



Business and Financial Review January - December 2008

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27 February 2009

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2008: Delivering what we promised

	Target	Achieved	
Revenue, customers	“Stable” (Q1, Q2) “Slightly above 2007 levels” (Q3) 450K ADSL customers	8,816 mill HRK, + 2.7% 473K customers	✓
EBITDA margin*	Avoid significant erosion	-1.7 p.p. down (45.5 vs 47.2)	✓
CAPEX/Revenue	Slightly higher than in 2007	18.4% (vs 14.6%)	✓
Headcount	Optimization to continue, less extensively than -10.3% in 2007	6,487 FTEs vs 6,724 in 2007 (-3.5%)	✓
Regional expansion	Continue to monitor and evaluate opportunities	ongoing	✓

* EBITDA before exceptional items

Group Highlights

- Maintained market leadership in all business segments despite intensified competition
- Strong growth in ADSL
- MAXtv one of the most successful IPTV launches in Europe - more than 135,000 subscribers
- 2.7m T-Mobile subscribers
- T-Mobile Croatia introduced Apple's revolutionary iPhone 3G
- Proposed dividend of 29.99 kunas per share
- Cash – key strength
 - Generated more than 3.1 billion kunas of operating cash flow
- Headcount optimization program ongoing

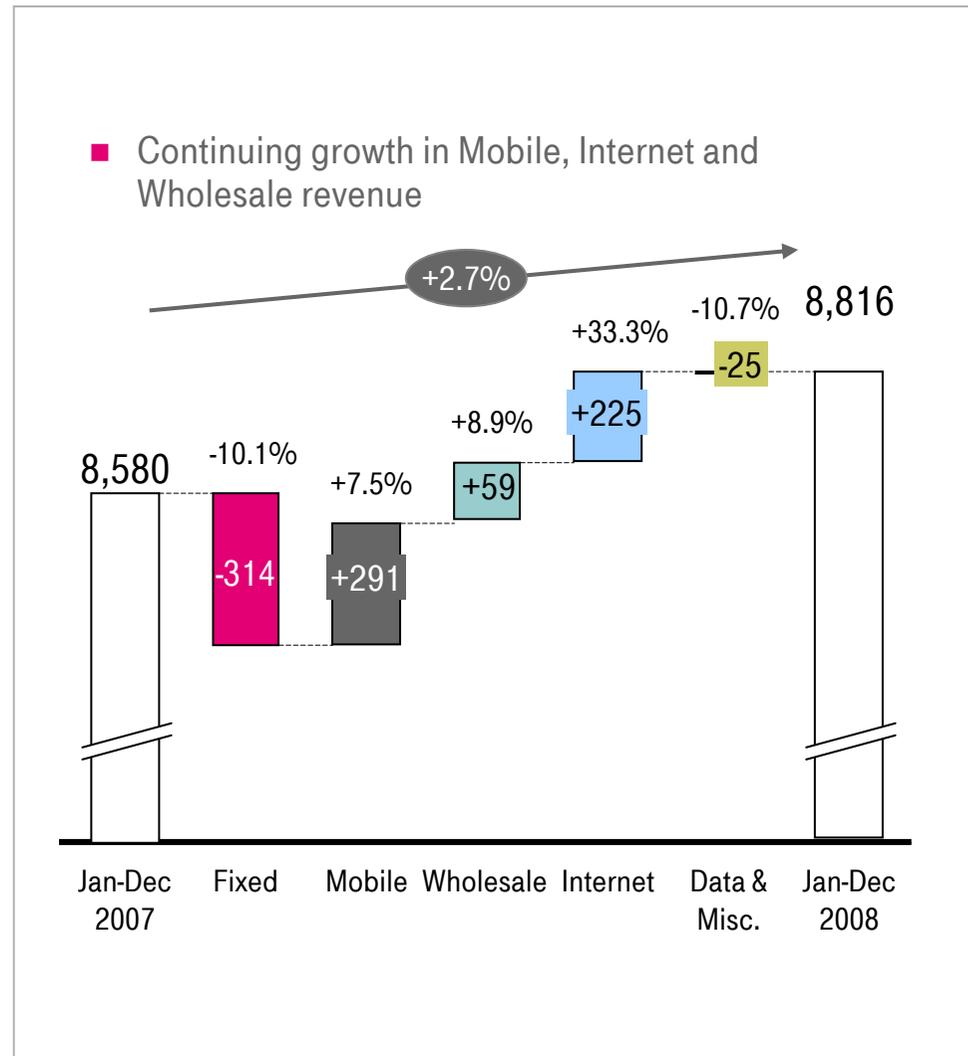
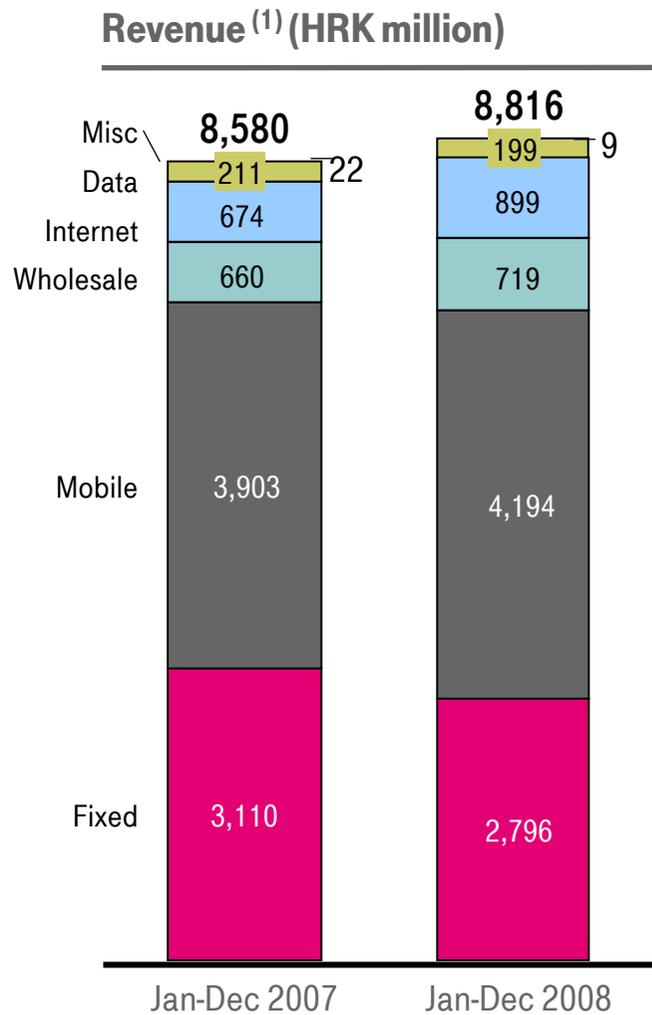
		IFRS, audited	
	Jan - Dec 2007	Jan - Dec 2008	% change
Revenue ⁽¹⁾⁽²⁾⁽³⁾ (in HRK million)	8.580	8.816	2,7%
(in EUR million)	1.169	1.221	4,4%
EBITDA before exceptional items (in HRK million)	4.050	4.009	-1,0%
(in EUR million)	539	549	1,9%
Net profit w/o one-off gain (in HRK million)	2.238	2.310	3,2%
(in EUR million)	305	319	4,6%
Headcount (at 31 Dec)	6.724	6.487	-3,5%

⁽¹⁾ Kuna per Euro average rate of exchange: Jan-Dec 2008: 7.22; Jan-Dec 2007: 7.34

⁽²⁾ Excluding other income

⁽³⁾ Revenue from VAS services is presented on the net principle.

Group Revenue Development



⁽¹⁾ Consolidated revenue (excluding other income); revenue from VAS services is presented on the net principle.

T-Com Highlights

- Continuing dedication to high-quality services: leadership maintained in all segments
- Successful migration from traditional unmanaged data services to IP-based services
- 135.000 MAXtv users - leading player in the Croatian market in just two years
- Strong growth of broadband: nearly 473,000 ADSL users
- Decline in fixed-line revenue partially offset by the wholesale services and a significant increase in revenue from Internet services
- Capital expenditure increased by 32.3% to fund network expansion and upgrades

Key financials (HRK million)

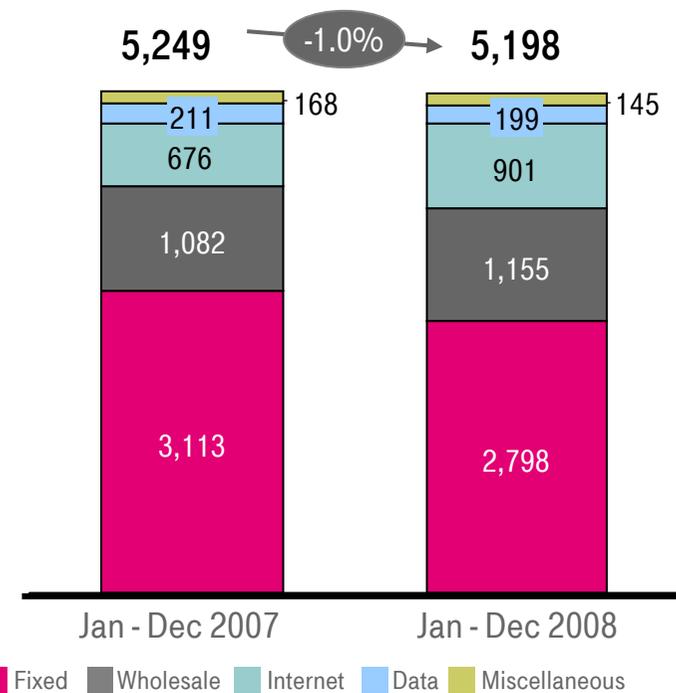
	Jan - Dec 2007	Jan - Dec 2008	% change
Revenue ⁽¹⁾⁽²⁾	5.249	5.198	-1,0%
EBITDA	2.165	2.026	-6,4%
EBITDA before exceptional items ⁽³⁾	2.259	2.071	-8,4%
EBITDA margin	41,2%	39,0%	-2.2 p.p.
EBITDA margin before exceptional items	43,0%	39,8%	-3.2 p.p.
Capex	874	1.156	32,3%
Capex / Revenue	16,7%	22,2%	5.5 p.p.
Headcount (at 31 Dec)	5.650	5.402	-4,4%

⁽¹⁾ Excluding other income

⁽²⁾ Unconsolidated figures; revenue from VAS is presented on the net principle

⁽³⁾ Exceptional items in Jan-Dec 2007 : 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

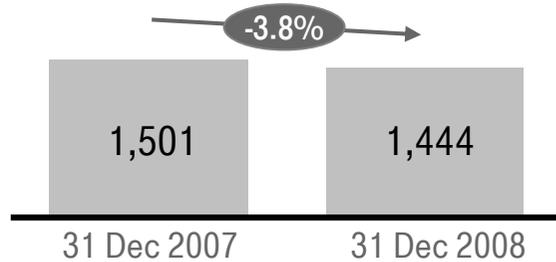
Revenue by business service⁽²⁾ (HRK million)



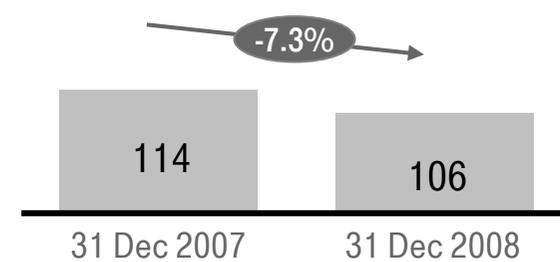
Fixed Telephony

- Fixed-line revenue down 10.1% to HRK 2,798 million
- Number of fixed lines decreased by 3.8% vs. 1.4% in 2007
- Decline in traffic slowing compared with decline of 12.1% in 2007
- Fixed voice ARPA declining mostly due to decreased traffic

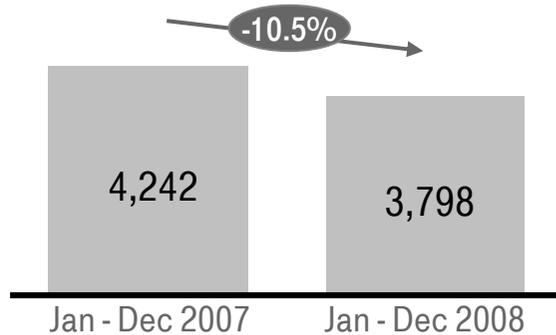
No. of POTS⁽¹⁾ mainlines ('000)



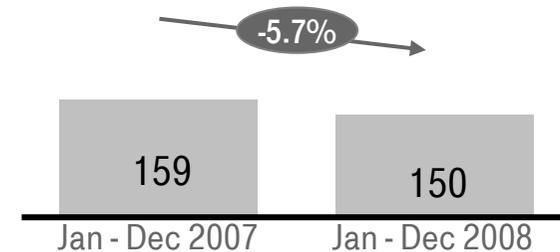
No. of ISDN mainlines ('000)



Total traffic in minutes (million)



ARPA⁽²⁾ (HRK)



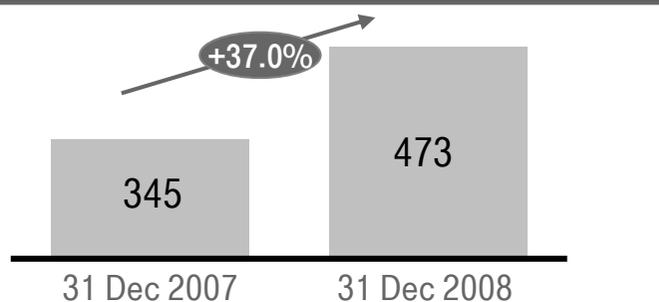
⁽¹⁾ FGSM included; payphones not included

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

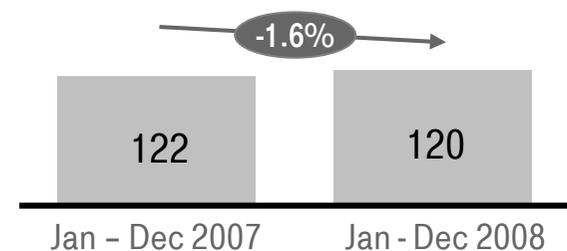
Internet Services

- Internet revenue up 33.2% to HRK 901 million
- Strong growth of ADSL customers
- Strong promotions and competitive pricing, continuous speed and traffic upgrades
- ARPA in ADSL slightly declined, but increased broadband penetration and retained leading market share
- Attractive content and promotions driving strong growth in IPTV, additionally supported by launch of standalone product

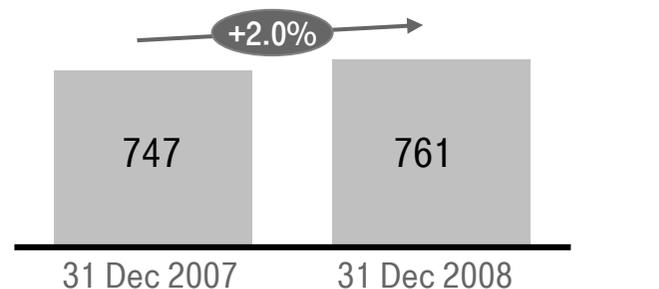
No. of ADSL mainlines ('000)



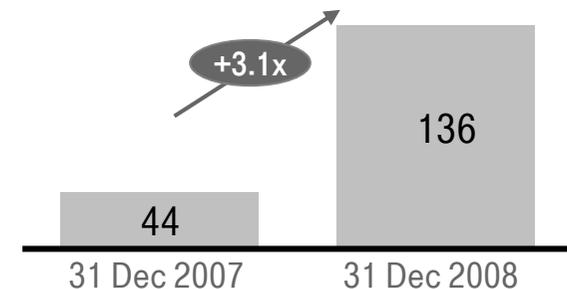
ADSL mainlines ARPA⁽²⁾ (HRK)



No. of dial-up users⁽¹⁾ ('000)



No. of IPTV customers ('000)



⁽¹⁾ Active and non-active users
⁽²⁾ Monthly average for the period

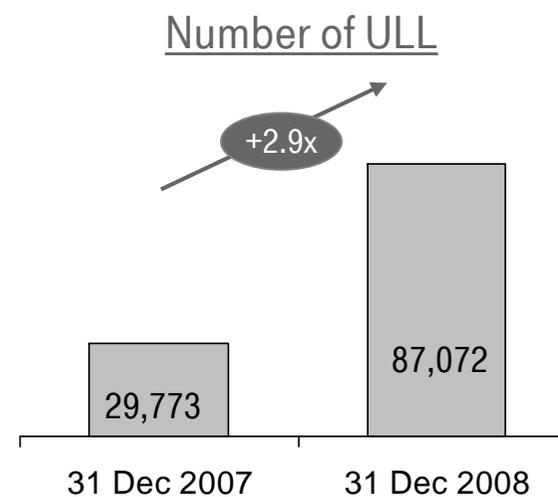
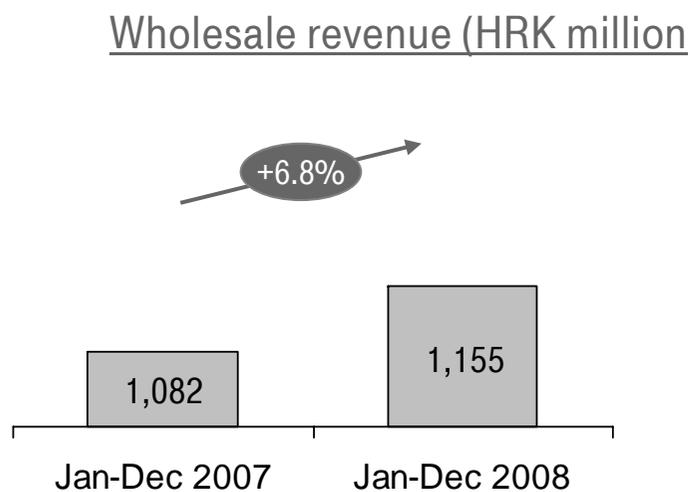
Wholesale and Data Services

Wholesale

- Wholesale revenue increased by 6.8%, primarily driven by continued market liberalisation
- Large increase in ULL, while CPS customers decreased due to migration to ULL

Data

- Data revenue slightly down to HRK 199 million
- Number of data lines decreasing as customers migrate towards new IP-based services
- Metro Ethernet revenue shows respectable growth; share of Metro Ethernet connection points in total Data lines increased 12.5%



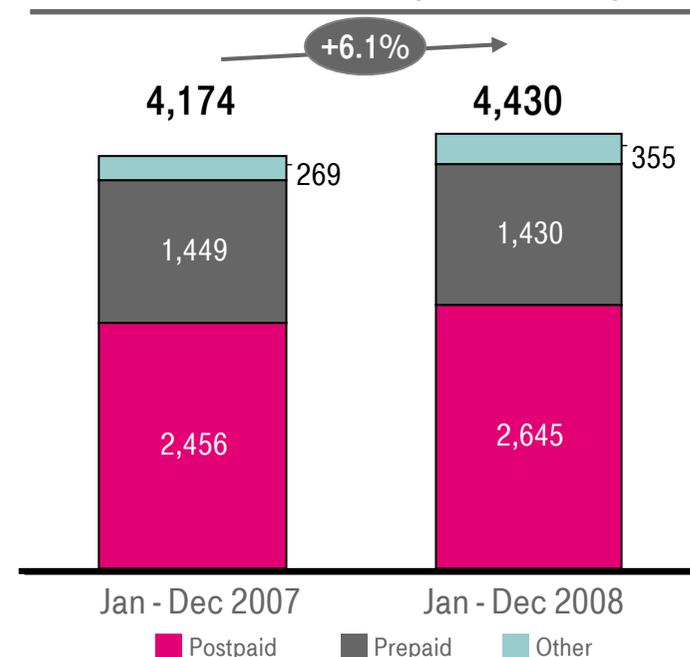
T-Mobile Highlights

- Customer numbers reached 2.69 million
- Postpaid customers driving revenue growth
- National roaming agreement with Tele2, the third mobile operator, effective since June 2008
- EBITDA margin slightly improved compared to 2007 as revenue growth outpaced an increase in operating expenses
- Capital expenditure increased by 25.1% mainly due to the increased investment in 3G networks and new platforms
- iPhone launched in November 2008

Key financials (HRK million)⁽¹⁾⁽²⁾

	Jan - Dec 2007	Jan - Dec 2008	% change
Revenue	4.174	4.430	6,1%
EBITDA	1.790	1.938	8,3%
EBITDA margin	42,9%	43,8%	0.9 p.p.
Capex	374	468	25,1%
Capex / Revenue	9,0%	10,6%	1.6 p.p.
Headcount (at 31 Dec)	1.074	1.085	1,0%

Revenue breakdown⁽³⁾ (HRK million)



⁽¹⁾ Unconsolidated figures, excluding other operating income

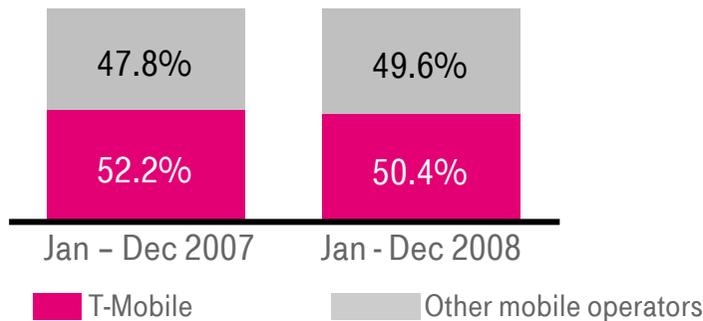
⁽²⁾ Revenue from VAS services is presented on the net principle.

⁽³⁾ As of Q1 2008, interconnection revenue redistribution between Prepaid and postpaid has been changed in accordance with "actual data". Actual data shows that there is more termination revenue in favour of Postpaid than previously estimated.

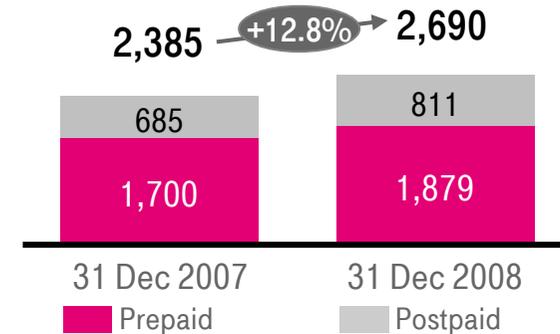
T-Mobile Operational Data

- Maintained leadership with 45.9% of SIM market share and 50.4% of revenue market share
- Strong 18.4% growth in postpaid, proportion of postpaid customers increased from 29% to 30%
- Decrease in ARPU as a result of price cutting and increased penetration
- Monthly minutes of use per average customer down 4.0% mostly due to customer promotions encouraging longer calls in 2007 not being repeated in 2008

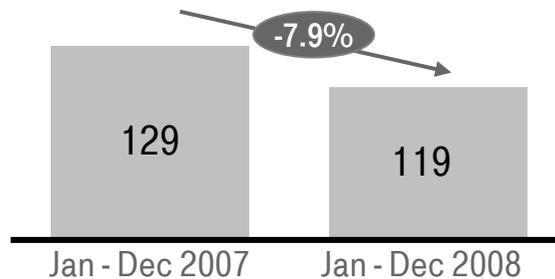
Market share by revenue (%)⁽¹⁾⁽²⁾



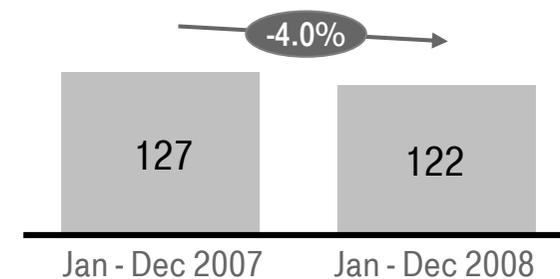
Number of T-Mobile customers ('000)



Blended ARPU (HRK/month)



Average MOU (minutes/month)



⁽¹⁾ Source: Source: published VIPnet's and Tele2's quarterly report for 4Q2007. Number of subscribers for VIPnet and Tele2 for 4Q 2008 internally estimated. Telekom Austria Annual report for Q1, Q2 & Q3 2008. Tele2 Quarterly report for Q1, Q2 & Q3 2008. VIPnet's total revenue for Jan - Dec 2008 internally estimated. VIPnet's national roaming services for Jan - May 2008 internally estimated. Tele2 total Revenue internally estimated. Market shares are based on unconsolidated revenue for T-Mobile (i.e. not net of T-Com revenue). Market shares by total revenue without national roaming.

⁽²⁾ Revenue from VAS services is presented on net principle.

Group Financial Highlights

IFRS, audited	HRK million		
	Jan - Dec 2007	Jan - Dec 2008	% change
Revenue ⁽¹⁾	8.580	8.816	2,7%
EBITDA	3.955	3.964	0,2%
EBITDA before exceptional items ⁽²⁾	4.050	4.009	-1,0%
EBITDA margin	46,1%	45,0%	-1.1 p.p.
EBITDA margin before exceptional items	47,2%	45,5%	-1.7 p.p.
Net profit	2.473	2.310	-6,6%
Net profit margin	28,8%	26,2%	-2.6 p.p.
Net profit w/o one-off gain	2.238	2.310	3,2%
Net profit margin w/o one-off gain	26,1%	26,2%	0.1 p.p.
Capex	1.248	1.621	30,1%
Capex / Revenue	14,6%	18,4%	3.8 p.p.

⁽¹⁾ Excluding other income; revenue from VAS services is presented on the net principle.

⁽²⁾ Exceptional items in Jan-Dec 2007 : 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

Group 2009 Outlook

Revenue

- Within the context of the global crisis, the Croatian economy faces a period of uncertainty and its impact on T-HT has yet to become apparent. At this time, the Management Board believes it prudent to anticipate a slight decline in revenues compared with 2008
 - Mobile revenue remaining at 2008 levels
 - Fixed telephony continuing to decline
 - Internet revenue showing significant growth
 - Wholesale revenue declining

EBITDA

- The Group aims to mitigate erosion of strong EBITDA margin through ongoing cost-control initiatives

CAPEX

- The Group will target the same level of CAPEX as in year 2008
 - Investment in the fixed network will focus on optical access network development aiming to increase broadband coverage and capacity
 - Investment in the mobile network will focus on deployment of new access network technologies aiming to enable mobile data growth and secure wireless broadband performance

Regional Expansion

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

Appendix

Consolidated Income Statement

in HRK million (IFRS; audited)	Jan-Dec 2008	Jan-Dec 2007	% of change 08/07
Mobile telephony	4,194	3,903	7.5%
Fixed telephony	2,796	3,110	-10.1%
Wholesale services	719	660	8.9%
Internet services	899	674	33.3%
Data services	199	211	-5.7%
Miscellaneous	9	22	-61.0%
Revenue ⁽¹⁾	8,816	8,580	2.7%
Other operating income	274	258	6.0%
Operating expenses	5,125	4,883	5.0%
Merchandise, material, services, energy and other expenses	3,988	3,594	11.0%
Merchandise, material and energy expenses	1,105	867	27.5%
Services expenses	1,357	1,172	15.8%
Other expenses	1,525	1,555	-1.9%
Employee benefit expenses	1,202	1,276	-5.8%
Work performed by the Group and capitalised	-159	-143	11.0%
Write down of current asset	95	156	-39.1%
EBITDA	3,964	3,955	0.2%
Depreciation and amortization	1,346	1,362	-1.2%
Impairment of non-current assets	17	74	-77.4%
EBIT	2,602	2,519	3.3%
Net financial income	322	312	3.2%
Income from investment in joint ventures	18	258	-92.9%
Profit before taxes	2,942	3,089	-4.7%
Taxation	632	616	2.6%
Net profit for the year	2,310	2,473	-6.6%
Exceptional items	45	95	-52.7%
EBITDA before exceptional items ⁽²⁾	4,009	4,050	-1.0%

⁽¹⁾ As of Q1 2008, revenue from VAS (value-added services) is presented on a net basis and the figures for 2007 have been adjusted accordingly.

⁽²⁾ Exceptional items in Jan-Dec 2007 : 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

Consolidated Balance Sheet

in HRK million (IFRS; audited)	At 31 Dec 2008	At 31 Dec 2007	% of change 08/07
Intangible assets	972	1,005	-3.3%
Property, plant and equipment	6,428	6,153	4.5%
Goodwill	77	77	0.2%
Investments	404	393	2.9%
Other long term assets	97	113	-14.2%
Total non-current assets	7,978	7,741	3.1%
Inventories	314	230	36.2%
Trade and other receivables	1,293	1,266	2.2%
Prepayments and accrued income	105	62	69.9%
Available-for-sale investments	53	93	-43.0%
Cash equivalents and time deposits	5,436	5,900	-7.9%
Total current assets	7,201	7,551	-4.6%
TOTAL ASSETS	15,179	15,292	-0.7%
Subscribed share capital	8,189	8,189	0.0%
Reserves	408	411	-0.8%
Retained earnings	3,843	3,943	-2.5%
Total issued capital and reserves	12,440	12,543	-0.8%
Provisions	105	90	16.4%
Employee benefit obligations	187	201	-7.1%
Deferred income and other non-current liabilities	149	163	-8.6%
Total non-current liabilities	441	454	-2.8%
Trade and other payables	1,590	1,442	10.3%
Provisions for redundancy	139	231	-39.9%
Accruals, deferred income and short term borrowings	569	622	-8.5%
Total current liabilities	2,298	2,295	0.1%
Total liabilities	2,739	2,749	-0.4%
TOTAL EQUITY AND LIABILITIES	15,179	15,292	-0.7%

Consolidated Cash Flow Statement

in HRK million (IFRS; audited)	Jan-Dec 2008	Jan-Dec 2007	% of change 08/07
Net profit	2,310	2,473	-6.6%
Depreciation and impairment loss of non-current assets	1,363	1,436	-5.1%
Income tax expense	632	616	2.6%
Decrease/ (Increase) in inventories	-111	-60	85.0%
(Increase) / Decrease in receivables and payables	-84	-128	-34.4%
Decrease in provisions	15	-5	-400.0%
Other transaction with impact on operating activities	-314	-603	-47.9%
Taxes paid	-699	-574	21.8%
Net cash flows from operating activities	3,112	3,155	-1.4%
Net Purchase/Proceeds of non-current assets	-1,571	-1,239	26.8%
Net Purchase/Proceeds of financial assets	2,376	2,517	-5.6%
Interest received	380	309	23.0%
Dividend received	0	5	-100.0%
Net cash flows from / (used in) investing activities	1,185	1,592	-25.6%
Repayment of long-term borrowings and lease liability	-12	-9	33.3%
Dividends paid	-2,421	-2,617	-7.5%
Net cash flows used in financing activities	-2,433	-2,626	-7.3%
Net decrease in cash and cash equivalents	1,864	2,121	-12.1%
Effect of F/X rate changes on cash and cash equivalents	-8	-8	0.0%
Cash and cash equivalents at the beginning of period	3,367	1,254	168.5%
Net cash (outflow) / inflow	1,856	2,113	-12.2%
Cash and cash equivalents at the end of period	5,223	3,367	55.1%

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)



A map of Croatia showing its geographical outline and major cities. The cities marked are Rijeka on the coast, Zagreb in the north, Osijek in the east, and Split in the south.

2008 Economic data

- GDP⁽¹⁾ per capita: €9,344
- Real GDP growth: 2.2%
- Unemployment rate⁽²⁾ : 7.0%
- Average net salary: €702
- Inflation rate⁽³⁾ : 6.1%

(1) Gross domestic product
(2) Labour Force Survey unemployment rate Q3 2008; Registered unemployment rate at the end of 2008: 13.5%
(3) Annual average inflation

Sources: Ministry of Finance, Central Bureau of Statistics, Croatian National Bank, Raiffeisenbank Croatia

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: 132.1%
- Internet
 - ~45% of households with Internet access
 - Broadband household penetration⁽¹⁾: 30%
- Cable
 - Cable TV household penetration: 9%
 - Cable TV broadband penetration: 1%

(1) Residential broadband lines per total households

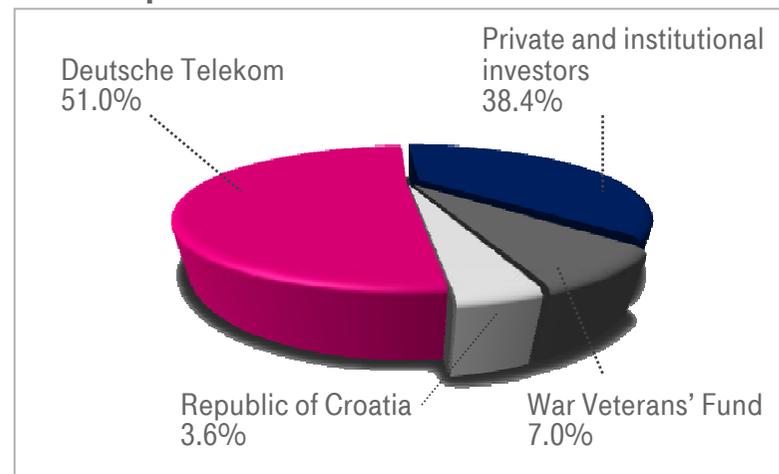
Sources: Croatian Agency for Telecommunications, Central Bureau of Statistics, Company's internal estimates

About T-HT Group

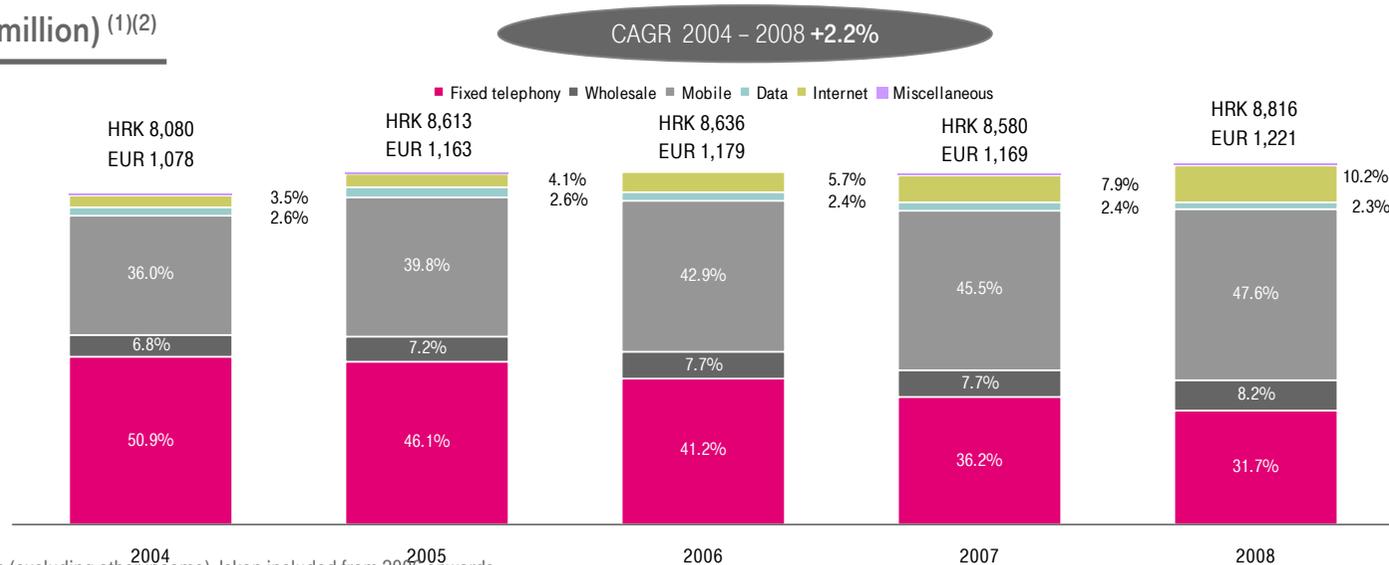
Highlights

- Full-service telecom provider and market leader in all major segments; full liberalisation since 2005
- Two business units:
 - T-Mobile (mobile operations)
 - T-Com (fixed telephony, internet, data, wholesale)
- 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⁾



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

⁽²⁾ Kuna per Euro average rate of exchange: in 2004: 7.49; in 2005: 7.40; in 2006: 7.32; in 2007: 7.33; in 2008: 7.22. As of Q1 2008, revenue from VAS (Value-added services) is presented on a net basis and the figures for year 2007 have been adjusted accordingly. Had the VAS revenue been stated on the gross basis, Group revenue would be HRK 261 million higher in period Jan-Dec 2008 and 256 mill HRK higher in period Jan-Dec 2007.

⁽³⁾ 05/2008: Republic of Croatia sells 4.21% of shares to present and former employees of T-Hrvatski Telekom and Croatian Post; 10/2008: Republic of Croatia transfers a proportion of its holding to Croatian private investors as bonus shares

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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