

Business and Financial Review January – June 2010

Juergen P. Czapran, Member of the Management Board and CFO

30 July 2010



Živjeti zajedno

Disclaimer

- These materials and the oral presentation do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company nor should they or any part of them or the fact of their distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto.
- In particular, these materials and the oral presentation are not an offer of securities for sale in the United States. The Company's securities have not been, and will not be, registered under the US Securities Act of 1933, as amended.
- The third party information contained herein has been obtained from sources believed by the Company to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated herein are complete and accurate and that the opinions and expectations contained herein are fair and reasonable, no representation or warranty, expressed or implied, is made by the Group or its advisors, with respect to the completeness or accuracy of any information and opinions contained herein.
- These materials and the oral presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the Group's Annual Report.
- 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

Croatia at a glance

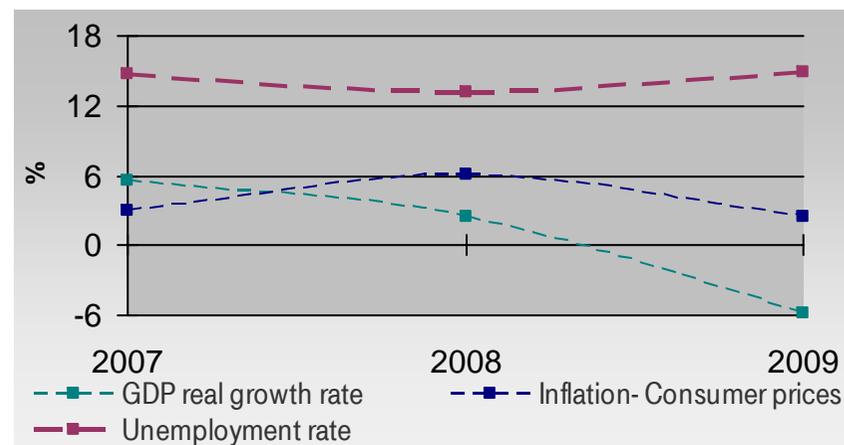
- 4.4 million population
- 1.5 million households
- Largest 10 cities house 36% of population
- 90,000+ companies
- 10.9 million tourists in 2009 (90% from abroad)



Croatian Economy ⁽¹⁾

- Continued economic downturn – expected slower recovery than in EU10 countries
- GDP fell by 2.5% in Q1 2010
- Inflation remains stable at 0.7%
- Unemployment 16.6% in June 2010 (June 2009: 14.2%)

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 10 active ⁽¹⁾
- 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: ~ 57% of population
- Broadband household penetration⁽²⁾: 39%
- 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

- Q1 2010: decrease in fixed and mobile interconnection charges; prices for wholesale broadband access (bitstream) set 40% below retail prices
- Ongoing market analyses for leased lines/public voice markets; finalization expected in summer 2010
- Wholesale bitstream access over T-HT's fibre optics access network: procedure regarding T-HT's proposal of reference offer is ongoing before the NRA
- Currently no developments on mandatory registration of pre-paid customers

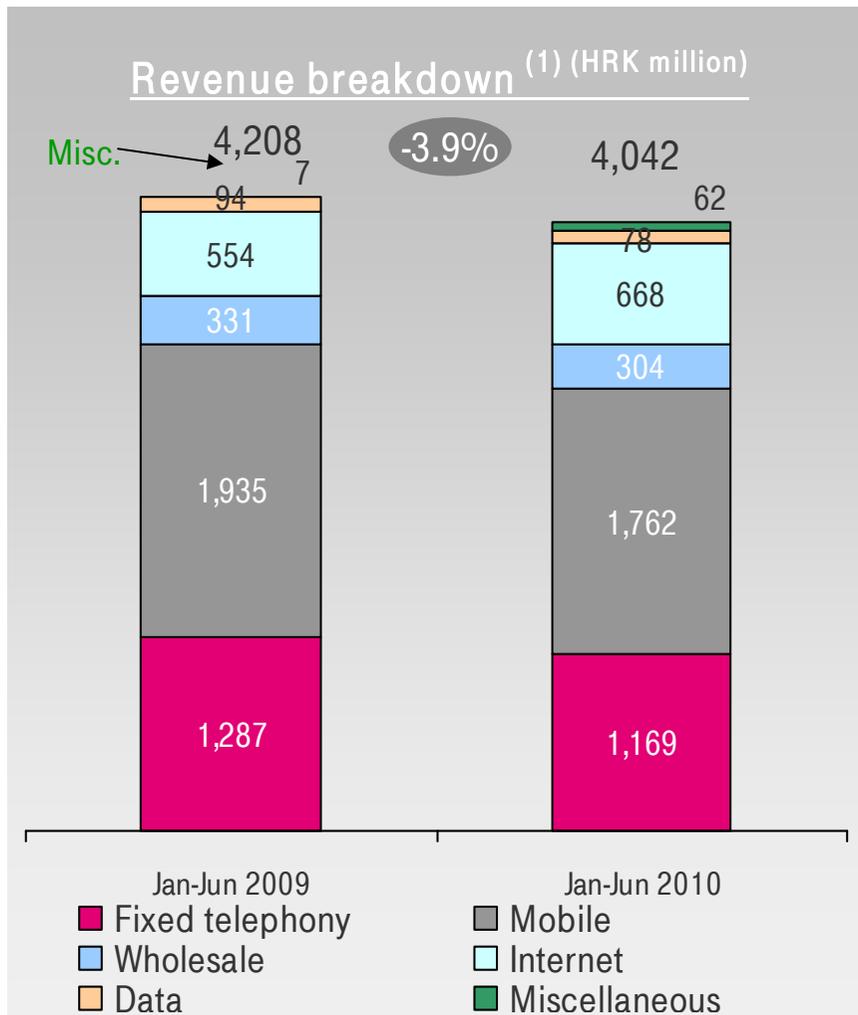
(1) Including operators providing fixed line service over VoIP

(2) Residential broadband lines per total households

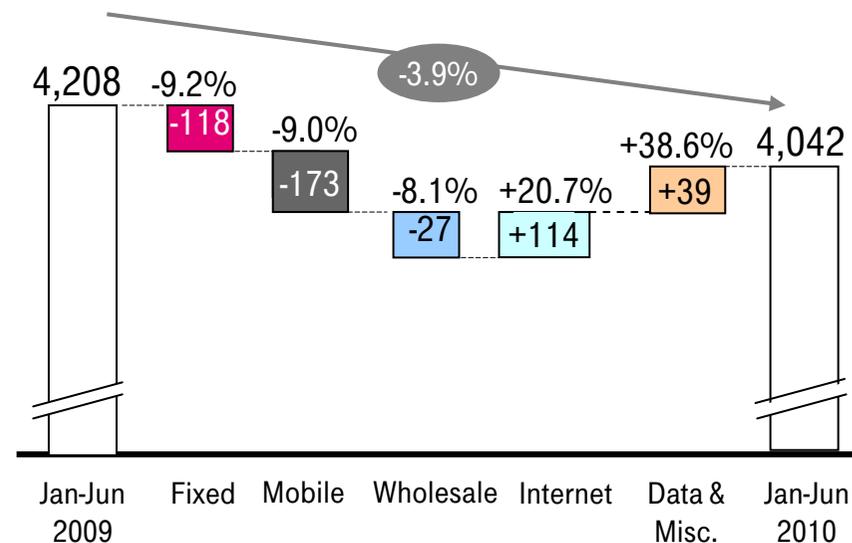
Group Highlights

- T-HT Group maintained leading market position in all business segments
- Revenue decreased 3.9% to HRK 4,042 million; recession and special taxation measures continue to impact business
- EBITDA decreased 10.5% to HRK 1,721 million
- Net cash flow from operations increased by 28.3% to HRK 1,119 million mostly due to working capital improvements
- Capex decreased 52.8% to HRK 288 million (H1 2009: HRK 611 million) mainly due to open regulatory issue of FTTx deployment and delay in obtaining local permits for fixed access and radio access network infrastructure
- Continued strong growth in broadband services
- Croatian Competition Agency approved the acquisition of Combis
 - Combis' results consolidated since May 2010; contribution in line with expectations
- General Assembly adopted all proposed decisions
 - Dividend of 34.05 HRK/share distributed in May

Revenue Development



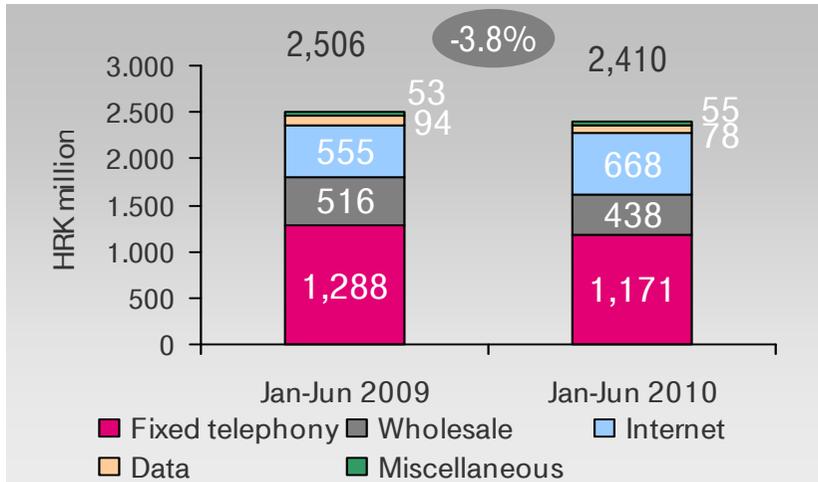
(1) Excluding other operating income



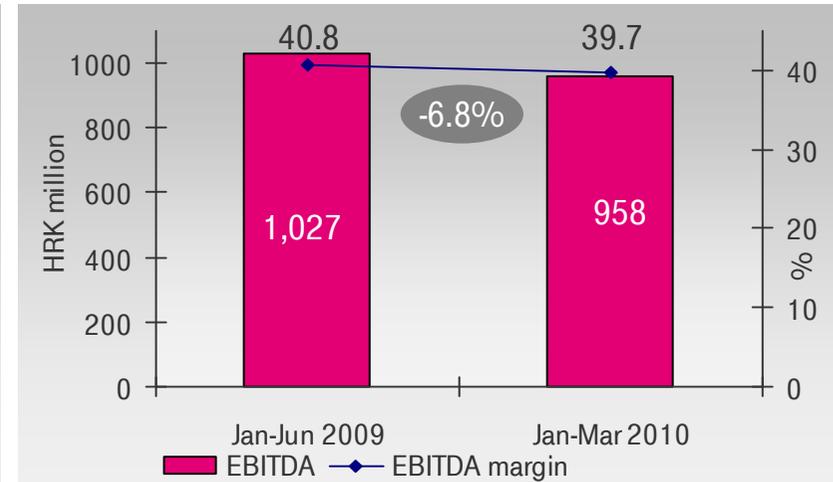
- Revenue continue to be affected by the recession, special taxation measures and continued competitive pressures
- Lower revenue from fixed telephony and wholesale, mobile revenue declined at slower rate
- Continued growth of Internet revenue
- Combis contributed HRK 53 million (classed as Miscellaneous revenue)

T-Com Financials

Revenue breakdown (1)



EBITDA



Capex



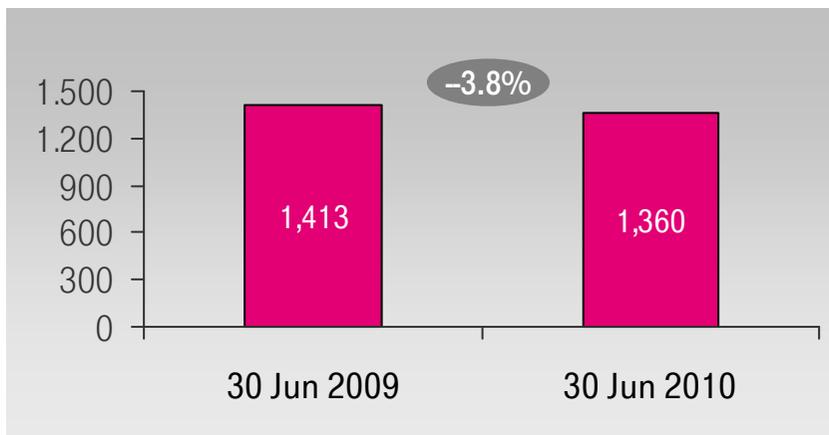
- Fixed telephony revenue lower due to fixed to mobile substitution and increased competition
- Internet revenue up 20.4% to HRK 668 million; now 27.7% of T-Com revenue
- EBITDA down 6.8% primarily as a consequence of decrease in total revenue
- Capex decreased by 52.8%

(1) Excluding other operating income

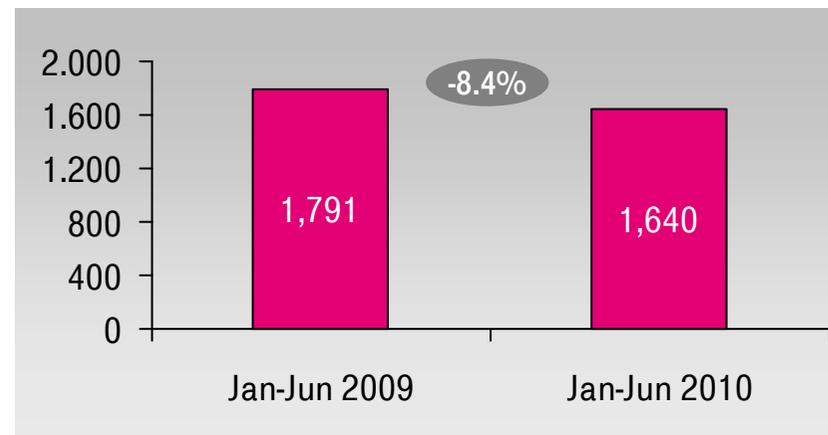


Fixed Telephony

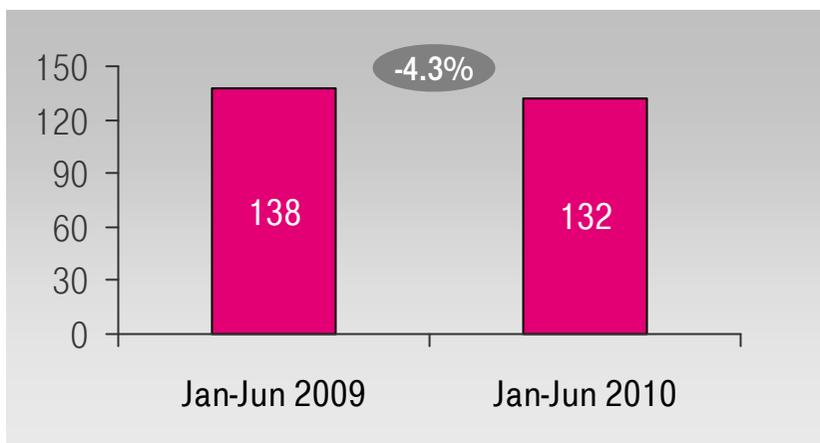
Number of POTS mainlines ('000) (1)



Total traffic in minutes (million)



ARPA (HRK) (2)



- Total mainlines of all types decreased by 4.4% (1.2% lower than at the end of Q1 2010)
- Slowed decline in traffic: 8.4% fall at the end of Q2 2010 if compared with fall of 8.6% at the end of Q2 2009
- ARPA decline mostly due to fixed to mobile substitution and increase in VoIP usage
- Acquisition and retention initiatives
 - Promotional offers with more minutes and discount on tariff options
 - Business packages with more minutes

(1) FGSM included, payphones not included

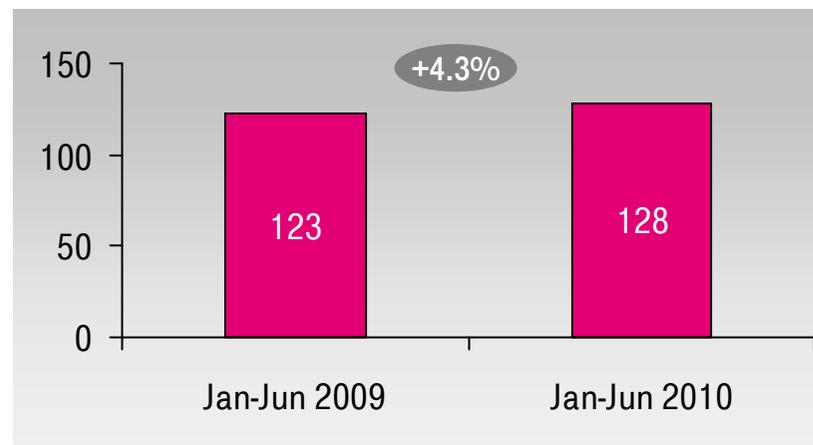
(2) Voice revenue per voice access - monthly average for the period

Internet

No. of ADSL mainlines ('000) ⁽¹⁾



ADSL mainlines ARPA (HRK) ⁽²⁾



Number of IPTV customers ('000) ⁽³⁾



- MAXadsl – dominating and growing in the broadband market
 - New offers combining 24 months MAXadsl contract and mobile internet or 2 months flat traffic
- ADSL ARPA rose 4.3% mostly due to the expiration of promotional periods and higher proportion of flat traffic subscription packages
- Growth of MAXtv – more than 6,000 net adds in Q2 2010

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

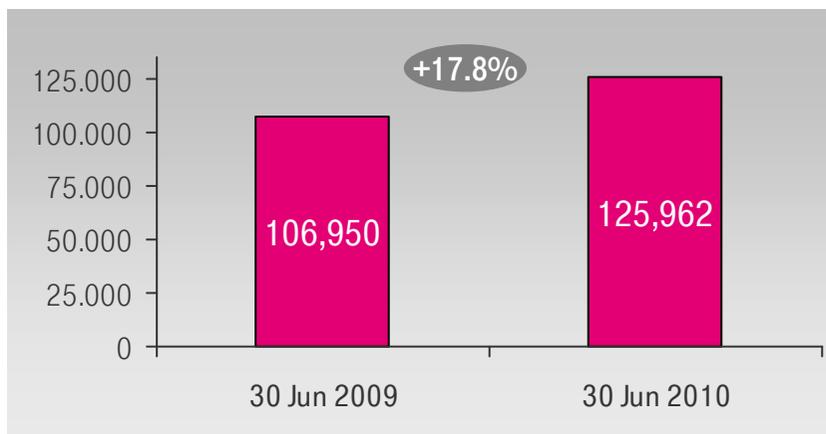


Wholesale and Data Services

Wholesale

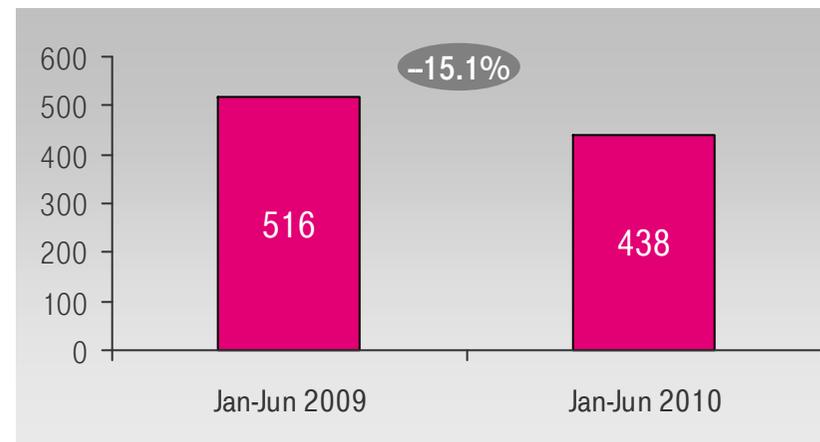
- Wholesale revenue down by 15.1%
 - Decreased international traffic to mobile operators and national hubbing services
 - Cut in termination, origination and DTI revenues following regulatory decisions
- Slower increase in ULL since end of Q1 (122,441)

Number of ULL ⁽¹⁾



(1) ULL reporting methodology changed in Q2 2010 to reporting based on active lines vs. previously used realized lines. If measured by realized line ULL number would be 138,062 for June 2010 and 110,670 for June 2009.

Wholesale revenue (HRK million)

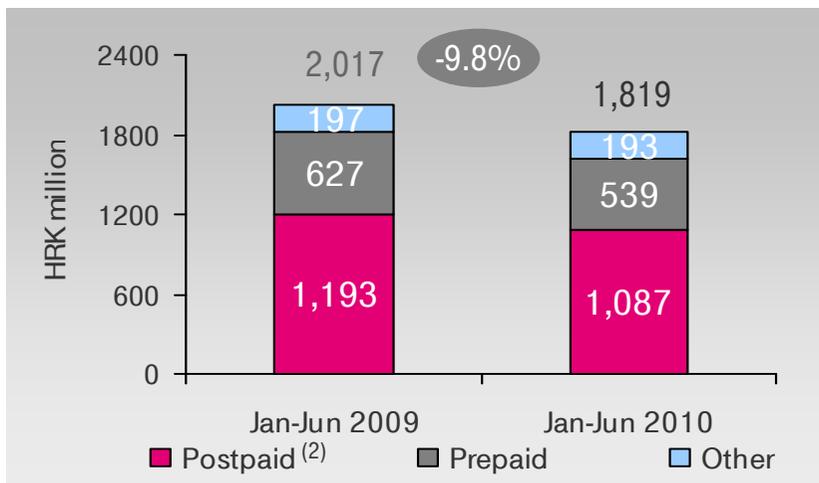


Data

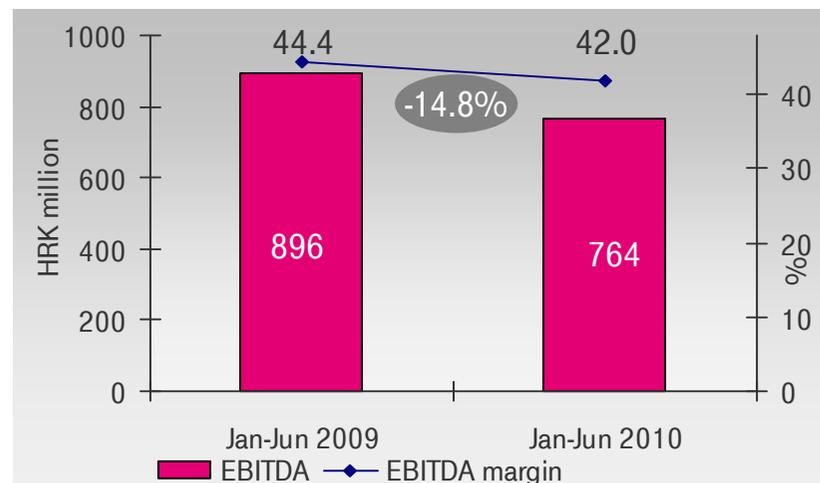
- Continued migration of customers from traditional to IP-based services
- Share of Metro Ethernet connection points increased 8.7 p.p.

T-Mobile Financials

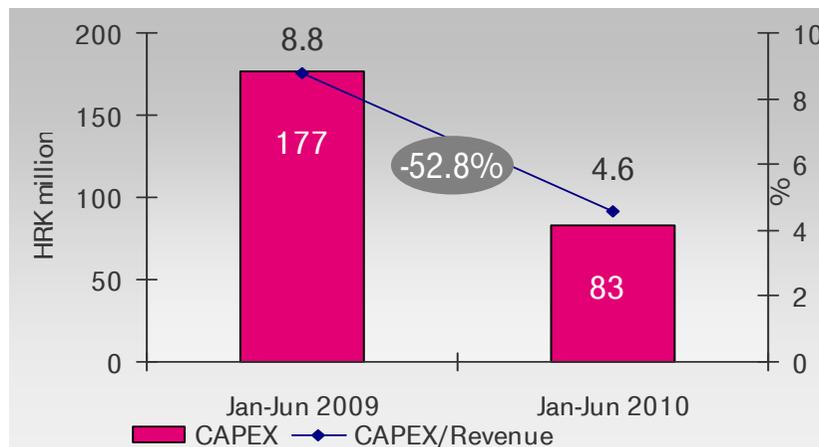
Revenue breakdown (1)



EBITDA



Capex



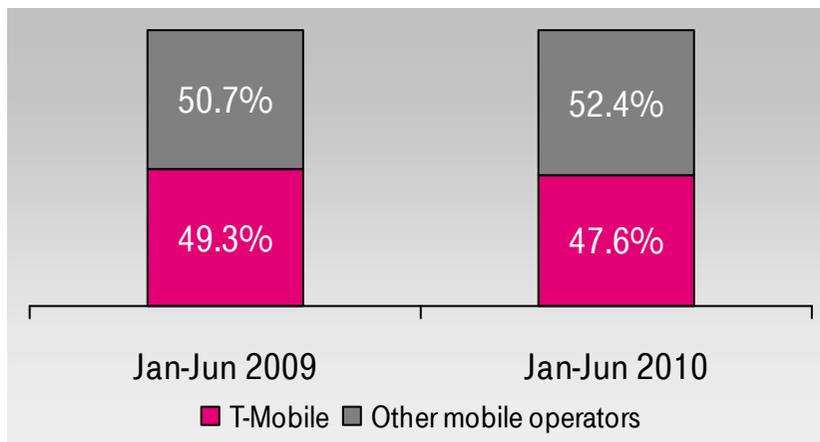
- Revenue down 9.8% as a result of negative effects of Government measures introduced in Q3 2009, recession and lower termination rates effective this year
- EBITDA down 14.8% as a result of lower revenue
- Capex decreased 52.8%

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



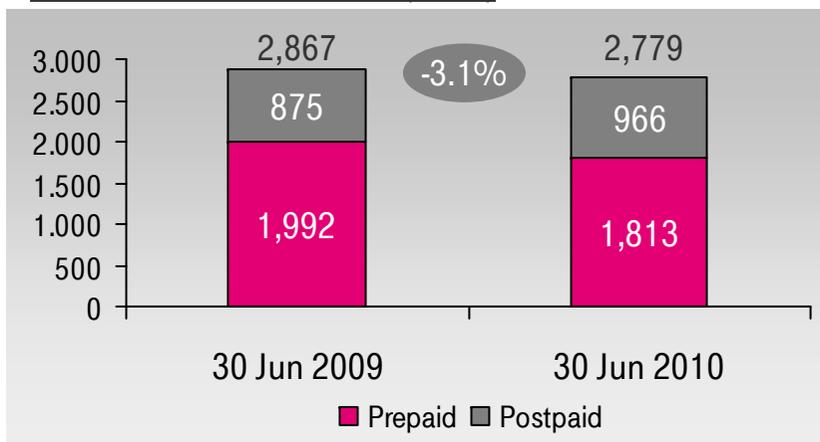
T-Mobile Operational Data

Market share by revenue (%) ⁽¹⁾



- Maintained market leadership: 45.7% of SIM market share
- Total subscribers down 3.1% (-0.7% on Q1 2010)
- Share of postpaid subscribers increased from 30.5% in Q2 2009 to 34.8%
- Prepaid subscribers number decreased 9.0% due to recessionary pressures and SIM-only promotions in Q1 2009
- Continuous retention efforts in prepaid and postpaid segment

Number of subscribers ('000)



- Price redefinition of prepaid tariffs and new tariffs introduction
- New postpaid tariffs launched enabling customers to spend the whole amount of subscription
- Redesign of existing postpaid tariffs

(1) Source: Telekom Austria report for Q2 2009, Tele2 report for Q2 2009, VIPnet's and Tele2 net revenue for Q2 2010 internally estimated.

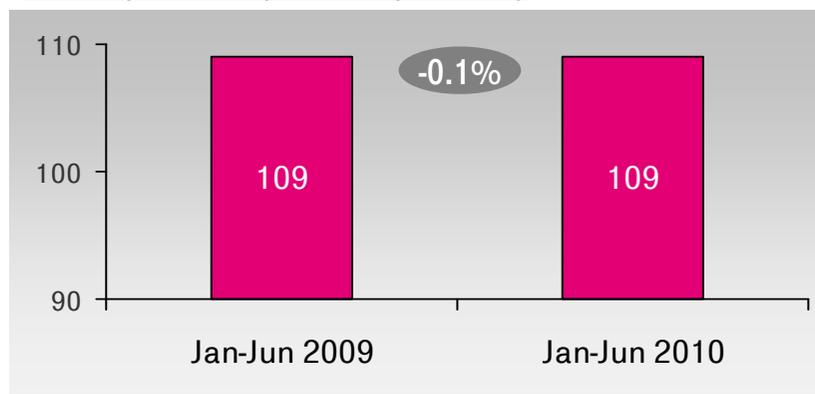
T-Mobile Operational Data

Blended ARPU (HRK/month)



- ARPU decreased as a result of decrease of termination prices and Government measures introduced in Q3 2009 (VAT rate increase and 6% fee)

Average MOU (minutes/month)



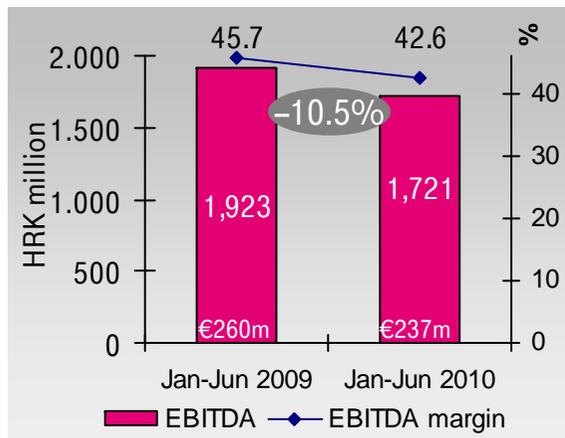
- MOU remained stable supported by marketing initiatives offering more minutes for the same cost

Group Highlights

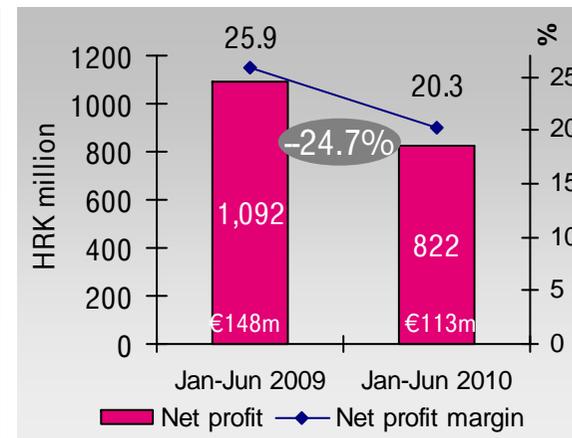
Revenue⁽¹⁾



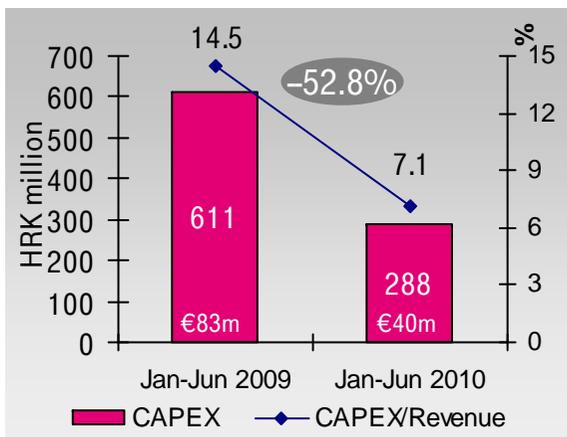
EBITDA



Net profit



CAPEX



Headcount



(1) Excluding other operating income

• Kuna per Euro average rate of exchange: Jan-Jun 2010: 7.27; Jan-Jun 2009: 7.39

Appendix

Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Mobile telephony	1,762	1,935	-9.0%
Fixed telephony	1,169	1,287	-9.2%
Wholesale services	304	331	-8.1%
Internet services	668	554	20.7%
Data services	78	94	-16.9%
Miscellaneous	62	7	734.1%
Revenue	4,042	4,208	-3.9%
Income from usage of own products, merchandise and service	23	56	-59.6%
Other operating income	77	108	-28.6%
Total operating revenue	4,142	4,372	-5.3%
Operating expenses	2,421	2,453	-1.3%
Material expenses	1,116	1,136	-1.7%
Employee benefit expenses	579	585	-1.0%
Other expenses	658	679	-3.2%
Write down of asset	68	53	28.4%
EBITDA	1,721	1,919	-10.3%
Depreciation and amortization	666	710	-6.2%
EBIT	1,056	1,209	-12.7%
Financial income	37	190	-80.5%
Loss from investment in joint ventures	6	9	-38.3%
Financial expenses	71	25	188.1%
Profit before taxes	1,027	1,384	-25.8%
Taxation	205	292	-29.7%
Net profit	822	1,092	-24.7%
Minority interest	0	0	15.4%
Net profit after minority interest	822	1,092	-24.7%
Exceptional items	0	4	-
EBITDA before exceptional items	1,721	1,923	-10.5%

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 Jun 2010	At 31 Dec 2009	% of change 10/09
Intangible assets	1,160	1,099	5.6%
Property, plant and equipment	6,226	6,507	-4.3%
Non-current financial assets	381	490	-22.3%
Receivables	32	33	-1.8%
Deferred tax asset	39	46	-15.0%
Total non-current assets	7,838	8,175	-4.1%
Inventories	264	255	3.6%
Receivables	1,576	1,505	4.7%
Current financial assets	292	259	12.6%
Cash and cash equivalents	2,150	4,195	-48.8%
Prepayments and accrued income	78	84	-6.7%
Total current assets	4,359	6,297	-30.8%
TOTAL ASSETS	12,198	14,472	-15.7%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-4	-73.9%
Retained earnings	626	1,393	-55.1%
Net profit for the period	822	2,023	-59.4%
Minority interest	1	1	17.2%
Total issued capital and reserves	10,046	12,012	-16.4%
Provisions	416	428	-2.7%
Non-current liabilities	132	128	2.7%
Total non-current liabilities	548	556	-1.4%
Current liabilities	1,355	1,643	-17.5%
Accrued expenses and deferred income	248	261	-4.9%
Total current liabilities	1,604	1,904	-15.8%
Total liabilities	2,152	2,460	-12.5%
TOTAL EQUITY AND LIABILITIES	12,198	14,472	-15.7%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Profit before tax	1,027	1,384	-25.8%
Depreciation and amortization	666	710	-6.2%
Decrease of current receivables	9	0	-
Decrease of inventories	0	0	-
Other cash flow increases	0	0	-
Total increase of cash flow from operating activities	1,701	2,093	-18.7%
Decrease of current liabilities	-354	-603	-41.4%
Increase of current receivables	0	-80	-100.0%
Increase of inventories	-9	-18	-49.2%
Other cash flow decreases	-220	-520	-57.7%
Total decrease of cash flow from operating activities	-583	-1,221	-52.3%
Net cash inflow/outflow from operating activities	1,119	872	28.3%
Proceeds from sale of non-current assets	6	12	-49.4%
Proceeds from sale of non-current financial assets	184	1	-100.0%
Proceeds from sale of current financial assets	0	0	-
Interest received	30	179	-83.3%
Dividend received	0	0	-
Other cash inflows from investing activities	0	0	-
Total increase of cash flow from investing activities	220	192	-49.5%
Purchase of non-current asset	-288	-611	-52.8%
Purchase of non-current financial asset	0	-221	-100.0%
Other cash outflows from investing activities	-305	-618	-70.6%
Total decrease of cash flow from investing activities	-593	-1,451	-67.6%
Net cash inflow/outflow from investing activities	-373	-1,259	-70.4%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-2	-1	37.0%
Dividends paid	-2,788	-2,456	13.5%
Repayment of finance lease	0	0	-
Other cash outflows from financing activities	0	0	-
Total decrease of cash flow from financing activities	-2,790	-2,457	13.6%
Net cash inflow/outflow from financing activities	-2,790	-2,457	13.6%
Total increase of cash flow	1,119	872	28.3%
Total decrease of cash flow	-3,164	-3,717	-14.9%
Cash and cash equivalents at the beginning of period	4,195	5,223	-19.7%
Net cash (outflow) / inflow	-2,045	-2,844	-28.1%
Cash and cash equivalents at the end of period	2,150	2,379	-9.6%

Investor Relations Contact

- Erika Kašpar
Tel: + 385 1 4912 000
- Elvis Knežević
Tel: + 385 1 4911 114
- Anita Marić Šimek
Tel: +385 1 4911 884

- e-mail: ir@t.ht.hr
- www.t.ht.hr/eng/investors/

London Stock Exchange GDR trading symbol: THPTC

Zagreb Stock Exchange Share trading symbol: HT-R-A

Reuters: THPTC.L, HT.ZA

Bloomberg: THPTC LI, HTRA CZ