



Business and Financial Review January - December 2009

Ivica Mudrinić, President of the Management Board and CEO
Juergen P. Czapran, Member of the Management Board and CFO

16 February 2010

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Business Environment Highlights

Croatian Economy

- 5%⁽¹⁾ fall in GDP - one of the biggest decrease in the past 10 years
- Unemployment rose to 16.6%⁽²⁾
- August 2009: new personal income tax, increased VAT rate to 23% and 6% fee on mobile communication services entered into force
- Inflation stable with annual rate of 2.4%⁽³⁾

Regulation

- March - fixed and mobile interconnection charges decreased up to 20%
- New remedies introduced after market analyses completed according to the latest EU recommendations
- Additional decrease in fixed and mobile interconnection charges from 1 January 2010

(1) Source: Croatian Ministry of Finance

(2) Source: Croatian Central Bureau of Statistics, official registered unemployment rate in December 2009

(3) Source: Croatian Ministry of Finance

2009: Resilient performance in challenging economy

	Announced outlook			Delivered results	
	Q1	Q2	Q3	FY 2009	
Revenue	<ul style="list-style-type: none"> Decline 	<ul style="list-style-type: none"> Under additional pressure if new taxes and fee will be imposed 	<ul style="list-style-type: none"> Decline < GDP 	HRK 8,517 mil decline: 3.1% < 5%	✓
EBITDA	<ul style="list-style-type: none"> Some erosion of EBITDA margin 	<ul style="list-style-type: none"> Stronger erosion due to prospect of new taxes and fee 	<ul style="list-style-type: none"> Continued erosion into the full year 	-0.3 p.p. 45.3% in 2009 vs 45.6% in 2008	✓
CAPEX	<ul style="list-style-type: none"> Similar to 2008 	<ul style="list-style-type: none"> Reconsidered, if fee on mobile communication will be imposed 	<ul style="list-style-type: none"> Lower than in 2008 	HRK 1,553 mil in 2009 vs. HRK 1,621 mil in 2008	✓
Regional Expansion	<ul style="list-style-type: none"> Continued monitoring of expansion opportunities 			Ongoing	✓

Group Highlights

- Confirmed leadership in all business segments
- Merger of HT and T-Mobile: from 1 January 2010 business reorganised along customer-focused lines with new structure based upon Residential and Business units
- ICT services offered to small and medium-sized enterprises in November
- Strong cash position - generated more than HRK 2.7 billion of operating cash flow
- Proposed dividend of HRK 34.05 per share

		IFRS, audited ⁽¹⁾		
		Jan - Dec 2008	Jan - Dec 2009	%
		change		
Revenue ⁽²⁾⁽³⁾	(in HRK million)	8,791	8,517	-3.1%
	(in EUR million)	1,218	1,160	-4.7%
EBITDA before exceptional items ⁽⁴⁾	(in HRK million)	4,009	3,859	-3.8%
	(in EUR million)	555	526	-5.3%
Net profit	(in HRK million)	2,310	2,023	-12.4%
	(in EUR million)	320	276	-13.9%
Headcount ⁽⁵⁾ (at 31 Dec)		6,419	6,044	-5.8%

⁽¹⁾ Kuna per Euro average rate of exchange: Jan-Dec 2009: 7.34; Jan-Dec 2008: 7.22

⁽²⁾ Excluding other operating income

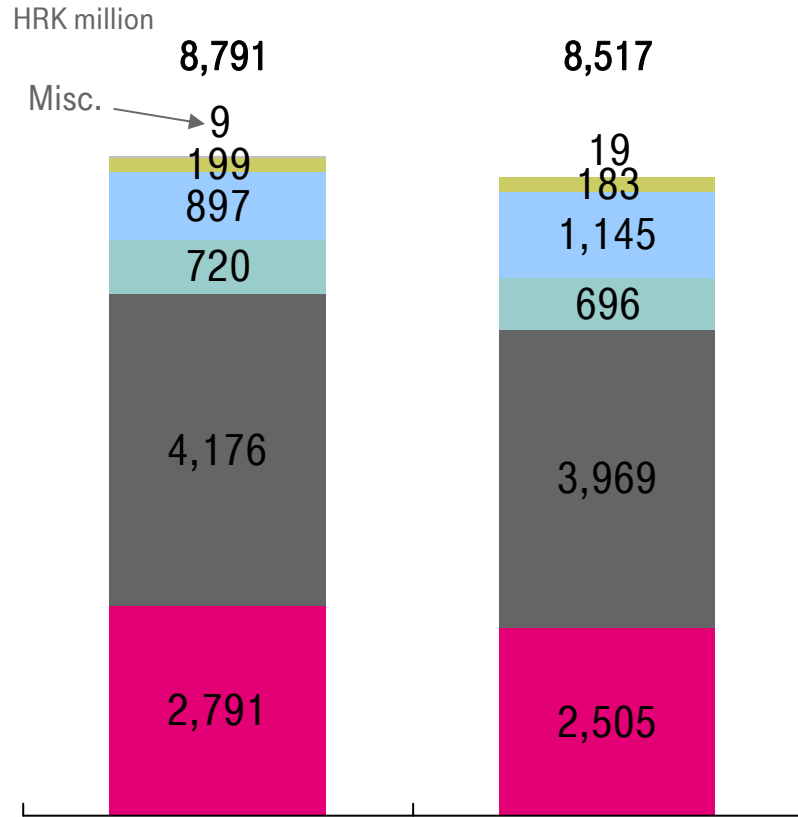
⁽³⁾ The impact of IFRIC 13 on T-HT Group revenue is: Jan-Dec 2008: -25.3 million HRK; Jan-Dec 2009: -22.1 million HRK

⁽⁴⁾ Exceptional items in 2009 totalled HRK 163 million, of which HRK 152 million related to redundancy provision and HRK 11 million related to reorganisation costs. In 2008, exceptional redundancy provisions totalled HRK 45 million.

⁽⁵⁾ Full time employees.

Group Revenue Development

Revenue breakdown ⁽¹⁾⁽²⁾



Jan-Dec 2008

Jan-Dec 2009

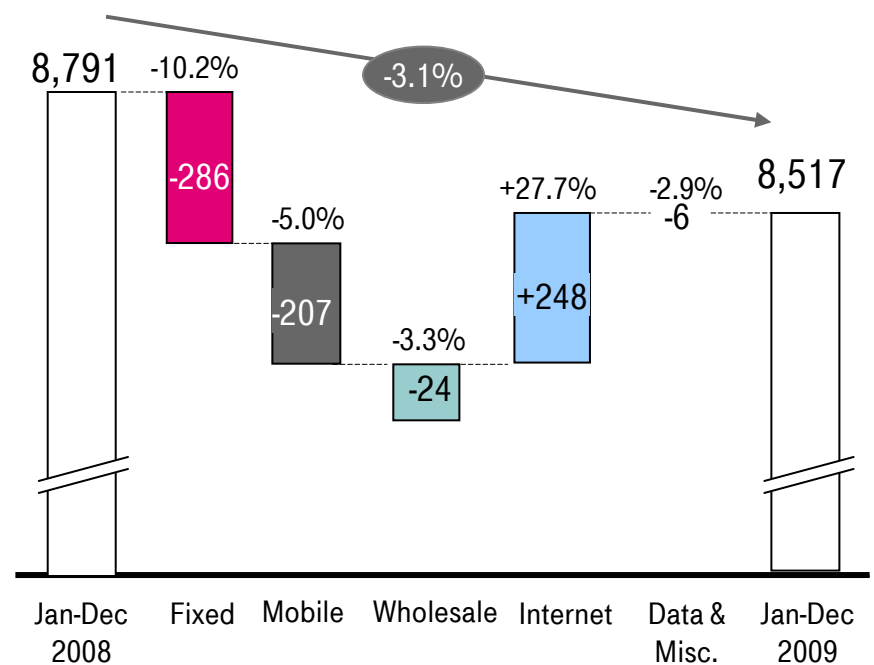
- Fixed telephony
- Wholesale
- Data

- Mobile
- Internet
- Miscellaneous

⁽¹⁾ Excluding Other operating income

⁽²⁾ Impact of IFRIC 13 on T-HT Group revenue is Jan-Dec 2008: HRK -25,3 Mio, Jan-Dec 2009: HRK -22.1 Mio.

■ Continuing growth in Internet revenue, but erosion in Mobile revenue after years of growth



T-Com Highlights

- Maintained leadership position
- Strong growth of broadband services: Iskon launched the 1st triple-play service in Croatia
- Decrease in fixed telephony and wholesale partially compensated by increase in internet revenue
- Capital expenditures reduced due to economic situation and Government measures on taxation

Key financials (HRK million)

	Jan - Dec 2008	Jan - Dec 2009	% change
Revenue ⁽¹⁾⁽²⁾	5,191	5,044	-2.8%
EBITDA	2,026	1,860	-8.2%
EBITDA before exceptional items ⁽³⁾	2,071	2,019	-2.5%
EBITDA margin	39.0%	36.9%	-2.1 p.p.
EBITDA margin before exceptional items	39.9%	40.0%	0.1 p.p.
Capex	1,153	1,081	-6.3%
Capex / Revenue	22.2%	21.4%	-0.8 p.p.
Headcount ⁽⁴⁾ (at 31 Dec)	5,382	5,065	-5.9%

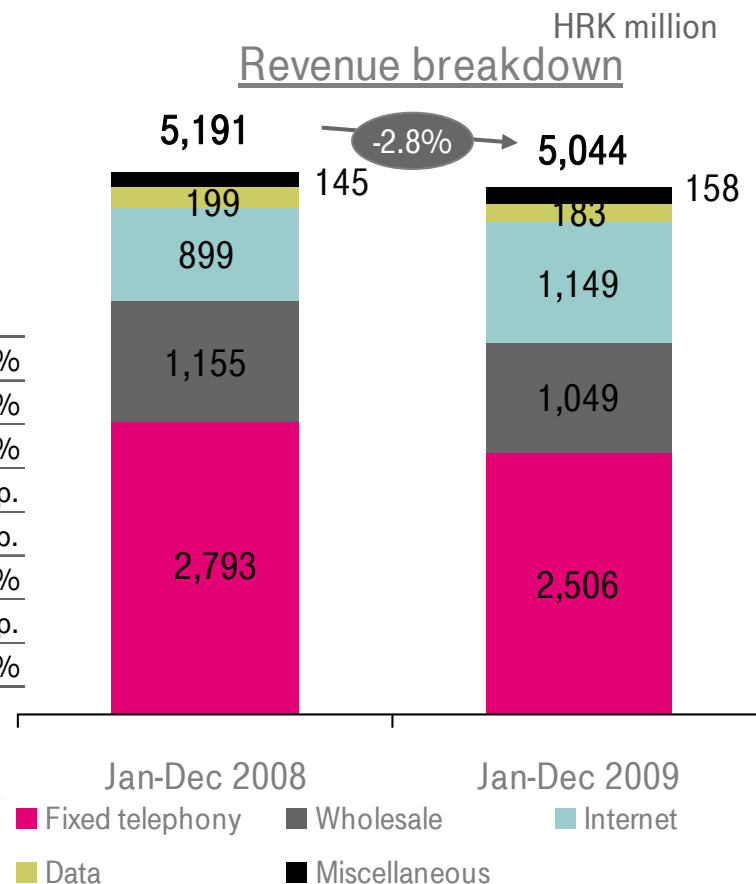
⁽¹⁾ Excluding other operating income

⁽²⁾ Impact of IFRIC on T-Com revenue is: Jan-Dec 2008 HRK -6,5 Mio; Jan-Dec 2009 HRK - 28.7 Mio.

⁽³⁾ Exceptional items in 2009 totalled HRK 159 million, of which HRK 148 million related to redundancy provision and HRK 11 million related to reorganisation costs. In 2008, exceptional redundancy provisions totalled HRK 45 million.

⁽⁴⁾ Full time employees.

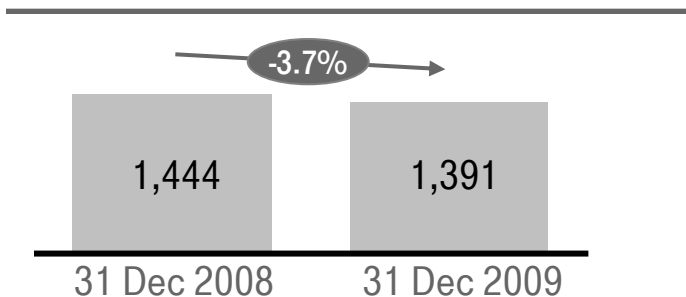
Revenue breakdown



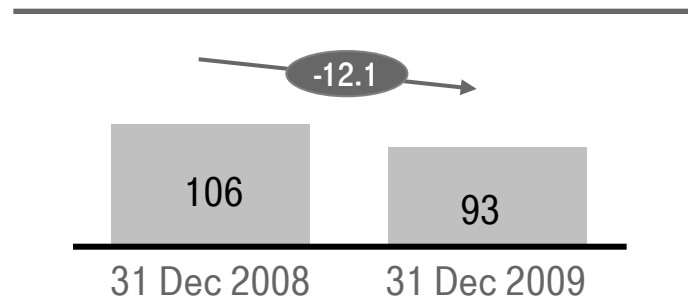
Fixed Telephony

- Total mainlines of all types decreased: - 4.3% vs. - 4.0% in 2008
- High-quality service and offers tailored to specific customer segments
- Slowing decline in traffic: -8.8% in 2009 vs. -10.5% in 2008
- ARPA decrease primarily attributable to fixed-to- mobile substitution and to increase in VoIP usage

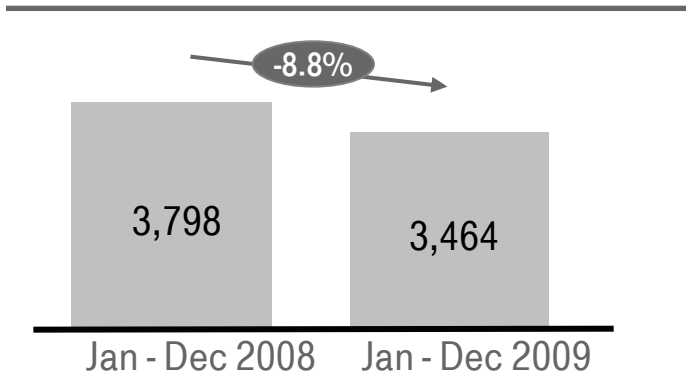
No. of POTS⁽¹⁾ mainlines ('000)



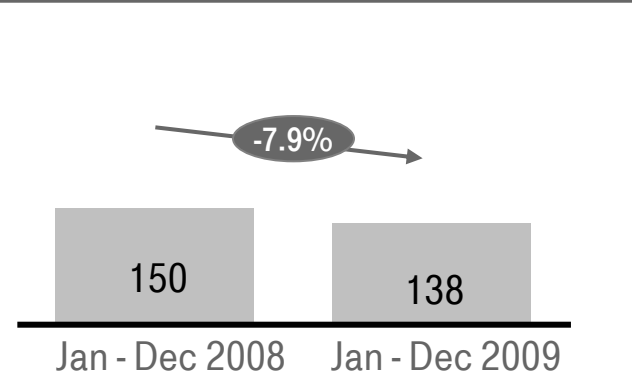
No. of ISDN mainlines ('000)



Total traffic in minutes (million)



ARPA⁽²⁾ (HRK)



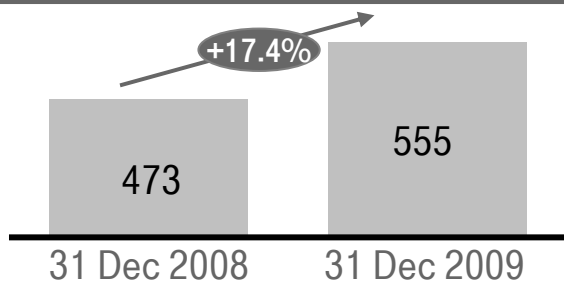
⁽¹⁾ FGSM included; payphones not included

⁽²⁾ Voice revenue per voice access – monthly average for the period

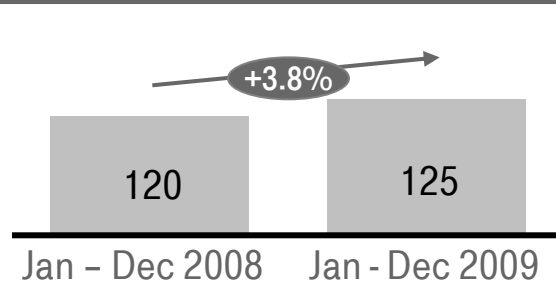
Internet Services

- Revenue up 27.7% to HRK 1,149 million
- Speeds upgrade, attractive pricing and enriched multimedia content increased number of MAXadsl⁽¹⁾ customers - more than 28,000 net adds in Q4 2009
- ADSL ARPA increase vs. decrease of 1.6 % in 2008 as a result of strong promotions
- Premium content combined with product upgrades and promotions resulted with increased number of MAXtv⁽²⁾ customers - nearly 47,000 net adds in Q4 2009
- Launch of a new IPTV service for hotels

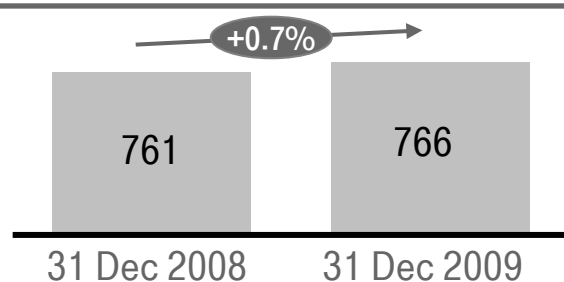
No. of ADSL mainlines ('000)



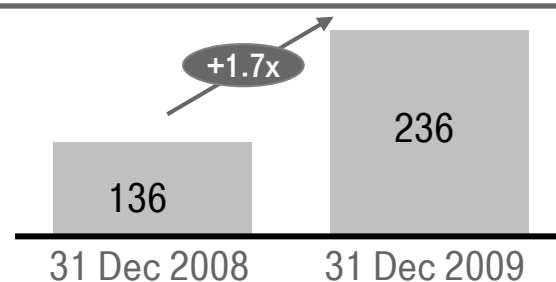
ADSL mainlines ARPA⁽³⁾ (HRK)



No. of dial-up users⁽⁴⁾ ('000)



No. of IPTV customers ('000)



(1) Including Iskon ADSL customers
 (2) Including Iskon TV customers
 (3) Monthly average for the period
 (4) Active and non-active users

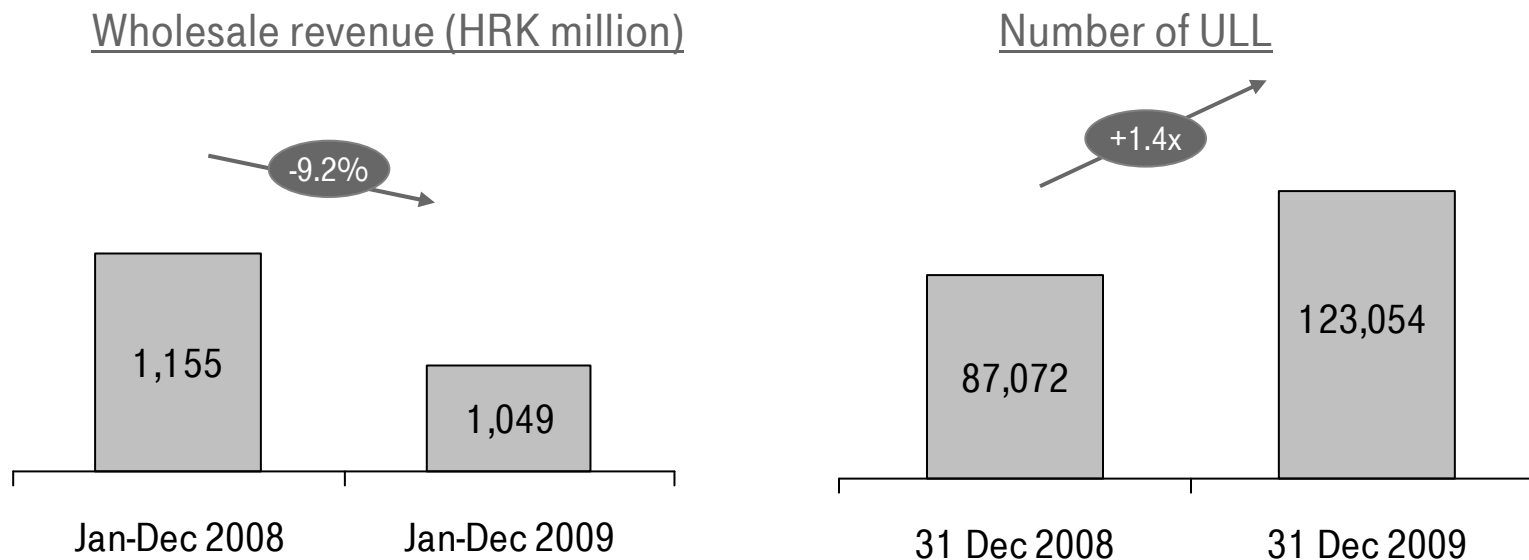
Wholesale and Data Services

Wholesale

- Revenue decrease due to increased competition and significant fall of prices in international market
- Activation of new ULLs and expansion of local interconnections

Data

- Continuing migration to IP-based data services
- Share of Metro Ethernet connection points increased 12.9%



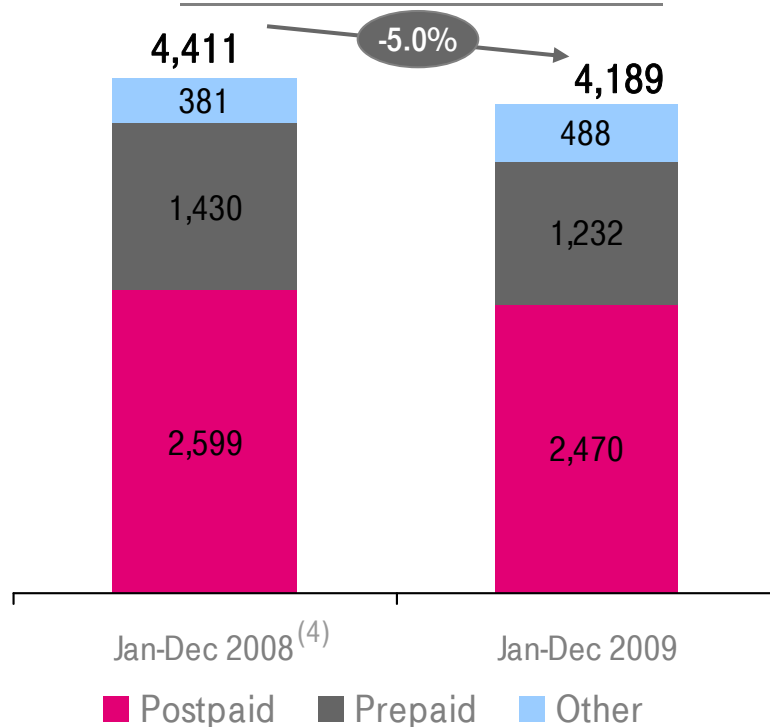
T-Mobile Highlights

- Reached 2.86 million customers (-0.9% vs Q3 2009)
- Service and tariffs innovations: postpaid tariff for young people, weekly options for prepaid customers, Internet daily option, new netbook tariffs, etc.
- iPhone 3GS - offered in Q2 2009
- Revenue impacted by customers tightened personal spending and by imposed taxation including 6% fee on mobile communication services
- Capex focused mainly in further development of 2G and 3G network and associated platforms

Key financials (HRK million)

	Jan - Dec 2008	Jan - Dec 2009	% change
Revenue ⁽¹⁾⁽²⁾	4,411	4,189	-5.0%
EBITDA	1,938	1,835	-5.3%
EBITDA before exceptional items ⁽³⁾	1,938	1,840	-5.1%
EBITDA margin	43.9%	43.8%	0.1 p.p.
EBITDA margin before exceptional items	43.9%	43.9%	0.0 p.p.
Capex	468	472	0.9%
Capex / Revenue	10.6%	11.3%	0.7 p.p.
Headcount ⁽⁵⁾ (at 31 Dec)	1,037	980	-5.5%

Revenue breakdown ⁽¹⁾⁽²⁾



⁽¹⁾ Unconsolidated figures, excluding other operating income

⁽²⁾ Impact of IFRIC 13 on T-Mobile revenue: Jan-Dec 2008 HRK -18.8 Mio; Jan-Dec 2009 HRK +6.6 Mio.

⁽³⁾ In 2009, exceptional redundancy provisions totalled HRK 4 million.

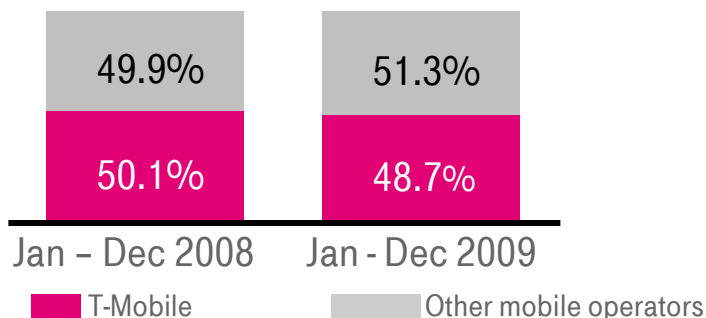
⁽⁴⁾ Including revenue from visitors.

⁽⁵⁾ Full time employees.

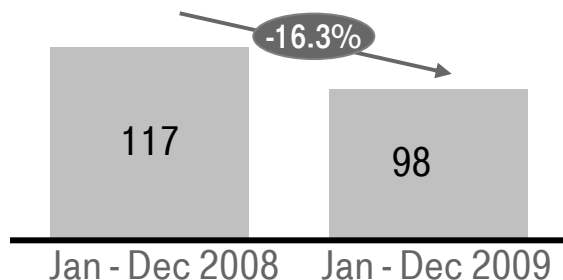
T-Mobile Operational Data

- Maintained market leadership: 46.7% of SIM market share
- Share of postpaid customers increased from 30.1% to 32.2% (31.1% in Q3 2009)
- ARPU decreased as a result of increased penetration, lower usage and 6% fee
- MOU down as consumers tighten spending

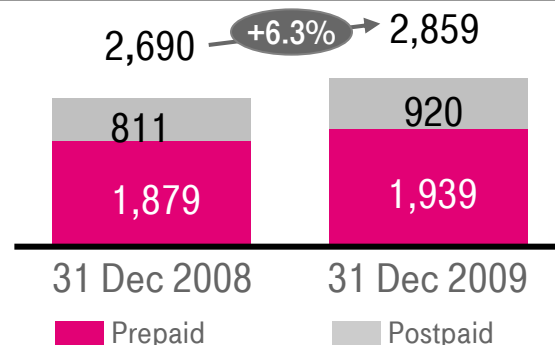
Market share by revenue (%) ⁽¹⁾



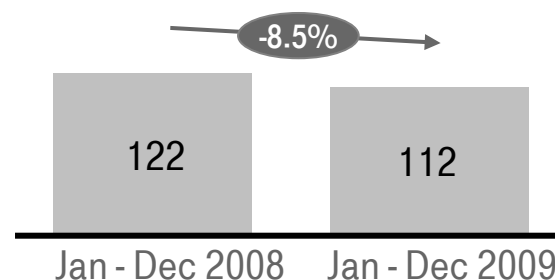
Blended ARPU (HRK/month) ⁽²⁾



Number of T-Mobile customers ('000)



Average MOU (minutes/month)



⁽¹⁾ Source: Telekom Austria report for Q4 2008, Tele2 report for Q4 2008, VIPnet's and Tele2 net revenue for 2009 internally estimated.

⁽²⁾ Blended ARPU is effected by restating of previous year due to the appliace of IFRIC 13.

Group Financial Highlights

IFRS, audited	HRK million		
	Jan - Dec 2008	Jan - Dec 2009	% change
Revenue ⁽¹⁾⁽²⁾	8,791	8,517	-3.1%
EBITDA	3,964	3,695	-6.8%
EBITDA before exceptional items ⁽³⁾	4,009	3,859	-3.8%
EBITDA margin	45.1%	43.4%	-1.7 p.p.
EBITDA margin before exceptional items	45.6%	45.3%	-0.3 p.p.
Net profit	2,310	2,023	-12.4%
Net profit margin	26.3%	23.8%	-2.5 p.p.
Capex	1,621	1,553	-4.2%
Capex / Revenue	18.4%	18.2%	-0.2 p.p.

(1) Excluding other operating income

(2) The impact of IFRIC 13 on T-HT Group revenue is: Jan-Dec 2008: -25.3 million HRK; Jan-Dec 2009: -22.1 million HRK.

(3) Exceptional items in 2009 totalled HRK 163 million, of which HRK 152 million related to redundancy provision and HRK 11 million related to reorganisation costs. In 2008, exceptional redundancy provisions totalled HRK 45 million.

Group 2010 Outlook

Revenue

- In the light of Croatia's continuing recession, high unemployment and the effects of new personal taxes and the Government's 6% levy on mobile services, the Group expects a slight to moderate decline in revenues in 2010.

EBITDA

- The Group expects some erosion of EBITDA in 2010, but continues to pursue a programme of cost-control initiatives that should mitigate this erosion to some extent.

CAPEX

- The Group anticipates lower capital expenditure in 2010, but will review its plans during the year according to prevailing circumstances
 - Investment in the fixed network will focus on optical access network development aiming to increase broadband coverage and migration to the IP network
 - Investment in the mobile network will focus mainly on data capacity

Regional Expansion

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

Appendix

Consolidated Income Statement

in HRK million (IFRS HT accounting policies)	Jan-Dec 2009	Jan-Dec 2008	% of change A09/A08
Fixed telephony	2,505	2,791	-10.2%
Mobile telephony	3,969	4,176	-5.0%
Wholesale services	696	720	-3.3%
Internet services	1,145	897	27.7%
Data services	183	199	-8.0%
Miscellaneous	19	9	119.2%
Revenue	8,517	8,791	-3.1%
Income from usage of own products, merchandise and services	169	159	6.7%
Other operating income	213	278	-23.4%
Total operating revenue	8,899	9,228	-3.6%
Operating expenses	5,204	5,264	-1.1%
Material expenses	2,320	2,459	-5.7%
Employee benefits expenses	1,302	1,203	8.2%
Other expenses	1,472	1,508	-2.4%
Write down of assets	110	94	16.6%
EBITDA	3,695	3,964	-6.8%
Depreciation and amortization	1,402	1,362	2.9%
EBIT	2,294	2,602	-11.9%
Financial income	301	356	-15.5%
Income from investment in joint ventures	12	18	-33.4%
Financial expenses	41	34	17.6%
Profit before taxes	2,566	2,942	-12.8%
Taxation	542	632	-14.2%
Net profit	2,024	2,310	-12.4%
Minority interest	0	0	68.1%
Net profit after minority interest	2,023	2,310	-12.4%
Exceptional items	163	45	264.7%
EBITDA before exceptional items	3,859	4,009	-3.8%

Consolidated Balance Sheet

in HRK million (IFRS HT accounting policies)	At 31 Dec 2009	At 31 Dec 2008	% of change A09/A08
Intangible assets	1,099	1,049	4.7%
Property, plant and equipment	6,507	6,428	1.2%
Non-current financial assets	490	404	21.2%
Receivables	33	36	-8.8%
Deferred tax asset	46	61	-23.9%
Total non-current assets	8,175	7,977	2.5%
Inventories	255	314	-18.8%
Receivables	1,505	1,320	14.0%
Current financial assets	259	266	-2.5%
Cash and cash equivalents	4,195	5,223	-19.7%
Prepayments and accrued income	84	105	-20.2%
Total current assets	6,297	7,227	-12.9%
TOTAL ASSETS	14,472	15,205	-4.8%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-4	-1	161.1%
Retained earnings	1,393	1,534	-9.2%
Net profit for the period	2,023	2,310	-12.4%
Minority interest	1	1	43.6%
Total issued capital and reserves	12,012	12,440	-3.4%
Provisions	428	415	3.1%
Non-current liabilities	128	150	-14.3%
Total non-current liabilities	556	565	-1.5%
Current liabilities	1,643	1,857	-11.5%
Accrued expenses and deferred income	261	343	-23.9%
Total current liabilities	1,904	2,200	-13.5%
Total liabilities	2,460	2,765	-11.0%
TOTAL EQUITY AND LIABILITIES	14,472	15,205	-4.8%

Consolidated Cash Flow Statement

in HRK million (IFRS HT accounting policies)	Jan-Dec 2009	Jan-Dec 2008	% of change A09/A08
Profit before tax	2,566	2,942	-12.8%
Depreciation and amortization	1,402	1,362	2.9%
Increase of current liabilities	0	98	-100.0%
Decrease of inventories	59	0	-
Total increase of cash flow from operating activities	4,026	4,401	-8.5%
Decrease of current liabilities	-149	0	-
Increase of current receivables	-205	-151	35.3%
Increase of inventories	0	-111	-100.0%
Other cash flow decreases	-935	-1,035	-9.7%
Total decrease of cash flow from operating activities	-1,288	-1,298	-0.7%
Net cash inflow/outflow from operating activities	2,738	3,103	-11.7%
Proceeds from sale of non-current assets	25	39	-37.1%
Proceeds from sale of non-current financial assets	2	2,390	-99.9%
Interest received	278	381	-26.8%
Dividend received	4	0	-
Other cash inflows from investing activities	11	0	-
Total increase of cash flow from investing activities	320	2,810	-88.6%
Purchase of non-current assets	-1,553	-1,624	-4.4%
Purchase of non-current financial assets	-75	0	-
Other cash outflows from investing activities	0	0	-
Total decrease of cash flow from investing activities	-1,628	-1,624	0.2%
Net cash inflow/outflow from investing activities	-1,309	1,185	-210.4%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	0	-1	-
Dividends paid	-2,456	-2,421	1.5%
Repayment of finance lease	-2	-11	-80.8%
Total decrease in cash flow from financing activities	-2,458	-2,433	1.0%
Net cash inflow/outflow from financing activities	-2,458	-2,433	1.0%
Total increase of cash flow	2,738	4,288	-36.1%
Total decrease of cash flow	-3,767	-2,433	54.8%
Cash and cash equivalents at the beginning of period	5,223	3,367	55.1%
Net cash (outflow) / inflow	-1,028	1,855	-155.4%
Cash and cash equivalents at the end of period	4,195	5,222	-19.7%

Croatia and its telecom market

Croatia at a glance

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



Economic data

- GDP⁽¹⁾ per capita (2008): €9,344
- Real GDP growth: -5.0%
- Unemployment rate⁽²⁾: 16.6%
- Average net salary⁽³⁾: €739
- Inflation rate⁽⁴⁾: 2.4%

((1) Gross domestic product.

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

((3) In November 2009.

((4) Annual average inflation in I-XII 2009. (Average inflation in 2008: 6.1%.)

Sources: Central Bureau of Statistics, Croatian National Bank, Croatian Employment Service

Croatian telecom market

- Fixed line
 - 15 licensed operators, of which 9 active
 - CPS, ULL and bit-stream available
- Mobile
 - 3 operators on the market, no mobile virtual network operators (MVNO)
 - Mobile penetration: 137%
- Internet
 - Internet penetration: ~55% of population
 - Broadband household penetration⁽¹⁾: 35%
- Cable
 - Cable TV household penetration: 10%
 - Cable TV broadband penetration: 2%

(1) Residential broadband lines per total households

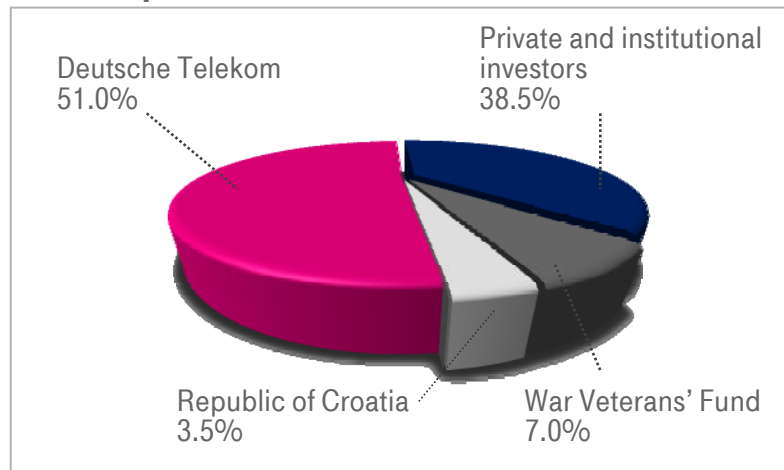
Sources: Croatian Agency for Telecommunications, Central Bureau of Statistics, Company's internal estimates

About T-HT Group

Highlights

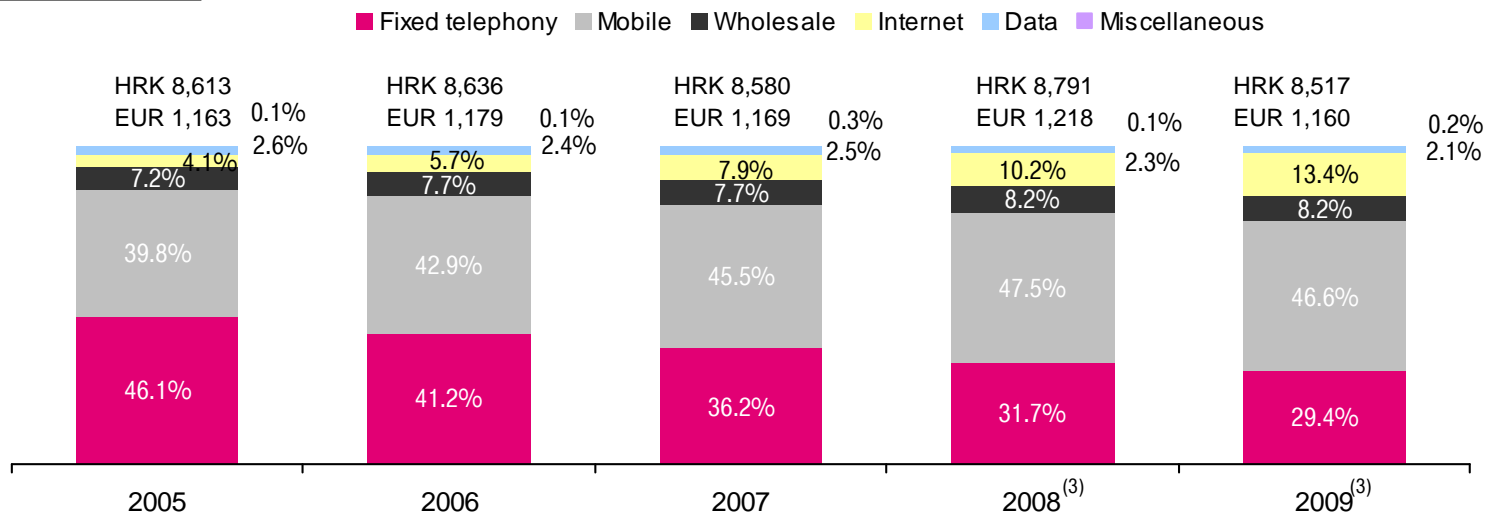
- Full-service telecom provider and market leader in all major segments; full liberalisation since 2005
- Services offered: fixed and mobile telephony, data transmission, Internet and international communications
- 50%-100% dividend policy
- Above industry average EBITDA margin
- Technological and quality leadership, strong expertise in IP Networks
- Listed on ZSE and LSE since October 2007

Ownership structure ⁽³⁾



Revenue (in million) ⁽¹⁾⁽²⁾

CAGR 2005 - 2009: -0.3%



(1) Consolidated revenue (excluding other income). Iskon included from 2006 onwards., KDS included from 2008 onwards.

(2) Kuna per Euro average rate of exchange: in 2005: 7.40; in 2006: 7.32; in 2007: 7.33; in 2008: 7.22; in 2009: 7.34.

(2) IFRIC 13 has been applied since beginning of 2009 and year 2008 have been restated due to the appliance of IFRIC 13. Impact of IFRIC 13 on T-HT Group revenue is: Jan-Dec 2008 HRK -25.3 Mio; Jan-Dec 2009 HRK -22.1 Mio.

Investor Relations Contact

- Erika Kašpar

Tel: +385 1 491 2000

- Elvis Knežević

Tel: +385 1 491 1114

- Anita Marić Šimek

Tel: +385 1 491 1884

e-mail: ir@t.ht.hr

www.t.ht.hr/eng/investors/

London Stock Exchange GDR trading symbol: THTC

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

Reuters: THTC.L, HT.ZA

Bloomberg: THTC LI, HTRA CZ