



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

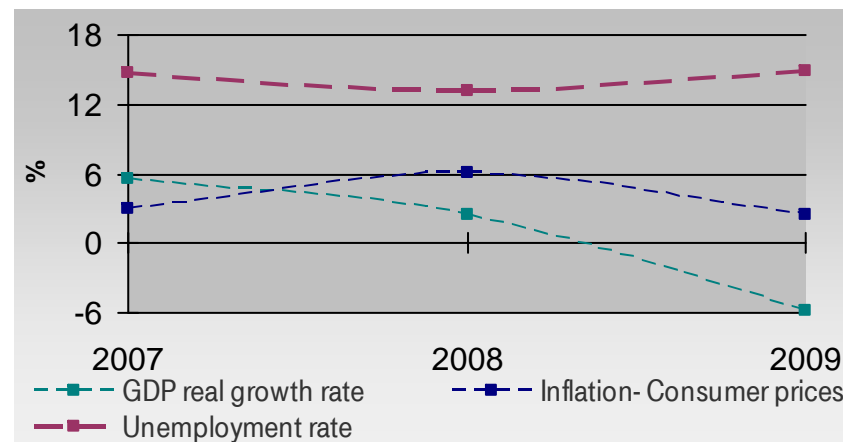
- 4.4 million population
- 1.5 million households
- Largest 10 cities house 36% of population
- 90,000+ companies
- 10.9 million tourists in 2009 (90% from abroad)



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

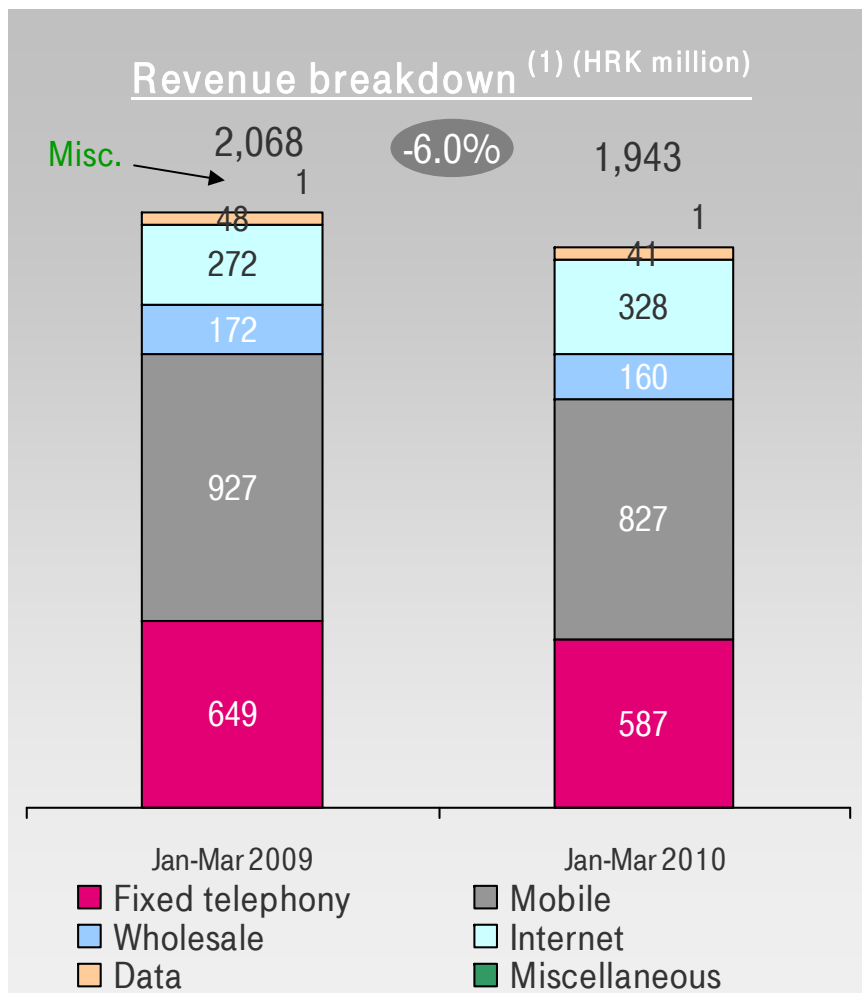
- Decrease in fixed and mobile interconnection charges from 1 January 2010
- New round of market analyses for leased lines/public voice markets: finalization expected in summer 2010
- February 2010: prices for the lease of DTI significantly reduced
- March 2010: prices for wholesale broadband access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

(1) Residential broadband lines per total households

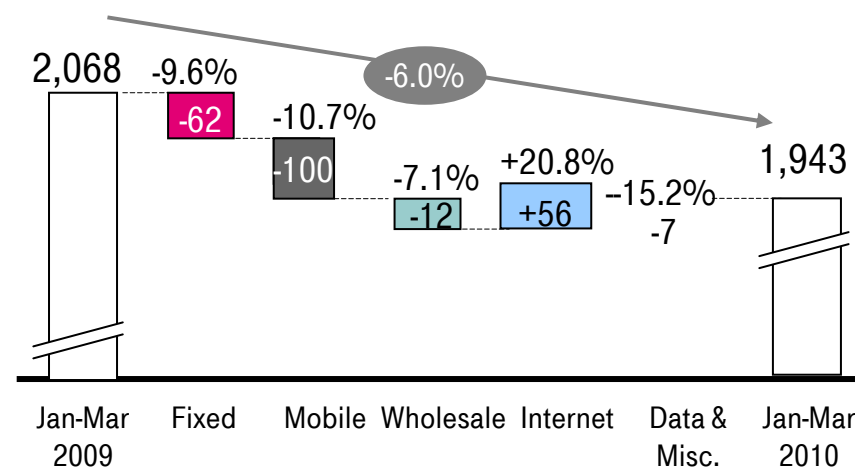
Group Highlights

- 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



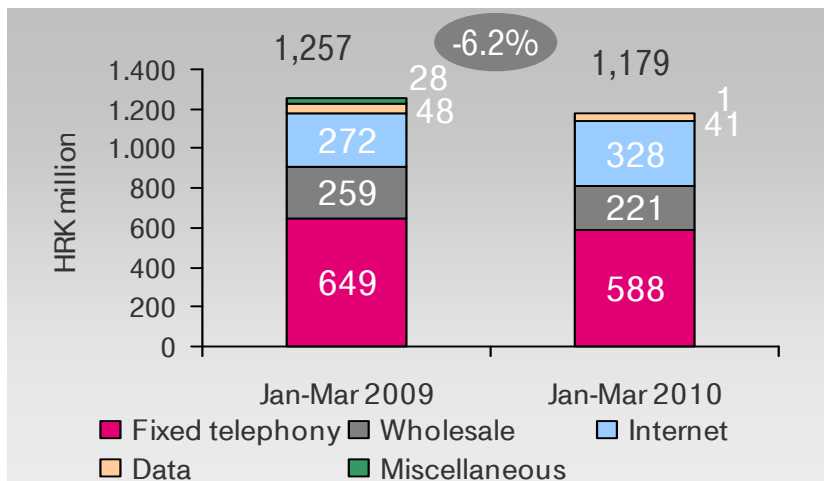
(1) Excluding other operating income



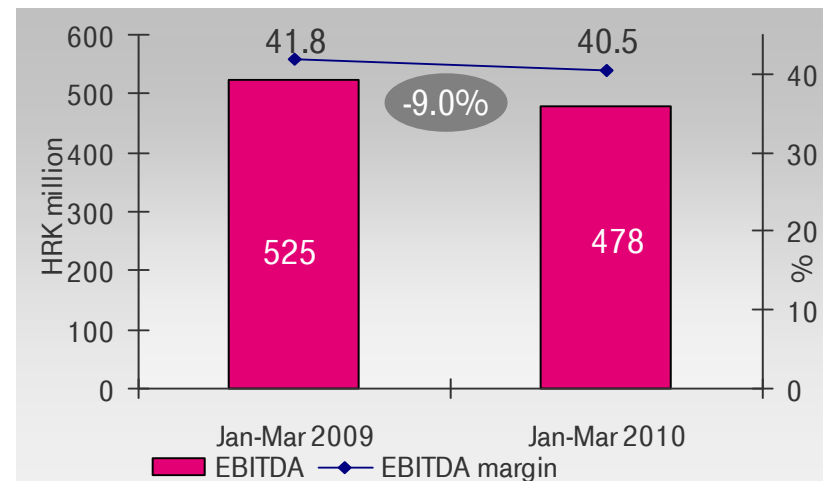
- Revenue affected by the recession, special taxation measures and continued competitive pressures
- Lower revenue from fixed telephony and mobile
- Continued growth of Internet revenue

T-Com Financials

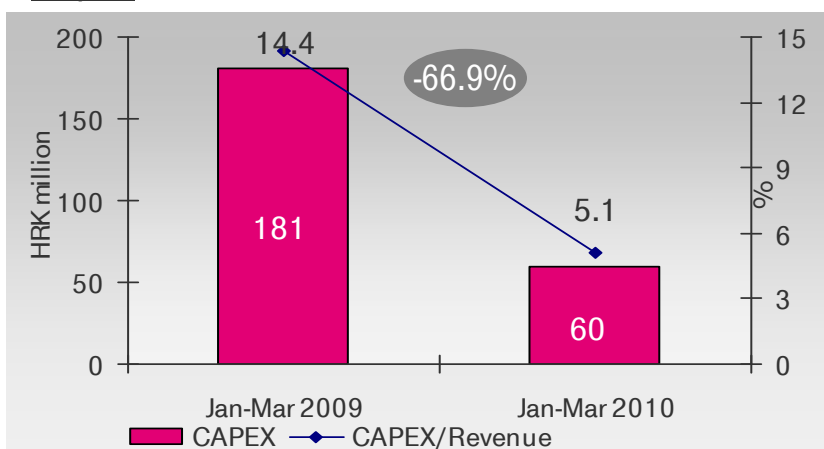
Revenue breakdown (1)



EBITDA



Capex

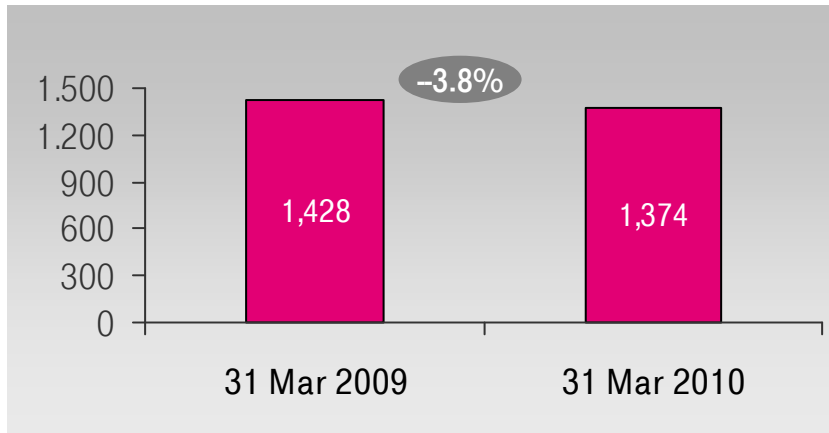


- Fixed telephony revenue lower due to fixed to mobile substitution and increased competition
- Internet revenue up 20.6% to HRK 328 million; now 27.8% of T-Com revenue
- EBITDA down 9.0% vs Q1 2009 primarily as a consequence of decrease in total revenue
- Capex decreased by 66.9%

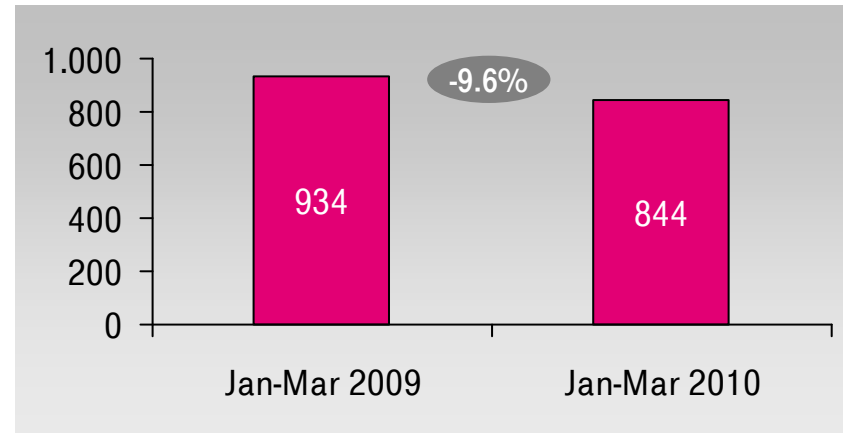
(1) Excluding other operating income

Fixed Telephony

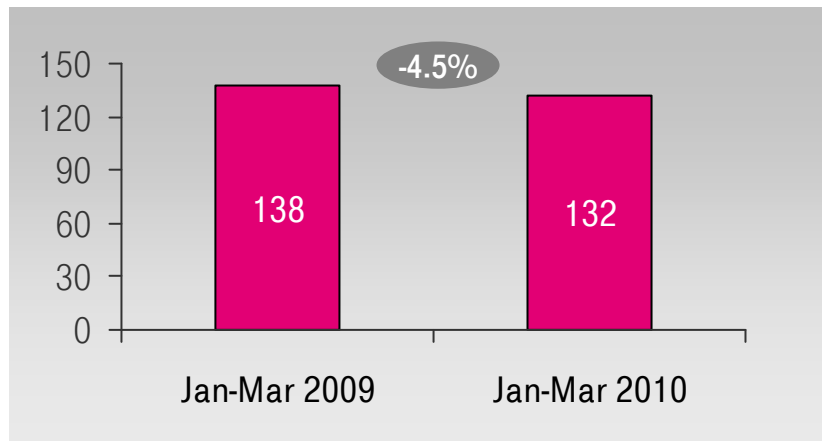
Number of POTS mainlines ('000) ⁽¹⁾



Total traffic in minutes (million)



ARPA (HRK) ⁽²⁾



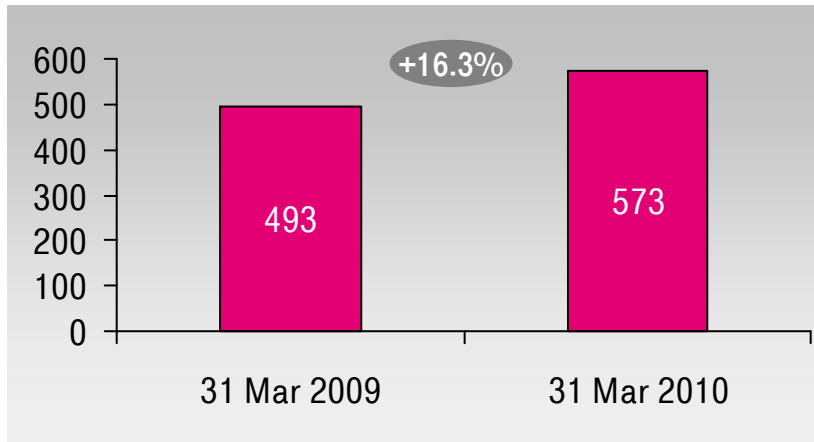
- Total mainlines of all types decreased by 4.5% (1.4% lower than end of 2009)
- Higher decline in traffic: 9.6% fall in Q1 2010 if compared with fall of 7.5% in Q1 2009
- ARPA decline mostly due to fixed to mobile substitution and increase in VoIP usage
- Acquisition and retention initiatives
 - Retention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

(1) FGSM included, paayphones not included

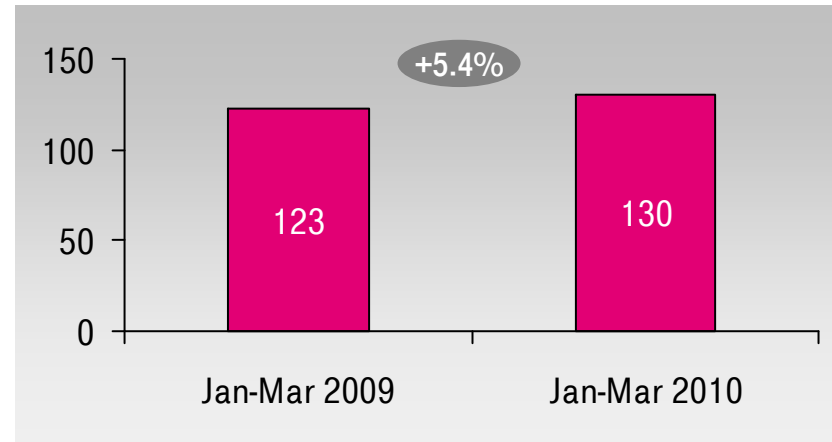
(2) Voice revenue per voice acces - monthly average for the period

Internet

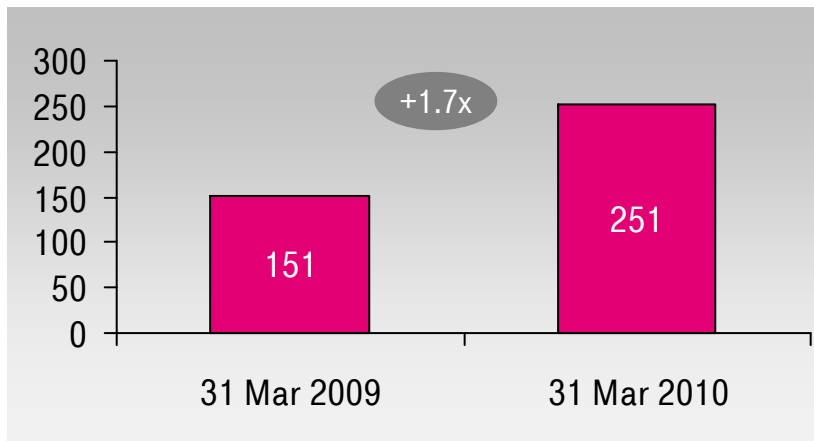
No. of ADSL mainlines ('000) ⁽¹⁾



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

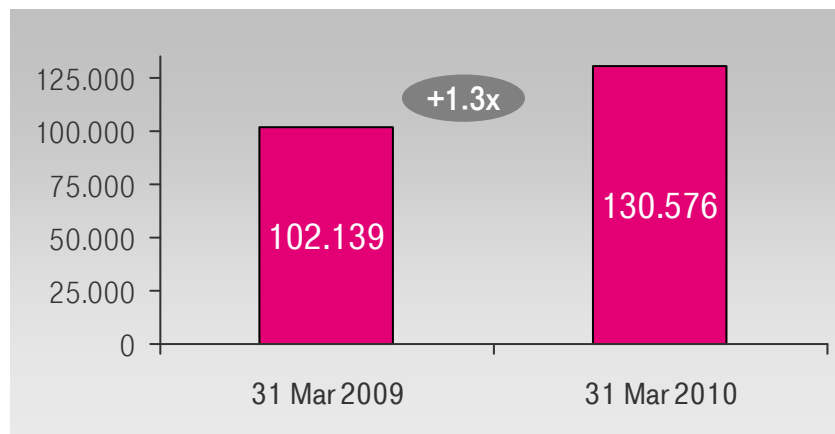
(1) Including Iskon ADSL mainlines
 (2) Monthly average for the period
 (3) Including Iskon IPTV customers

Wholesale and Data Services

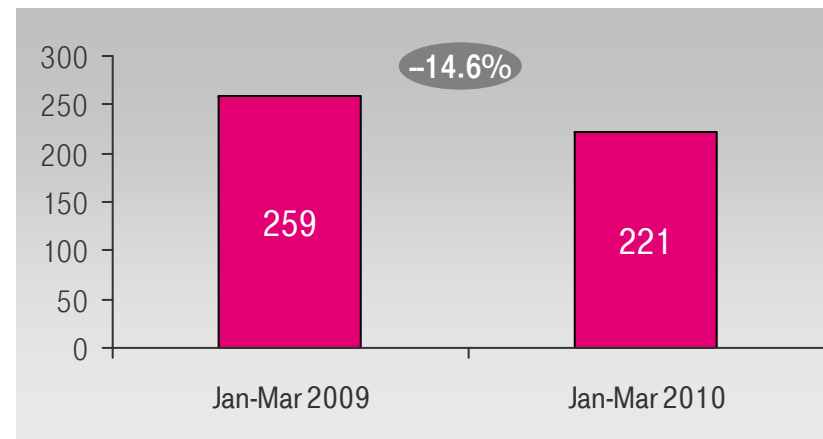
Wholesale

- 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)

Number of ULL



Wholesale revenue (HRK million)

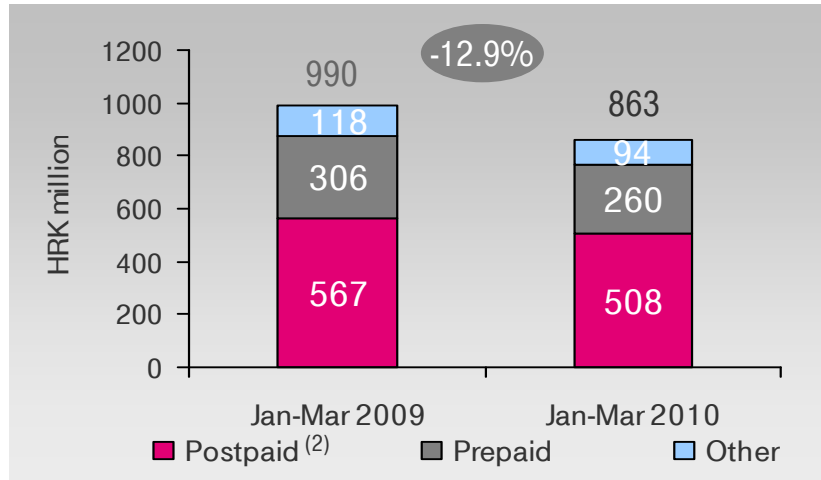


Data

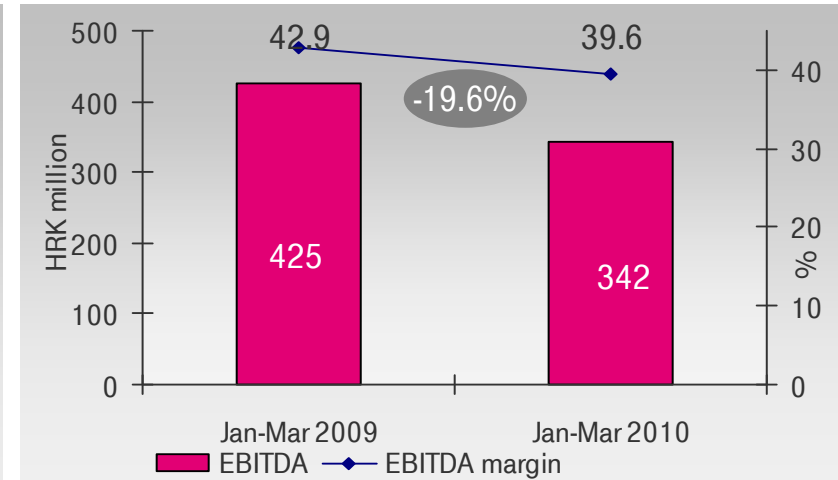
- Continued migration of customers from traditional to IP-based services
- Share of Metro Ethernet connection points increased 11.7 p.p

T-Mobile Financials

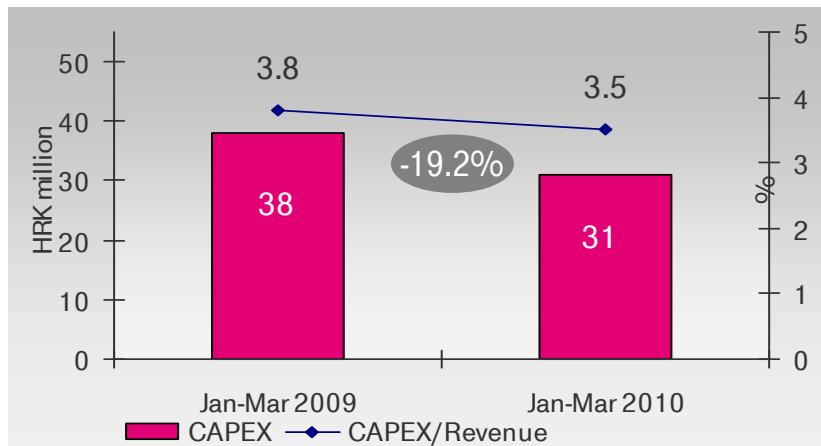
Revenue breakdown (1)



EBITDA



Capex

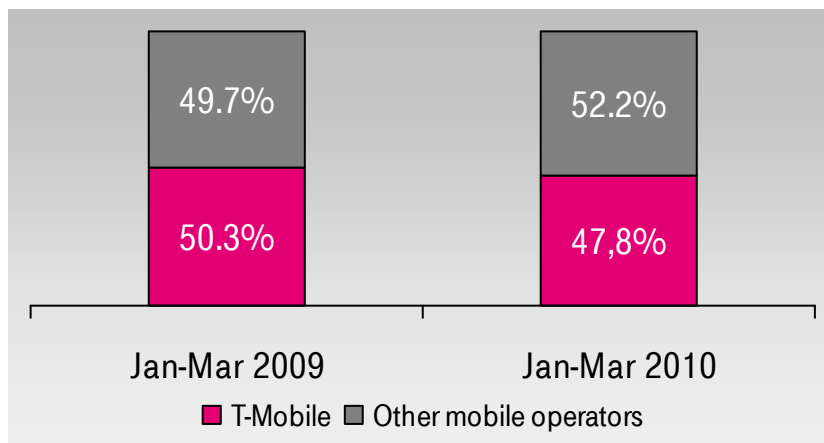


- Revenue down 12.9% as a result of recession, negative effects of Government measures, decrease of termination rates and competition pressures
- EBITDA down 19.6% vs Q1 2009 as a result of lower revenue
- Capex decreased 19.2% vs Q1 2009

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

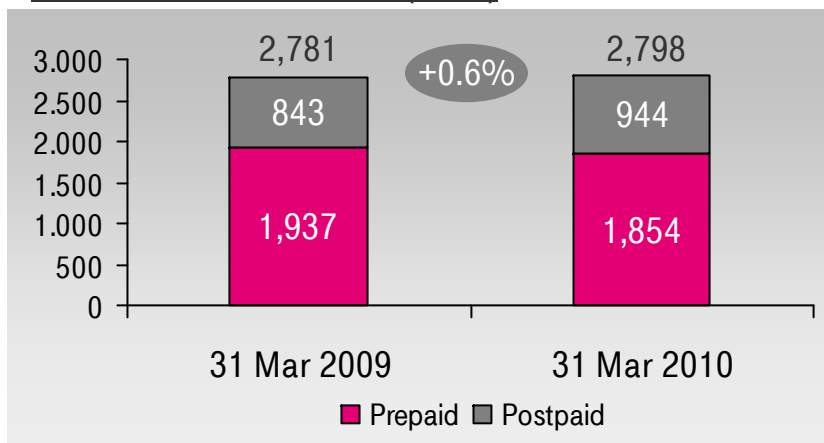
T-Mobile Operational Data

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

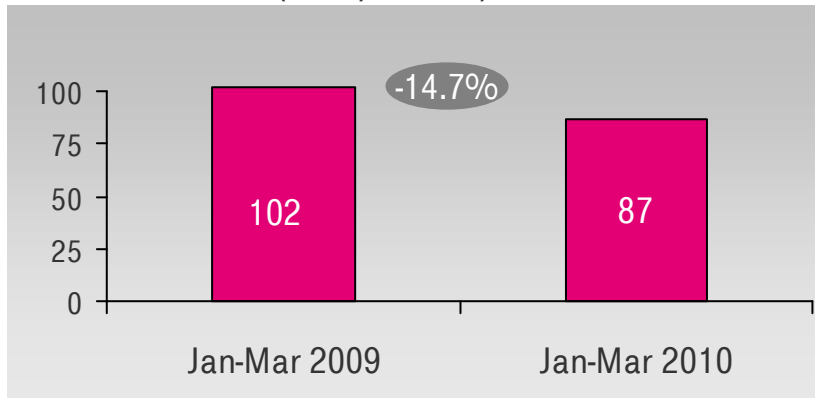
Number of subscribers ('000)



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

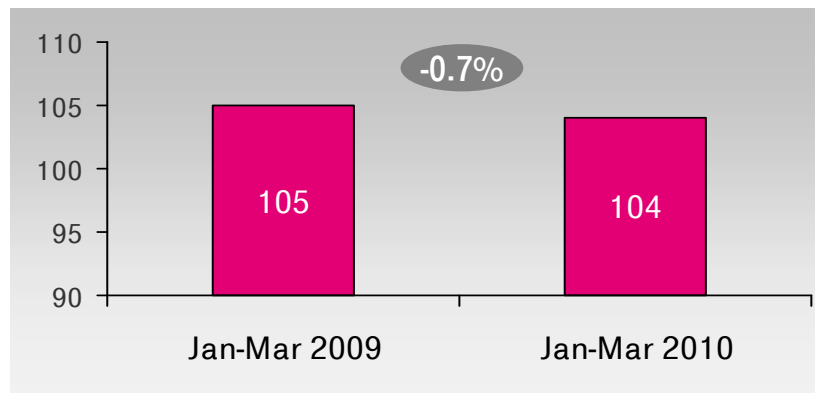
T-Mobile Operational Data

Blended ARPU (HRK/month)



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

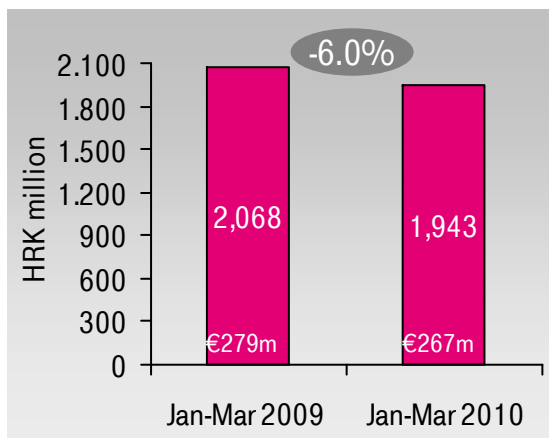
Average MOU (minutes/month)



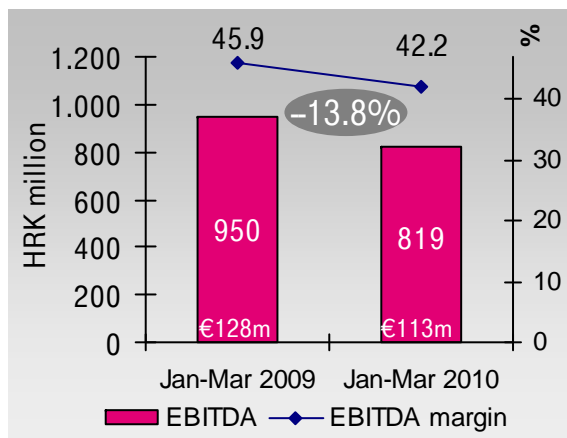
- MOU remained stable supported by marketing initiatives offering more minutes for the same cost

Group Highlights

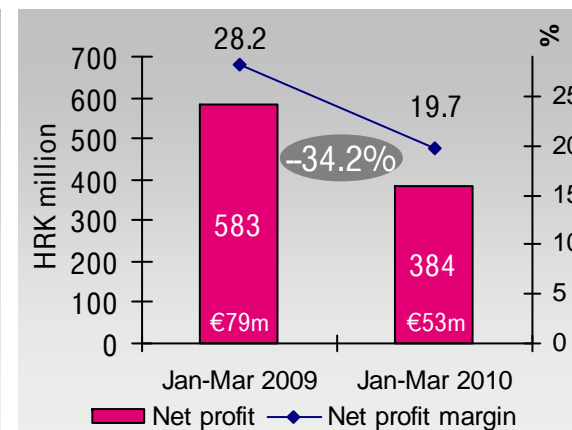
Revenue⁽¹⁾



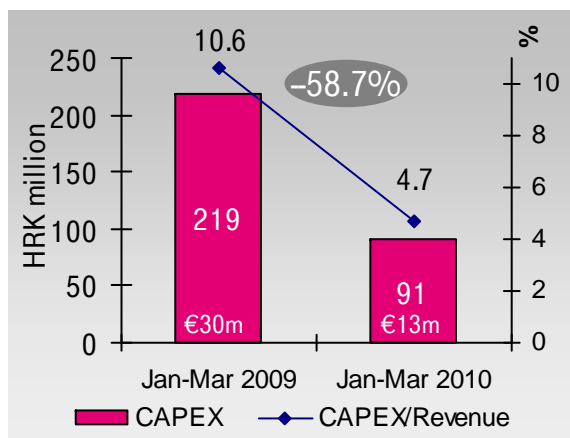
EBITDA



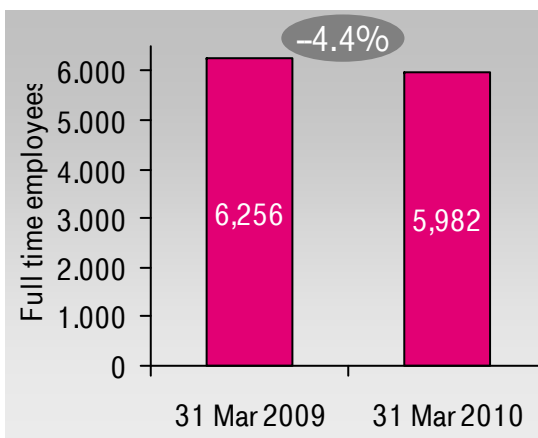
Net profit



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