

Zagreb – 30 April 2009

## **T-Hrvatski Telekom**

### **Results for the first three months of 2009**

**Solid performance despite economic uncertainty; revenue up 1.7%, EBITDA up 2.5%, net profit up 6.4%**

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces its unaudited results for the first three months of 2009.

#### **Group Highlights**

- Revenue up 1.7% to HRK 2,068 million (EUR 279 million) despite challenging economic conditions
- Strong growth in internet and mobile revenue
- EBITDA up 2.5% to HRK 950 million (EUR 128 million); EBITDA margin stable at 45.9%
- Net profit up 6.4% to HRK 583 million (EUR 79 million)
- Operating cash flow and cash position remain strong

#### **T-Mobile**

- Subscriber numbers increased by 13.4% to 2.78 million, with a market share of 46.1% by SIM
- Revenue up 6.6% to HRK 990 million (EUR 134 million)
- Postpaid revenue increased by 5.7% to HRK 567 million (EUR 76 million), now 57.2% of T-Mobile revenues

#### **T-Com**

- Internet revenue up 29.3% to HRK 272 million (EUR 37 million), now 21.7% of T-Com revenue
- ADSL mainlines up 30.6% to 492,989
- MAXtv subscribers up 167.9% to 150,953

#### **Ivica Mudrinić, President of the Management Board , said:**

“Although T-Hrvatski Telekom has produced solid results for the first three months of 2009, we remain cautious about the rest of 2009 and are managing our business accordingly. The Croatian National Bank recently forecast a 4% decline in economic activity this year and that reinforces our view that T-HT's revenues are likely to decline in 2009. In response to the economic and competitive pressures we are facing, we continue to monitor our key performance indicators very closely and are ready to take whatever actions are necessary to protect shareholder value.”

## Contact details

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### College Hill

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A conference call for analyst and investors will start at 14.00 UK time / 15.00 CET today. The dial-in details are as follows:

### Conference Call

International dial-in	+44 (0) 1452 555 566
UK free call dial in	0800 694 0257
Conference ID	96896289

### Replay available until 7 May 2009

International dial-in	+44 (0) 1452 550 000
UK free call dial in	0800 953 1533
Access number	96896289#

A presentation covering results for the first three months of the 2009 financial year can be downloaded from the T-HT web site.

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

## About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving more than 1.5 million fixed lines, 2.78 million mobile subscribers and more than 492,000 broadband connections through its two divisions: T-Com and T-Mobile.

Deutsche Telekom AG owns 51% of T-HT's shares, with the Government of the Republic of Croatia owning 3.6% following the transfer of a proportion of its holding to Croatian private investors as bonus shares, in October 2008. Since its initial public offering in October 2007, T-HT shares have traded on the Zagreb Stock Exchange, with global depositary receipts trading on the London Stock Exchange.

### Summary of key financial indicators

in HRK million	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
Revenue <sup>1)2)</sup>	2,068	2,033	1.7%
EBITDA	950	927	2.5%
EBIT (Operating profit)	605	590	2.4%
Net profit	583	548	6.4%
<b>EBITDA margin</b>			
EBITDA margin	45.9%	45.6%	0.3 p.p.
<b>EBIT margin</b>			
EBIT margin	29.2%	29.0%	0.2 p.p.
<b>Net profit margin</b>			
Net profit margin	28.2%	27.0%	1.2 p.p.
<b>in HRK million</b>			
	At 31 Mar 2009	At 31 Dec 2008	% change 09/08
Cash equivalents and time deposits	3,638	5,436	-33.1%
Total assets	14,287	15,179	-5.9%
Total issued capital and reserves	11,970	12,440	-3.8%
<b>in HRK million</b>			
	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
Net cash flow from operating activities	275	339	-19.0%

### Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Three months to 31 March 2008	7.29	7.26	4.88	4.59
Three months to 31 March 2009	7.41	7.46	5.68	5.66

### Summary of key performance indicators

T-Mobile	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
Subscribers	2,780,836	2,453,141	13.4%
Minutes of Use (MOU) per average subscriber	104.6	125.5	-16.7%
Blended ARPU	102.1	114.0	-10.4%
Churn rate (%)	1.5	1.2	0.3 p.p.
Market share of subscribers (%)	46.1	47.5	-1.4 p.p.
Market share by revenue (%)	49.2	49.1	0.1 p.p.
<b>T-Com</b>			
	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
Total (POTS+FGSM+ISDN) mainlines	1,530,589	1,596,303	-4.1%
Total traffic (thousands of minutes)	933,925	1,009,400	-7.5%
ADSL mainlines	492,989	377,340	30.6%
ADSL mainlines ARPA	123	124	-0.8%
IPTV customers	150,953	56,355	2.7x
ULL (Unbundled Local Loop)	102,139	45,160	2.3x

## First Quarter 2009 Report

### Business and financial review

#### Introduction

T-Hrvatski Telekom Group (T-HT) is Croatia's leading telecommunications company, with revenues of HRK 8.8 billion in 2008.

T-HT is the market leader in all business segments in which it operates. Through its two divisions – T-Com and T-Mobile – it provides a full range of residential and business services including fixed-line and mobile telephony, internet access, wholesale, data services and interactive television.

As at 31 March 2009, T-Com served more than 1.5 million fixed-lines and more than 492,000 high-speed broadband connections – up from around 377,000 at the end of March 2008. T-HT's TV-by-internet service MAXtv had nearly 151,000 subscribers – an increase of 168% on the first three months of 2008.

In the mobile market, T-Mobile had 2.78 million subscribers at the end of March 2009, up from 2.45 million in March 2008, and representing an estimated market share of 46.1% by subscribers, and an estimated 49.2% market share by revenue.

The Group's internet site tportal.hr, is one of the leading news portal in Croatia with more than 200,000 unique users every day.

#### Group financial performance

##### Revenue

Despite the economic downturn, the first three months of 2009 have started well for T-HT Group with revenue increasing by 1.7% to HRK 2,068 million (Q1 2008: 2,033 million).

Growth in internet and mobile telephony services continues to offset a decline in fixed-telephony revenue. Together, these two services account for 58.0% of Group revenue, compared with 52.8% in the first three months of 2008, with fixed-telephony revenue contributing 31.4% in 2009, compared with 35.3% in 2008.

Since the beginning of 2009, accounting standard IFRIC 13 has been applied and the 2008 financial figures have been restated accordingly. IFRIC 13 addresses how companies that grant their customers loyalty award credits when buying goods or services should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. IFRIC 13 requires companies to estimate the value of the points granted to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.

The effect of IFRIC 13 is to reduce revenues by the following amounts:

- T-HT Group: Q1 2008 – HRK 6.1 million; Q1 2009 – HRK 5.0 million
- T-Mobile: Q1 2008 – HRK 5.2 million; Q1 2009 – HRK 0.2 million
- T-Com: Q1 2008 – HRK 0.9 million; Q1 2009 – HRK 4.8 million;

There was no impact of IFRIC 13 on EBITDA.

## Operating expenses

Total operating expenses before depreciation and amortisation increased by 0.6% to HRK 1,182 million in 2009 (Q1 2008: HRK 1,174 million), mostly because of increases in the costs of services, employee benefits and other expenses, as detailed below. Operating expenses account for 57.2% of revenue, down from 57.7% in 2008.

### Merchandise, material, services, energy and other expenses

- Merchandise, material and energy expenses

The total cost of merchandise, materials and energy across the Group has fallen by 6.9% to HRK 222 million (Q1 2008: HRK 239 million), because of lower costs associated with mobile merchandise sold through indirect channels.

- Services expenses

Services expenses increased by 5.9% to HRK 332 million (Q1 2008: HRK 313 million), mostly because of higher domestic interconnection charges and higher costs for other services purchased.

- Other expenses

Other expenses increased by 1.5% to HRK 334 million (Q1 2008: HRK 329 million) as a result of higher travel, different licences, postage and education costs, offset slightly by lower costs associated with consulting and maintenance.

### Employee benefit expenses

Total employee benefits expenses increased by 2.9% to HRK 288 million (Q1 2008: HRK 279 million), mainly as a result of the new Collective Agreement that came into force on 1 July 2008, the extra costs of which offset a reduction in headcount from 6,567 in March 2008 to 6,331 at the end of March 2009.

### Write-down of current assets

The write down of current assets decreased by 35.0% to HRK 23 million (Q1 2008: HRK 36 million) mainly due to an improvement in collection of receivables.

### Depreciation and amortisation

Depreciation and amortisation increased by 2.5% to HRK 346 million (Q1 2008: HRK 337 million) as a result of higher capital expenditure in 2008, to fund improvements to T-HT's infrastructure.

## T-HT Group profitability

in HRK million	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
Revenue <sup>1)2)</sup>	2,068	2,033	1.7%
EBITDA	950	927	2.5%
EBIT (Operating profit)	605	590	2.4%
Net profit	583	548	6.4%
EBITDA margin	45.9%	45.6%	0.3 p.p.
EBIT margin	29.2%	29.0%	0.2 p.p.
Net profit margin	28.2%	27.0%	1.2 p.p.

1) 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, the 2008 figures have been restated. The impact of IFRIC 13 on T-HT Group revenue is: Q1 2008: - 6.1 million HRK; Q1 2009: - 5.0 million HRK.

2) Excluding other operating income

Group margins have improved slightly in the first three months of 2009. With revenue growth exceeding the growth in costs, Group EBITDA increased by 2.5% to HRK 950 million (Q1 2008: HRK 927 million), at an EBITDA margin that improved slightly to 45.9% (Q1 2008: 45.6%).

Despite an increased level of depreciation and amortisation, Group EBIT rose 2.4% to HRK 605 million (Q1 2008: HRK 590 million), at an operating margin of 29.2% (Q1 2008: 29.0%).

Net profit rose 6.4% to HRK 583 million (Q1 2008: HRK 548 million) as a result of higher operating profits and a larger contribution from net financial income, which was HRK 125 million in the first three months of 2009, compared with HRK 92 million in 2008. T-HT's tax charge increased slightly from HRK 140 million in 2008 to HRK 149 million in 2009.

### Balance sheet

The Group's balance sheet and cash reserves remain strong. From 31 December 2008, the value of Group assets decreased by 5.9%, to HRK 14,287 million at 31 March 2009, mostly because the Group funded an advance dividend payment of HRK 1,051 million in March. The residual amount of HRK 1,404 million will be paid in May 2009.

At the end of March 2009, the Group had cash, cash equivalents and time deposits of HRK 3,638 million, compared with HRK 5,436 million at the end of December 2008.

### Cash flow

Cash flow from operating activities is T-HT Group's principal source of funds, enabling it to finance significant capital investment and dividend distributions. Compared to the first three months of 2008, net cash flows from operating activities decreased by 19.0%, as a result of a change in fixed-voice billing that became effective in January. Under the new billing regime, monthly subscription fees for line rental will be charged in arrears. As previously indicated, the one-off impact of this change was around HRK 80 million.

As previously mentioned, the group funded an advance dividend payment of HRK 1,051 million in March.

## Capital expenditure

in HRK million	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
T-Com	181	134	35.5%
T-Mobile	38	42	-9.5%
<b>Total Capital Expenditure</b>	<b>219</b>	<b>176</b>	<b>24.8%</b>

Capital expenditure increased by 24.8% to HRK 219 million (Q1 2008: HRK 176 million), representing a capex to revenue ratio of 10.6% (Q1 2008: 8.6%). As previously announced, the Group is increasing investments to extend its new optical access network, with optical fiber to the home (FTTH) and to the building (FTTB). The optical access network will improve high-speed internet and data services and support T-HT's innovative consumer services such as high definition television and video on demand.

## Analysis of segmental results

The Group's results are presented to reflect its composition of two distinct businesses:

- T-Mobile provides mobile telephony services including wholesale, Internet and mobile data services.
- T-Com provides fixed telephony, wholesale services, Internet and data services. It encompasses HT-Hrvatske telekomunikacije d.d. and Iskon Internet d.o.o., acquired in May 2006.

Because of inter-segment transactions, the sum of the financial results of the two individual segments does not equal the Group's financial results in total.

## T-Mobile highlights

T-Mobile maintained its leadership of a mobile telephony market that continues to grow in Croatia, with mobile SIM penetration of nearly 136% according to T-Mobile estimates.

- Subscriber numbers increased by 13.4% to 2.78 million (Q1 2009 on Q4 2008 increase:3.4%, Q1 2009 net adds: 90,844) , with a market share of 46.1% by SIM
- Revenues up 6.6% to HRK 990 million
- Postpaid revenues increased by 5.7% to HRK 567 million, now 57.2% of T-Mobile revenues
- EBITDA rose by 12.3% to HRK 425 million, with EBIT up 17.6% to HRK 306 million

Of three mobile operators, T-Mobile is the largest with a market share of 46.1% by SIM, slightly down from 47.5% in March 2008, and a share of 49.2% by revenue, up from 49.1%.

During the first quarter of 2009, T-Mobile offered an array of new products that were created to fulfil the specific needs of different types of customer. For example, T-Mobile became the first operator in Croatia to launch a weekly paid option for prepaid customers. Marketing initiatives such as these contributed to a 13.4% increase in subscriber numbers to 2.78 million (Q1 2008: 2.45 million).

Postpaid subscriptions rose 17.1% to 843,487 (Q1 2008: 720,167), or 30% of the subscriber base (Q1 2008: 29%). Postpaid subscribers now account for 57.2% of T-Mobile revenues (Q1 2008: 57.7%).

Average minutes of use per subscriber have decreased from 125.5 in the first three months of 2008 to 104.6 in the first three months of 2009, mainly as a result of increase in subscriber numbers and lower prepaid usage because of different promotional incentives offered this year.

As a result of both decreased usage in prepaid and increased penetration of SIMs, blended monthly ARPU fell 10.4% to HRK 102.1 (Q1 2008: HRK 114.0).

Subscriber acquisitions costs (SAC) per gross add fell 18.1% owing to highly efficient marketing initiatives that drove the 90,844 increase in subscriber numbers compared with the end of December 2008.

The overall churn rate has increased 0.3pp to 1.5% as a result of higher churn in prepaid accounts because of increased competition for lower-value prepaid subscribers.

## T-Mobile

in HRK million	Jan-Mar 2009	%	Jan-Mar 2008	%	% change 09/08
Revenue from Postpaid services <sup>1)2)</sup>	567	57.2%	536	57.7%	5.7%
Revenue from Prepaid services	306	30.9%	327	35.2%	-6.4%
Other mobile revenue <sup>1)</sup>	118	11.9%	66	7.1%	77.7%
<b>Revenue <sup>3)</sup></b>	<b>990</b>	<b>100.0%</b>	<b>929</b>	<b>100.0%</b>	<b>6.6%</b>
Other operating income	30		48		-38.7%
Operating expenses	595		599		-0.7%
<b>EBITDA</b>	<b>425</b>	<b>42.9%</b>	<b>379</b>	<b>40.8%</b>	<b>12.3%</b>
Depreciation and amortization	119		119		0.5%
<b>EBIT</b>	<b>306</b>	<b>30.9%</b>	<b>260</b>	<b>28.0%</b>	<b>17.6%</b>

<sup>1)</sup> Revenue from postpaid services and other mobile revenue have been restated due to the appliance of IFRIC 13.

<sup>2)</sup> Including visitor revenue.

<sup>3)</sup> Unconsolidated figures, excluding other operating income.

## Revenue

T-Mobile increased revenue by 6.6% to HRK 990 million (Q1 2008: HRK 929 million), mainly because of the 5.7% increase in postpaid revenue, to HRK 567 million (Q1 2008: HRK 536 million), which more than offset a decline in prepaid revenues.

## Profitability

Higher mobile revenue helped T-Mobile increase EBITDA by 12.3% to HRK 425 million (Q1 2008: HRK 379 million), at a margin of 42.9%. EBIT increased by 17.6% to HRK 306 million in 2009 from HRK 260 million in 2008.

## Capital expenditure

Capital expenditure declined by 9.5% to HRK 38 million as a result of delay in base station and core-network projects. This represents 3.8% of T-Mobile revenue, compared with 4.5% in the first three months of 2008.



## T-Com highlights

T-Com maintained its strong leadership in all segments of the fixed-line market in 2009, despite increasing competition.

- Internet revenue up 29.3% to HRK 272 million, now 21.7% of T-Com revenue
- ADSL mainlines up 30.6% to 492,989 (quarter-on-quarter: up 4.3%, Q1 net adds: 20,336)
- MAXtv subscribers up 167.9% to 150,953 (quarter-on-quarter: up 11.3%, Q1 net adds: 15,380)
- ULL up 126.2% to 102,139 lines (quarter-on-quarter: up 17.3%, Q1 net adds: 15,067)
- EBITDA fell by 4.3% to HRK 525 million

One of nine fixed-line providers in Croatia, T-Com is by far the market leader with 1.5 million lines connected. The fixed-line telephony business remains strong despite challenging conditions that include the economic downturn, increasing competition and some migration of fixed-line use to mobiles.

T-Com is also the market leader in the provision of internet access, particularly high-speed broadband through ADSL technology, serving more than 490,000 subscribers. In the Wholesale market, T-Com remains the largest provider, with the most extensive network coverage.

Total mainlines of all types fell 4.1% to 1,539,377, compared with 1,606,011 at the end of March 2009. The decline is mostly attributable to mobile substitution and increasing competition from rival operators, as evidenced by the increase in unbundled local loops.

## T-Com

in HRK million	Jan-Mar 2009	%	Jan-Mar 2008	%	% change 09/08
Fixed telephony	649	51.6%	718	56.0%	-9.5%
Wholesale services	259	20.6%	275	21.4%	-5.5%
Internet services	272	21.7%	211	16.4%	29.3%
Data services	48	3.8%	51	4.0%	-6.2%
Miscellaneous	28	2.2%	27	2.1%	5.7%
<b>Revenue <sup>1)2)</sup></b>	<b>1,257</b>	<b>100.0%</b>	<b>1,281</b>	<b>100.0%</b>	<b>-1.8%</b>
Other operating income	57		43		32.3%
Operating expenses	789		775		1.8%
<b>EBITDA</b>	<b>525</b>	<b>41.8%</b>	<b>549</b>	<b>42.8%</b>	<b>-4.3%</b>
Depreciation and amortization	226		219		3.5%
<b>EBIT</b>	<b>299</b>	<b>23.8%</b>	<b>330</b>	<b>25.8%</b>	<b>-9.5%</b>

<sup>1)</sup> Unconsolidated figures; excluding other income.

<sup>2)</sup> IFRIC 13 has been applied from Q1 2009. Consequently, Q1 2008 revenues have been restated.

## Revenue

T-Com revenue fell just 1.8% in the first three months of 2009 to HRK 1,257 million (Q1 2008: HRK 1,281 million) with strong growth in internet revenue almost negating the decline in fixed-telephony, wholesale and data revenue.

### Fixed-line telephony

Revenue from fixed-line telephony continued to fall, as expected, as a result of increasing competition and fixed-to-mobile substitution. Revenue in the first three months of 2009 fell 9.5% to HRK 649 million (Q1 2008: HRK 718 million).

In the first quarter of 2009, voice traffic for T-Com's retail fixed-line users amounted to 934 million minutes, which was 7.5% less than in the first three months of 2008. The majority of such fixed-line calls were national calls made to fixed and mobile networks.

Fixed-telephony ARPA (average monthly voice revenue per voice access) fell 8.4% to HRK 138 as a result of competition, fixed to mobile substitution and an increase in the use of internet telephony within broadband subscriptions.

### Internet services

ADSL subscribers increased 30.6% to 492,989 (Q1 2008: 377,340) as a result of strong promotional activities including free upgrade to a higher speed and the offer of two months' flat broadband access to new subscribers for just 1 kuna.

Internet revenues increased 29.3% to HRK 272 million (Q1 2008: 211 million), and now contribute 21.7% of T-Com revenue. Much of the increase in subscriber numbers and revenue can be attributed to the migration of active dial-up users to ADSL.

MAXtv, the Group's interactive TV service, increased subscriber numbers by 167.9%, ending the first quarter of 2009 with 150,953 subscribers (Q1 2008: 56,355). This strong growth was supported by the new standalone MAXtv service, which does not require a broadband subscription.

MAXtv features blockbuster films from studios including Warner Bros, Paramount Pictures, NBC Universal as well as numerous local and international TV channels including an HBO premium package (HBO, HBO Comedy) and an exclusive HBO Digital on-demand service. A premium service offers a networked personal video recorder, with the ability to record MAXtv channels whenever the subscriber wishes. MAXtv offers high-definition TV with up to seven HD channels.

### Wholesale

As anticipated in the 2008 full-year results, revenue from wholesale services fell. The 5.5% decline from HRK 275 million to HRK 259 million is attributable mainly to a decrease in dial-up traffic from migration to broadband services.

Fully unbundled lines increased from 45,160 at the end of Q1 2008 to 102,139 at the end of Q1 2009, while ported numbers increased from 172,623 to 300,577 over the same period. Year-on-year increases were 126.2% for ULL and 74.1% for ported numbers. Carrier pre-select fell slightly from 233,646 at the end of Q1 2008 to 227,239 at the end of Q1 2009 – a fall of 2.7% year on year.

In February 2009, the Regulator imposed new fixed and mobile interconnection charges effective from March 2009:

- Single tandem fixed rates decreased by 20% to 7.5 lipa/min (1.03 €/min) peak and 0.52 €/min off-peak;
- Local fixed rates decreased by 13% to 4.8 lipa/min (0.66 €/min) peak and 2.4 lipa/min (0.33 €/min) off-peak;
- Mobile termination rate decreased by 14.5% to 67.2 lipa/min (9,1 €/min).

### **Data services**

T-Com is focused on the migration of customers from traditional data towards new services such as Metro Ethernet and IP VPN (which are part of Internet services). Data revenue declined 6.2% to HRK 48 million (Q1 2008: 51 million), with total data lines and connection points falling 3.8% to 6,241 (Q1 2008: 6,486), despite an 80% increase in Virtual Private Network connection points to 2,884. Although T-Com faces strong competition in respect of both Metro Ethernet and IP VPN services, T-Com's main advantages over its competitors are its network coverage and quality of service.

### **Profitability**

EBITDA decreased by 4.3 % to HRK 525 million (Q1 2008: HRK 549 million), mainly because of the decrease in revenue from fixed telephony, data and wholesale services, and an increase in the cost of services including domestic telecommunication services and copyright fees.

EBIT fell by 9.5% to HRK 299 million (Q1 2008: HRK 330 million) due to EBITDA development as described above and increase in depreciation and amortization costs.

### **Capital expenditure**

T-Com's capital expenditure increased by 35.5 % to HRK 181 million (Q1 2008: HRK 134 million), mainly due to higher investments in network infrastructure (e.g. optical access network, DSL access nodes) and provisioning area, as well as investments in information technology.

T-Com's capex to revenue ratio was 14.4% in the first quarter of 2009, compared with 10.5% in Q1 2008.

### **Risk management**

The Group's risk management unit regularly reports to the Management Board on risks and their development. The Audit Committee of the Supervisory Board regularly examines the risk management system and the risk reports at its meetings.

There has been no significant change to the Group's risk profile as described in the 2008 Annual Report in March 2009.

## 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

## Financial statements

### 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 <sup>1)</sup></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 <sup>2)</sup></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 <sup>3)</sup></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>

<sup>1)</sup> Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customer's 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.

<sup>2)</sup> EBITDA - Earnings before interest, taxes, depreciation and amortization. The Group believes that EBITDA is measure commonly used by analysts 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.

<sup>3)</sup> EBIT - Earnings before interest and taxes.

## 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>

## Statement of changes in Equity

in HRK million / Jan-Mar 2009	Subscribed share capital	Legal reserves	Fair value reserves	Retained earnings	Total
Balance at 31 December 2008	8.189	409	-1	3.843	12.440
Profit or loss for the current period	0	0	0	583	583
Paid dividends	0	0	0	-1.051	-1.051
Gains/losses on revaluation of fixed assets	0	0	0	0	0
Gains/losses on revaluation of available- for-sale investments	0	0	-2	0	-2
Gains/losses on other revaluations	0	0	0	0	0
<b>Balance at 31 March 2009</b>	<b>8.189</b>	<b>409</b>	<b>-3</b>	<b>3.375</b>	<b>11.970</b>

## Notes to the condensed consolidated financial statements For the three months ended 31 March 2009

### Basis of preparation

The condensed consolidated financial statements of 31 March 2009 and for the three months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

### Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, except for investments available-for-sale stated at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of T-HT's consolidated financial statements for the year ended 31 December 2008.

### Dividends

In April 2009, the General Assembly of HT-Hrvatske telekomunikacije d.d. decided on a dividend payment to the shareholders resulting from results of the Company for 2008 and retained earnings in the amount of HRK 2,456 million (HRK 29,99 per share). In March 2009 HRK 1,051 million was paid as advance dividend approved by the Supervisory Board, while HRK 1,405 million will be paid as per decision of the General Assembly latest by 19 May 2009.

### Segment information

The primary segment reporting format is determined to be business segments as the T-HT's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

T-Com provides fixed telephony, wholesale services, internet services and data services.

T-Mobile provides mobile telephony.



Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transactions between business segments. Those transactions are eliminated in consolidation.

T-HT's geographical segments are based on the geographical location of its customers.

Revenue from mobile terminating calls transited through T-Com's network are disclosed as revenue from wholesale services in T-Com segment, while on Group level they are reclassified to revenue from mobile telephony.

Revenue from sale of mobile trade goods through T-Com's shops is disclosed as miscellaneous revenue in T-Com segment, while on Group level they are reclassified to revenue from mobile telephony.

Due to tourist season, higher revenues and operating profits are usually expected in the summer months for T-Mobile segment. Interim financial statements for the three months ended on 31 March 2009 were not affected by seasonality.

### *Business segments*

The following tables present revenue and profit and certain assets information regarding the T-HT's business segments:

Three months ended 31 March 2009

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	649	-	-	-	649
Wholesale services	197	-	(25)	-	172
Internet services	272	-	-	-	272
Data services	48	-	-	-	48
Mobile telephony	-	884	42	-	926
Miscellaneous	18	-	(17)	-	1
Sales to external customers	1,184	884	-	-	2,068
Inter-segment sales	73	106	-	(179)	-
<b>Total revenue</b>	<b>1,257</b>	<b>990</b>	<b>-</b>	<b>(179)</b>	<b>2,068</b>
<i>Results</i>					
Segment results	299	306	-	-	605
Net finance revenue	90	37	-	-	127
Profit before income tax	389	343	-	-	732
Income tax expense	(80)	(69)	-	-	(149)
<b>Net profit for the year</b>	<b>309</b>	<b>274</b>	<b>-</b>	<b>-</b>	<b>583</b>
As at 31 March 2009					
<i>Assets and liabilities</i>					
Segment assets	11,379	4,101	-	(1,562)	13,918
Investment in associates	2	-	-	-	2
Investment in joint venture	367	-	-	-	367
<b>Total assets</b>	<b>11,748</b>	<b>4,101</b>	<b>-</b>	<b>(1,562)</b>	<b>14,287</b>

Three months ended 31 March 2008

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	717	-	-	-	717
Wholesale services	207	-	(16)	-	191
Internet services	210	-	-	-	210
Data services	51	-	-	-	51
Mobile telephony	-	830	33	-	863
Miscellaneous	18	-	(17)	-	1
Sales to external customers	1,203	830	-	-	2,033
Inter-segment sales	78	99	-	(177)	-
<b>Total revenue</b>	<b>1,281</b>	<b>929</b>	<b>-</b>	<b>(177)</b>	<b>2,033</b>
<i>Results</i>					
Segment results	330	260	-	-	590
Net finance revenue	74	24	-	-	98
Profit before income tax	404	284	-	-	688
Income tax expense	(83)	(57)	-	-	(140)
<b>Net profit for the year</b>	<b>321</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>548</b>

As at 31 December 2008

*Assets and liabilities*

Segment assets	10,924	4,056	-	(168)	14,812
Investment in associates	2	-	-	-	2
Investment in joint venture	365	-	-	-	365
<b>Total assets</b>	<b>11,291</b>	<b>4,056</b>	<b>-</b>	<b>(168)</b>	<b>15,179</b>

## Relations with the governing company and its affiliated companies

In the first three months of 2009 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

In the first three months of 2009 there were no changes in transactions among related parties which were specified in the annual financial report for 2008 and which had a significant impact on the financial position and operations of the Group in the first three months of 2009.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first three months of 2009 and the governing company and affiliated companies thereof can be classified as follows:

### *Transactions with related companies*

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first three months of 2009 the Group generated total revenue from related companies from international traffic to the amount of HRK 24 million (the first three months of 2008: HRK 34 million), while total costs of international traffic amounted to HRK 34 million (the first three months of 2008: HRK 45 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 11 million in the first three months of 2009 (the first three months of 2008: HRK 9 million).

Further, the Group provides telecommunications services to the Government of the Republic of Croatia, its departments and agencies, and companies owned by the Republic of Croatia on normal commercial terms and conditions, such as are no more favorable than those available to other customers. These telecommunications services do not represent a significant component of the Group's revenue.

### *Compensation of the Supervisory Board*

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 of the average monthly net salary of the employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first three months of 2009, the Company paid a total amount of HRK 0.2 million (the first three months of 2008: HRK 0.2 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

### *Compensation to key management personnel*

In the first three months of 2009 the total compensation paid to key management personnel of the Group amounted to HRK 10 million (first three months of 2008: HRK 9 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include Members of the Management Boards of the Company and its subsidiaries, the Executive Board of T-Com and the Executive Directors of the Company, who are employed by the Group.

## Selected Operational Data<sup>(1)</sup>

### T-MOBILE SEGMENT

Key operational data	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
<b>Subscribers</b>			
No. of prepaid subscribers	1,937,349	1,732,974	11.8%
No. of postpaid subscribers	843,487	720,167	17.1%
Total T-Mobile subscribers	2,780,836	2,453,141	13.4%
% of postpaid subscribers	30	29	1.0 p.p.
<b>Minutes of use (MOU)</b>			
MOU per average subscriber	104.6	125.5	-16.7%
<b>Average revenue per user (ARPU) (HRK)</b>			
Blended ARPU (monthly average for the period in HRK) <sup>3)4)</sup>	102.1	114.0	-10.4%
Blended non-voice ARPU (monthly average for the period in HRK)	23.6	24.8	-4.8%
<b>SAC per gross add<sup>2)</sup></b>	222.3	271.5	-18.1%
<b>Churn rate (%)</b>			
Churn rate total	1.5	1.2	0.3 p.p.
Churn rate postpaid	0.7	0.6	0.1 p.p.
Churn rate prepaid	1.8	1.5	0.4 p.p.
<b>Penetration (%)</b>	135.8	116.3	19.5 p.p.
<b>Market share of subscribers (%)</b>	46.1	47.5	-1.4 p.p.
<b>Market share by revenue (%)<sup>4)</sup></b>	49.2	49.1	0.1 p.p.

### T-COM SEGMENT

Key operational data	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
<b>Fixed telephony</b>			
Total POTS and FGSM mainlines	1,427,873	1,485,154	-3.9%
Total ISDN mainlines	102,716	111,149	-7.6%
<b>Total (POTS+FGSM+ISDN)</b>	<b>1,530,589</b>	<b>1,596,303</b>	<b>-4.1%</b>
Payphones	8,788	9,708	-9.5%
<b>Total mainlines (POTS+FGSM+ ISDN+Payphones)</b>	<b>1,539,377</b>	<b>1,606,011</b>	<b>-4.1%</b>
<b>Total Traffic (thousands of minutes)</b>	<b>933,925</b>	<b>1,099,400</b>	<b>-7.5%</b>
To national fixed network	798,287	855,458	-6.7%
To national mobile network	78,060	90,448	-13.7%
To VAS	17,120	17,383	-1.5%
To international networks	30,406	34,071	-10.8%
Remaining traffic <sup>(5)</sup>	10,051	12,041	-16.5%
<b>Average monthly voice revenue per voice access (ARPA) (HRK)</b>	<b>138</b>	<b>151</b>	<b>-8.4%</b>

Key operational data	Jan-Mar 2009	Jan-Mar 2008	% change 09/08
<b>Internet services</b>			
Dial-up users	762,776	752,639	1.3%
Active dial - up users	67,629	122,840	-44.9%
ADSL mainlines	492,989	377,340	30.6%
IPTV customers	150,953	56,355	2.7x
Fixed-line customers	1,096	952	15.1%
VPN connection points	2,884	1,602	80.0%
ADSL mainlines ARPA (monthly average for the period in HRK)	123	124	-0.8%
Active dial-up users ARPU (monthly average for the period in HRK)	59	60	-1.2%
<b>Data services</b>			
Metro Ethernet (connection points)	2,325	1,121	107.4%
Other data lines	3,916	5,365	-27.0%
Total	6,241	6,486	-3.8%
<b>Wholesale services</b>			
<b>Customers</b>			
CPS (Carrier Pre-Selection)	227,239	233,646	-2.7%
NP (Number portability) users/number	300,577	172,623	74.1%
ULL (Unbundled Local Loop) <sup>6)</sup>	102,139	45,160	2.3x

<sup>(1)</sup> Some key performance indicators ("KPI") in the telecommunication sector, including minutes of usage ("MOU"), average revenue per user ("ARPU"), ARPU composition, churn and the number of customers, may be calculated differently by other companies operating in this sector. Therefore, the Company's KPI's may not be directly comparable to those of its competitors.

<sup>(2)</sup> SAC - Subscriber acquisition costs

<sup>(3)</sup> Blended ARPU is affected by restating of previous year for IFRIC 13.

<sup>(4)</sup> Market share by net revenue. As of Q1 2009 T-Mobile has changed its method of revenue market share calculation to reduce uncertainties associated with estimates. Instead of Total revenue, Net revenue is used and National roaming revenues are not deducted any more. 2008 numbers were restated accordingly.

Source: published VIP'net and Tele'2 quarterly report for 1Q 2008. Number of subscribers for VIPnet and Tele2 for 1Q 2009 internally estimated. Telekom Austria Annual report for Q1 2008. Tele2 Quarterly report for Q1 2008. VIPnet's and Tele2 total revenue for Jan-Mar 2009 internally estimated. Market shares are based on unconsolidated revenue for T-Mobile.

<sup>(5)</sup> Includes payphone traffic, operator assisted services, additional services (such as CLIP, CLIR, CFR, conference call, inquiries services and fixed SMS) and calls to satellite.

<sup>(6)</sup> Previous year figures have been restated according to actual reporting (w/o Iskon ULL number of lines).

## Statement of the Management Board of HT – Hrvatske telekomunikacije d.d.

To the best of our knowledge, consolidated financial statements of the company HT – Hrvatske telekomunikacije d.d. and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of the Group.

The interim management report for the period ended 31 March 2009 contains true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Ivica Mudrinić, President of the Management Board

Jürgen P. Czapran, Member of the Management Board and CFO

Irena Jolić Šimović, Member of the Management Board and COO T-Com

Rainer Rathgeber, Member of the Management Board and COO T-Mobile

Božidar Poldrugač, Member of the Management Board and CTO/CIO Group

Branka Skaramuča, Member of the Management Board and CHRO

Zagreb, 28 April 2009

### Presentation of information

Unless the context otherwise requires, references in this publication to "*T-HT Group*" or "*the Group*" or "*T-HT*" are to the Company – HT – Hrvatske telekomunikacije d.d., together with its subsidiaries.

References to "*HT*" or the "*Company*" are to the Company – HT – Hrvatske telekomunikacije d.d.

References to "*T-Mobile*" are to the Company's wholly-owned subsidiary, T-Mobile Croatia d.o.o., which also functions as the Group's mobile operations business unit.

References to "*T-Com*" are to the Group's other business unit which is responsible for the fixed network, wholesale, broadband, data and on-line services.

References to "*Iskon*" are to the Company's wholly-owned subsidiary, Iskon Internet d.d, which forms part of the T-Com business unit.

### Disclaimer

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional information concerning important factors that could cause actual results to differ materially is available in the Group's reports which may be found at [www.t.ht.hr](http://www.t.ht.hr)