



Business and Financial Review January – June 2009

Ivica Mudrinić, President of the Management Board and CEO

30 July 2009

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- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required under IFRS. In addition, some key performance indicators utilised by the Company may be calculated differently by other companies operating in the sector. Therefore the non-IFRS measures and key performance indicators used in these materials may not be directly comparable to those of the Group's competitors.

Business Environment Highlights

Economy and regulation

Economy

- Official GDP decrease of 6.7% in the Q1 2009
- Increased unemployment rate: 14.2%
- Decreased payment collection efficiency
- Proposed measures to manage fiscal imbalances
 - VAT rate increased to 23% from previous 22% and temporary special income tax
 - Fee on mobile communication services
- Stable banking system

Regulation

- Q1 2009: decreased fixed and mobile interconnection charges
- New round of market analyses according to the latest EU recommendation – new remedies expected in Q3 2009

Group Highlights

- Maintained leadership position in all business segments
- Continued growth in internet segment: broadband and IPTV push
- Continuation of accelerated broadband roll-out
- Revenue increased by 0.7%
- Slight EBITDA decrease mainly driven by growth of operating expenses
- Total dividend of 29.99 HRK/share – payment of 2nd part in May
- Reorganisation to improve customer service and increase internal efficiency

IFRS, unaudited

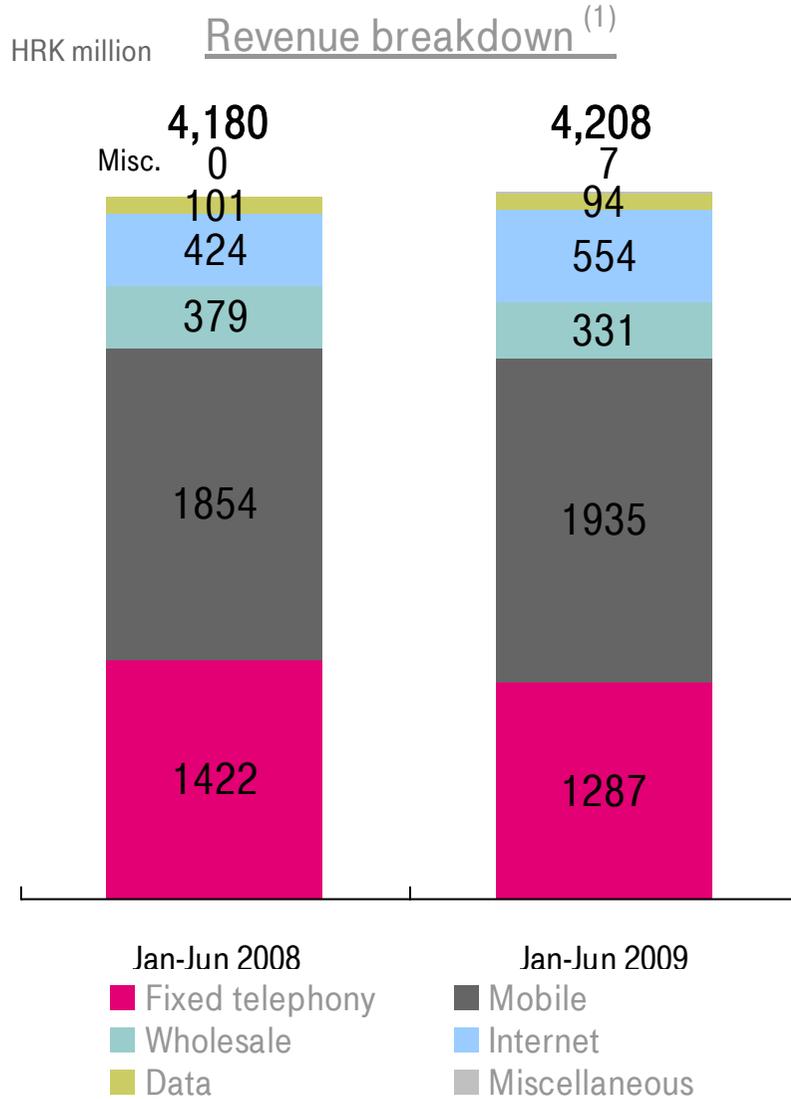
		Jan - Jun 2008	Jan - Jun 2009	% change
Revenue ⁽¹⁾⁽²⁾⁽³⁾	(in HRK million)	4,180	4,208	0.7%
	(in EUR million)	575	569	-1.0%
EBITDA before exceptional items	(in HRK million)	1,932	1,923	-0.5%
	(in EUR million)	266	260	-2.1%
Net profit	(in HRK million)	1,125	1,092	-2.9%
	(in EUR million)	155	148	-4.5%
Headcount (at 30 June)		6,500	6,341	-2.4%

(1) Kuna per Euro average rate of exchange: Jan-Jun 2009: 7.39; Jan-Jun 2008: 7.27

(2) Excluding Other operating income

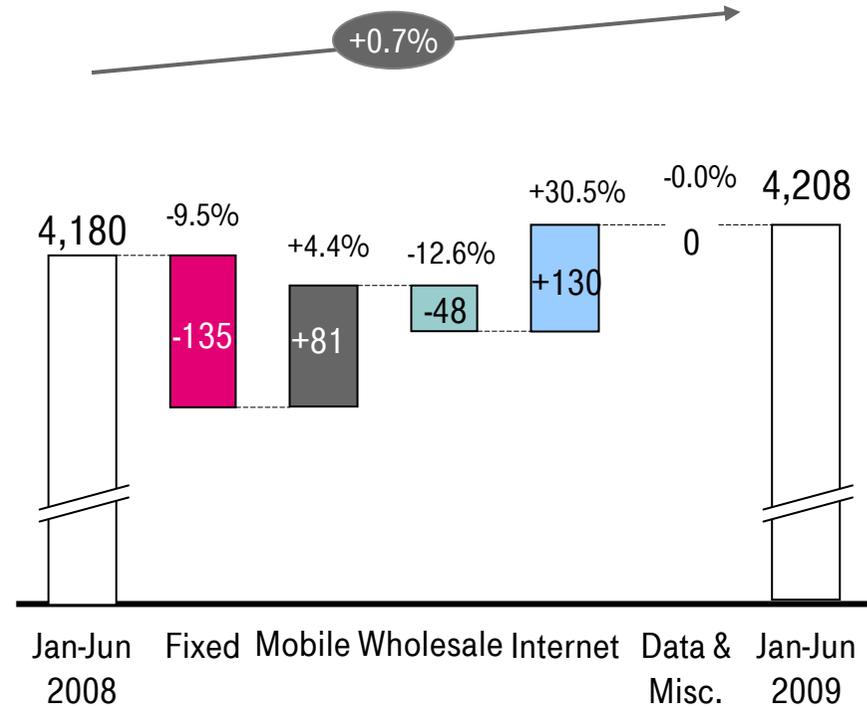
(3) Impact of IFRIC 13 on T-HT Group revenue is Jan – Jun 2008 13.6 mio HRK; Jan – Jun 2009 8.2 mio HRK.

Group Revenue Development



(1) Consolidated revenue (excluding other income);

■ Further growth in Mobile and Internet revenue



T-Com Highlights

- Strong market position supported by attractive launches and services
- Keeping ahead in the growing broadband market
- Increase in internet revenue largely offsetting decrease in fixed telephony revenue
- Iskon launched its own IPTV service
- EBITDA impacted by decreased revenues and increase in merchandise expenses
- Higher investments in network (e.g. optical access network, DSL access nodes) and in IT (e.g. software)

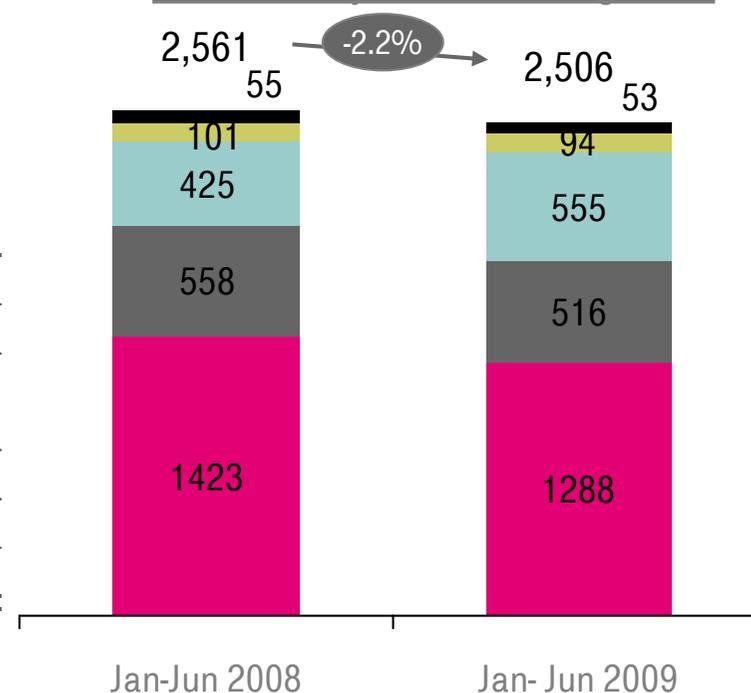
Key financials (HRK million)

	Jan - Jun 2008	Jan - Jun 2009	% change
Revenue ⁽¹⁾⁽²⁾	2,561	2,506	-2.2%
EBITDA before exceptional items	1,093	1,027	-6.0%
EBITDA margin before exceptional items	42.7%	41.0%	1.7 p.p.
Capex	330	435	32.0%
Capex / Revenue	12.9%	17.4%	4.5 p.p.
Headcount (at 30 June)	5,431	5,244	-3.4%

(1) Excluding other income.

(2) Impact of IFRIC 13 on T-Com revenue is: Jan - Jun 2008: 1.7 mio HRK; Jan - Jun 2009 5.4 mio HRK.

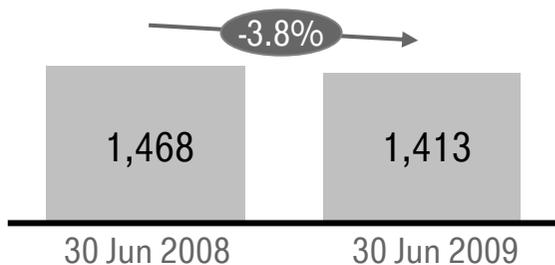
Revenue by business segment



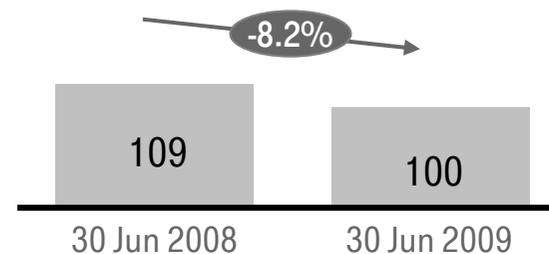
Fixed Telephony

- Total mainlines of all types fell 4.1% on Q2 2008 (down 1.2% on Q1 2009)
- New launches and tariffs (e.g. a flat fee with set up fee, extension to peak time of popular FreeTime) successfully responding to competitors' pricing pressures
- Fixed voice ARPA declining primarily due to lower traffic resulting from fixed to mobile substitution

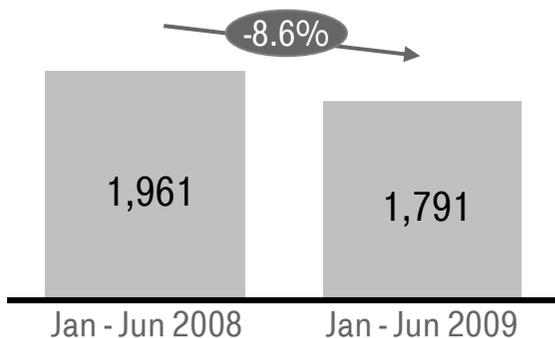
No. of POTS ⁽¹⁾ mainlines ('000)



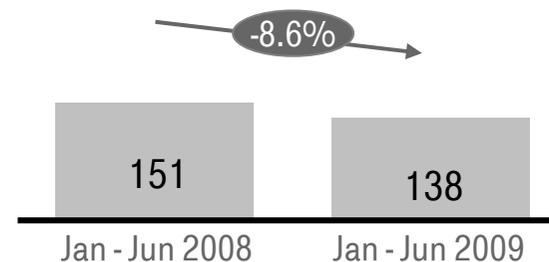
No. of ISDN mainlines ('000)



Total traffic in minutes (million)



ARPA ⁽²⁾ (HRK)



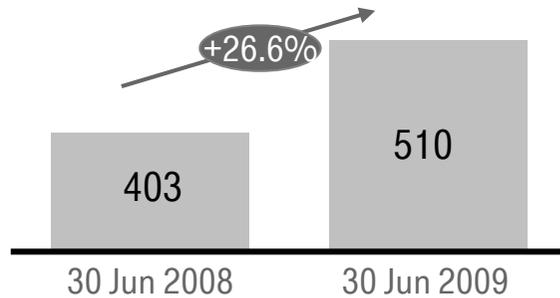
⁽¹⁾ FGSM included; payphones not included

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

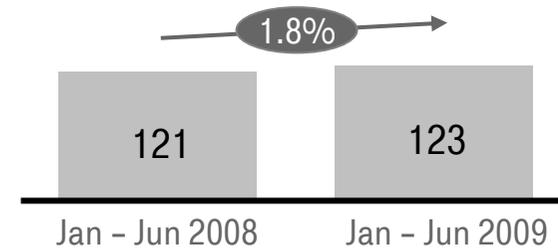
Internet Services

- Internet revenue up 30.6% to HRK 555 million; 22.1% of T-Com revenue
- Strong customer acquisition campaign and marketing focused on retaining existing MAXadsl customers: almost 17,000 net adds in Q2 2009
- ADSL ARPA maintained ⁽²⁾ mainly as a result of promotional activities and migration toward higher speeds
- MAXtv – successful growth supported by combination of new offerings and attractive content: more than 19,000 net adds in Q2 2009
- Upgraded speeds; IPTV platform upgrade terminated in June 2009

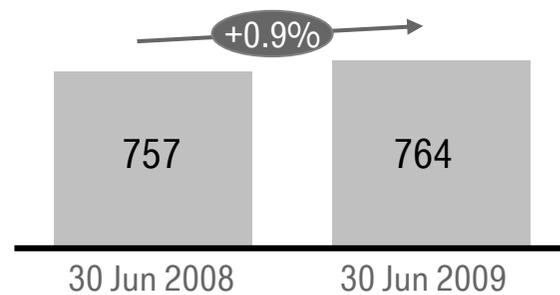
No. of ADSL mainlines ('000)



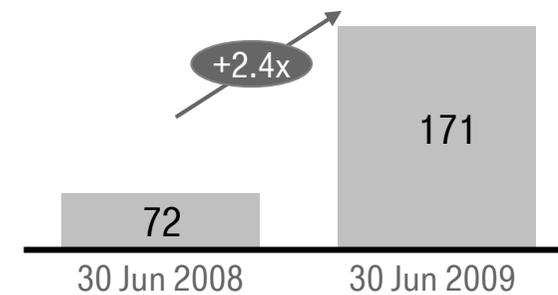
ADSL mainlines ARPA ⁽²⁾ (HRK)



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

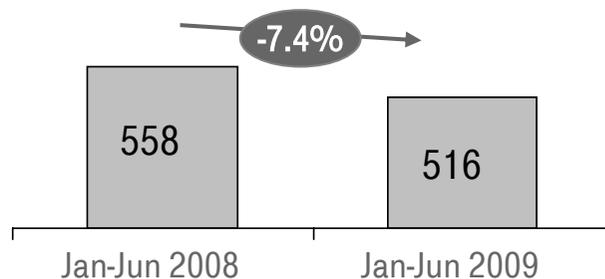
Wholesale

- Growth in ULL activations slower than in Q1 2009 (15,067 net adds in Q1 2009 vs. 8,531 in Q2 2009)
- Increase of number portability by 49.8% and slight decrease of CPS by 1.7%
- Wholesale revenue affected mostly by the Regulatory Agency's decision on decrease of origination and termination prices

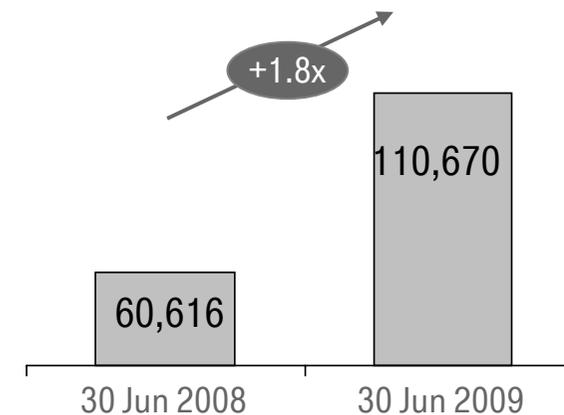
Data

- The number of lines decreased due to migration from traditional data lines to IP-based services
- Growth of Metro Ethernet revenue

Wholesale revenue (HRK million)



Number of ULL ⁽¹⁾



⁽¹⁾ Previous year has been restated according to actual reporting (w/o Iskon ULL number of lines)

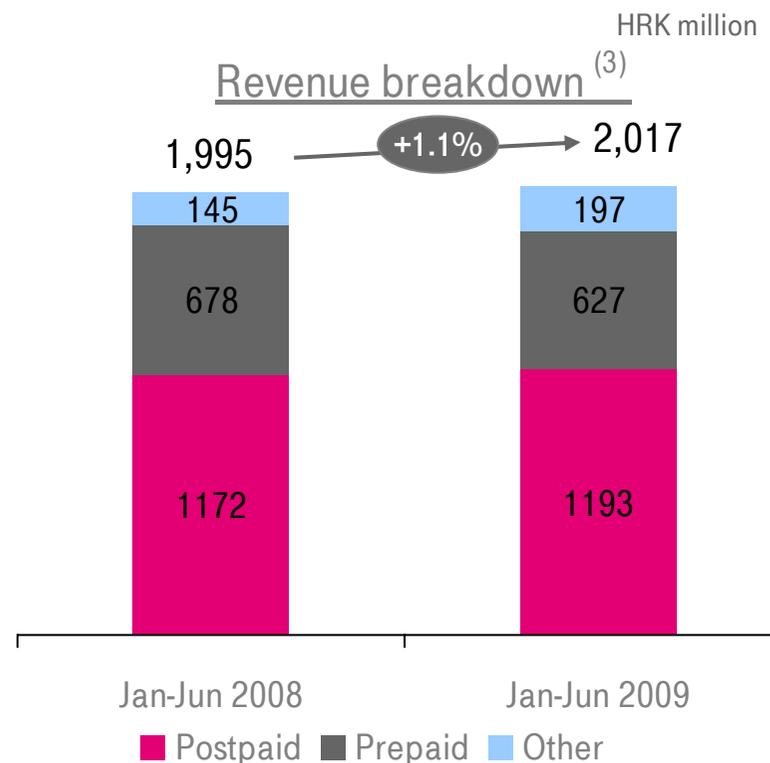
T-Mobile Highlights

- Revenue growth mainly due to increase of other revenue driven mostly by national roaming revenue
- Strong increase in EBITDA as a result of lower operating costs, mainly lower merchandise costs
- Increased capex due to Core Network investments (transition towards NGN) and continued roll out of radio access network
- Wide range of new products (e.g. weekly paid options for prepaid customers, Mrak tariff, Stick2CARNet, Simpa Internet daily option...)

Key financials (HRK million) ⁽¹⁾⁽²⁾

	Jan - Jun 2008	Jan - Jun 2009	% change
Revenue ⁽¹⁾⁽²⁾	1,995	2,017	1.1%
EBITDA	840	896	6.7%
EBITDA margin	42.1%	44.4%	2.3 p.p.
Capex	147	177	20.0%
Capex / Revenue	7.4%	8.8%	1.4 p.p.
Headcount (at 30 June)	1,069	1,097	2.6%

Revenue breakdown ⁽³⁾



⁽¹⁾ Unconsolidated figures, excluding other operating income.

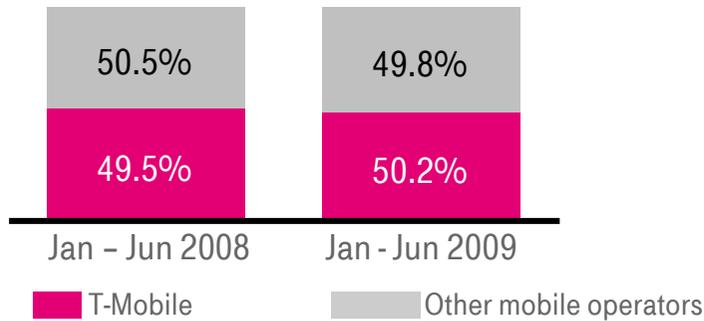
⁽²⁾ impact of IFRIC 13 on T-Mobile revenue is: Jan-Jun 2008 11.9 mill HRK; Jan-Jun 2009: 2.7 mill HRK.

⁽³⁾ Including visitor's revenue.

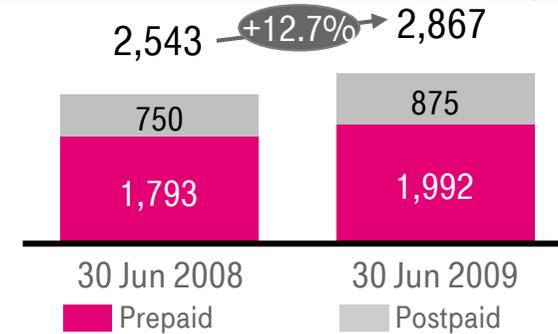
T-Mobile Operational Data

- Continued market leadership: 47.6% by SIM and 50.2% of revenue market share
- More than 86.000 net adds in Q2 2009
- Number of postpaid subscribers increased by 16.7%, now 30.5% of total subscribers
- ARPU declined due to increased penetration of SIMs and reduced usage as consumers control their expenditure
- MOU decrease caused mainly by a fall in prepaid minutes resulting from different promotions compared to the same period last year and an increase of SIM number

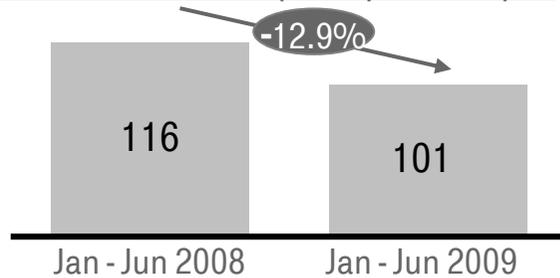
Market share by revenue (%) ⁽¹⁾



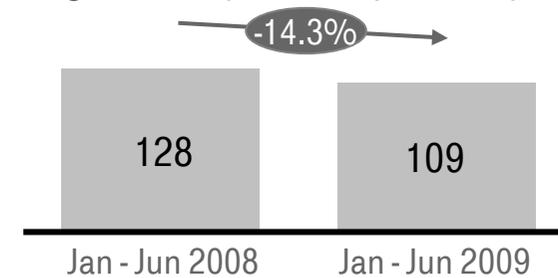
Number of T-Mobile customers ('000)



Blended ARPU (HRK/month) ⁽²⁾



Average MOU (minutes/month)



(1) Source: Telekom Austria Annual report for Q2 2008, Tele2 report for Q2 2008 and Q2 2009, VIPnet's net revenue for Jan-Jun 2009 internally estimated.

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

Group Financial Highlights

IFRS, unaudited	HRK million		
	Jan - Jun 2008	Jan - Jun 2009	% change
Revenue ⁽¹⁾⁽²⁾	4,180	4,208	0.7%
EBITDA before exceptional items	1,932	1,923	-0.5%
EBITDA margin before exceptional items	46.2%	45.7%	-0.5 p.p.
Net profit	1,125	1,092	-2.9%
Net profit margin	26.9%	26.0%	-0.9 p.p.
Capex	477	611	28.3%
Capex / Revenue	11.4%	14.5%	3.1 p.p.

⁽¹⁾ Excluding Other operating income

⁽²⁾ Impact of IFRIC 13 on T-HT Group revenue is: Jan-Jun 2008: 13.6 mio HRK; Jan-Jun 2009 8.2 mioHRK.

Group 2009 Outlook

Revenue

- The Group has previously indicated it expects that revenues would fall in 2009 because of declining GDP, which the Croatian National Bank estimates will decline by 5% in 2009. The Group does not know the outcome of proposals in the Croatian Parliament to increase taxes and impose a fee on mobile communications services. Should these proposed taxes and fee be imposed, it is inevitable that revenue will come under additional pressure.

EBITDA

- The Group has previously indicated that it anticipated some erosion of its EBITDA margin, but that its ongoing programme of cost-control initiatives would mitigate this erosion to some extent. Given the state of the Croatian economy, and the prospect of immediate new taxes and fee, the Group now believes that this margin erosion will be stronger than previously anticipated.

CAPEX

- The Group has previously indicated that 2009 capital expenditure was likely to be at a similar level to that of 2008, with a focus on improvements to the optical access network and the deployment of new technologies to promote the growth of mobile data. However, should the proposed fee on mobile communications be imposed, T-HT will reconsider what is an appropriate level of capex going forwards.

Regional Expansion

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

Appendix

Income Statement

T-HT Group

in HRK million (IFRS; unaudited)	Jan-Jun 2009	Jan-Jun 2008	% of change 09/08
Mobile telephony	1,935	1,854	4.4%
Fixed telephony	1,287	1,422	-9.5%
Wholesale services	331	379	-12.6%
Internet services	554	424	30.5%
Data services	94	101	-7.1%
Miscellaneous	7	0	-
Revenue	4,208	4,180	0.7%
Income from usage of own products, merchandise and services	56	53	5.9%
Other operating income	108	137	-21.3%
Total operating revenue	4,372	4,370	0.1%
Operating expenses	2,453	2,437	0.6%
Material expenses	1,136	1,143	-0.6%
Employee benefit expenses	585	565	3.6%
Other expenses	679	684	-0.7%
Write down of asset	53	46	15.5%
EBITDA	1,919	1,932	-0.7%
Depreciation and amortization	710	672	5.6%
EBIT	1,209	1,260	-4.0%
Financial income	190	176	7.6%
Income from investment in joint ventures	9	12	-22.8%
Financial expenses	25	15	70.0%
Profit before taxes	1,384	1,434	-3.5%
Taxation	292	309	-5.7%
Net profit	1,092	1,125	-2.9%
Minority interest	0	0	-0.2%
Net profit after minority interest	1,092	1,125	-2.9%
Exceptional items	4	0	-
EBITDA before exceptional items	1,923	1,932	-0.5%

Balance Sheet

T-HT Group

in HRK million (IFRS; unaudited)	At 30 Jun 2009	At 31 Dec 2008	% of change 09/08
Intangible assets	987	1,049	-5.9%
Property, plant and equipment	6,383	6,428	-0.7%
Non-current financial assets	631	404	56.0%
Receivables	28	36	-22.4%
Deferred tax asset	58	61	-4.5%
Total non-current assets	8,087	7,977	1.4%
Inventories	332	314	5.8%
Receivables	1,374	1,293	6.2%
Current financial assets	886	266	233.4%
Cash and cash equivalents	2,379	5,223	-54.5%
Prepayments and accrued income	69	105	-34.6%
Total current assets	5,039	7,201	-30.0%
TOTAL ASSETS	13,126	15,179	-13.5%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-2	-1	51.7%
Retained earnings	1,382	1,534	-9.9%
Net profit for the period	1,092	2,309	-52.7%
Minority interest	1	1	-2.3%
Total issued capital and reserves	11,071	12,440	-11.0%
Provisions	285	314	-9.1%
Non-current liabilities	138	150	-7.8%
Total non-current liabilities	423	463	-8.6%
Current liabilities	1,379	1,983	-30.4%
Accrued expenses and deferred income	252	292	-13.7%
Total current liabilities	1,632	2,275	-28.3%
Total liabilities	2,055	2,739	-25.0%
TOTAL EQUITY AND LIABILITIES	13,126	15,179	-13.5%

Consolidated Cash Flow Statement

T-HT Group

in HRK million (IFRS; unaudited)	Jan-Jun 2009	Jan-Jun 2008	% of change 09/08
Profit before tax	1,384	1,434	-3.5%
Depreciation and amortization	710	672	5.6%
Total increase of cash flow from operating activities	2,093	2,106	-0.6%
Decrease of current liabilities	-603	-347	73.8%
Increase of current receivables	-80	-47	70.2%
Increase of inventories	-18	-25	-26.6%
Other cash flow decreases	-520	-648	-19.8%
Total decrease of cash flow from operating activities	-1,221	-1,067	14.4%
Net cash inflow/outflow from operating activities	872	1,039	-16.1%
Proceeds of sale of non-current assets	12	32	-62.3%
Proceeds of sale of non-current financial assets	1	1,077	-99.9%
Interest received	179	191	-6.0%
Total increase of cash flow from investing activities	192	1,299	-85.2%
Purchase of non-current asset	-611	-476	28.4%
Purchase of non-current financial asset	-221	0	
Other cash outflows from investing activities	-618	-542	14.0%
Total decrease of cash flow from investing activities	-1,451	-1,019	42.5%
Net cash inflow/outflow from investing activities	-1,259	281	-548.5%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-1	-5	-72.3%
Dividends paid	-2,456	-2,421	1.5%
Total decrease of cash flow from financing activities	-2,457	-2,426	1.3%
Net cash inflow/outflow from financing activities	-2,457	-2,426	1.3%
Total increase of cash flow	872	1,320	-33.9%
Total decrease of cash flow	-3,717	-2,426	53.2%
Cash and cash equivalents at the beginning of period	5,223	3,366	55.2%
Net cash (outflow) / inflow	-2,844	-1,106	157.2%
Cash and cash equivalents at the end of period	2,379	2,260	5.3%

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 (Q1 2009): -6.7%
- Unemployment rate⁽²⁾: 14.2%
- Average net salary⁽³⁾: €714
- Inflation rate⁽⁴⁾: 4.6%

(1) Gross domestic product.
 (2) Official registered unemployment rate in June 2009 (increasing from 13.7% at the end of 2008).
 (3) In April 2009.
 (4) Annual average inflation in H1 2009. (Average inflation in 2008: 6.1%.)

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

Croatian telecom market

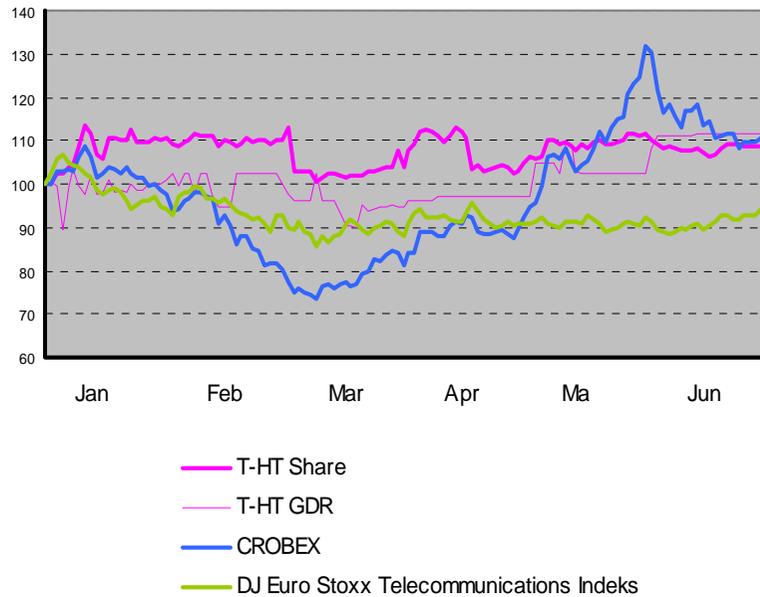
- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Fixed line <ul style="list-style-type: none"> ■ 15 licensed operators, of which 9 active ■ CPS, ULL and bit-stream available ■ Mobile <ul style="list-style-type: none"> ■ 3 operators on the market, no mobile virtual network operators (MVNO) ■ Mobile penetration: 135.6% | <ul style="list-style-type: none"> ■ Internet <ul style="list-style-type: none"> ■ Internet penetration: ~51% of population ■ Broadband household penetration⁽¹⁾: 31% ■ Cable <ul style="list-style-type: none"> ■ Cable TV household penetration: 9% ■ 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

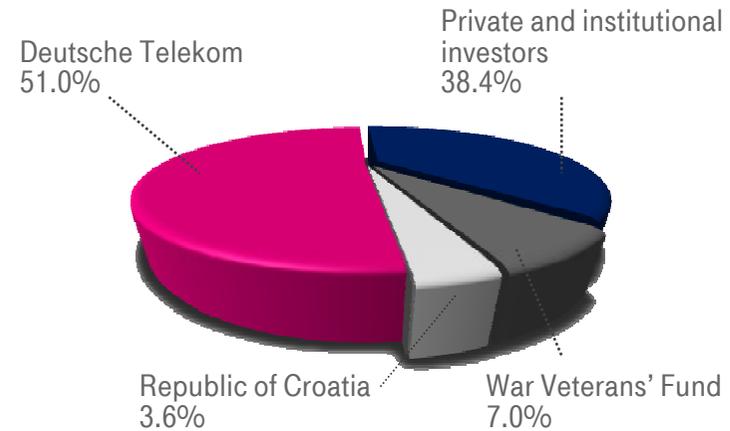
About T-HT Group

T-HT Share and GDR as compared to CROBEX and DJ Euro Stoxx Telecommunication Index
1 January 2009 - 30 June 2009



- CROBEX increased by 10.11% since the beginning of the year
- Value of T-HT share increased by 9.68% if compared to the last trading day of 2008
- ZSE closing price at the last trading day in Q2 2009: **HRK 218.50**
- Most traded share on the ZSE

Ownership structure ⁽³⁾



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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