



Business and Financial Review January – March 2010

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30 April 2010

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Business Environment Highlights

Croatia at a glance

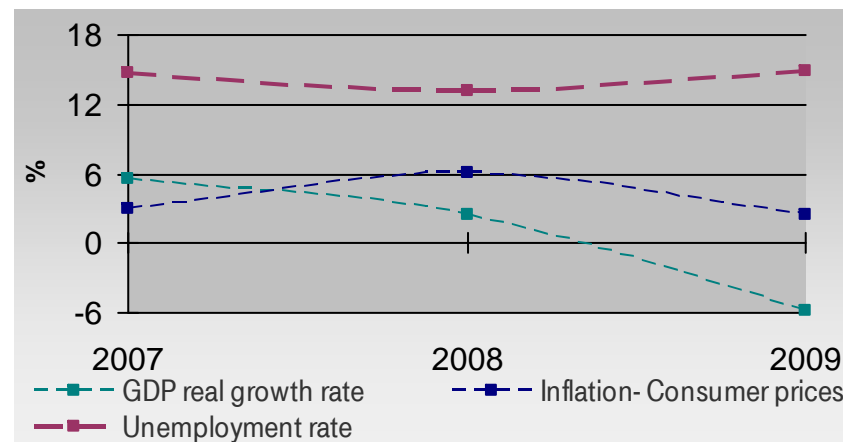
- 4.4 million population
- 1.5 million households
- Largest 10 cities house 36% of population
- 90,000+ companies
- 10.9 million tourists in 2009 (90% from abroad)



Croatian Economy ⁽¹⁾

- Continued downturn pressures – reverse expected in 2011 onwards
- GDP fell by 5.8% in 2009
- Jan/Feb 2010 trends:
 - Real turnover in retail trade down 8.3%
 - Total exports down 5.0 %
 - Inflation remains stable at 0.9%
- Unemployment rose to 18.4% in March 2010 (March 2009: 15.0%)

Macroeconomic indicators ⁽²⁾



(1) Source: Croatian Central Bureau of Statistics,
 (2) Source: Croatian Central Bureau of Statistics, Croatian National Bank

Croatian Telecom Market

Fixed telephony

- 15 licensed operators, of which 9 active
- CPS, ULL and bit-stream available
- Liberalized since 2005; the process of local loop unbundling started in 2006

Mobile telephony

- 3 operators on the market, no mobile virtual network operators (MVNO)
- Mobile penetration reaching 137%
- Growing demand for mobile data services, driven by smartphones and mobile broadband

Internet

- Internet penetration: ~56% of population
- Broadband household penetration⁽¹⁾: 37%
- Significant growth opportunity

PayTv

- The satellite TV and cable TV market underdeveloped
- Cable TV household penetration: 10%; cable TV broadband penetration: 2%
- MAXtv – most successful payTV in the market

Regulatory framework

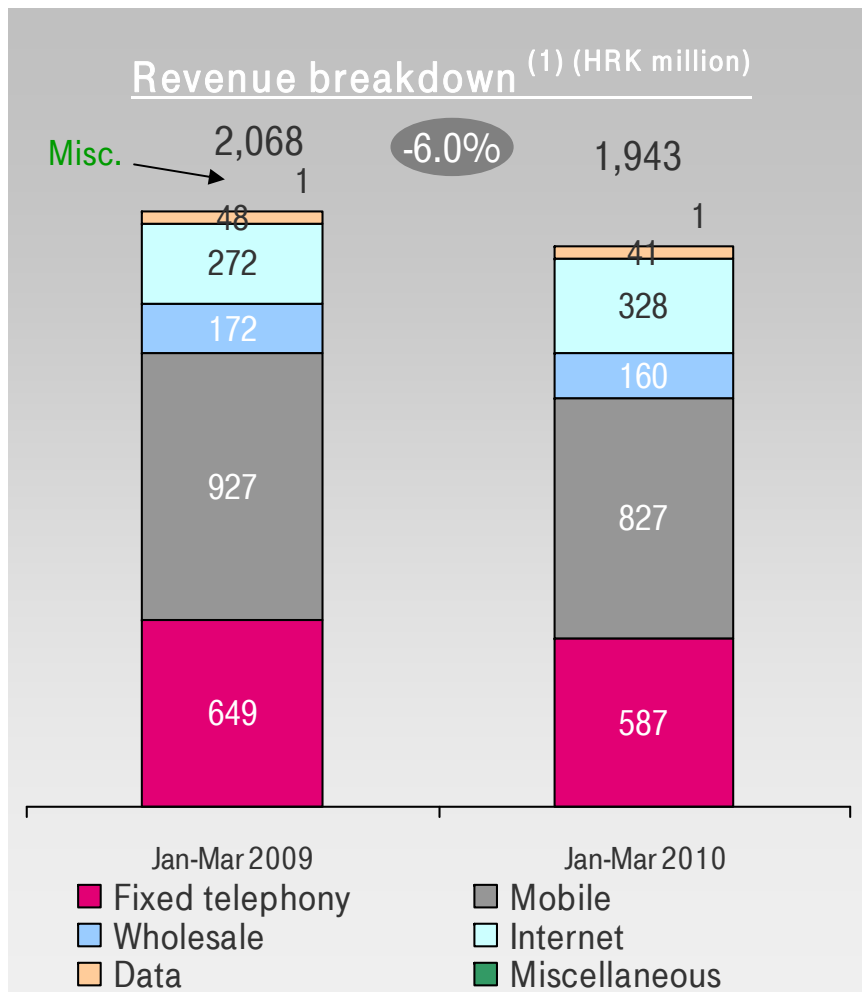
- Decrease in fixed and mobile interconnection charges from 1 January 2010
- New round of market analyses for leased lines/public voice markets: finalization expected in summer 2010
- February 2010: prices for the lease of DTI significantly reduced
- March 2010: prices for wholesale broadband access (bitstream) set 40% below retail prices
- Strong pressure for mandatory registration of pre-paid customers

(1) Residential broadband lines per total households

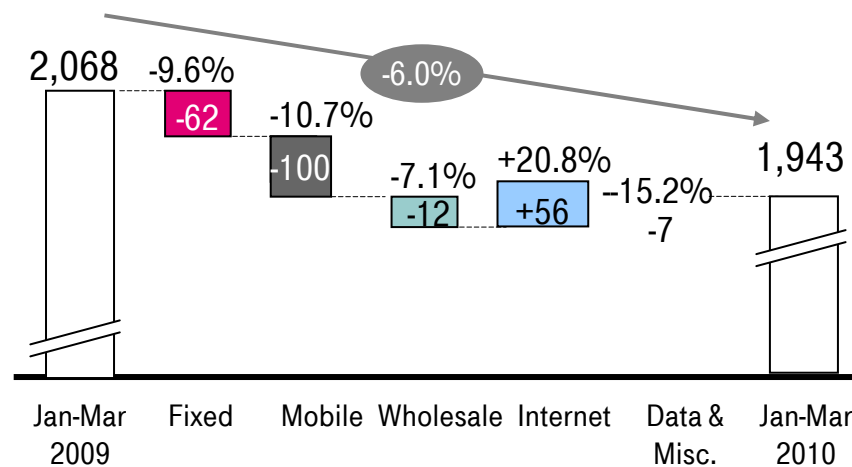
Group Highlights

- T-HT Group maintained leading market position in all business segments
- Revenue down 6% to HRK 1,943 million; as economic downturn and special taxes continue to impact business, especially mobile
- EBITDA down 13.8% to HRK 819 million
- Net cash flow from operations improved significantly in Q1 2010 to HRK 542 million, nearly 96% up on Q1 2009 (HRK 277 million)
- Capex decreased 58.7% to HRK 91 million (Q1 2009: HRK 219 million)
- Merger of HT and T-Mobile: since 1 January 2010 introduced new customer focused structure based upon Residential and Business units
 - T-Com and T-Mobile based segment reporting continues through 2010 due to comparison reasons
- Acquisition of Combis – a part of T-HT Group strategy to become a significant ICT provider
 - Subject to Croatian Competition Agency approval, the transaction is expected to be completed in the second quarter of 2010
- General Assembly adopted all proposed decisions
 - Dividend of 34.05 HRK/share reflecting strong cash position and the one-off positive impact of the T-Mobile merger on the distributable profit of HT d.d

Revenue development



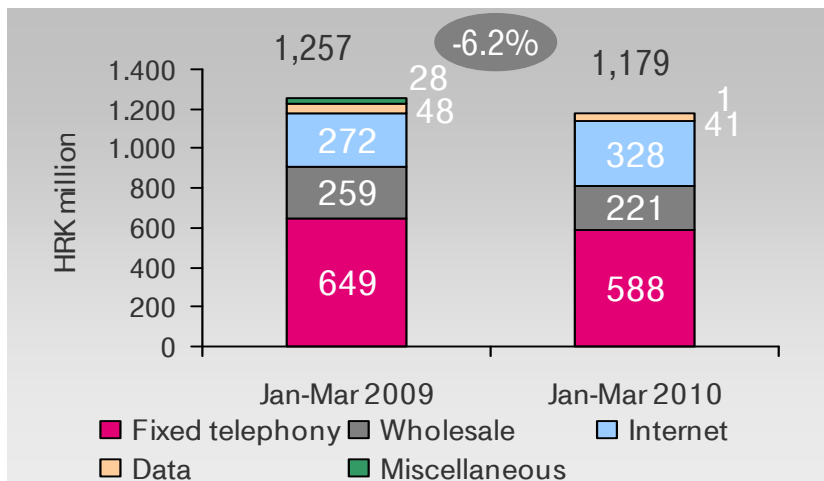
(1) Excluding other operating income



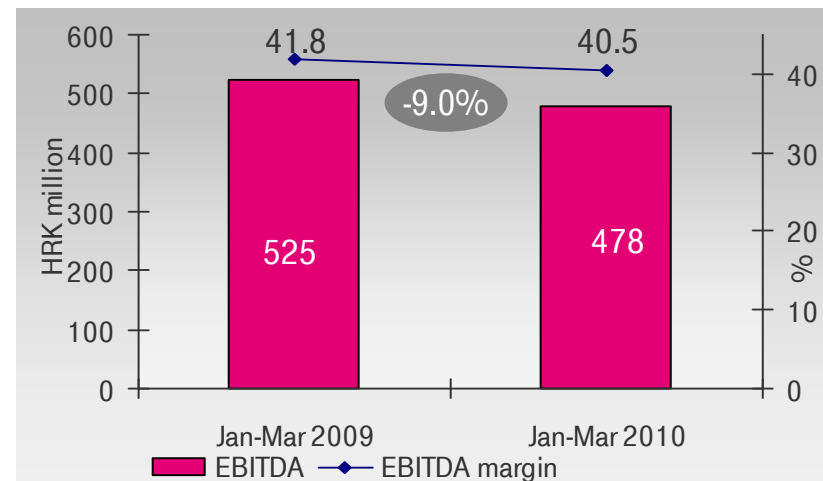
- Revenue affected by the recession, special taxation measures and continued competitive pressures
- Lower revenue from fixed telephony and mobile
- Continued growth of Internet revenue

T-Com Financials

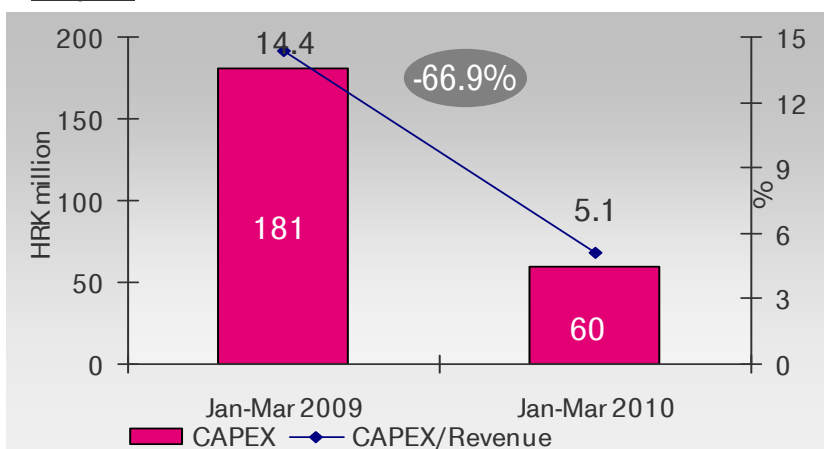
Revenue breakdown (1)



EBITDA



Capex

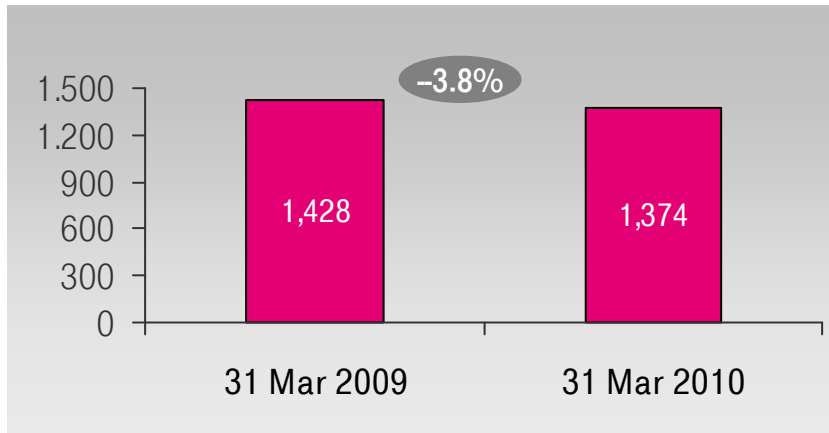


- Fixed telephony revenue lower due to fixed to mobile substitution and increased competition
- Internet revenue up 20.6% to HRK 328 million; now 27.8% of T-Com revenue
- EBITDA down 9.0% vs Q1 2009 primarily as a consequence of decrease in total revenue
- Capex decreased by 66.9%

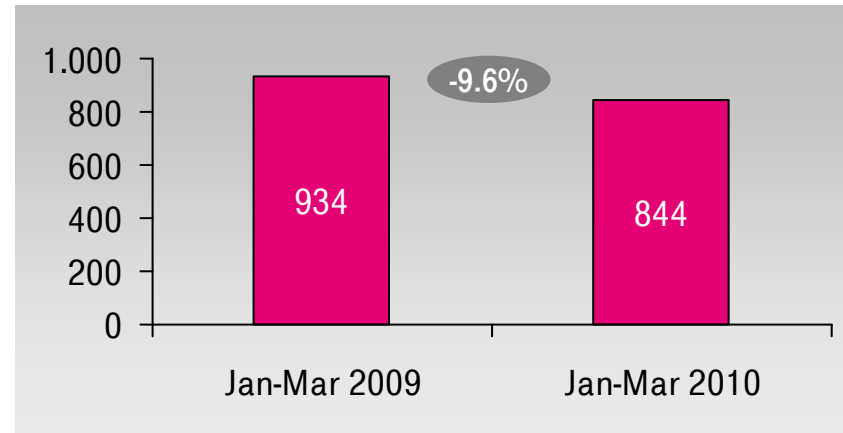
(1) Excluding other operating income

Fixed Telephony

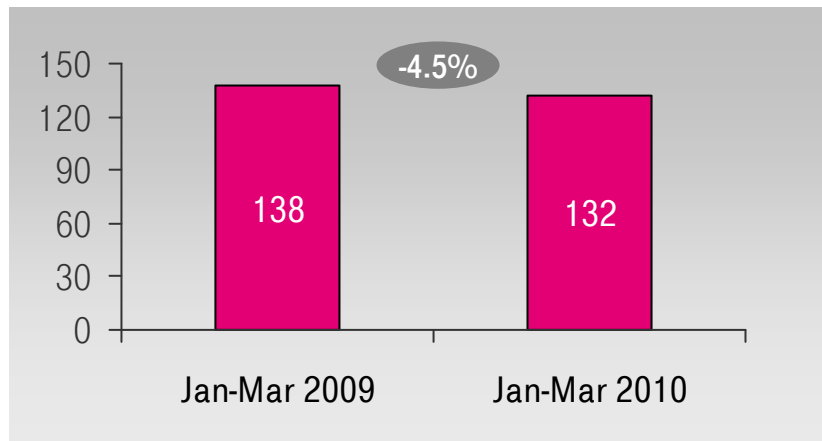
Number of POTS mainlines ('000) ⁽¹⁾



Total traffic in minutes (million)



ARPA (HRK) ⁽²⁾



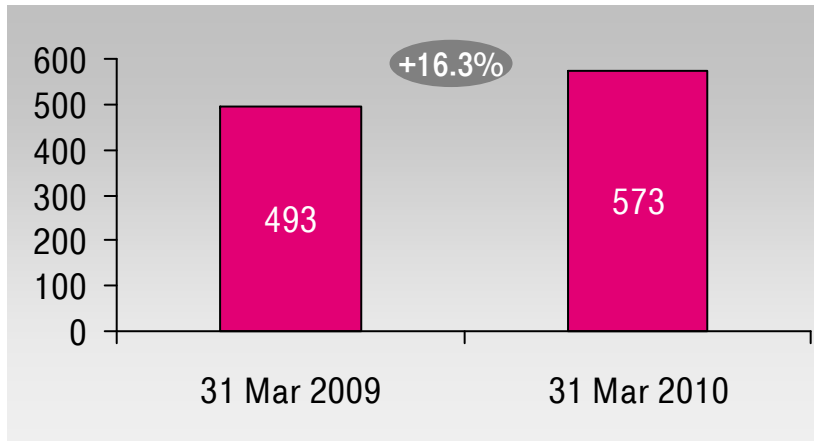
- Total mainlines of all types decreased by 4.5% (1.4% lower than end of 2009)
- Higher decline in traffic: 9.6% fall in Q1 2010 if compared with fall of 7.5% in Q1 2009
- ARPA decline mostly due to fixed to mobile substitution and increase in VoIP usage
- Acquisition and retention initiatives
 - Retention campaign for fixed voice
 - Promotion of NetPhone and NetPhone packages (VoIP services)

(1) FGSM included, paayphones not included

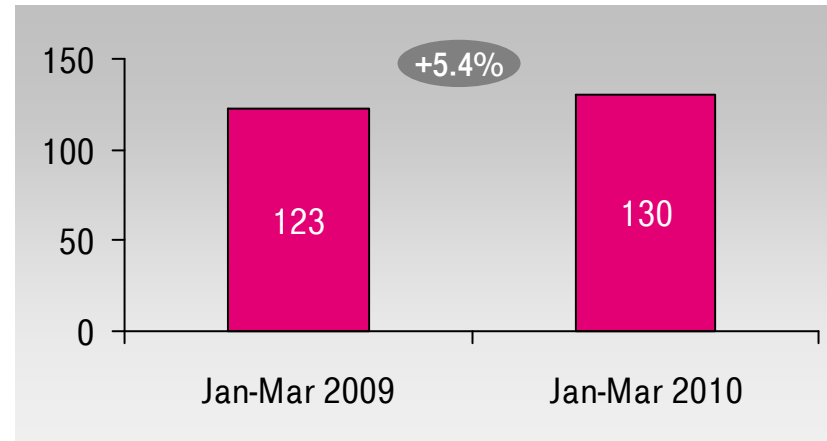
(2) Voice revenue per voice acces - monthly average for the period

Internet

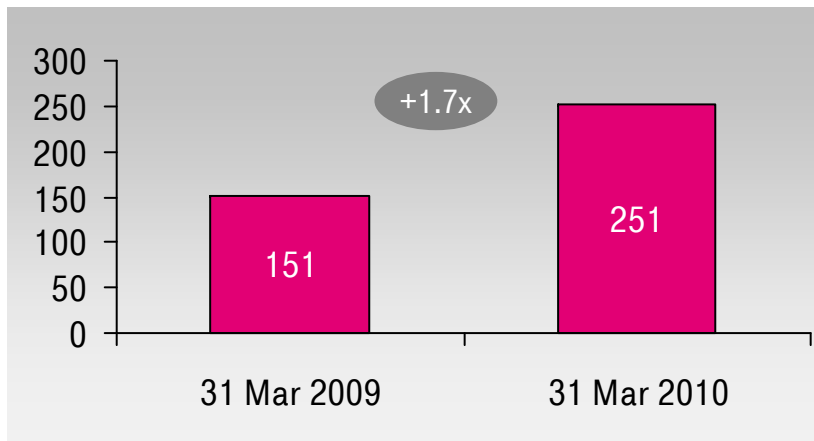
No. of ADSL mainlines ('000) ⁽¹⁾



ADSL mainlines ARPA (HRK) ⁽²⁾



Number of IPTV customers ('000) ⁽³⁾



- MAXadsl - dominant provider of broadband services
- ADSL ARPA rose 5.4% mostly because of the expiration of promotional packages and migration of customer to the flat traffic subscription
- Growth of MAXtv - nearly 15,000 net adds in Q1 2010

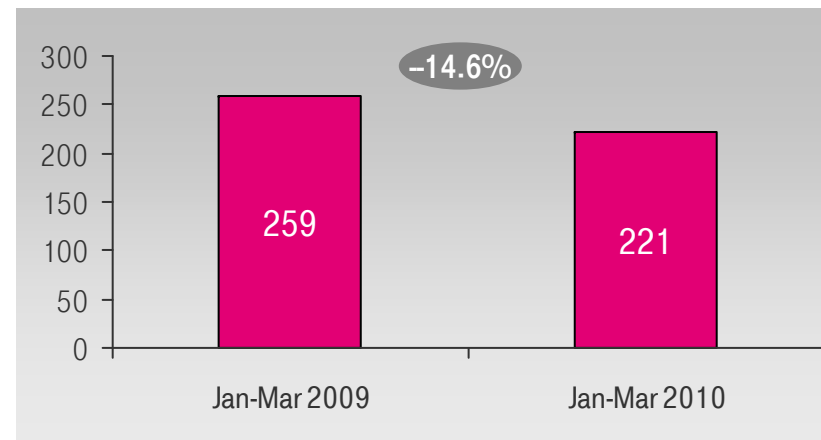
(1) Including Iskon ADSL mainlines
 (2) Monthly average for the period
 (3) Including Iskon IPTV customers

Wholesale and Data Services

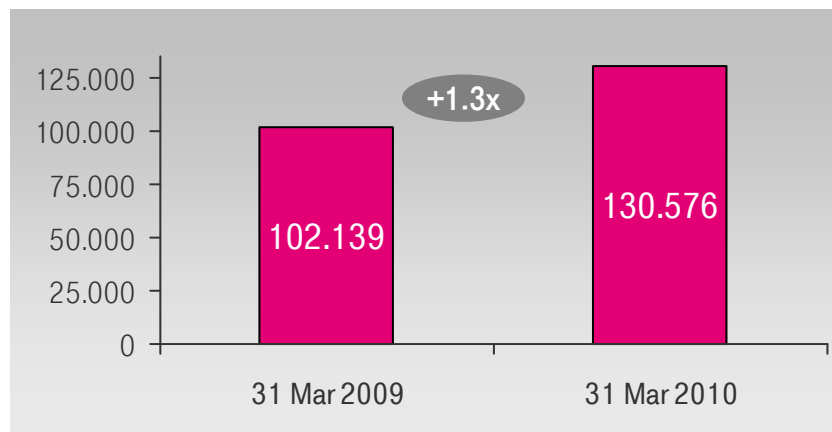
Wholesale

- Wholesale revenue down by 14.6% due to decrease of international traffic to mobile operators and national hubbing services
- Moderate increase in ULL since end of 2009 (123,054)

Wholesale revenue (HRK million)



Number of ULL

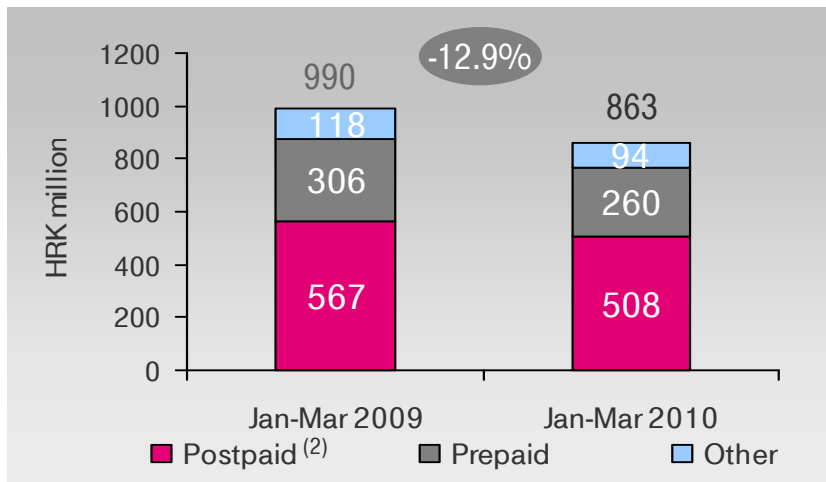


Data

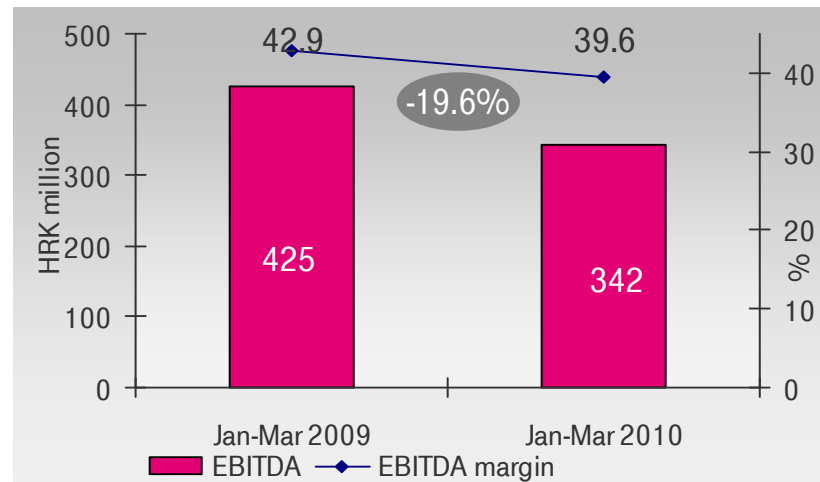
- Continued migration of customers from traditional to IP-based services
- Share of Metro Ethernet connection points increased 11.7%

T-Mobile Financials

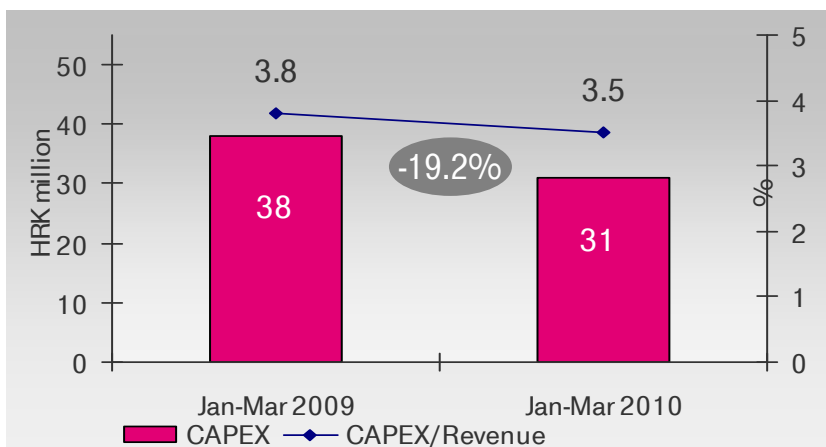
Revenue breakdown (1)



EBITDA



Capex

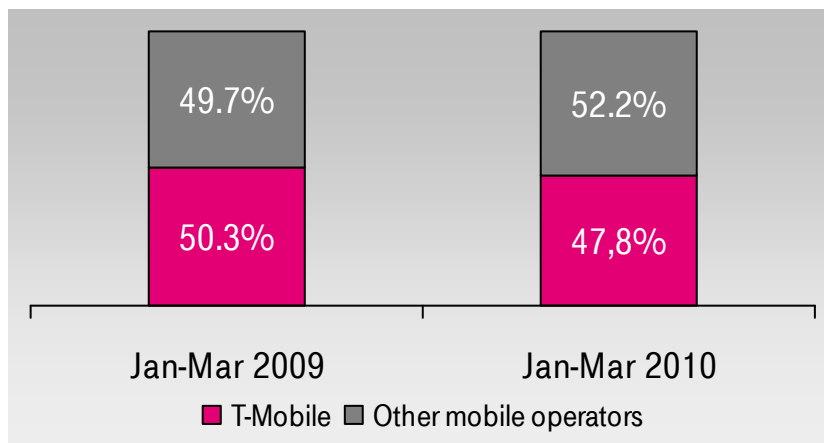


- Revenue down 12.9% as a result of recession, negative effects of Government measures, decrease of termination rates and competition pressures
- EBITDA down 19.6% vs Q1 2009 as a result of lower revenue
- Capex decreased 19.2% vs Q1 2009

(1) Unconsolidated figures, excluding other operating income
 (2) Including revenue from visitors.

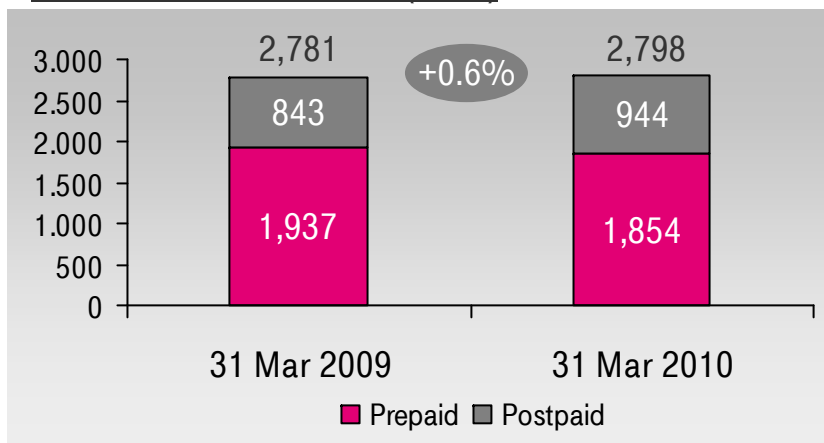
T-Mobile Operational Data

Market share by revenue (%) ⁽¹⁾



- Maintained market leadership: 46.1% of SIM market share
- Total subscribers up 0.6%
- Share of postpaid subscribers increased from 30.3% in Q1 2009 to 33.7%
- Continuous retention efforts in prepaid and postpaid segment
 - Refreshed Mobile Internet offer
 - Redesigned Flex Business Start tariff for small entrepreneurs
 - Offered unique postpaid tariff on the market fitted to the needs of young people
 - The first on the market to launch BlackBerry®Storm2TM

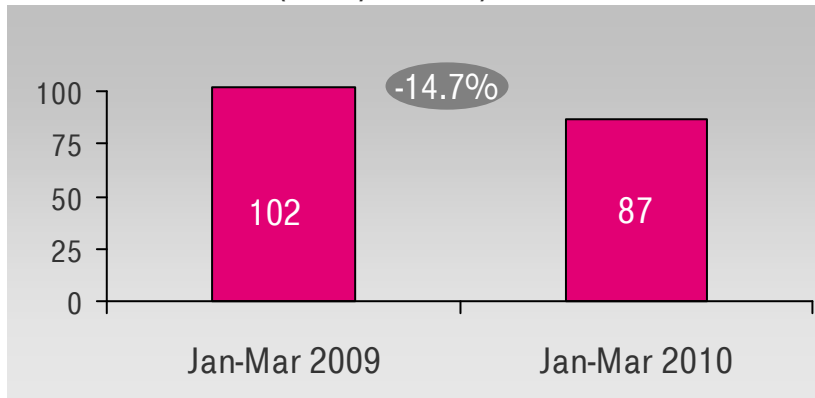
Number of subscribers ('000)



(1) Source: Telekom Austria report for Q1 2009, Tele2 report for Q1 2009, VIPnet's and Tele2 net revenue for Q1 2010 internally estimated.

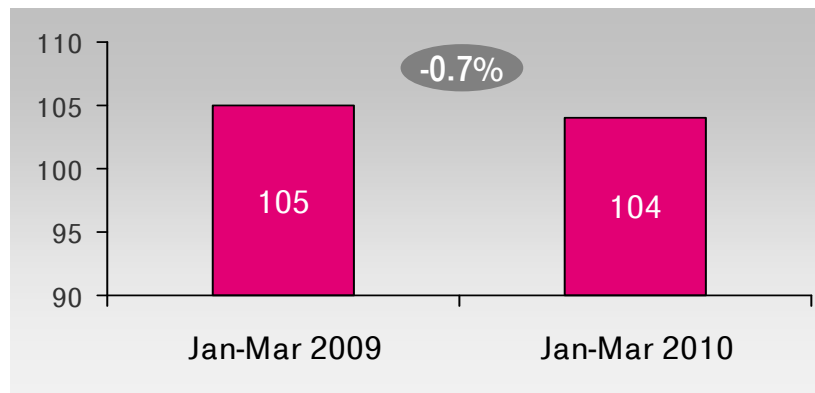
T-Mobile Operational Data

Blended ARPU (HRK/month)



- ARPU decreased as a result of special taxes, recession and decreased termination rate

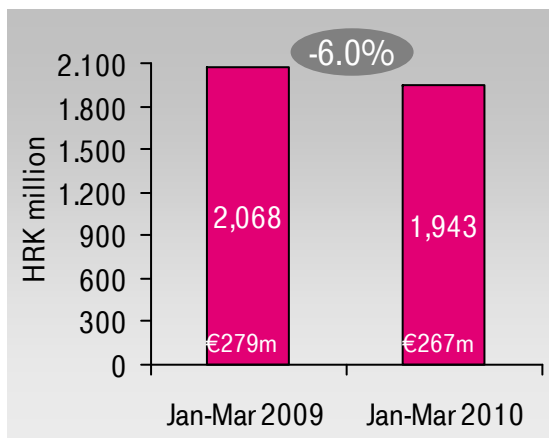
Average MOU (minutes/month)



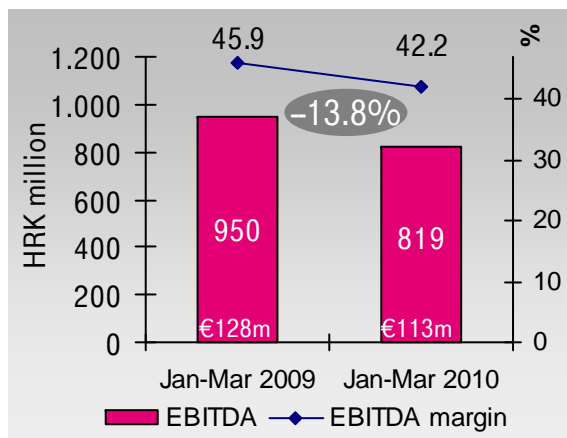
- MOU remained stable supported by marketing initiatives offering more minutes for the same cost

Group Highlights

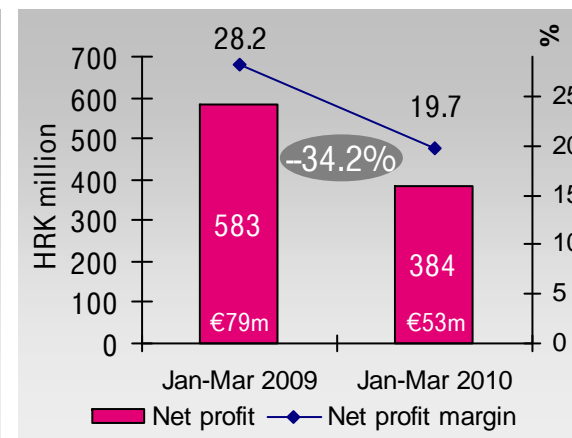
Revenue⁽¹⁾



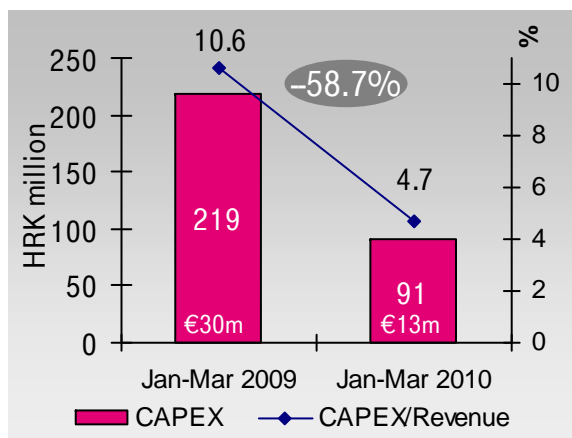
EBITDA



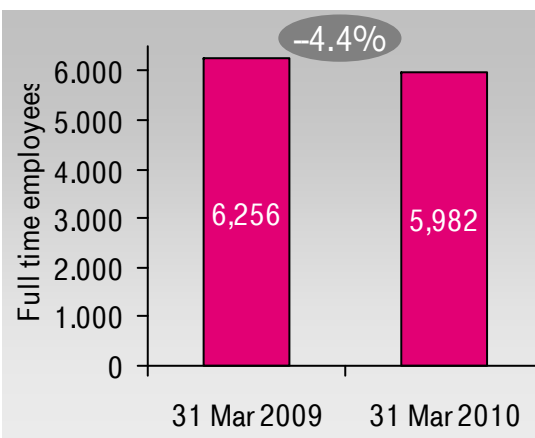
Net profit



CAPEX



Headcount



(1) Excluding other operating income

• Kuna per Euro average rate of exchange: Jan-Mar 2010: 7.28; Jan-Mar 2009: 7.41

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 moderate decline in revenue 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; unaudited)	Jan-Mar 2010	Jan-Mar 2009	% of change 10/09
Mobile telephony	827	927	-10.7%
Fixed telephony	587	649	-9.6%
Wholesale services	160	172	-7.1%
Internet services	328	272	20.8%
Data services	41	48	-15.2%
Miscellaneous	1	1	-30.5%
Revenue	1,943	2,068	-6.0%
Income from usage of own products, merchandise and services	7	17	-57.1%
Other operating income	36	64	-43.6%
Total operating revenue	1,987	2,149	-7.6%
Operating expenses	1,167	1,199	-2.7%
Material expenses	533	554	-3.8%
Employee benefit expenses	284	288	-1.4%
Other expenses	319	334	-4.7%
Write down of asset	32	23	36.6%
EBITDA	819	950	-13.8%
Depreciation and amortization	334	346	-3.3%
EBIT	485	605	-19.7%
Financial income	33	130	-74.8%
Income/ loss from investment in joint ventures	-1	2	-121.8%
Financial expenses	32	5	483.5%
Profit before taxes	486	732	-33.6%
Taxation	102	149	-31.2%
Net profit	384	583	-34.2%
Minority interest	0	0	31.4%
Net profit after minority interest	384	583	-34.2%

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 31 Mar 2010	At 31 Dec 2009	% of change 10/09
Intangible assets	1,052	1,099	-4.2%
Property, plant and equipment	6,306	6,507	-3.1%
Non-current financial assets	417	490	-14.9%
Receivables	32	33	-0.4%
Deferred tax asset	41	46	-10.5%
Total non-current assets	7,849	8,175	-4.0%
Inventories	275	255	7.8%
Receivables	1,428	1,505	-5.1%
Current financial assets	237	259	-8.7%
Cash and cash equivalents	4,762	4,195	13.5%
Prepayments and accrued income	77	84	-8.7%
Total current assets	6,778	6,297	7.6%
TOTAL ASSETS	14,627	14,472	1.1%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-4	-60.3%
Retained earnings	3,416	1,393	145.3%
Net profit for the period	384	2,023	-81.0%
Minority interest	1	1	7.4%
Total issued capital and reserves	12,398	12,012	3.2%
Provisions	431	428	0.6%
Non-current liabilities	120	128	-6.6%
Total non-current liabilities	550	556	-1.0%
Current liabilities	1,557	1,643	-5.3%
Accrued expenses and deferred income	122	261	-53.3%
Total current liabilities	1,678	1,904	-11.8%
Total liabilities	2,229	2,460	-9.4%
TOTAL EQUITY AND LIABILITIES	14,627	14,472	1.1%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Mar 2010	Jan-Mar 2009	% of change 10/09
Profit before tax	486	732	-33.6%
Depreciation and amortization	334	346	-3.3%
Decrease of current receivables	122	0	-
Decrease of inventories	0	0	-
Total increase of cash flow from operating activities	942	1,077	12,53%
Decrease of current liabilities	-290	-427	-32.1%
Increase of current receivables	0	-98	-100.0%
Increase of inventories	-20	-61	-67.5%
Other cash flow decreases	-90	-214	-58,0%
Total decrease of cash flow from operating activities	-400	-800	-50,0%
Net cash inflow/outflow from operating activities	542	277	95.6%
Proceeds from sale of non-current assets	5	5	2.2%
Proceeds from sale of non-current financial assets	0	0	-68.0%
Proceeds from sale of current financial assets	0	0	-
Interest received	18	124	-85.8%
Dividend received	0	0	-
Other cash inflows from investing activities	94	0	-
Total increase of cash flow from investing activities	117	129	-8.9%
Purchase of non-current asset	-91	-257	-64.8%
Purchase of non-current financial asset	0	-127	-
Other cash outflows from investing activities	0	-556	-
Total decrease of cash flow from investing activities	-91	-940	-90.4%
Net cash inflow/outflow from investing activities	26	-812	-103.2%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	0	0	-
Dividends paid	0	-1,051	-100.0%
Repayment of finance lease	-1	-1	-27.8%
Other cash outflows from financing activities	0	0	-
Total decrease of cash flow from financing activities	-1	-1,053	-99.9%
Net cash inflow/outflow from financing activities	-1	-1,053	-99.9%
Total increase of cash flow	568	277	105,095.6%
Total decrease of cash flow	-1	-1,865	-100,0%
Cash and cash equivalents at the beginning of period	4,195	5,223	-19.7%
Net cash (outflow) / inflow	567	-1,588	-135.8%
Cash and cash equivalents at the end of period	4,762	3,635	31.0%

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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