

T-Hrvatski Telekom

Results for the first nine months of 2009

Resilient performance despite recession, new taxes and levies on mobile services

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 nine months of 2009.

Group Highlights

- Revenue down 1.7% despite significant decline in GDP and impact of new taxes
- Continuing strong growth in Internet services; revenue up 30.0%
- EBITDA* down 4.4%; EBITDA* margin remains robust at 46.8%
- Operating cash flow remains healthy at HRK 1, 659 million; cash strong at HRK 2,984 million
- Significant investment in network upgrades

Corporate reorganisation

- HT-Hrvatske telekomunikacije d.d. (HT d.d.) and T-Mobile Hrvatska d.o.o. signed their Merger Agreement yesterday, 29 October 2009, formally beginning the merger process, which is expected to become effective on 1 January 2010. The merger is intended to improve both customer service and internal efficiency by creating a single organisation with separate customer facing units for residential and business segments

T-Mobile

- Subscribers up 10.1% to 2.88 million
- Revenue down 3.5% mostly as prepaid customers tighten spending
- Postpaid subscribers up 16.0%, contributing 60.8% of T-Mobile revenue

T-Com

- Internet revenue up 30.1%; contributes 22.2% of T-Com revenue
- ADSL mainlines up 22.7% to nearly 527,000
- MAXtv reaches almost 190,000 subscribers

* before exceptional items

Ivica Mudrinić, President of the Management Board and CEO, said:

T-HT has proved its resilience in difficult times. Although our business was affected by the recession and the impact of recently introduced taxes, our revenue fell by 1.7% in a period when GDP fell significantly. We believe our continuing commitment to efficiency, along with our new corporate structure and ongoing investment, have laid solid foundations for the future.

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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	37178657

Replay available until 5 November 2009

International dial-in	+44 (0) 1452 550 000
UK free call dial in	0800 953 1533
Access number	37178657#

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

(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, 2.88 million mobile subscribers and nearly 527,000 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-Sep 2009	Jan-Sep 2008	% change 09/08
Revenue ¹⁾²⁾	6,525	6,635	-1.7%
EBITDA before exceptional items ³⁾	3,053	3,193	-4.4%
EBITDA after exceptional items	3,016	3,193	-5.5%
EBIT (Operating profit)	1,968	2,183	-9.8%
Net profit	1,747	1,888	-7.5%
EBITDA margin before exceptional items	46.8%	48.1%	-1.3 p.p.
EBITDA margin after exceptional items	46.2%	48.1%	-1.9 p.p.
EBIT margin	30.2%	32.9%	-2.7 p.p.
Net profit margin	26.8%	28.5%	-1.7 p.p.
in HRK million	At 30 Sep 2009	At 31 Dec 2008	% change 09/08
Cash equivalents and time deposits	2,984	5,223	-42.9%
Total assets	13,760	15,179	-9.3%
Total issued capital and reserves	11,732	12,440	-5.7%
in HRK million	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Net cash flow from operating activities	1,659	1,933	-14.1%

1) 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, the 2008 figures have been restated. The impact of IFRIC 13 on T-HT Group revenue is: Jan-Sep 2008: -16.6 million HRK; Jan-Sep 2009: -7.9 million HRK. Mobile telephony revenue has been affected by the new government fee of 6% on mobile services imposed in August 2009.

2) Excluding other operating income

3) Exceptional items totalled HRK 37 million for Jan-Sep 2009, comprising HRK 4 million reorganisation costs and provisions of HRK 33 million for redundancies.

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Nine months to 30 September 2008	7.24	7.11	4.76	4.96
Nine months to 30 September 2009	7.36	7.29	5.40	4.99

Summary of key performance indicators

T-Mobile	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Subscribers	2,884,511	2,619,602	10.1%
Minutes of Use (MOU) per average subscriber	111.4	125.1	-11.0%
Blended ARPU	100.0	118.8	-15.8%
Churn rate (%)	1.7	1.3	0.4 p.p.
Market share of subscribers (%)	47.4	46.6	0.7 p.p.
Market share by revenue (%)	49.4	50.1	-0.6 p.p.
T-Com	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Total (POTS+FGSM+ISDN) mainlines	1,496,595	1,559,469	-4.0%
Total traffic (thousands of minutes)	2,587,715	2,850,920	-9.2%
ADSL mainlines	526,722	429,242	22.7%
ADSL mainlines ARPA	124	120	3.0%
IPTV customers	189,433	92,205	2.1x
ULL (Unbundled Local Loop)	116,232	73,966	57.1%

Business and financial review for the first nine months of 2009

Introduction

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

The Croatian telecommunications market is worth an estimated HRK 15 billion annually. The market is characterised by steadily declining fixed-telephony services, increasing use of broadband and IPTV, mobile penetration approaching saturation and an increase in mobile data services driven by 3G phones and mobile internet.

In fixed line, nine operators serve a market estimated to have fixed penetration rate of 42% of population in Croatia. Broadband internet remains a significant opportunity, reaching just 33% of households in Croatia, compared with about 55% across Western Europe.

In mobile, SIM penetration stands at about 137%, served by three operators. The Croatian Central Bureau of Statistics estimates that in the first half of 2009, total mobile usage stood at about 2,939 million minutes.

Market leadership maintained

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 30 September 2009, T-Com served more than 1.5 million fixed lines and nearly 527,000 high-speed broadband connections – up from around 429,000 at the end of September 2008. MAXtv, T-HT's IPTV service now has nearly 190,000 subscribers, making it the largest pay-TV service in Croatia - a position it has achieved only two years after its launch.

In the mobile market, T-Mobile had 2.88 million subscribers at the end of September 2009, up from 2.62 million in September 2008, representing an estimated market share of 47.4% by subscribers, and an estimated 49.4% market share by revenue.

Revenue

Set in the context of the Croatian economy, in which final consumption expenditure of households fell 9.4% in Q2 2009, the Group's resilience is demonstrated by the fact that revenue fell just 1.7% to HRK 6,525 million, compared with the first nine months of 2008.

As with previous periods, fixed telephony and wholesale contributed most to the decline, although the Group's T-Mobile business saw some erosion of sales for the first time, mainly as a result of decreased consumer spending on mobile calls, as well as the introduction of new charges by the Government, which came into effect on 1 August. However, revenue from internet services continued to show strong growth, despite the economic environment, demonstrating the value that consumers perceive in broadband and associated services such as MAXtv.

Impact of IFRIC13

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 revenue by the following amounts:

- T-HT Group: Jan-Sep 2008 – HRK 16.6 million; Jan-Sep 2009 – HRK 7.9 million
- T-Mobile: Jan-Sep 2008 – HRK 14.0 million; Jan-Sep 2009 – HRK 0.8 million
- T-Com: Jan-Sep 2008 – HRK 2.6 million; Jan-Sep 2009 – HRK 7.1 million;

The impact of IFRIC 13 for the period Jan-Sep 2009 is to increase EBITDA by HRK 1.2 million.

Operating expenses

T-HT is committed to protecting margins as far as possible through cost controls. However, increases in employee benefits expenses (specifically redundancy provisions) and the write down of current assets resulted in a 0.9% rise in total consolidated operating expenses (before depreciation and amortization) to HRK 3,747 million (Jan-Sep 2008: HRK 3,715 million).

Material and other expenses

Material expenses, which make up nearly 46% of total operating expenses, fell by 2.9% to HRK 1,708 million as a result of lower interconnection costs and reduced sales of mobile merchandise (Jan-Sep 2008: HRK 1,760 million).

Other expenses increased by 0.3% to HRK 1,038 million (Jan-Sep 2008: HRK 1,034 million) because of higher postal and other operating charges.

Employee benefit expenses

T-HT continues to reduce headcount to improve efficiency. At the end of September 2009, the Group employed 6,247 staff compared with 6,481 at the end of September 2008. Total employee benefits rose 6.3% to HRK 905 million mainly as a result of redundancy provisions of HRK 33 million recognised in July 2009 (Jan-Sep 2008: zero).

Write down of assets

The write down of assets increased by 39.1% to HRK 95 million (Jan-Sep 2008: HRK 68 million) as a result of higher write down of receivables.

Depreciation and amortisation

Depreciation and amortization increased by 3.8% to HRK 1,048 million (Jan-Sep 2008: HRK 1,010 million) because of higher capital expenditure to fund network improvements.

T-HT Group profitability

in HRK million	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Revenue ¹⁾²⁾	6,525	6,635	-1.7%
EBITDA before exceptional items ³⁾	3,053	3,193	-4.4%
EBITDA after exceptional items	3,016	3,193	-5.5%
EBIT (Operating profit)	1,968	2,183	-9.8%
Net profit	1,747	1,888	-7.5%
EBITDA margin before exceptional items	46.8%	48.1%	-1.3 p.p.
EBITDA margin after exceptional items	46.2%	48.1%	-1.9 p.p.
EBIT margin	30.2%	32.9%	-2.7 p.p.
Net profit margin	26.8%	28.5%	-1.7 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: Jan-Sep 2008: -16.6 million HRK; Jan-Sep 2009: -7.9 million HRK

Mobile telephony revenue has been affected by the new government fee of 6% on mobile services imposed in August 2009.

2) Excluding other operating income

3) Exceptional items totalled HRK 37 million for Jan-Sep 2009, comprising HRK 4 million reorganisation costs and provisions of HRK 33 million for redundancies.

Group EBITDA (before exceptional costs of HRK 37.0 million) fell by 4.4% to HRK 3,053 million (Jan-Sep 2008: HRK 3,193 million) as a result of decreased revenue and increased costs. EBITDA margin was 46.8%, down from 48.1%, but remains high for the telecoms industry.

Group operating profit (EBIT) fell by 9.8% to HRK 1,968 million, at an operating margin of 30.2% (Jan-Sep 2008: HRK 2,183 million, 32.9% margin) as a result of EBITDA development and the increase in depreciation and amortisation charges.

Net profit fell by 7.5% to HRK 1,747 million (Jan-Sep 2008: HRK 1,888 million) as a result of EBIT development, offset to some degree by lower tax charges.

Balance sheet

The Group's balance sheet and cash reserves remain strong, even after the payment of HRK 2,456 million in dividends in March and May. Primarily as a result of these dividend payments, total Group assets fell from HRK 15,179 million at the end of December 2008, to HRK 13,760 million at 30 September 2009.

The Group had cash and cash equivalents of HRK 2,984 million at the end of September 2009, compared with HRK 5,223 million at the beginning of the nine-month period.

As expected, the Group's receivables have increased due to the slowing economy, as customers take longer to pay.

Cash flow

Cash flow from operations remains the Group's principal source of funds, enabling it to finance significant dividend distributions and the capital investments necessary to ensure T-HT remains competitive.

Net cash flow fell by 14.1% to HRK 1,659 million, (Jan-Sep 2008: HRK 1,933 million) following a change in the billing method for fixed-voice telephony that became effective in January and a decrease in days payable outstanding.

Dividend payments

As mentioned in previous statements, the Group paid dividends totalling HRK 2,456 million in March and May 2009.

Capital expenditure

in HRK million	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
T-Com	726	606	19.8%
T-Mobile	336	242	38.9%
Total Capital Expenditure	1,063	848	25.2%

The Group continues to make significant investments in its network infrastructure and software technologies to remain at the forefront of communications technology, particularly as demand for broadband and mobile internet services increases. Group capital expenditure represented 16.3% of revenue in the first nine months of 2009, compared with 12.8% in the same period of 2008.

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 with mobile SIM penetration now estimated at around 137%.

- Revenue down 3.5% to HRK 3,232 million
- Subscribers up 10.1% to 2.88 million
- Post paid subscribers up 16.0% to 897,363; now 31.1% of total subscribers
- MOU per average subscriber down 11.0% to 111.4 minutes
- SAC per gross add down 25.1% to HRK 193.0

On 1 August 2009, in response to the economic situation in Croatia, the Government introduced a 6% levy on certain mobile services: publicly available telephone services, roaming services, short message services (SMS) and images, speech and sound transmission services (MMS). These charges are deducted from the T-Mobile revenue, which is presented net of the 6% deduction.

Total subscribers rose 10.1% to 2.88 million as a result of new products and services being launched to target specific consumer groups, including new netbook tariffs.

T-Mobile continues to increase its postpaid subscriber base, which reached nearly 900,000. Postpaid growth was achieved with targeted propositions and offerings, which increased the postpaid share of the total subscriber base by 1.6 p.p. from 29.5% in 2008 to 31.1% in 2009.

As consumers tighten personal spending, it is clear that mobile usage is declining as a result. Average monthly minutes of use (MOU) fell by 13.7 minutes to 111.4 minutes, compared with 125.1 minutes in the first nine months of 2008. This, combined with increased SIM penetration and the impact of the 6% levy resulted in blended ARPU falling 15.8% from a monthly average of HRK 118.8 in the first nine months of 2008 to HRK 100.0 in 2009.

T-Mobile has been successful in reducing subscriber acquisition costs (SAC) this year, with SAC falling 25.1% to HRK 193.0 per gross add.

T-Mobile's subscriber churn rate is 1.7%, slightly higher than the 1.3% achieved in the first nine months of 2008 (1.3%). Postpaid churn remains unchanged at 0.7%, demonstrating customer loyalty to T-Mobile despite the competitive environment.

T-Mobile

in HRK million	Jan-Sep 2009	%	Jan-Sep 2008	%	% change 09/08
Revenue from Postpaid services ¹⁾²⁾	1,966	60.8%	2,005	59.8%	-1.9%
Revenue from Prepaid services	957	29.6%	1,090	32.5%	-12.2%
Other mobile revenue ¹⁾	310	9.6%	256	7.6%	21.1%
Revenue ³⁾	3,232	100.0%	3,351	100.0%	-3.5%
Other operating income	92		121		-24.1%
Operating expenses	1,795		1,914		-6.2%
EBITDA	1,528	47.3%	1,557	46.5%	-1.8%
Depreciation and amortization	373		352		5.9%
EBIT	1,155	35.8%	1,205	36.0%	-4.1%

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

²⁾ Including visitor revenue.

³⁾ Unconsolidated figures, excluding other operating income

Mobile telephony revenue has been affected by the new government fee of 6% on mobile services imposed in August 2009.

Revenue

Revenue in the first nine months of 2009 fell by 3.5% to HRK 3,232 million (Jan-Sep 2008: HRK 3,351 million).

The main component of the decline was a 12.2% or HRK 133 million fall in prepaid revenue as consumers tightened personal spending. By contrast, postpaid revenue fell by just 1.9%, or HRK 39 million, demonstrating the greater resilience of spending by postpaid customers. The decline in prepaid and postpaid revenue was to a certain extent offset by a HRK 54 million increase in revenue from HRK 256 million to HRK 310 million, from other mobile services, including national roaming.

Profitability

T-Mobile operating expenses fell by 6.2% to HRK 1,795 million in the nine months to September 2009. However, the savings gained by increased efficiency were offset by the decline in revenue combined with the impact of the Government's 6% levy on mobile services, and the higher rate of VAT introduced at the same time. As a result, EBITDA fell from HRK 1,557 million to HRK 1,528 million.

Increased depreciation of HRK 373 million (Jan-Sep 2008: 352 million) resulted in operating profit (EBIT) falling 4.1% to HRK 1,155 million.

Capital expenditure

Infrastructure investments, to fund long-term improvements in the core network, rose 38.9% to HRK 336 million (Jan-Sep 2008: HRK 242 million).

T-Com highlights

T-Com continues to lead all segments of the fixed-line market, despite increasing competition.

- 1.5 million total mainlines
- Internet revenue up 30.1% to HRK 847 million; now 22.2% of T-Com revenue
- ADSL mainlines up 22.7% to nearly 527,000
- IPTV customers up 105.4% to nearly 190,000

T-Com is by far the largest provider of fixed-line services in Croatia, connecting more than 1.5 million mainlines of all kinds. T-Com is also the market leader in the provision of internet access, particularly high-speed broadband through ADSL technology, serving nearly 527,000 subscribers. In the Wholesale market, T-Com remains the largest provider, with the most extensive network coverage.

Competition remains strong, with eight other providers in a market characterised by steadily declining lines and voice minutes, fixed-to mobile migration, the increased use of VoIP technology to make calls, and local loop unbundling.

T-Com

in HRK million	Jan-Sep 2009	%	Jan-Sep 2008	%	% change 09/08
Fixed telephony	1,915	50.3%	2,117	54.3%	-9.5%
Wholesale services	813	21.3%	889	22.8%	-8.6%
Internet services	847	22.2%	651	16.7%	30.1%
Data services	139	3.7%	150	3.9%	-7.5%
Miscellaneous	94	2.5%	93	2.4%	0.9%
Revenue ¹⁾²⁾	3,808	100.0%	3,901	100.0%	-2.4%
Income from usage of own products, merchandise and services	76		67		13.2%
Other operating income	129		154		-16.0%
Operating expenses	2,525		2,486		1.6%
EBITDA before exceptional items	1,525	40.0%	1,636	41.9%	-6.8%
Exceptional items ³⁾	37		0		
EBITDA	1,488	39.1%	1,636	41.9%	-9.0%
Depreciation and amortization	675		658		2.6%
EBIT	813	21.3%	978	25.1%	-16.9%

¹⁾ Unconsolidated figures; excluding other income

²⁾ IFRIC 13 has been applied from Q1 2009. Consequently, Q1 2008 revenue has been restated

³⁾ Exceptional items totalled HRK 37 million for Jan-Sep 2009, comprising HRK 4 million reorganisation costs and provisions of HRK 33 million for redundancies

Revenue

The continuing strong increases in internet revenue helped T-Com offset the expected decline its fixed-telephony business, with divisional revenue falling just 2.4% to HRK 3,808 million (Jan-Sep 2008: HRK 3,901 million).

Fixed-line telephony

Total mainlines were 4.1% lower at 1.50 million, compared with 1.57 million at the end of September 2008. Fixed-telephony revenue was 9.5% lower at HRK 1,915 million, representing 50.3% of T-Com revenue, compared with 54.3% last year.

Total traffic fell by 9.2% to 2.59 billion minutes (Jan-Sep 2008: 2.85 billion), most of which were calls to numbers within Croatia.

The average monthly voice revenue per access (ARPA) also fell 8.2% to HRK 138, compared with HRK 150 in the first nine months of 2008.

Internet services

Internet services continued to grow strongly to HRK 847 million (Jan-Sep 2008: 651 million) and now contribute 22.2% of T-Com revenue and 12.9% of Group revenue (Jan-Sep 2008: 16.7% and 9.8%). Iskon's contribution to revenue after consolidation amounted to HRK 88 million in the period Jan-Sep 2009 and HRK 68 million in 2008.

The popularity of broadband internet, coupled with strong promotional incentives to convert from lower-speed dial-up accounts, ensured that ADSL mainlines continued their strong increase, rising 22.7% to 526,722 connections.

Despite increasingly attractive promotions from rival operators, T-Com has successfully retained its leadership by focusing on customer needs, offering keen prices and delivering the internet through a high-quality network.

MAXtv, the Group's internet TV service, now reaches nearly 190,000 subscribers, more than double its subscriber base at the end of September 2008. The IPTV infrastructure was upgraded in Q2 2009 and the improvement in service has added to the attraction of the many channels and films on offer.

Wholesale

Wholesale revenue fell by 8.6% to HRK 813 million (Jan-Sep 2008: HRK 889 million) and has been overtaken by Internet revenue, contributing 21.3% of T-Com's revenue mix (Jan-Sep 2008: 22.8%). The growth in ULL activations continued, with more than 116,000 fully unbundled loops up 57.1% on September 2008.

Data services

T-Com remains committed to the migration of customers from traditional data lines to more modern, higher-speed IP-based services such as Metro Ethernet and IP VPN. Data revenue fell 7.5% to HRK 139 million (Jan-Sep 2008: HRK 150 million).

Profitability

EBITDA before exceptional items decreased by 6.8% to HRK 1,525 million, mostly as a result of decreased revenue and an increase in merchandise and other expenses. Increased depreciation resulted in a 16.9% fall in EBIT to HRK 813 million (Jan-Sep 2008: HRK 978 million).

Capital expenditure

Infrastructure investments rose by 19.8% to HRK 726 million, representing a capex/revenue ratio of 19.1% (Jan-Sep 2008: HRK 606 million, 15.5% of revenue). T-Com is investing in improved network access, aggregation and core equipment.

T-HT Group Third Quarter 2009 Report

Summary of key financial indicators

in HRK million	Jul-Sep 2009	Jul-Sep 2008	% change 09/08
Revenue ^{1) 2)}	2,317	2,455	-5.6%
EBITDA before exceptional items ³⁾	1,130	1,260	-10.3%
EBITDA after exceptional items	1,097	1,260	-13.0%
EBIT (Operating profit)	759	923	-17.8%
Net profit	655	763	-14.2%

1) 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, the 2008 figures have been restated

Mobile telephony revenue has been affected by the new government fee of 6% on mobile services imposed in August 2009.

2) Excluding other operating income

3) Exceptional items totalled HRK 33 million for Q3 2009, comprising provisions of HRK 33 million for redundancies

Group revenue fell by 5.6% to HRK 2,317 million (Q3 2008: HRK 2,455 million) as a result of the continuing recession in Croatia and the introduction in August of new taxes and levies in response to the economic situation. As expected, fixed telephony revenue fell 9.6% to HRK 627 million, but internet revenue continued to show strong growth, rising 29.0% to HRK 291 million. Mobile revenue, down 9.0% to HRK 1,166 million was particularly affected by a tightening of consumer spending, particularly on prepaid accounts, and the introduction of the 6% fee on mobile services.

EBITDA (before exceptional items of HRK 33.0 million) fell 10.3% to HRK 1,130 million in Q3 2009, mostly as a result of lower revenue in the fixed and mobile businesses, but also as a result of higher postal charges and increased write down of assets.

Net profit fell 14.2% to HRK 655 million as a result of above mentioned EBITDA development and redundancy provisions of HRK 33 million, although the decline was to some extent offset by lower taxation charges in the third quarter.

Risk management

A judicial dispute, which was initiated in Q2 2009, by the operators Metronet telekomunikacije d.d. and Amis Telekom d.o.o. against HT Inc., remains pending in the Croatian Commercial Court. The litigants are seeking damages from T-HT for delays in providing collocation services (Metronet is requesting damages in the amount of cca 28 Mio Kn) and the annulment of the Contract on lease and use of T-HT's distributive telecommunications infrastructure (DTI).

Regulatory environment

As a consequence of the adoption of the new Law on Electronic Communications, according to which regulatory remedies may be imposed only after relevant markets are defined and analyzed for the existence of market failures (i.e. existence of operators with significant market power), the Agency undertook a new round of market analyses in accordance to the latest EU Recommendation. Accordingly, in July 2009, the Agency finalized market analyses and adopted decisions on SMP status and imposition/removal of regulatory obligations for the following markets:

1. call origination on the public communications network provided at a fixed location
2. call termination on individual public communications network provided at a fixed location
3. wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location
4. wholesale broadband access
5. call termination on individual public mobile network
6. public telephony service in mobile networks
7. access and call origination in mobile networks
8. call transit in the fixed public communications network
9. SMS termination

By its decisions of July 2009, the Agency designated HT Inc. as the SMP operator in markets under categories 1, 2, 3 and 4 above, Iskon was designated as the SMP operator in market under category 2, while T-Mobile was designated as the SMP operator in market under category 5 above. With regard to markets under categories 6 – 9, the Agency concluded that they no longer fall under the scope of ex-ante regulation, and thus it withdrew all existing obligations that were imposed upon HT Inc. and T-Mobile in these markets.

In markets where HT Inc./T-Mobile/Iskon were already designated as SMP operators, remedies that were in place before the market analysis ceased to apply, and following remedies were imposed by the Agency's decisions from July 2009:

- I. Network access and use of special network facilities (this obligation is extended to HT's optical fibre access network)
- II. Non-discrimination (ensure same conditions in same circumstances for other operators providing same services)
- III. Transparency
HT, T-Mobile and Iskon are obliged to publish reference offers (reference offers to include SLA, KPI)
- IV. Price control and cost accounting
Prices of all regulated products are subject to:
 - a) Principle of cost orientation
 - b) Ex ante price control by the Agency
 - c) HT Inc. and T-Mobile should implement cost accounting
- V. Accounting separation (applies only to HT Inc.)
HT Inc. should make transparent its wholesale prices and transfer charges to prevent cross-subsidizing.

In addition, by its decisions on market analysis from July 2009, the Agency decreased the following HT Inc./T-Mobile wholesale prices:

- shared ULL price was reduced to 21.46 HRK, with effect from October 1st, 2009,
- single tandem origination fee was reduced to 6.8 lp/min (50% off-peak), with effect from January 1st, 2010
- single tandem termination fee was reduced to 6.7 lp/min (50% off-peak), with effect from January 1st, 2010
- IC call set-up fee of 1.5 lp/min was abolished, with effect from January 1st, 2010

- Mobile termination fee was reduced to 0.56 Kn flat rate, with effect from January 1st, 2010

The existing SMP status of HT Inc. on leased lines market, and joint SMP status of HT Inc. and Iskon in markets for public voice and data transmission, as determined by the Agency in 2007, remains. According to existing remedies in these markets, prices for retail public voice in the fixed network and leased lines are subject to cost orientation and ex-ante approval by the Agency, whereas other retail pricing is subject to ex-post review. In addition, tariffs for universal services must be set at an “affordable level”. Other tariffs are essentially unregulated.

The new Law on Fee for Providing Services in Mobile Electronic Communications Networks entered into force on August 1, 2009. Based on this law, T-Mobile is obliged to pay a monthly fee to the state’s budget in the amount of 6% of revenue realized in the previous month from the provision of publicly available mobile telephone services, roaming services, short message services (SMS) and images, speech and sound transmission services (MMS).

On August 31, 2009 the Agency passed a decision on the issuance of a new technology-neutral radiofrequency license to T-Mobile, for the frequencies already used by T-Mobile in 900 MHz and 1800 MHz bands, for the period of 15 years (valid until October 18th, 2024). This new radiofrequency license replaced the technologically defined GSM radiofrequency license, which expired on September 16, 2009.

Group 2009 Outlook

Revenue

- The Group has consistently indicated that revenue will fall in 2009 because of the economic situation in Croatia and, more recently, because of the impact of new taxes and levies imposed by the Government. However, the Group believes that its revenue will decline less than GDP, demonstrating the resilience of the business in these difficult conditions.

EBITDA

- The Group expects margin erosion to continue into the full year, but remains committed to protecting margins through cost efficiencies and reorganisation.

CAPEX

- Given the downturn of the economy and the impact of new taxes and levies on revenue and profitability, the Group has reviewed its capital expenditure programme and now anticipates a level of investment slightly lower than in 2008.

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-Sep 2009	Jan-Sep 2008	% of change 09/08	Jul-Sep 2009	Jul-Sep 2008	% of change 09/08
Mobile telephony	3,102	3,136	-1.1%	1,166	1,282	-9.0%
Fixed telephony	1,914	2,115	-9.5%	627	693	-9.6%
Wholesale services	510	580	-12.0%	179	201	-11.0%
Internet services	845	650	30.0%	291	226	29.0%
Data services	139	150	-7.5%	45	49	-8.3%
Miscellaneous	15	3	351.6%	8	3	147.4%
Revenue ¹⁾	6,525	6,635	-1.7%	2,317	2,455	-5.6%
Income from usage of own products, merchandise and services	89	86	3.2%	33	33	-0.9%
Other operating income	149	186	-20.1%	41	49	-16.7%
Total operating revenue	6,763	6,907	-2.1%	2,391	2,538	-5.8%
Operating expenses	3,747	3,715	0.9%	1,294	1,277	1.3%
Material expenses	1,708	1,760	-2.9%	573	617	-7.2%
Employee benefit expenses	905	852	6.3%	320	287	11.5%
Other expenses	1,038	1,034	0.3%	358	350	2.3%
Write down of asset	95	68	39.1%	42	23	86.9%
EBITDA ²⁾	3,016	3,193	-5.5%	1,097	1,260	-13.0%
Depreciation and amortization	1,048	1,010	3.8%	338	338	0.2%
EBIT ³⁾	1,968	2,183	-9.8%	759	923	-17.8%
Financial income	250	249	0.2%	60	73	-17.6%
Income from investment in joint ventures	15	20	-27.8%	5	8	-35.1%
Financial expenses	28	30	-6.8%	3	15	-80.2%
Profit before taxes	2,205	2,423	-9.0%	821	989	-17.0%
Taxation	458	534	-14.3%	166	225	-26.2%
Net profit	1,747	1,888	-7.5%	655	763	-14.2%
Minority interest	0	0	-1.9%	0	0	-11.1%
Net profit after minority interest	1,747	1,888	-7.5%	655	763	-14.2%
Exceptional items	37	0	-	33	0	-
EBITDA before exceptional items	3,053	3,193	-4.4%	1,130	1,260	-10.3%

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, previous year 2008 have been restated. Impact of IFRIC 13 on T-HT Group revenue is: Jan-Sep 2008: - 16.6 million HRK; Jan-Sep 2009: - 7.9 million HRK. Mobile telephony revenue has been affected with new governmental fee for providing mobile services in amount of 6% on net revenue from previous month imposed in August 2009.

²⁾ 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

³⁾ EBIT - Earnings before interest and taxes

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 Sep 2009	At 31 Dec 2008	% of change 09/08
Intangible assets	1,051	1,049	0.2%
Property, plant and equipment	6,414	6,428	-0.2%
Non-current financial assets	487	404	20.5%
Receivables	34	36	-3.5%
Deferred tax asset	48	61	-20.3%
Total non-current assets	8,036	7,977	0.7%
Inventories	290	314	-7.4%
Receivables	1,490	1,293	15.2%
Current financial assets	844	266	217.4%
Cash and cash equivalents	2,984	5,223	-42.9%
Prepayments and accrued income	115	105	9.5%
Total current assets	5,724	7,201	-20.5%
TOTAL ASSETS	13,760	15,179	-9.3%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-1	-26.9%
Retained earnings	1,387	1,534	-9.5%
Net profit for the period	1,747	2,309	-24.3%
Minority interest	1	1	24.9%
Total issued capital and reserves	11,732	12,440	-5.7%
Provisions	302	314	-3.9%
Non-current liabilities	130	150	-12.9%
Total non-current liabilities	432	463	-6.8%
Current liabilities	1,343	1,983	-32.3%
Accrued expenses and deferred income	253	292	-13.6%
Total current liabilities	1,595	2,275	-29.9%
Total liabilities	2,027	2,739	-26.0%
TOTAL EQUITY AND LIABILITIES	13,760	15,179	-9.3%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2009	Jan-Sep 2008	% of change 09/08
Profit before tax	2,205	2,423	-9.0%
Depreciation and amortization	1,048	1,010	3.8%
Decrease of inventories	23	0	-
Total increase of cash flow from operating activities	3,276	3,432	-4.5%
Decrease of current liabilities	-549	-352	55.8%
Increase of current receivables	-247	-137	79.6%
Increase of inventories	0	-90	-100.0%
Other cash flow decreases	-822	-921	-10.8%
Total decrease of cash flow from operating activities	-1,617	-1,500	7.8%
Net cash inflow/outflow from operating activities	1,659	1,933	-14.1%
Proceeds of sale of non-current assets	30	32	-6.4%
Proceeds of sale of non-current financial assets	1	1,532	-99.9%
Interest received	235	265	-11.3%
Dividend received	4	0	-
Total increase of cash flow from investing activities	271	1,830	-85.2%
Purchase of non-current asset	-1,063	-847	25.4%
Purchase of non-current financial asset	-647	0	-
Other cash outflows from investing activities	0	0	-
Total decrease of cash flow from investing activities	-1,710	-848	101.8%
Net cash inflow/outflow from investing activities	-1,439	982	-246.5%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-2	0	-
Dividends paid	-2,456	-2,421	1.5%
Repayment of finance lease	0	-8	-
Other cash outflows from financing activities	-1	0	-
Total decrease of cash flow from financing activities	-2,459	-2,428	1.3%
Net cash inflow/outflow from financing activities	-2,459	-2,428	1.3%
Total increase of cash flow	221	2,915	-92.4%
Total decrease of cash flow	-2,459	-2,428	1.3%
Cash and cash equivalents at the beginning of period	5,223	3,366	55.2%
Net cash (outflow) / inflow	-2,239	487	-559.9%
Cash and cash equivalents at the end of period	2,984	3,852	-22.5%

Statement of changes in Equity

Position	in HRK million			
	31 December 2008	Increase	Decrease	30 September 2009
1. Subscribed share capital	8,189			8,189
2. Net income reserves	409			409
3. Retained earnings or loss carried forward	1,534	2,309	-2,456	1,387
4. Net profit (loss) for the period	2,309	1,747	-2,309	1,747
5. Revaluation of available for sale financial assets	-1	4	-3	-1
6. Other changes in equity	1		0	1
7. Total increase or decrease of equity	12,440	4,060	-4,768	11,732
7a. Attributable to majority owners	12,439	4,060	-4,768	11,731
7b. Attributable to minority interest	1			1

Notes to the condensed consolidated financial statements For the nine months ended 30 September 2009

Basis of preparation

The condensed consolidated financial statements of 30 September 2009 and for the nine 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 was paid as per decision of the General Assembly on 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 segment 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 revenue and operating profits are usually expected in the summer months for T-Mobile segment.

Business segments

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

Period ended 30 September 2009

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,914	-	-	-	1,914
Wholesale services	592	-	(82)	-	510
Internet services	845	-	-	-	845
Data services	139	-	-	-	139
Mobile telephony	-	2,965	137	-	3,102
Miscellaneous	70	-	(55)	-	15
Sales to external customers	3,560	2,965	-	-	6,525
Inter-segment sales	248	267	-	(515)	-
Total revenue	3,808	3,232	-	(515)	6,525
<i>Results</i>					
Segment results	813	1,155	-	-	1,968
Net finance revenue	137	100	-	-	237
Profit before income tax	949	1,255	-	-	2,205
Income tax expense	(206)	(252)	-	-	(458)
Net profit for the period	743	1,004	-	-	1,747

As at 30 September 2009

Assets and liabilities

Segment assets	8,680	4,756	-	(53)	13,383
Investment in associates	2	-	-	-	2
Investment in joint venture	375	-	-	-	375
Total assets	9,057	4,756	-	(53)	13,760

Period ended 30 September 2008

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	2,115	-	-	-	2,115
Wholesale services	635	-	(55)	-	580
Internet services	652	-	(2)	-	650
Data services	150	-	-	-	150
Mobile telephony	-	3,025	111	-	3,136
Miscellaneous	57	-	(54)	-	3
Sales to external customers	3,609	3,025	-	-	6,635
Inter-segment sales	292	326	-	(618)	-
Total revenue	3,901	3,351	-	(618)	6,635
<i>Results</i>					
Segment results	978	1,205	-	-	2,183
Net finance revenue	168	72	-	-	240
Profit before income tax	1,146	1,277	-	-	2,423
Income tax expense	(262)	(272)	-	-	(534)
Net profit for the period	883	1,005	-	-	1,888
As at 31 December 2008					
<i>Assets and liabilities</i>					
Segment assets	10,924	4,056	-	(168)	14,812
Investment in associates	2	-	-	-	2
Investment in joint venture	365	-	-	-	365
Total assets	11,291	4,056	-	(168)	15,179

Current interim period
1 July 2009 to 30 September 2009

Revenue

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
Fixed telephony	627	-	-	-	627
Wholesale services	210	-	(31)	-	179
Internet services	291	-	-	-	291
Data services	45	-	-	-	45
Mobile telephony	-	1,117	50	-	1,166
Miscellaneous	27	-	(19)	-	8
Sales to external customers	1,200	1,117	-	-	2,317
Inter-segment sales	102	98	-	(200)	-
Total revenue	1,302	1,215	-	(200)	2,317
<i>Results</i>					
Segment results	241	519	-	-	759
Net finance revenue	24	37	-	-	62
Profit before income tax	265	556	-	-	821
Income tax expense	(55)	(111)	-	-	(166)
Net profit for the period	210	445	-	-	655

Current interim period
1 July 2008 to 30 September 2008

Revenue

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
Fixed telephony	693	-	-	-	693
Wholesale services	226	-	(25)	-	201
Internet services	228	-	(2)	-	226
Data services	49	-	-	-	49
Mobile telephony	-	1,235	47	-	1,282
Miscellaneous	23	-	(20)	-	3
Sales to external customers	1,219	1,235	-	-	2,455
Inter-segment sales	121	121	-	(242)	-
Total revenue	1,340	1,356	-	(242)	2,455
<i>Results</i>					
Segment results	322	601	-	-	923
Net finance revenue	38	27	-	-	66
Profit before income tax	360	628	-	-	989
Income tax expense	(98)	(127)	-	-	(225)
Net profit for the period	262	501	-	-	763

Relations with the governing company and its affiliated companies

In the first nine 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 nine 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 nine months of 2009.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first nine 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 nine months of 2009 the Group generated total revenue from related companies from international traffic to the amount of HRK 121 million (the first nine months of 2008: HRK 138 million), while total costs of international traffic amounted to HRK 107 million (the first nine months of 2008: HRK 107 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 24 million in the first nine months of 2009 (the first nine months of 2008: HRK 27 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 nine months of 2009, the Company paid a total amount of HRK 0.6 million (the first nine months of 2008: HRK 0.5 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 nine months of 2009 the total compensation paid to key management personnel of the Group amounted to HRK 37 million (first nine months of 2008: HRK 40 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⁽¹⁾

T-MOBILE SEGMENT

Key operational data	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Subscribers			
No. of prepaid subscribers	1,987,148	1,845,990	7.6%
No. of postpaid subscribers	897,363	773,612	16.0%
Total T-Mobile subscribers	2,884,511	2,619,602	10.1%
% of postpaid subscribers	31.1%	29.5%	1.6 p.p.
Minutes of use (MOU)			
MOU per average subscriber	111.4	125.1	-11.0%
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) ³⁾	100.0	118.8	-15.8%
Blended non-voice ARPU (monthly average for the period in HRK)	21.4	24.3	-11.9%
SAC per gross add ²⁾	193	257.7	-25.1%
Churn rate (%)			
Churn rate total	1.7	1.3	0.4 p.p.
Churn rate postpaid	0.7	0.7	0.0 p.p.
Churn rate prepaid	2.1	1.5	0.6 p.p.
Penetration (%)	137.1	126.5	10.6 p.p.
Market share of subscribers (%) ⁴⁾	47.4	46.6	0.7 p.p.
Market share by revenue (%) ⁵⁾	49.4	50.1	-0.6 p.p.

T-COM SEGMENT

Key operational data	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Fixed telephony			
Total POTS and FGSM mainlines	1,400,087	1,451,355	-3.5%
Total ISDN mainlines	96,508	108,114	-10.7%
Total (POTS+FGSM+ISDN)	1,496,595	1,559,469	-4.0%
Payphones	8,210	9,236	-11.1%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,504,805	1,568,705	-4.1%
Total Traffic (thousands of minutes)	2,587,715	2,850,920	-9.2%
To national fixed network	2,176,883	2,376,948	-8.4%
To national mobile network	238,182	279,403	-14.8%
To VAS	48,169	48,621	-0.9%
To international networks	90,739	101,317	-10.4%
Remaining traffic ⁽⁶⁾	33,741	44,631	-24.4%
Average monthly voice revenue per voice access (ARPA) (HRK)	138	150	-8.2%

Key operational data	Jan-Sep 2009	Jan-Sep 2008	% change 09/08
Internet services			
Dial-up users	764,495	758,130	0.8%
Active dial - up users	48,814	91,012	-46.4%
ADSL mainlines	526,722	429,242	22.7%
IPTV customers	189,433	92,205	105.4%
Fixed-line customers	1,089	996	9.3%
VPN connection points	3,454	2,117	63.2%
ADSL mainlines ARPA (monthly average for the period in HRK)	124	120	3.0%
Active dial-up users ARPU (monthly average for the period in HRK)	55	56	-2.2%
Data services			
Metro Ethernet (connection points)	2,589	1,757	47.4%
Other data lines	3,355	4,557	-26.4%
Total	5,944	6,314	-5.9%
Wholesale services			
CPS (Carrier Pre-Selection)	227,209	221,491	2.6%
NP (Number portability) users/number	326,449	241,015	35.4%
ULL (Unbundled Local Loop)	116,232	73,966	57.1%

⁽¹⁾ 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

⁽²⁾ SAC - Subscriber acquisition costs

⁽³⁾ Blended ARPU is affected by restating of previous year for IFRIC 13. 6% contribution fee on mobile revenue is included in blended ARPU for 2009.

⁽⁴⁾ Source: Number of subscribers for VIPnet and Tele2 for Jan-Sep 2009 internally estimated. Telekom Austria and Tele2 quarterly report for Jan-Sep 2008.

⁽⁵⁾ 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 revenue are not deducted any more. 2008 numbers were restated accordingly

Source: VIPnet's and Tele2 total revenue for Jan-Sep 2009 internally estimated Telekom Austria and Tele2 quarterly report for Jan-Sep 2008.. Market shares are based on unconsolidated revenue for T-Mobile

⁽⁶⁾ Includes payphone traffic, operator assisted services, additional services (such as CLIP, CLIR, CFR, conference call, inquiries services and fixed SMS) and calls to satellite

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 30 September 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

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

Branka Skaramuča, Member of the Management Board and CHRO

Zagreb, 30 October 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