



Business and Financial Review January – September 2009

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30 October 2009

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Business Environment Highlights Croatian Economy and Regulation

Economy

- GDP decrease of 6.3% in Q2 2009
 - Final consumption expenditure of households decreased by 9.4% in Q2 2009
- August 2009 – new personal income tax, increased VAT rate to 23% and 6% fee on mobile communication services entered into force
- Banking system remains healthy

Regulation

- July 2009 – completed market analyses according to the latest EU recommendation – new remedies introduced
- T-HT obliged to enable other operators access to its optical network
- Additional decrease of fixed and mobile interconnection charges from 1 January 2010

Group Highlights

- Maintained leadership position in all business segments
- Business performance resilient despite recession
- Broadband and broadband-related services showing growth
- Mobile subscribers continue to rise
- Balance sheet and cash reserves remaining strong
- Positioning for future growth: continued investments in infrastructure
- Reorganisation: Signed Merger Agreement between HT d.d. and T-Mobile Hrvatska d.o.o.

IFRS, unaudited

		Jan - Sep 2008	Jan - Sep 2009	% change
Revenue ⁽¹⁾⁽²⁾⁽³⁾	(in HRK million)	6,635	6,525	-1.7%
	(in EUR million)	916	887	-3.2%
EBITDA before exceptional items	(in HRK million)	3,193	3,053	-4.4%
	(in EUR million)	441	415	-5.9%
Net profit	(in HRK million)	1,888	1,747	-7.5%
	(in EUR million)	261	237	-9.0%
Headcount (at 30 September)		6,481	6,247	-3.6%

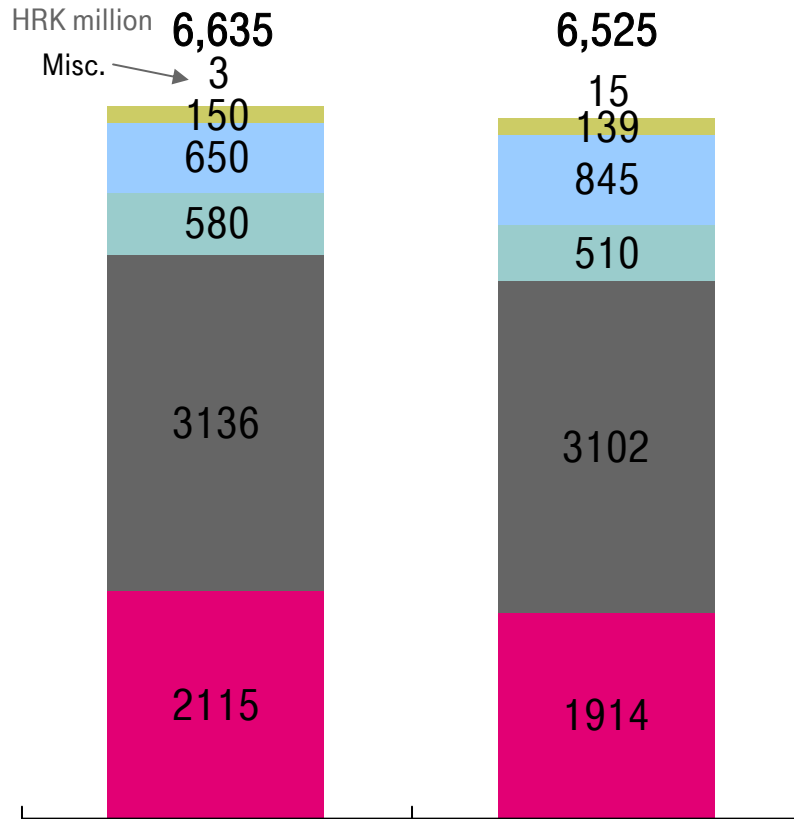
(1) Kuna per Euro average rate of exchange: Jan-Sep 2009: 7.36; Jan-Sep 2008: 7.24

(2) Excluding Other operating income

(3) Impact of IFRIC 13 on T-HT Group revenue is Jan – Sep 2008: -16.6 mio HRK; Jan – Sep 2009: -7.9 mio HRK.

Group Revenue Development

Revenue breakdown ⁽¹⁾

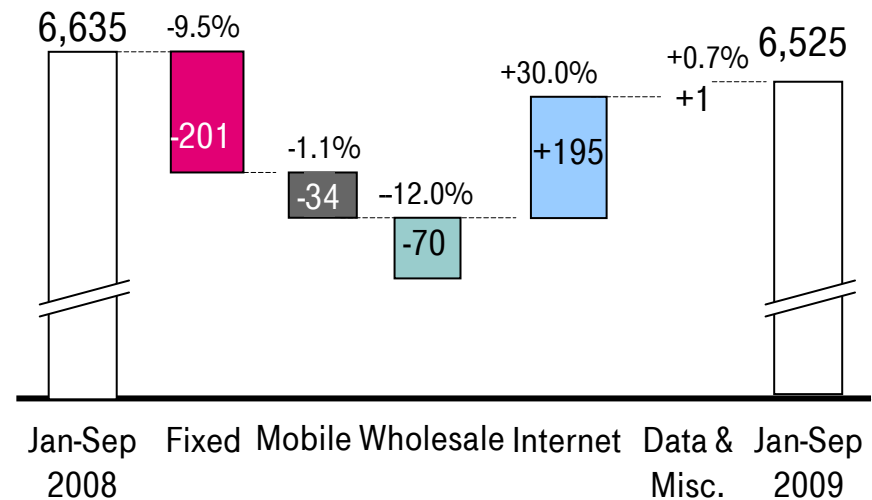


Jan-Sep 2008 Jan-Sep 2009

- Fixed telephony
- Mobile
- Wholesale
- Internet
- Data
- Miscellaneous

⁽¹⁾ Consolidated revenue (excluding other income);

■ Further growth in Internet revenue but erosion in mobile revenue after several years of growth



T-Com Highlights

- Market leadership maintained through competitive services and tariffs
- Broadband services continuing to grow and to deliver increased revenue
- EBITDA down due to decreased revenue from fixed telephony, data and wholesale and an increase in merchandise and other expenses
- Increased investments in network access, aggregation and core equipment

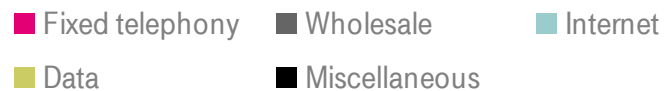
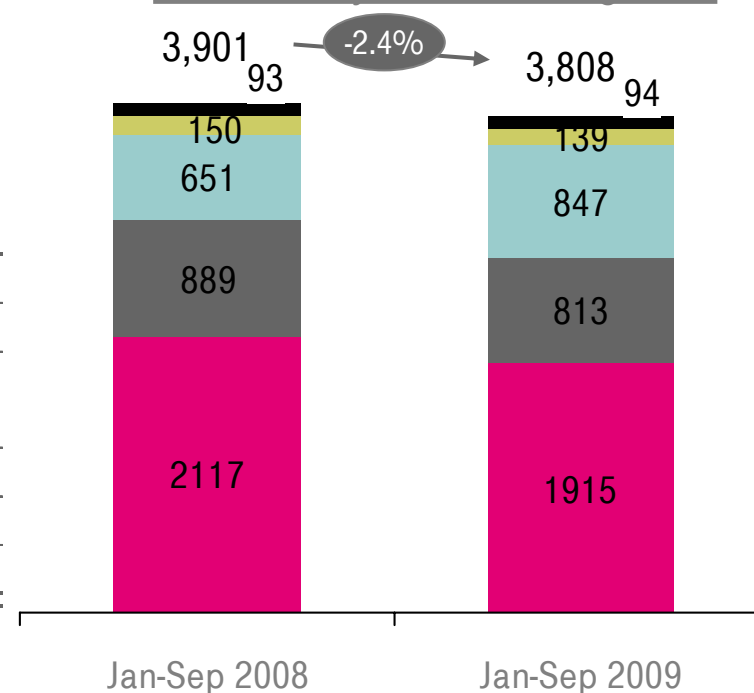
Key financials (HRK million)

	Jan - Sep 2008	Jan - Sep 2009	% change
Revenue ⁽¹⁾⁽²⁾	3,901	3,808	-2.4%
EBITDA before exceptional items	1,636	1,525	-6.8%
EBITDA margin before exceptional items	41.9%	40.0%	-1.9 p.p.
Capex	606	726	19.8%
Capex / Revenue	15.5%	19.1%	3.5 p.p.
Headcount (at 30 Sep)	5,398	5,169	-4.2%

(1) Excluding other income.

(2) Impact of IFRIC 13 on T-Com revenue is: Jan - Sep 2008: -2.6 mio HRK; Jan - Sep 2009: -7.1 mio HRK.

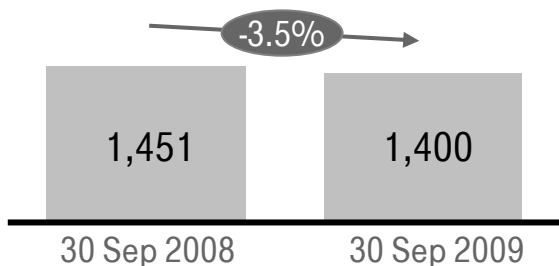
Revenue by business segment



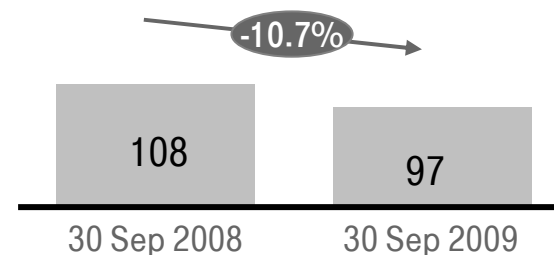
Fixed Telephony

- Total mainlines of all types 4.1% less than on Q3 2008 (1.1% less than on Q2 2009)
- ARPA impacted by traffic decrease due to fixed to mobile substitution and an increase in VoIP usage

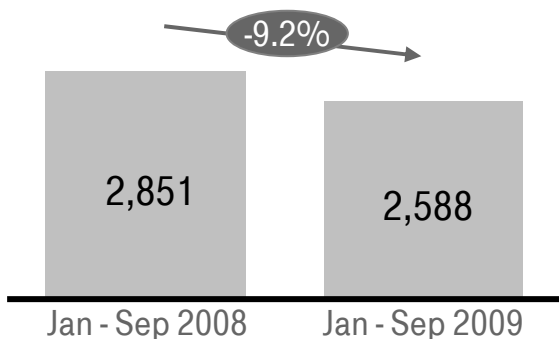
No. of POTS ⁽¹⁾ mainlines ('000)



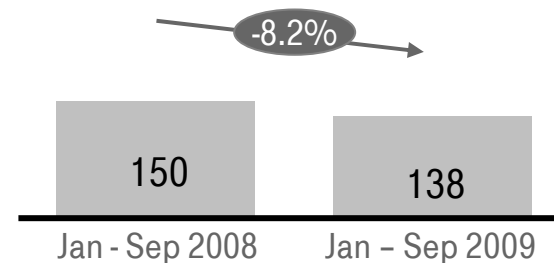
No. of ISDN mainlines ('000)



Total traffic in minutes (million)



ARPA ⁽²⁾ (HRK)



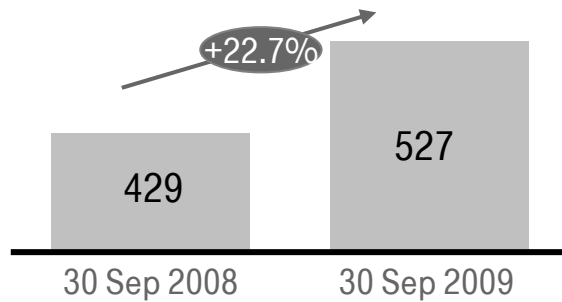
⁽¹⁾ FGSM included; payphones not included

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

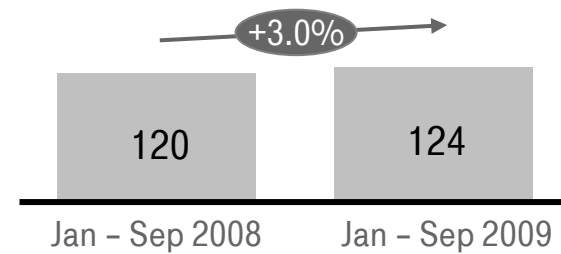
Internet Services

- Revenue up by 30.1% to HRK 847 million (22.2% of T-Com revenue)
- MAXadsl - continues to be the most popular choice among Croatian Internet users
 - Demonstrating the value of offered service quality - almost 17,000 net adds in Q3 2009
- ADSL ARPA increased due to permanent upgrades of speed and content improvements
- MAXtv - leadership supported by platform upgrade and continuous promotion
 - Nearly 19,000 net adds in Q3 2009

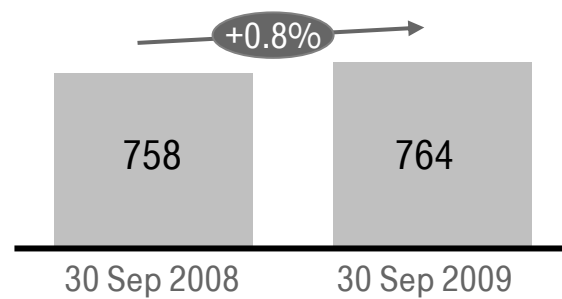
No. of ADSL mainlines ('000)



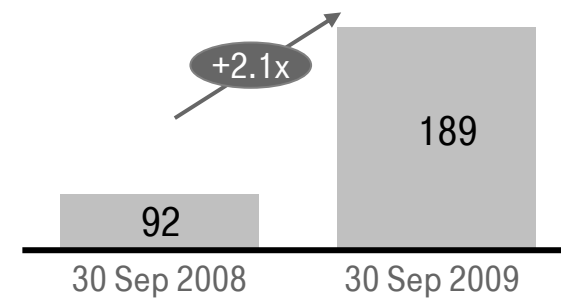
ADSL mainlines ARPA ⁽²⁾ (HRK)



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

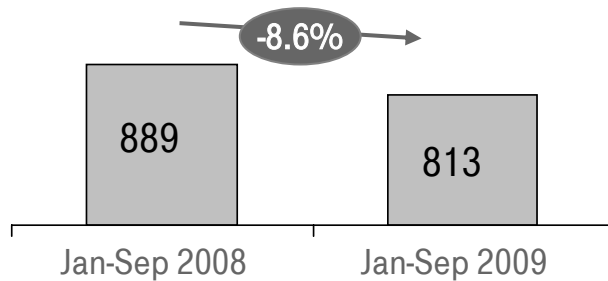
Wholesale

- Slower growth of ULL: 5,562 net adds in Q3 2009 vs 8,531 in Q2 2009
- Number portability increased by 35.4% and slight increase of CPS by 2.6%
- Revenue overtaken by Internet services

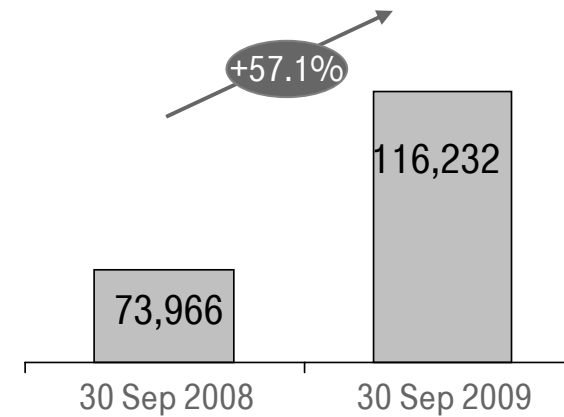
Data

- Continuous migration efforts to IP-based services
- Increased Metro Ethernet revenue

Wholesale revenue (HRK million)



Number of ULL (1)



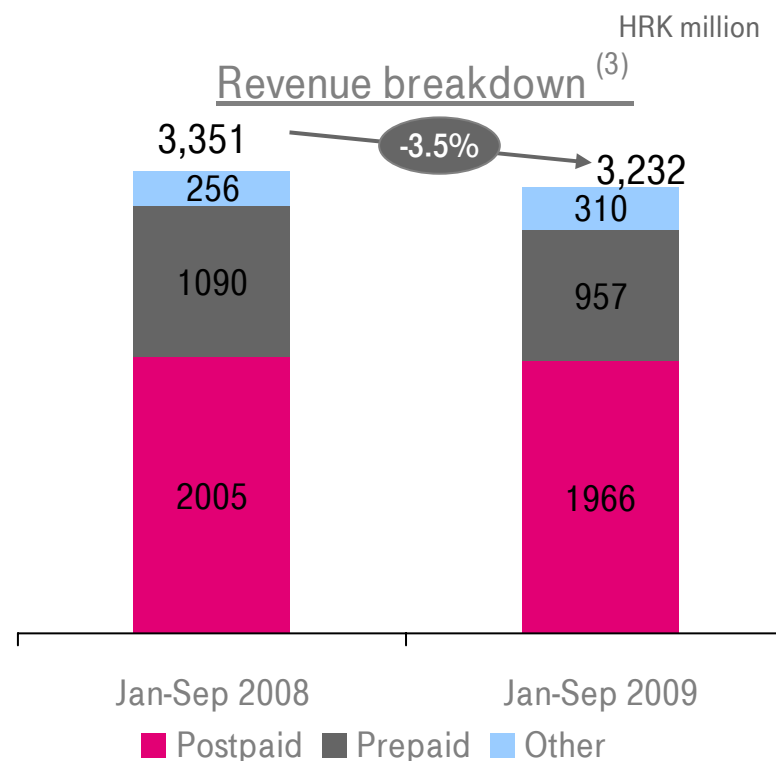
(1) Previous year has been restated according to actual reporting (w/o Iskon ULL number of lines)

T-Mobile Highlights

- Revenue down mostly as prepaid customers tighten spending
- EBITDA decrease as a result of savings from increased efficiency being offset by the decline in revenue
- Capex increase as a result of more even monthly distribution of investments during the year
- Continuously enriching product portfolio with innovative offers meeting specific needs of different segments of customers (e.g. netbook tariffs)
 - iPhone 3GS - offered since the end of July

Key financials (HRK million) ⁽¹⁾⁽²⁾

	Jan - Sep 2008	Jan - Sep 2009	% change
Revenue ⁽¹⁾⁽²⁾	3,351	3,232	-3.5%
EBITDA	1,557	1,528	-1.8%
EBITDA margin	46.5%	47.3%	0.8 p.p.
Capex	242	336	38.9%
Capex / Revenue	7.2%	10.4%	3.2 p.p.
Headcount (at 30 Sep)	1,083	1,078	-0.5%



⁽¹⁾ Unconsolidated figures, excluding other operating income.

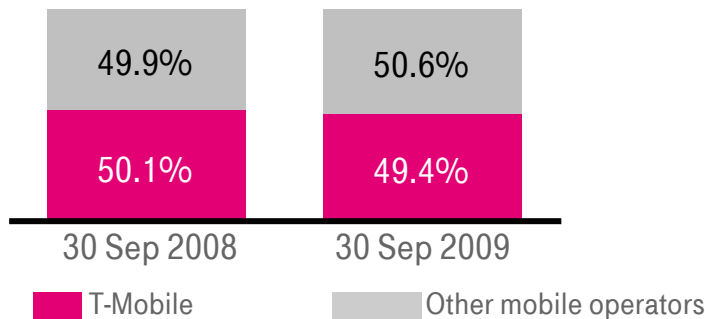
⁽²⁾ impact of IFRIC 13 on T-Mobile revenue is: Jan-Sep 2008: -14.0 mio HRK; Jan-Sep 2009: -0.8 mio HRK.

⁽³⁾ Including visitor's revenue.

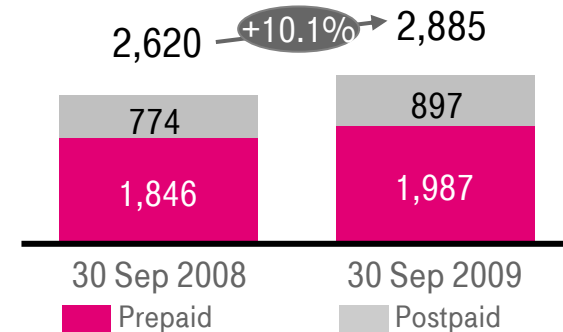
T-Mobile Operational Data

- Retained leadership in competitive market; subscribers up 10.1% to 2.88 million
 - Market share of subscribers: 47.4%
 - More than 17,000 net adds in Q3 2009
- Postpaid subscribers increased by 16.0%, now 31.1% of total subscribers
- Declining ARPU trend additionally affected by recent Government measures
- MOU down as consumers tighten spending

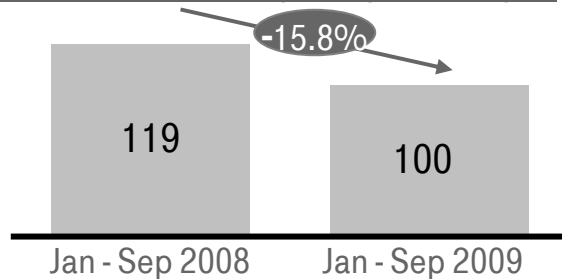
Market share by revenue (%) ⁽¹⁾



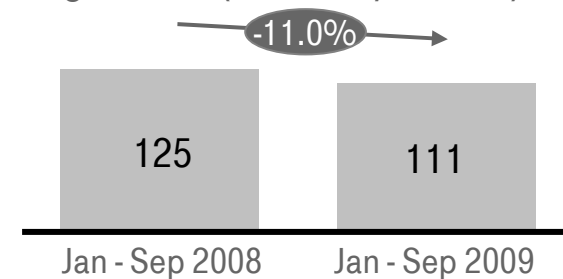
Number of T-Mobile customers ('000)



Blended ARPU (HRK/month) ⁽²⁾



Average MOU (minutes/month)



(1) Source: Telekom Austria Annual report for Q3 2008. Tele2 report for Q3 2008. VIPnet's and Tele2 net revenue for Jan-Sep 2009 internally estimated.

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

Group Financial Highlights

IFRS, unaudited	HRK million		
	Jan - Sep 2008	Jan - Sep 2009	% change
Revenue ⁽¹⁾⁽²⁾	6,635	6,525	-1.7%
EBITDA before exceptional items	3,193	3,053	-4.4%
EBITDA margin before exceptional items	48.1%	46.8%	-1.3 p.p.
Net profit	1,888	1,747	-7.5%
Net profit margin	28.5%	26.8%	-1.7 p.p.
Capex	848	1,063	25.2%
Capex / Revenue	12.8%	16.3%	3.5 p.p.

⁽¹⁾ Excluding Other operating income

⁽²⁾ Impact of IFRIC 13 on T-HT Group revenue is: Jan-Sep 2008: -16.6 mio HRK; Jan-Sep 2009: -7.9 mioHRK.

Group 2009 Outlook

Revenue

- The Group has consistently indicated that revenue will fall in 2009 because of the economic situation in Croatia and, more recently, because of the impact of new taxes and levies imposed by the Government. However, the Group believes that its revenue will decline less than GDP, demonstrating the resilience of the business in these difficult conditions.

EBITDA

- The Group expects margin erosion to continue into the full year, but remains committed to protecting margins through cost efficiencies and reorganisation.

CAPEX

- Given the downturn of the economy and the impact of new taxes and levies on revenue and profitability, the Group has reviewed its capital expenditure programme and now anticipates a level of investment slightly lower than in 2008.

Regional Expansion

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

Appendix

Consolidated Income Statement

T-HT Group

in HRK million (IFRS HT accounting policies)	Jan-Sep 2009	Jan-Sep 2008	% of change 09/08
Fixed telephony	1,914	2,115	-9.5%
Mobile telephony	3,102	3,136	-1.1%
Wholesale services	510	580	-12.0%
Internet services	845	650	30.0%
Data services	139	150	-7.5%
Miscellaneous	15	3	351.6%
Revenue	6,525	6,635	-1.7%
Income from usage of own products, merchandise and services	89	86	3.2%
Other operating income	149	186	-20.1%
Total operating revenue	6,763	6,907	-2.1%
Operating expenses	3,747	3,715	0.9%
Material expenses	1,708	1,760	-2.9%
Employee benefits expenses	905	852	6.3%
Other expenses	1,038	1,034	0.3%
Write down of assets	95	68	39.1%
EBITDA	3,016	3,193	-5.5%
Depreciation and amortization	1,048	1,010	3.8%
EBIT	1,968	2,183	-9.8%
Financial income	250	249	0.2%
Income from investment in joint ventures	15	20	-27.8%
Financial expenses	28	30	-6.8%
Profit before taxes	2,205	2,423	-9.0%
Taxation	458	534	-14.3%
Net profit	1,747	1,888	-7.5%
Minority interest	0	0	-1.9%
Net profit after minority interest	1,747	1,888	-7.5%
Exceptional items	37	0	-
EBITDA before exceptional items	3,053	3,193	-4.4%

Consolidated Balance Sheet

T-HT Group

in HRK million (IFRS HT accounting policies)	At 30 Sep 2009	At 31 Dec 2008	% of change 09/08
Intangible assets	1,051	1,049	0.2%
Property, plant and equipment	6,414	6,428	-0.2%
Non-current financial assets	487	404	20.5%
Receivables	34	36	-3.5%
Deferred tax asset	48	61	-20.3%
Total non-current assets	8,036	7,977	0.7%
Inventories	290	314	-7.4%
Receivables	1,490	1,293	15.2%
Current financial assets	844	266	217.4%
Cash and cash equivalents	2,984	5,223	-42.9%
Prepayments and accrued income	115	105	9.5%
Total current assets	5,724	7,201	-20.5%
TOTAL ASSETS	13,760	15,179	-9.3%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-1	-26.9%
Retained earnings	1,387	1,534	-9.5%
Net profit for the period	1,747	2,309	-24.3%
Minority interest	1	1	24.9%
Total issued capital and reserves	11,732	12,440	-5.7%
Provisions	302	314	-3.9%
Non-current liabilities	130	150	-12.9%
Total non-current liabilities	432	463	-6.8%
Current liabilities	1,343	1,983	-32.3%
Accrued expenses and deferred income	253	292	-13.6%
Total current liabilities	1,595	2,275	-29.9%
Total liabilities	2,027	2,739	-26.0%
TOTAL EQUITY AND LIABILITIES	13,760	15,179	-9.3%

Consolidated Cash Flow Statement

T-HT Group

in HRK million (IFRS HT accounting policies)	Jan-Sep 2009	Jan-Sep 2008	% of change 09/08
Profit before tax	2,205	2,423	-9.0%
Depreciation and amortization	1,048	1,010	3.8%
Decrease of inventories	23	0	-
Total increase of cash flow from operating activities	3,276	3,432	-4.5%
Decrease of current liabilities	-549	-352	55.8%
Increase of current receivables	-247	-137	79.6%
Increase of inventories	0	-90	-100.0%
Other cash flow decreases	-822	-921	-10.8%
Total decrease of cash flow from operating activities	-1,617	-1,500	7.8%
Net cash inflow/outflow from operating activities	1,659	1,933	-14.1%
Proceeds from sale of non-current assets	30	32	-6.4%
Proceeds from sale of non-current financial assets	1	1,532	-99.9%
Interest received	235	265	-11.3%
Dividend received	4	0	-
Total increase of cash flow from investing activities	271	1,830	-85.2%
Purchase of non-current assets	-1,063	-847	25.4%
Purchase of non-current financial assets	-647	0	-
Other cash outflows from investing activities	0	0	-
Total decrease of cash flow from investing activities	-1,710	-848	101.8%
Net cash inflow/outflow from investing activities	-1,439	982	-246.5%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-2	0	-
Dividends paid	-2,456	-2,421	1.5%
Repayment of finance lease	0	-8	-
Other cash outflows from financing activities	-1	0	-
Total decrease in cash flow from financing activities	-2,459	-2,428	1.3%
Net cash inflow/outflow from financing activities	-2,459	-2,428	1.3%
Total increase of cash flow	221	2,915	-92.4%
Total decrease of cash flow	-2,459	-2,428	1.3%
Cash and cash equivalents at the beginning of period	5,223	3,366	55.2%
Net cash (outflow) / inflow	-2,239	487	-559.9%
Cash and cash equivalents at the end of period	2,984	3,852	-22.5%

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 (Q2 2009): -6.3%
- Unemployment rate⁽²⁾: 14.7%
- Average net salary⁽³⁾: €725
- Inflation rate⁽⁴⁾: 3.1%

(1) Gross domestic product.

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

(3) In July 2009.

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

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

Croatian telecom market

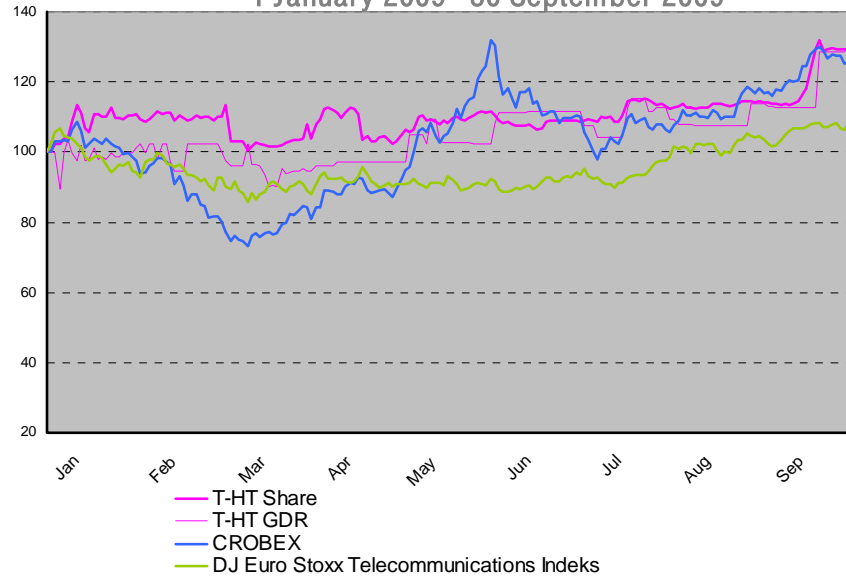
- | | |
|--|--|
| <ul style="list-style-type: none"> ■ Fixed line <ul style="list-style-type: none"> ■ 15 licensed operators, of which 9 active ■ CPS, ULL and bit-stream available ■ Mobile <ul style="list-style-type: none"> ■ 3 operators on the market, no mobile virtual network operators (MVNO) ■ Mobile penetration: 137% | <ul style="list-style-type: none"> ■ Internet <ul style="list-style-type: none"> ■ Internet penetration: ~54% of population ■ Broadband household penetration⁽¹⁾: 33% ■ Cable <ul style="list-style-type: none"> ■ 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

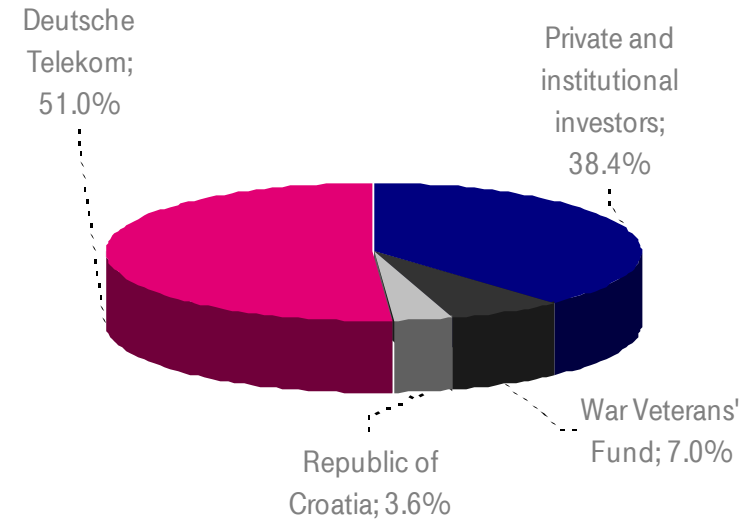
Capital Markets Highlights

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



- CROBEX increased by 27.59% since the beginning of the year
- Value of T-HT share increased by 30.76%
- Closing price at the last trading day in Q3 2009: HRK 260.50
- Most traded share on the ZSE

Ownership structure



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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