

IX Annual Conference of the Macedonian Stock Exchange

T-CROATIAN TELECOM IPO

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Project Manager

Ohrid, April 2008

- 1. Executive Summary**
2. Project Setup
3. Investment Story and Research
4. Pre-Deal Investor Education
5. Demand Analysis
6. Allocation Analysis
7. Retail Marketing
8. After Market Highlights

Executive Summary



ERSTE GROUP

Transaction Overview

Free Float of 32.5% after listing

Croatian Government initially intended to sell 20%+3% of its stake

Strong demand resulted with Government decision to increase the number of shares in the IPO by additional 9.5% stake (together amounted for 32.5% of its stake)

Only secondary shares, no capital increase

EUR 1 billion deal size, 358.000 Croatian citizen participated + very strong international and domestic institutional demand

Intention

- Privatization of state-owned package of shares
- Public offering in Croatia (preferential and non-preferential), GDR offering (under Reg S and Rule 144A)

Marketing

- Offer period institutional investors: 17/09/07 – 01/10/07
- Offer period retail investors: 17/09/07 – 27/09/07
- Preferential allotment for retail investors up to an order size of HRK 38,000

The Offering

- 23,142,412 existing shares
- Greenshoe up to 3,471,361 existing shares
- Bookbuilding-range HRK 245 to HRK 320
- Global Coordinator & Sole Bookrunner: JP Morgan
- Domestic Lead Managers : Erste Bank, Hrvatska Poštanska Banka

Stock Exchange

- Zagreb Stock Exchange (ordinary shares), London Stock Exchange (GDRs)

Executive Summary

Successful Deal

- The offering was **around five times covered** (including Greenshoe)
 - Retail oversubscribed more than two times the entire offered no. of shares
 - Foreign institutional investors oversubscribed around 20 times
 - Domestic institutional investors oversubscribed around 9 times
- **Issue price** after bookbuilding: **HRK 265**
- 23% of the offering was placed with institutional investors (domestic 35%, foreign 65%)
- A total of about **77%** of the offering was **placed with retail investors** (incl. Greenshoe)
- **Free float 32.5%** after IPO
- **Issue volume: around HRK 7bn** (incl. Greenshoe)
- **Price performance**
 - First day of trading: **+43%** (+58% intraday)
 - End of stabilization: **+38.11%** (at HRK 366)

Executive Summary

Successful Deal

- The T-HT IPO is a transaction of key significance in CEE region:
 - The largest-ever corporate IPO in CEE
 - The largest-ever IPO in South-Eastern Europe
 - No.3 privatization IPO across CEE
- The largest IPO in European telecoms space since Belgacom's IPO in 2004 -T-HT has also set a number of benchmarks in the local and regional markets:
 - The largest number of retail participants in a CEE IPO
 - Strong local institutional demand
 - Support of international institutions despite choppy markets
- The transaction was launched with investor education starting at the beginning of September under very challenging market conditions following the US sub-prime mortgage market meltdown and subsequent shockwaves across global markets
- MSCI Emerging Markets index (US\$) fell almost 18% on 20-day rolling basis in mid-August, market volatility shot up and remained high through September
- September EMEA ECM issuance fell to a record low of \$10.8bn (down 37% on year-on year basis) with a number of high-profile transactions postponed

Executive Summary

Successful Deal

- Investors were very strongly receptive to T-HT's positioning as high-margin, high cash generation business offering an attractive yield play with some pockets of growth on top
- Spectacular retail demand (almost 10% of Croatian population) together with very strong institutional momentum led the RoC to upsizing the transaction from total 23% of the company to 32.5% (post-greenshoe) and capping retail allocations at 25% of the company
- The books closed and the transaction was priced on October 1, ending over 5x oversubscribed on the upsized base deal with strong demand from all classes of investors across geographies
- Immediately after the IPO, the RoC stake will dropped to 9.5% after the greenshoe was fully exercised. Remaining shares will be sold with (i) 7% going to current and ex-employees of T-HT and (ii) up to 2.5% via retail bonus share scheme (1 share per 10 held for 12 months after the IPO)

Executive Summary

Syndicate Structure



Responsibilities

- Due Diligence
- Investment story
- Analyst presentation
- International roadshow
- Bookrunner,
- Coordination of both tranches

Mutual responsibilities

- Deal structure
- Prospectus
- Listing agendas

Responsibilities

- Domestic institutional and retail bookrunner
- Setting up the branch infrastructure
- Coordination of retail campaign
- Organization of the retail offering
- Coordination of selling-group
- Cooperation with the Govt.
- Cooperation with the local regulator (HANFA)
- Coordination with ZSE

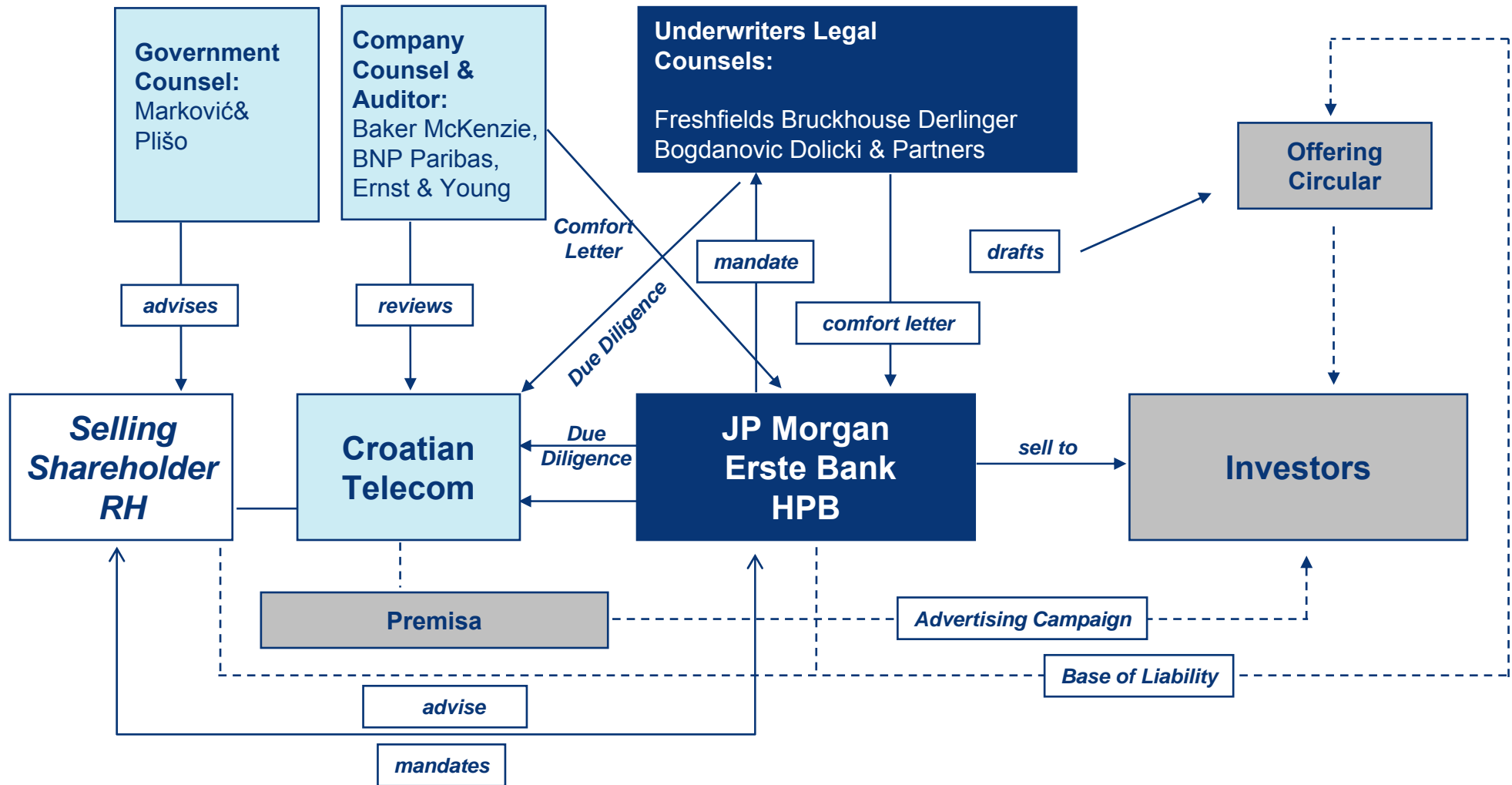
IPO T-Hrvatski Telekom

Presentation Topics

1. Executive Summary
- 2. Project Setup**
3. Investment Story and Research
4. Pre-Deal Investor Education
5. Demand Analysis
6. Allocation Analysis
7. Retail Marketing
8. After Market Highlights

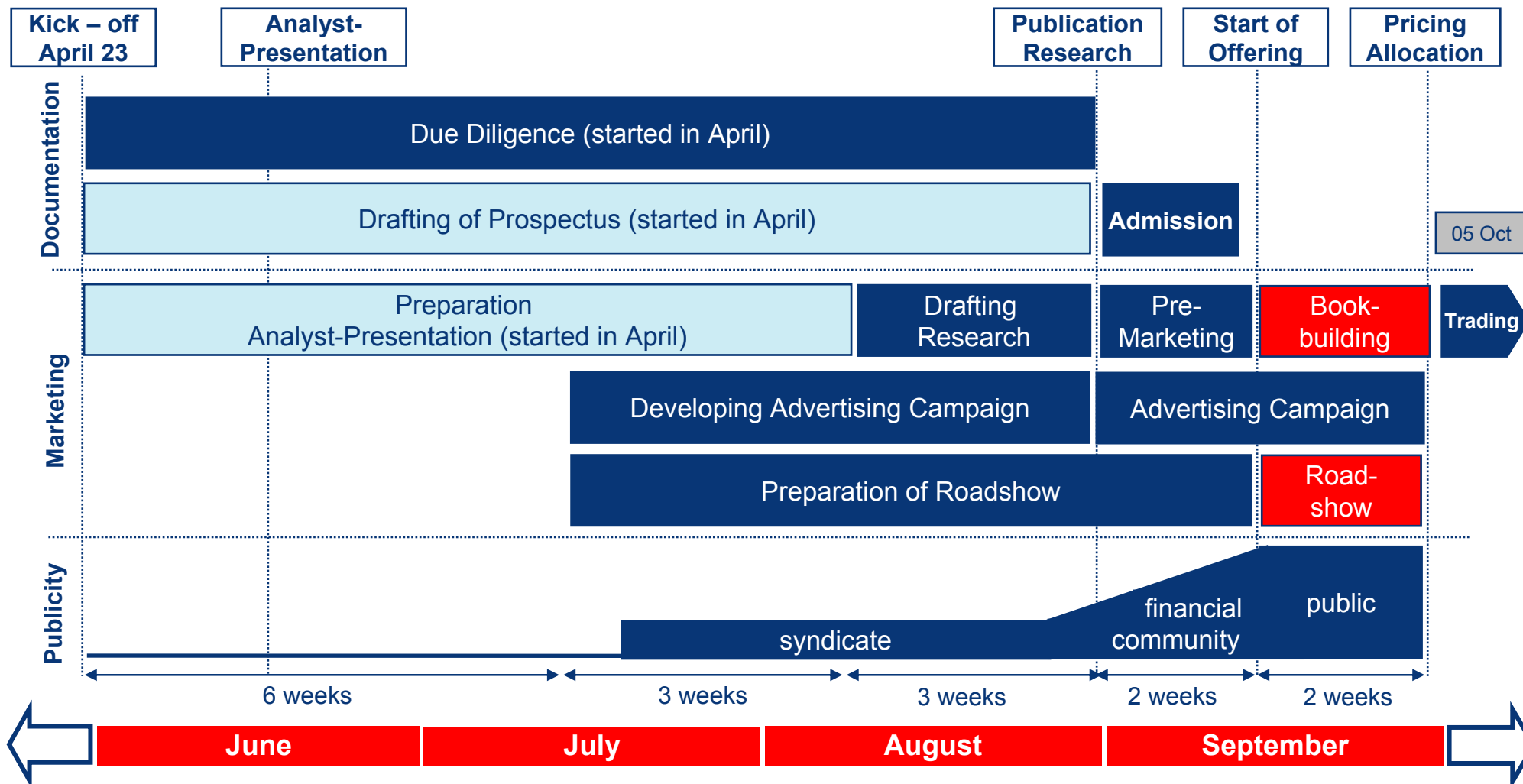
Project Setup

Working-group T-Hrvatski Telekom - IPO



Project Setup

The Timetable – Start of Trading: 05/10/2007



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T-Hrvatski Telekom Investment Story

Leading market position in Croatian market

- Mobile telephony
- Fixed telephony
- Wholesale
- Internet and
- Data services

Strategy

- Upgrading basic telecommunications to innovative add-on services
- Pre-paid to post-paid transformation
- Headcount reduction and focusing investments on growth areas

Growth opportunities

- Acquisitions
- Broadband services

Sound financial profile with stable cash flows

- Above average EBITDA margin – 46.8% in 2006
- Strong Free Cash Flow Generation
- Substantial pile of cash (net cash position of HRK 6.5bn in 2006 – 42% of total assets)
- Dividend is paid annually, with payout policy of 50-100%

Expectations

2007 – 2010(e)

Based on T-Hrvatski Telekom's performance in the first half of 2007 and conditions in the overall telecom services sector, the company expects for upcoming years:

- A slight Group revenues decline year-on-year, due to fixed telephony revenue decrease
- Slow revenue growth in mobile telephony, Internet and wholesale
- A slow EBITDA margin decrease year-on-year
- Slow increase of EBIT year-on-year, due to falling depreciations
- Dividend payout policy of 50-100% annually

Investment Story and Research

Peer group valuation

- Sales growth 2006-2010(e): CAGR -0.7
- EBITDA Margin 2006-2010(e): 46.8% to 43.3% p.a.
- EBITA Growth 2006-2010(e): CAGR -2.6%
- Peer group valuation supported by a fundamental DCF-valuation

CEE Operators	Cur	Price	M Cap EUR bn	EV/EBITDA			P/E			FCF yield			Dividend yield		
				2007e	2008e	2009e	2007e	2008e	2009e	2007e	2008e	2009e	2007e	2008e	2009e
Telekom Austria	EUR	19.2	8.8	6.8x	6.3x	6.1x	17.8x	16.0x	14.6x	6.8%	8.2%	8.4%	3.7%	4.1%	4.4%
TPSA	PLN	22.8	8.8	4.9x	4.9x	4.8x	14.5x	14.1x	13.7x	11.0%	10.9%	10.9%	7.0%	7.5%	7.9%
Magyar Telekom	HUF	939	3.9	4.8x	4.7x	4.6x	13.4x	12.9x	12.1x	11.4%	11.1%	10.7%	7.7%	7.9%	8.1%
Telefónica O2 CR	CZK	560	6.8	6.6x	6.5x	6.3x	19.0x	16.5x	15.1x	7.7%	8.6%	9.1%	7.5%	7.5%	7.5%
Hrvatski Telekom	HRK	362	4.0	5.8x	5.8x	5.9x	11.6x	12.6x	12.8x	8.5%	9.1%	8.8%	6.5%	5.9%	5.9%
OTE	EUR	25.0	12.3	6.3x	5.7x	5.4x	20.0x	17.6x	16.0x	3.6%	6.3%	8.4%	2.5%	3.0%	3.7%
Median				6.03x	5.8x	5.6x	16.2x	15.1x	14.1x	8.1%	8.8%	9.0%	6.7%	6.7%	6.7%

Hrvatski Telekom	HRK	362	4.0	5.8x	5.8x	5.9x	11.6x	12.6x	12.8x	8.5%	9.1%	8.8%	6.5%	5.9%	5.9%
CEE Mean				6.0x	5.8x	5.6x	16.2x	15.1x	14.1x	8.1%	8.8%	9.0%	6.7%	6.7%	6.7%
<i>Difference to CEE Median</i>				<i>-4%</i>	<i>0%</i>	<i>4%</i>	<i>-28%</i>	<i>-16%</i>	<i>-10%</i>	<i>5%</i>	<i>2%</i>	<i>-2%</i>	<i>-4%</i>	<i>-11%</i>	<i>-12%</i>

CEE Operators	EBITDA margin			EBIT margin			Net margin			LT EPS growth
	2007e	2008e	2009e	2007e	2008e	2009e	2007e	2008e	2009e	
Telekom Austria	39.2%	39.8%	40.1%	15.3%	15.9%	16.3%	10.0%	10.5%	11.2%	6.4%
TPSA	41.9%	41.7%	40.9%	18.1%	18.4%	18.3%	11.9%	12.4%	12.8%	4.0%
Magyar Telekom	38.4%	38.2%	38.2%	20.7%	20.7%	21.3%	10.9%	11.2%	11.9%	2.4%
Telefónica O2 CR	43.8%	43.1%	43.0%	20.8%	22.6%	24.2%	15.0%	17.0%	18.3%	16.9%
Hrvatski Telekom	45.5%	45.0%	44.1%	30.3%	30.8%	30.6%	29.3%	27.0%	27.0%	0.7%
OTE	36.8%	37.4%	37.6%	18.7%	19.7%	21.0%	9.5%	10.3%	11.1%	16.1%
Median	40.6%	40.8%	40.5%	19.7%	20.2%	21.2%	11.4%	11.8%	12.4%	5.2%

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Pre-Deal Investor Education

Extensive Pre-Deal Investor Education

Meetings / Conference Calls with Investors

Zagreb
London
Paris
Stockholm
USA

- Managers are asked to provide investor education feedback on a daily bases
- Syndicate members had to submit an initial investor education feedback summary by Friday 7th September

Promising Pre-Marketing Feedback

Main Strength

- Leading position in telecommunications market in Croatia
- Stability of the business increases investors' trust in future cash flows
- Above average EBITDA margin, compared to national, CEE and Western European peers
- High net cash position
- Growth opportunity through broadband services and acquisitions in the region
- Largest sales distribution network in Croatia
- Preferential offering for Croatian citizens
- Annual dividend payout policy of 50-100%

Open Issues / Concerns

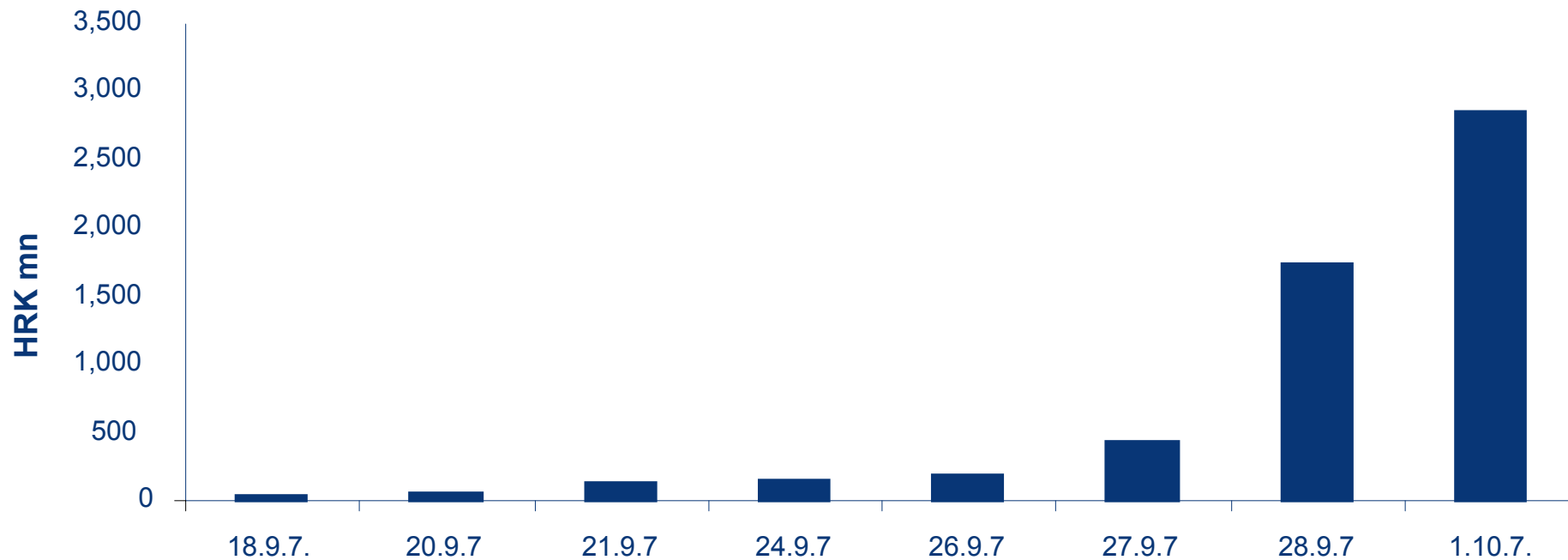
- Small allocation size was a biggest concern
- Declining fixed telephony revenues
- Continuing fixed-to-mobile substitution
- Decline in mobile market share and slowing mobile revenue growth
- Expected decline in EBITDA margin
- Underleveraged capital structure, with debt only 0.2% of assets in 2006
- Large employee base presents burden on costs
- Further deregulation of the market (bitstream access, wholesale line rental, reduction in interconnection rate etc.)
- Plans of the Government for their remaining stake post IPO in T-Hrvatski Telekom? Possible offering to employees?
- Will the elections (fall 07) have an impact on the IPO?

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Demand Analysis

Order Book by Institutional investors (Erste Bank)

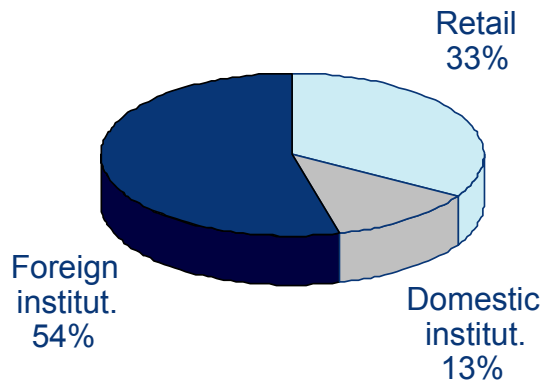
Institutional total demand



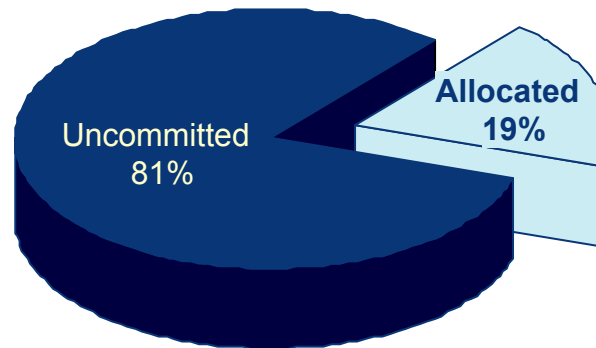
Demand Analysis

Roadshow generated significant Demand

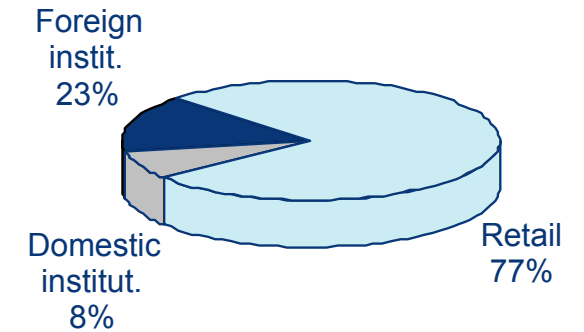
Demand structure



Total demand



Allocation structure

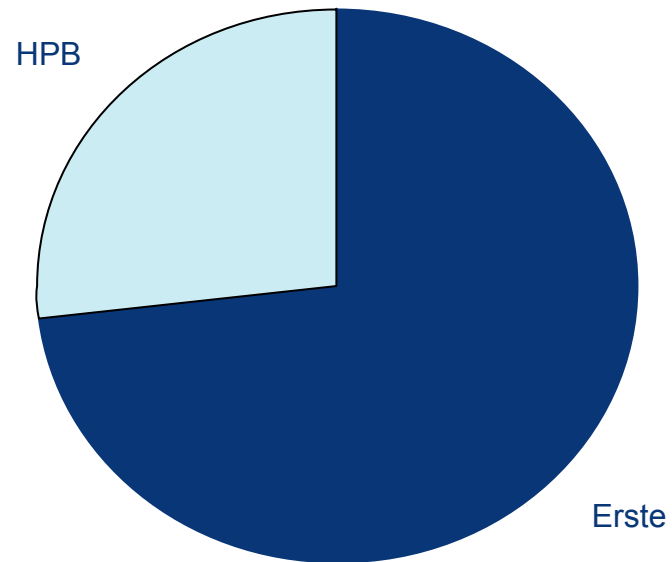


**Total demand covered
six times the offering**

Demand Analysis

Total DLMs institutional demand

Total DLMs institutional demand



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Allocation Analysis

Investor Quality

Tier 1

Top-quality-investors with substantial assets under management who have undertaken detailed analysis (investor education and roadshow), longer investment horizon, mostly pension funds

Tier 2

Generally smaller assets under management than Tier 1-investors, shorter time horizon

Tier 3

Mixed-quality-investors, deserving a lesser allocation due to size of assets under management, speculative nature, investment horizon, timing of order, after-market performance, etc.

Retail

Preferential allotment for retail investors (approx. 77% of the offering were intended)

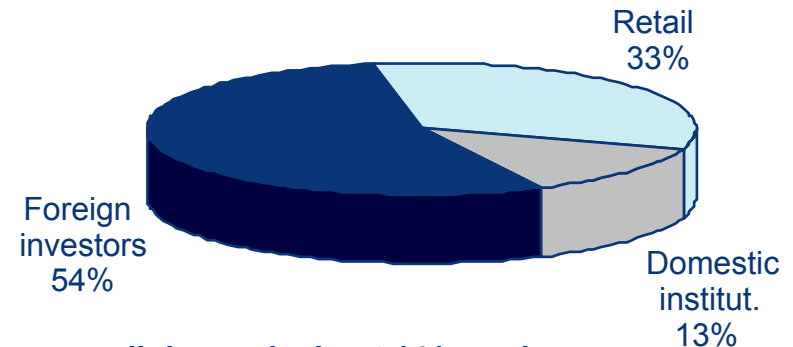
Allocation Analysis

Investor Quality

Allocation Criteria for institutional clients

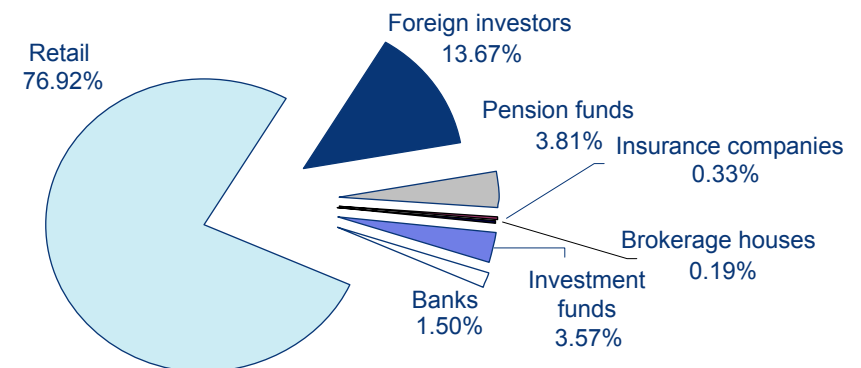
- Quality of investor
- Provide leadership by indicating demand at an early stage relative to the position in the roadshow itinerary
- Provide price leadership at an early stage
- Are perceived long term holders
- Participate in roadshow marketing events
- Participate in investor education
- Place orders which do not appear to be artificially inflated compared to overall funds under management and average unit size
- Place orders not subject to price limits
- Order history
- Industry history

Demand by Ranking



overall demand: about 141mn shares

Allocation by Ranking

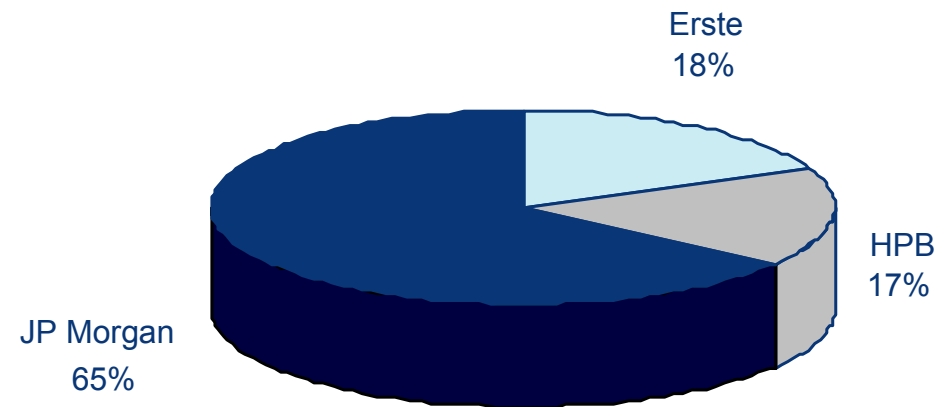


total allocation: 26.6mn shares

Allocation Analysis

Institutional allocation by Manager

Institutional allocation by Manager



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Extensive Retail Marketing Campaign

- **Erste retail** : 500 sales force participated in a full day offsite training (2 locations : Zagreb and Rijeka)
presenters: main Project team members
- Separate **training & IT application** testing by chosen employees in branches
- Extensive **Q&A, procedures** and all necessary **forms** present **on Erste Intranet**
- Dedicated **Erste IPO Help centre** for sales force

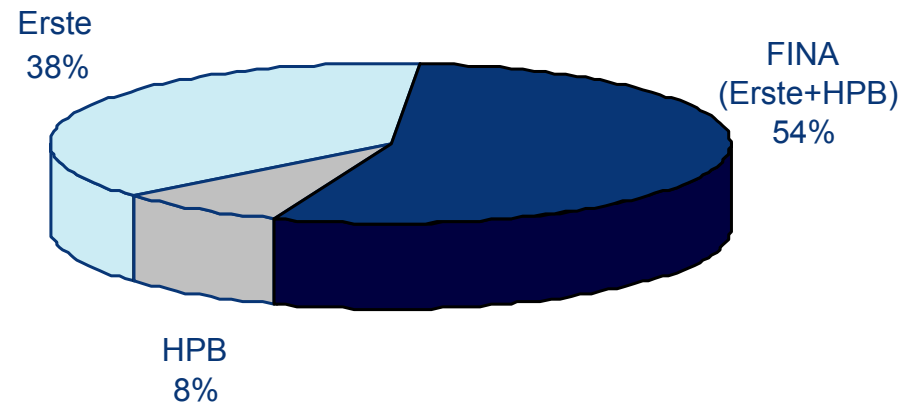
- Extensive **retail marketing & information campaign**
(TV, printed media, special T-HT IPO web page + leaflets and posters in branches)
2 steps:
 - Capital market promotion campaign
 - T-HT IPO promotion campaign
- **T-HT IPO dedicated** 0800 Call centre + **Erste** and **HPB's** 0800 call centres

Locations: Total of **293 branches** throughout Croatia including islands (Erste 114, HPB 24, FINA 155)

Retail Marketing

Retail Demand and Allocation (estimate)

Retail allocation by manager



**33% of the offering
was covered by retail...**

...receiving an allocation of about 77%.

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After Market Highlights

T-Hrvatski Telekom – News flow and After-Market

Newsflow and IR ...

- **October 2007:**
 - The end of October brought stronger market drop
 - Strong pressure from retail clients, almost day to day drop
- **November 2007:**
 - Downward pressure continued
 - Q3 company results mostly in line with expectations (Revenues +1%, Net profit +15%)
 - Croatian parliamentary elections were near
 - Croatian National Bank announced higher expected inflation for the incoming year
- **December 2007**
 - New pension funds regulation was strong market mover in December
 - HDZ won the Croatian parliamentary elections and got the mandate to form a government
 - Positive trend was seen on the market although retail pressure on HT was still seen
- **2008**
 - Positive sentiment on the market continued
 - HT however remained floating around HRK 350
 - Decision not to place a binding tender for 49.13% shares of Telekom Slovenije
 - Despite bearish market the price was always above the IPO price
 - Management proposed a 100% dividend pay-out ratio

... Price moved in correlation with the market

T-HT – Stock-Price-Performance (5/10/07 – today)

Issue Price: HRK 265

+ [20.75] from issue price

-[15.8%] from the 1st day close

