margin	49.3%	45.5%	-3.8 p.p.
Net profit	570	548	-3.8%
Net profit margin	28.6%	26.9%	-1.7 p.p.
Capex	173	176	1.7%
Capex / Revenue	8.7%	8.6%	-0.1 p.p.

<sup>(1)</sup> Excluding Other income; Revenue from VAS services is presented on net principle.

# Group 2008 Outlook maintained

## Revenue

- Group revenue expected to remain stable at 2007 levels.
- Expected decline in fixed-line revenue will be offset by continuing strong growth of internet and mobile revenue. Wholesale revenue expected to remain stable.
- ADSL customer base expected to reach 450,000 customers by the end of 2008. Strong growth in our MAXtv customer base expected to continue.
- Growth in mobile subscribers and data services is expected to result in a moderate growth in mobile revenue this year. Mobile ARPU will decrease as a natural consequence of SIM growth outpacing revenue growth.

## CAPEX

- The Group is focused on the development of an access network as a part of its strategy to migrate to a single IP platform. Therefore CAPEX is expected to represent a slightly higher percentage of revenue in 2008, compared with 2007.

## EBITDA

- Competitive pressure, increasing subscriber acquisition and retention costs in both the fixed-line and mobile segments will continue to impact the Group's EBITDA margin, although our ongoing cost control programme will mitigate this to some degree. Headcount optimisation will continue, but not as extensively as in 2007.

## Regional Expansion

- We intend to participate in the privatization process of HT Mostar, which is expected to start this year. The Group holds a 39.1% stake in HT Mostar and is represented on its management bodies. We will continue to monitor and evaluate all other expansion opportunities that we believe could increase shareholder value.

# Appendix

# Consolidated Income Statement

in HRK million (IFRS; Unaudited)	Jan-Mar 2008	Jan-Mar 2007	% change 08/07
Mobile telephony	868	817	6,2%
Fixed telephony	718	797	-9,9%
Wholesale services	191	165	15,7%
Internet services	210	157	33,7%
Data services	51	51	-0,6%
Miscellaneous	1	3	-53,2%
<b>Revenues<sup>1)</sup></b>	<b>2.039</b>	<b>1.990</b>	<b>2,5%</b>
Other operating income	69	64	7,1%
<b>Operating expenses</b>	<b>1.180</b>	<b>1.073</b>	<b>10,0%</b>
Merchandise, material, services, energy and other expenses	887	774	14,6%
Merchandise, material and energy expenses	240	185	29,3%
Services expenses	313	275	13,7%
Other expenses	334	313	6,7%
Employee benefits expenses	279	288	-2,8%
Work performed by the Group and capitalised	-22	-24	-6,2%
Write down of current assets	36	36	0,6%
<b>EBITDA<sup>2)</sup></b>	<b>927</b>	<b>981</b>	<b>-5,5%</b>
<b>Depreciation and amortization</b>	<b>337</b>	<b>347</b>	<b>-2,9%</b>
<b>Impairment of non-current assets</b>	<b>1</b>	<b>0</b>	
<b>EBIT<sup>3)</sup></b>	<b>590</b>	<b>634</b>	<b>-7,0%</b>
Net financial income	93	82	12,8%
Income from investment in joint ventures	6	0	
<b>Profit before taxes</b>	<b>688</b>	<b>716</b>	<b>-3,9%</b>
Taxation	140	147	-4,4%
<b>Net profit</b>	<b>548</b>	<b>570</b>	<b>-3,8%</b>

(1) As of Q1 2008, revenue from VAS (Value-added services) is presented on a net basis and the figures for Q1 2007 have been adjusted accordingly. Had the VAS revenue been stated on the previous gross basis, Group revenue would be HRK 63 million higher in Q1 2008.

(2) EBITDA – Earnings before interest, taxes, depreciation and amortization. The Group believes that EBITDA is measure commonly used by analyst and investors in the industry in which it operates. EBITDA, as calculated by the Group, may not be comparable to similarly titled measures reported by other companies.

(3) EBIT - Earnings before interest and taxes but after exceptional items.

## Consolidated Balance Sheet

in HRK million (IFRS; Unaudited)	At 31 March 2008	At 31 December 2007	% change 08/07
Intangible assets	983	1.005	-2,1%
Property, plant and equipment	6.010	6.153	-2,3%
Goodwill	77	77	-0,5%
Investments	398	393	1,3%
Other long term assets	109	113	-3,8%
<b>Total non-current assets</b>	<b>7.577</b>	<b>7.741</b>	<b>-2,1%</b>
Inventories	246	230	6,9%
Trade and other receivables	1.250	1.266	-1,3%
Prepayments and accrued income	66	62	6,0%
Available-for-sale investments	115	93	24,1%
Cash equivalents and time deposits	6.137	5.900	4,0%
<b>Total current assets</b>	<b>7.814</b>	<b>7.551</b>	<b>3,5%</b>
<b>TOTAL ASSETS</b>	<b>15.391</b>	<b>15.292</b>	<b>0,6%</b>
Subscribed share capital	8.189	8.189	0,0%
Reserves	412	411	0,0%
Retained earnings	4.524	3.975	13,8%
<b>Total issued capital and reserves</b>	<b>13.125</b>	<b>12.575</b>	<b>4,4%</b>
Provisions	145	90	60,8%
Employee benefit obligations	205	201	2,0%
Deferred income and other non-current liabilities	19	163	-88,2%
<b>Total non-current liabilities</b>	<b>369</b>	<b>454</b>	<b>-18,7%</b>
Trade and other payables	1.055	1.513	-30,3%
Provisions for redundancy	160	231	-30,5%
Accruals, deferred income and short term borrowings	681	519	31,2%
<b>Total current liabilities</b>	<b>1.896</b>	<b>2.263</b>	<b>-16,2%</b>
Total liabilities	2.265	2.717	-16,6%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15.391</b>	<b>15.292</b>	<b>0,6%</b>



# Consolidated Cash Flow Statement

in HRK million (IFRS; Unaudited)	Jan-Mar 2008	Jan-Mar 2007	% change 08/07
Net profit	548	570	-3,8%
Depreciation and impairment loss of non-current assets	337	347	-2,7%
Income tax expense	140	147	-4,4%
Decrease/ (Increase) in inventories	-16	-28	-44,9%
(Increase) / Decrease in receivables and payables	105	-29	-458,6%
Decrease in provisions	-93	-85	9,3%
Other transaction with impact on operating activities	-542	-520	4,2%
Taxes paid	-141	-135	4,4%
<b>Net cash flows from operating activities</b>	<b>339</b>	<b>265</b>	<b>27,9%</b>
Net Purchase/Proceeds of non-current assets	-175	-165	5,8%
Net Purchase/Proceeds of financial assets	814	437	86,4%
Interest received	94	49	90,6%
Dividend received	0	0	
<b>Net cash flows from / (used in) investing activities</b>	<b>733</b>	<b>321</b>	<b>128,6%</b>
Repayment of long-term borrowings and lease liability	-3	-1	117,8%
Dividends paid	0	0	
<b>Net cash flows used in financing activities</b>	<b>-3</b>	<b>-1</b>	<b>117,8%</b>
<b>Net decrease in cash and cash equivalents</b>	<b>1.070</b>	<b>585</b>	<b>83,0%</b>
Effect of F/X rate changes on cash and cash equivalents	-3	-3	5,7%
Cash and cash equivalents at 1 January	3.366	1.248	169,7%
Net cash (outflow) / inflow	1.067	582	83,4%
<b>Cash and cash equivalents at 31 March</b>	<b>4.432</b>	<b>1.830</b>	<b>142,3%</b>

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

Reuters: THTC.L, HT.ZA

Bloomberg: THTC LI, HRTA CZ