

T-Hrvatski Telekom

Results for the first six months of 2009

Solid performance; revenue increased 0.7% despite economic crisis

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces its unaudited results for the first six months of 2009.

Group Highlights

- Revenue up 0.7% to HRK 4,208 million (EUR 569 million)
- Continuing strong growth in Internet services; growth in mobile revenue
- EBITDA* slightly down by 0.5% to HRK 1,923 million; EBITDA* margin remains strong at 45.7%
- Operating cash flow and cash position remain strong
- Significant investment in network upgrades
- Dividend payment of HRK 29.99 per share

T-Mobile

- Subscriber numbers increased by 12.7% to 2.87 million, with a market share of 47.6% by SIM
- Revenue up 1.1% to HRK 2,017 million (EUR 273 million) despite challenging economic conditions
- Postpaid revenue increased by 1.8% to HRK 1,193 million (EUR 161 million), 59.1% of T-Mobile revenue

T-Com

- Internet revenue up 30.6% to HRK 555 million (EUR 75 million), 22.1% of T-Com revenue
- ADSL mainlines up 26.6% to 509,874
- MAXtv subscribers up 138.2% to 170,591

* before exceptional items

Ivica Mudrinić, President of the Management Board and CEO, said:

“T-HT has achieved a slight revenue increase, driven by growth in its internet customer base, growth in the mobile customers and growth in mobile data services, whilst managing costs to protect margins. This is a commendable performance at a time when the Croatian Economy has been under considerable stress.

We are obviously concerned about the economic crisis and the Government's plan to raise taxes, including the proposed tax on mobile services. In light of these developments, T-HT will strive to compensate the tax impact through optimised service offerings, cost management and a review of our plans for infrastructure investments.”

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A conference call for analyst and investors will start at 14.00 UK time / 15.00 CET today. The dial-in details are as follows:

Conference Call

International dial-in	+44 (0) 1452 555 566
UK free call dial in	0800 694 0257
Conference ID	20975799

Replay available until 5 August 2009

International dial-in	+44 (0) 1452 550 000
UK free call dial in	0800 953 1533
Access number	20975799#

A presentation covering results for the first six months of the 2009 financial year can be downloaded from the T-HT web site.

(www.t.ht.hr/eng/investors/)

About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving more than 1.5 million fixed lines, 2.87 million mobile subscribers and 510,000 broadband connections through its two divisions: T-Com and T-Mobile.

Deutsche Telekom AG owns 51% of T-HT's shares, with the Government of the Republic of Croatia owning 3.6% following the transfer of a proportion of its holding to Croatian private investors as bonus shares, in October 2008. Since its initial public offering in October 2007, T-HT shares have traded on the Zagreb Stock Exchange, with global depository receipts trading on the London Stock Exchange.

Summary of key financial indicators

in HRK million	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Revenue ¹⁾²⁾	4,208	4,180	0.7%
EBITDA before exceptional items ³⁾	1,923	1,932	-0.5%
EBITDA after exceptional items	1,919	1,932	-0.7%
EBIT (Operating profit)	1,209	1,260	-4.0%
Net profit	1,092	1,125	-2.9%
EBITDA margin before exceptional items	45.7%	46.2%	-0.5 p.p.
EBITDA margin after exceptional items	45.6%	46.2%	-0.6 p.p.
EBIT margin	28.7%	30.1%	-1.4 p.p.
Net profit margin	26.0%	26.9%	-0.9 p.p.
in HRK million	At 30 Jun 2009	At 31 Dec 2008	% change 09/08
Cash equivalents and time deposits	2,379	5,223	-54.5%
Total assets	13,126	15,179	-13.5%
Total issued capital and reserves	11,071	12,440	-11.0%
in HRK million	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Net cash flow from operating activities	872	1,039	-16.1%

1) Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customer's loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the points. Consequently, the 2008 figures have been restated. The impact of IFRIC 13 on T-HT Group revenue is: Jan-Jun 2008: - 13.6 million HRK; Jan-Jun 2009: - 8.2 million HRK.

2) Excluding other operating income

3) Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs.

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2008	7.27	7.25	4.76	4.59
Six months to 30 June 2009	7.39	7.29	5.55	5.20

Summary of key performance indicators

T-Mobile	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Subscribers	2,867,094	2,543,257	12.7%
Minutes of Use (MOU) per average subscriber	109.4	127.7	-14.3%
Blended ARPU	101.0	116.0	-12.9%
Churn rate (%)	1.6	1.2	0.3 p.p.
Market share of subscribers (%)	47.6	47.4	0.2 p.p.
Market share by revenue (%)	50.0	49.5	0.5 p.p.
T-Com	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Total (POTS+FGSM+ISDN) mainlines	1,512,747	1,577,209	-4.1%
Total traffic (thousands of minutes)	1,791,366	1,960,588	-8.6%
ADSL mainlines	509,874	402,880	26.6%
ADSL mainlines ARPA	123	121	1.8%
IPTV customers	170,591	71,602	2.4x
ULL (Unbundled Local Loop)	110,670	60,616	1.8x

Business and financial review for the first six months of 2009

Introduction

T-Hrvatski Telekom Group (T-HT) is Croatia's leading telecommunications company, with revenues of HRK 8.8 billion in 2008.

The Croatian telecommunications market is worth an estimated HRK 15 billion annually. The market is characterised by steadily declining fixed-telephony services, increasing use of ADSL broadband, still increasing demand for mobile phones and, more recently, an increase in mobile data services driven by 3G phones and mobile internet.

In fixed line, nine operators serve a market estimated to have 42% penetration in Croatia. Broadband internet remains a significant opportunity, reaching just 31% of households in Croatia, compared with about 55% across Western Europe.

In mobile, SIM penetration stands at about 136%, served by three operators. The Croatian Central Bureau of Statistics estimates that in the first quarter of 2009, total mobile usage stood at about 1,405 million minutes.

Market leadership maintained

T-HT is the market leader in all business segments in which it operates. Through its two divisions – T-Com and T-Mobile – it provides a full range of residential and business services including fixed-line and mobile telephony, internet access, wholesale, data services and interactive television.

As at 30 June 2009, T-Com served more than 1.5 million fixed lines and nearly 510,000 high-speed broadband connections – up from around 403,000 at the end of June 2008. In just two years, T-HT's TV-by-internet service MAXtv has signed up 171,000 subscribers, making it the largest pay-TV service in Croatia.

In the mobile market, T-Mobile had 2.87 million subscribers at the end of June 2009, up from 2.54 million in June 2008, and representing an estimated market share of 47.6% by subscribers, and an estimated 50.0% market share by revenue.

Proposed reorganisation will combine T-Com and T-Mobile into one company

As announced on 5 May 2009, the Group began preparations to combine T-Mobile and T-Com in a reorganisation that will improve customer service and increase internal efficiency. The eventual aim is to provide customers a more integrated approach to sales, customer service, product innovation and marketing promotions. At the same time, the proposed reorganisation will enable more efficient management of T-HT's fixed and mobile business operations.

The first stage of this reorganisation has been completed, with an interim organisational structure coming into effect on 1 July 2009.

Regulatory environment

As a consequence of the adoption of the new Law on Electronic Communications (01 July 2008), the Regulatory Agency undertook a new round of market analyses according to the latest EU guidelines, according to which regulatory remedies may be imposed only after relevant markets are defined and analyzed for the existence of market failures (i.e. existence of operators with significant market power - SMP). Accordingly, the following markets were subject to the stated analyses:

1. call origination on the public communications network provided at a fixed location
2. call termination on individual public communications networks provided at a fixed location
3. wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location
4. wholesale broadband access
5. call termination on individual public mobile networks
6. public telephony service in mobile networks
7. access and call origination in mobile networks
8. call transit in the fixed public communications networks
9. SMS termination

According to its press release on 17 July 2007, the Regulatory Agency passed decisions regarding the completed market analyses with the following results: T-Com has been designated as SMP operator in markets 1, 2, 3 and 4; T-Mobile as SMP operator in market 5; and Iskon as SMP operator in market 2. Details of the regulatory remedies imposed on SMP operators in these markets are still not available. According to the Regulatory Agency's proposals on regulatory remedies, a further decrease in the interconnection charges of T-Com and T-Mobile, as well as regulation of fiber-optic access networks, are expected. In markets 6, 7, 8 and 9 the Regulatory Agency did not find evidence of market failure and withdrew all existing remedies previously imposed on T-Com and T-Mobile under the previous Law on Telecommunications.

On 6 April 2009, T-Com received the Regulatory Agency's decision to decrease the fee for network capacity used within the ADSL Transport service to 326,54 HRK/Mbit/s. This was in response to the announcement that T-Com would increase ADSL access speeds to 4, 10 and 20 Mbit/s. On 19 July 2009, T-Com received the Regulatory Agency's decision on amendments to T-Com's Reference Unbundling Offer (RUO). Amendments were mainly focused on unification of fault repair, measurement and local loop unbundling (ULL) testing procedures, with the aim of ensuring equal treatment for all operators in case of faults. T-Com is obliged to prepare "Guidelines for fault repairs on ULL" and implement them by 1 October 2009.

Revenue

Group revenue increased by 0.7% to HRK 4,208 million (H1 2008: HRK 4,180 million), proving remarkably resilient to an economic downturn in which Croatian GDP fell by 6.7% in the first three months of 2009, compared with the previous year.

As expected, fixed telephony and wholesale revenue continued to fall, but the decline was again offset by growth in mobile and particularly internet revenues, which between them account for 59.2% of Group revenues (H1 2008: 54.5%). The contribution of fixed telephony declined from 34.0% at the end of June 2008 to 30.6% at the end of June 2009.

Impact of IFRIC13

Since the beginning of 2009, accounting standard IFRIC 13 has been applied and the 2008 financial figures have been restated accordingly. IFRIC 13 addresses how companies that grant their customers loyalty award credits when buying goods or services should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. IFRIC 13 requires companies to estimate the value of the points granted to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.

The effect of IFRIC 13 is to reduce revenues by the following amounts:

- T-HT Group: H1 2008 – HRK 13.6 million; H1 2009 – HRK 8.2 million
- T-Mobile: H1 2008 – HRK 11.9 million; H1 2009 – HRK 2.8 million
- T-Com: H1 2008 – HRK 1.7 million; Q1 2009 – HRK 5.4 million;

The impact of IFRIC 13 on EBITDA for the period Jan-Jun 2009 is to reduce EBITDA by HRK 1.4 million.

Operating expenses

T-HT remains focused on protecting margins through cost controls. However, total consolidated operating expenses before depreciation and amortization increased slightly by 0.6% to HRK 2,453 million in 2009 from HRK 2,437 million in 2008, mostly because of an increase in employee benefits expenses and the write down of current assets.

Material and other expenses

Material expenses decreased by 0.6% to HRK 1,136 million (H1 2008: HRK 1,143 million), mostly because of lower interconnection costs and bank and money transfer charges. Other expenses fell by 0.7% to HRK 679 million (H1 2008: HRK 684 million) because of lower advertising and maintenance expenses.

Employee benefit expenses

T-HT continues to reduce headcount as part of its drive for greater efficiency. At the end of June 2009, the Group employed 6,341 staff compared with 6,500 at H1 2008. However, the impact of the new Collective Agreement, effective 1 July 2008, has been to increase employee benefit expenses by 3.6% to HRK 585 million (H1 2008: HRK 565 million) in 2008.

Write down of assets

The write down of assets increased by 15.5% to HRK 53 million (H1 2008: HRK 46 million) as a result of higher write down of receivables.

Depreciation and amortisation

Depreciation and amortization increased by 5.6% to HRK 710 million (H1 2008: HRK 672 million) because of higher capital expenditure to fund network improvements.

T-HT Group profitability

in HRK million	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Revenue ¹⁾²⁾	4,208	4,180	0.7%
EBITDA before exceptional items ³⁾	1,923	1,932	-0.5%
EBITDA after exceptional items	1,919	1,932	-0.7%
EBIT (Operating profit)	1,209	1,260	-4.0%
Net profit	1,092	1,125	-2.9%
EBITDA margin			
EBITDA margin before exceptional items	45.7%	46.2%	-0.5 p.p.
EBITDA margin after exceptional items	45.6%	46.2%	-0.6 p.p.
EBIT margin	28.7%	30.1%	-1.4 p.p.
Net profit margin	26.0%	26.9%	-0.9 p.p.

1) Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customer's loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the points. Consequently, the 2008 figures have been restated. The impact of IFRIC 13 on T-HT Group revenue is: Jan-Jun 2008: - 13.6 million HRK; Jan-Jun 2009: - 8.2 million HRK.

2) Excluding other operating income

3) Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs.

Group EBITDA (before exceptional reorganisation costs of HRK 4.0 million) fell slightly by 0.5% to HRK 1,923 million (H1 2008: HRK 1,932 million), as increased revenues were marginally offset by increased costs.

Group operating profit (EBIT) fell by 4.0% to HRK 1,209 million (H1 2008: HRK 1,260 million) as a result of EBITDA development and the increase in depreciation and amortisation charges.

Net profit fell by just 2.9% to HRK 1,092 million (H1 2008: HRK 1,125 million) as a result of EBIT development being offset slightly by higher financial income and a lower tax charge than at H1 2008.

Group margins remained strong in the first six months of 2009, although the increase in costs resulted in a slight decline in EBITDA margin (before exceptional items) to 45.7% (H1 2008: 46.2%). Likewise, the increased depreciation associated with higher capital investment caused EBIT margins to fall from 30.1% in H1 2008 to 28.7% in H1 2009.

Balance sheet

The Group's balance sheet and cash reserves remain strong, even after the payment of HRK 2,456 million in dividends in March and May. Primarily as a result of these dividend payments, total Group assets fell from HRK 15,179 million at the end of December 2008 to HRK 13,126 million at the end of June 2009.

The Group had cash and cash equivalents of HRK 2,379 at the end of June 2009, compared with HRK 5,223 million at the beginning of the six month period.

Cash flow

Cash flow from operations remains the Group's principal source of funds, enabling it to finance significant dividend distributions and the capital investments necessary to ensure T-HT remains competitive.

Net cash flow from operating activities decreased by 16.1% to HRK 872 million (H1 2008: HRK 1,039 million) because of a decrease in days payable outstanding, and also a change in the billing method for fixed-voice telephony that became effective in January. Under the new billing regime, monthly line rental fees are taken in arrears.

Dividend payments

As previously mentioned, the Group paid dividends totalling HRK 2,456 million in the first six months of 2009 (H1 2008: HRK 2,421 million).

Capital expenditure

in HRK million	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
T-Com	435	330	32.0%
T-Mobile	177	147	20.0%
Total Capital Expenditure	611	477	28.3%

The Group continues to make significant investments in its network infrastructure to remain at the forefront of communications technology, particularly the increasing demand for high-speed mobile internet and the uptake of IP TV services, some channels of which are delivered in high definition. As previously announced, the Group is increasing investments to extend its new optical access network, with optical fiber to the home (FTTH) and to the building (FTTB).

Capital expenditure rose 28.3% to HRK 611 million (H1 2008: HRK 477 million) as a result of planned network improvements beginning earlier in the year than in 2008. In the first six months of 2009, capex represented 14.5% of Group sales, up from 11.4% in H1 2008.

Analysis of segmental results

The Group's results are presented to reflect its composition of two distinct businesses:

- T-Mobile provides mobile telephony services including wholesale, Internet and mobile data services.
- T-Com provides fixed telephony, wholesale services, Internet and data services. It encompasses HT-Hrvatske telekomunikacije d.d. and Iskon Internet d.o.o., acquired in May 2006.

Because of inter-segment transactions, the sum of the financial results of the two individual segments does not equal the Group's financial results in total.

T-Mobile highlights

T-Mobile maintained its leadership of a mobile telephony market with mobile SIM penetration now estimated at nearly 135.6% (H1 2008: 120.9%) and three mobile operators handling more than 1,400 million minutes in Q1 2009. T-Mobile has an estimated market share of 47.6% by SIM (H1 2008: 47.4%) and 50.0% by revenue (H1 2008: 49.5%).

- Revenue up 1.1% to HRK 2,017 million
- EBITDA up 6.7% to HRK 896 million
- Subscribers up 12.7% to 2,867,094
- Postpaid subscribers up 16.7% to 875,277, 30.5% of total (H1 2008: 29.5%)
- Prepaid subscribers up 11.1% to 1,991,817
- Subscriber acquisition cost down 25.8% to HRK 204 per gross add

T-Mobile successfully increased both postpaid and pre-paid subscriber numbers in the first six months of 2009, as a result of targeted promotions and packages, including Croatia's first weekly prepaid option. Subscriber numbers rose 12.7% to 2.87 million (H1 2008: 2.54 million). Compared with the first quarter of 2009, T-Mobile has added 86,258 subscribers.

Average minutes of use (MOU) decreased from 127.7 minutes at H1 2008 to 109.4 minutes owing to a fall in pre-paid minutes resulting from different promotions being offered this year, as well as an increase in SIM numbers. However, on a quarter-by quarter basis, Q2 MOU increased by 9.2% over Q1 MOU following the introduction of attractive promotional packages that motivated customers to increase usage.

Blended ARPU fell 12.9% to a monthly average of HRK 101.0 (H1 2008: HRK 116.0) due to increased penetration of SIMs and, the Group believes, reduced usage as consumers control their expenditure.

Subscriber acquisition costs fell 25.8% to HRK 204 per gross add because of successful marketing initiatives including Simpa Start packages offering just a SIM cards and bundled usage, which resulted in significant increase of gross adds.

The subscriber churn rate increased by 0.3 p.p. as a result of competition in the lower-value end of the pre-paid market.

T-Mobile

in HRK million	Jan-Jun 2009	%	Jan-Jun 2008	%	% change 09/08
Revenue from Postpaid services ¹⁾²⁾	1,193	59.1%	1,172	58.7%	1.8%
Revenue from Prepaid services	627	31.1%	678	34.0%	-7.6%
Other mobile revenue ¹⁾	197	9.8%	145	7.3%	35.8%
Revenue ³⁾	2,017	100.0%	1,995	100.0%	1.1%
Other operating income	65		85		-22.9%
Operating expenses	1,186		1,240		-4.3%
EBITDA	896	44.4%	840	42.1%	6.7%
Depreciation and amortization	259		235		9.8%
EBIT	637	31.6%	605	30.3%	5.4%

¹⁾ Revenue from postpaid services and other mobile revenue have been restated due to the appliance of IFRIC 13.

²⁾ Including visitor revenue.

³⁾ Unconsolidated figures, excluding other operating income.

Revenue

Revenue increased by 1.1% to HRK 2,017 million (H1 2008: HRK 1,995 million).

Postpaid subscribers continue to contribute the highest proportion of revenues at T-Mobile. At 30 June 2009, postpaid subscriptions stood at 875,277, up 16.7% on H1 2008 (749,824), with postpaid revenues increasing by 1.8% to HRK 1,193 million, accounting for 59.1% of divisional revenues (H1 2008: HRK 1,172 million, 58.7% of T-Mobile revenues).

Prepaid revenues of HRK 627 million fell 7.6% (H1 2008: HRK 678 million) and make up 31.1% of T-Mobile sales (H1 2008: 34.0%).

Other mobile revenues, including revenues from national roaming, were the main driver of the 1.1% increase in T-Mobile's sales, increasing from HRK 145 million in H1 2008 to HRK 197 million in H1 2009.

Profitability

Growth in T-Mobile's earnings exceeded revenue growth, with EBITDA rising 6.7% to HRK 896 million, at an EBITDA margin of 44.4% (H1 2008: HRK 840 million, 42.1%). Operating expenses fell by 4.3% to HRK 1,186 million (H1 2008: HRK 1,240 million) as a result of reductions in the cost of mobile merchandise, but depreciation rose from HRK 235 million to HRK 259 million, reflecting higher investment in the network. As a result, T-Mobile operating profit rose by 5.4% to HRK 637 million (H1 2008: HRK 605 million).

Capital expenditure

Infrastructure investments, to fund long-term improvements in the core network, rose 20.0% to HRK 177 million, representing a capex/revenue ratio of 8.8%.

T-Com highlights

T-Com maintained its leading position in all segments of the fixed-line market, despite increasing competition.

- Continued strong growth in Internet revenue, up 30.6% to HRK 555 million
- ADSL mainlines up 26.6% to 509,874 (16,885 subscribers added since Q1 2009)
- MAXtv subscribers up 138.2% to 170,591 (19,638 subscribers added since Q1 2009)
- ULL up 82.6% to 110,670 (Q2 net adds: 8,531)

T-Com is by far the largest provider of fixed-line services in Croatia, connecting more than 1.5 million mainlines of all kinds. T-Com is also the market leader in the provision of internet access, particularly high-speed broadband through ADSL technology, serving nearly 510,000 subscribers. In the Wholesale market, T-Com remains the largest provider, with the most extensive network coverage.

Competition remains strong, with eight other providers in the market, which is characterised by steadily declining lines and voice minutes, fixed-to mobile migration, the increased use of VoIP technology to make calls, and local loop unbundling.

T-Com

in HRK million	Jan-Jun 2009	%	Jan-Jun 2008	%	% change 09/08
Fixed telephony	1,288	51.4%	1,423	55.6%	-9.5%
Wholesale services	516	20.6%	558	21.8%	-7.4%
Internet services	555	22.1%	425	16.6%	30.6%
Data services	94	3.7%	101	3.9%	-7.1%
Miscellaneous	53	2.1%	55	2.1%	-3.3%
Revenue ¹⁾²⁾	2,506	100.0%	2,561	100.0%	-2.2%
Income from usage of own products, merchandise and services	48		43		12.8%
Other operating income	93		108		-14.4%
Operating expenses	1,623		1,620		0.2%
EBITDA before exceptional items	1,027	41.0%	1,093	42.7%	-6.0%
Exceptional items ³⁾	4		0		
EBITDA	1,023	40.8%	1,093	42.7%	-6.4%
Depreciation and amortization	451		437		3.3%
EBIT	572	22.8%	656	25.6%	-12.8%

¹⁾ Unconsolidated figures; excluding other income.

²⁾ IFRIC 13 has been applied from Q1 2009. Consequently, Q1 2008 revenue have been restated.

³⁾ Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs.

Revenue

T-Com revenue fell 2.2% to 2,506 million (H1 2008: 2,561 million), with a 30.6% increase in internet revenues being offset by falls in other fixed-line services.

Fixed-line telephony

Total mainlines of all types fell 4.1% to 1,521,266 at the end of June 2009 (H1 2008: 1,586,567). That represents a decline of 1.2% or 18,111 lines in the second quarter of 2009.

As expected, fixed telephony revenue fell 9.5% to HRK 1,288 million and now make up 51.4% of T-Com revenue (H1 2008: 1,423 million, 55.6%).

Total traffic fell by 8.6% to 1.79 billion minutes (H1 2008: 1.96 billion), most of which were calls to numbers within Croatia.

The Average monthly voice revenue per access (ARPA) also fell 8.6% to HRK 138, compared with HRK 151 in the first half of 2008.

Internet services

Internet services provided by T-Com and Iskon Internet continued to grow strongly, offsetting much of the decline in the rest of the fixed-line business.

ADSL subscribers rose 26.6% to 509,874, reflecting successful promotions targeting new broadband customers, as well as the continuing migration of dial-up users to broadband. Active dial-up users fell from 103,521 in June 2008 to 57,771 in June 2009.

Internet revenue grew 30.6% to HRK 555 million and now account for 22.1% of T-Com revenues (H1 2008: HRK 425 million, 16.6% of revenues). Much of this increase can be attributed to the migration of customers from dial-up accounts to broadband.

Despite increasingly attractive promotions from rival operators, T-Com has successfully retained its leadership by focusing on customer needs, offering keen prices and delivering the internet through a high-quality network.

MAXtv, the Group's internet TV service, continues to grow strongly, reaching 170,591 subscribers at the end of June 2009, up from 150,953 subscribers at the end of March 2009 – an increase of 13.0% in three months.

MAXtv is now the largest pay-TV service in Croatia, offering a wide selection of national and international TV and films, some of which are delivered in high definition. A premium service offers a networked personal video recorder, with the ability to record MAXtv channels whenever the subscriber wishes.

Wholesale

Wholesale revenue fell by 7.4% to HRK 516 million and make up 20.6% of T-Com revenue (H1 2008: HRK 558 million, 21.8% of revenue). The growth in ULL activations continued, with a total of 110,670 fully unbundled loops in H1 2009, up 82.6% on H1 2008 (60,616). Ported numbers increased by 49.8% to 321,003 (H1 2008: 214,219), while carrier pre-select fell slightly from 230,283 in H1 2008 to 226,376 in H1 2009.

In February 2009, the Regulator imposed new fixed and mobile interconnection charges effective from March 2009:

- Single tandem fixed rates decreased by 20% to 7.5 lipa/min (1.03 €/min) peak and 0.52 €/min off-peak;
- Local fixed rates decreased by 13% to 4.8 lipa/min (0.66 €/min) peak and 2.4 lipa/min (0.33 €/min) off-peak;
- Mobile termination rate decreased by 14.5% to 67.2 lipa/min (9.1 €/min).

Data services

T-Com remains committed to the migration of customers from traditional data lines to more modern, higher-speed IP-based services such as Metro Ethernet and IP VPN. Data revenue fell 7.1% to HRK 94 million (H1 2008: HRK 101 million).

Profitability

Despite the impact of the new Collective Agreement on wages, operating expenses rose by just 0.2% to HRK 1,623 million, reflecting a continuing focus on margin protection. EBITDA (before exceptional items totalling HRK 3.7 million) fell 6.0% to HRK 1,027 million, at a margin of 41.0% (H1 2008: HRK 1,093 million, 42.7%).

T-Com operating profit decreased by 12.8% to HRK 572 million, reflecting higher depreciation charges associated with T-Com's increased investment in network upgrades.

Capital expenditure

Infrastructure investments rose by 32.0% to HRK 435 million, representing a capex/revenue ratio of 17.4% (H1 2008: HRK 330 million, 12.9% of revenue). The investment has funded improvements in the optical access network as well as increased fibre to the home and fibre to the building. These improvements are necessary to support higher-bandwidth internet services including MAXtv.

T-HT Group Second Quarter 2009 Report

Group revenue remained flat at HRK 2,140 million (Q2 2008: HRK 2,147 million). Against a background of falling GDP, mobile telephony revenues showed a modest increase of 1.8% to HRK 1,009 million, while Internet services continued their strong growth, rising 31.7% to HRK 282 million. As expected, fixed telephony revenue fell 9.4% to HRK 638 million, while wholesale revenue – affected mostly by the decrease in origination and termination prices imposed in March 2009 – was down 15.3% to HRK 159 million.

EBITDA before exceptional items decreased by 3.2% to HRK 973 million (Q2 2008: HRK 1,005 million), mainly because of the slight decline of 0.3% in Q2 revenues and a 1.1% increase in operating cost resulting from new Collective Agreement, which increased employee benefit expense, as well as a higher write down of receivables.

Net profit was down by 11.7% to HRK 509 million (Q2 2008: HRK 577 million) as a result of higher depreciation and amortisation charges and lower financial income, partially offset by a lower tax charge.

Risk management

The Group's risk management unit regularly reports to the Management Board on risks and their development. The Audit Committee of the Supervisory Board regularly examines the risk management system and the risk reports at its meetings.

In Q2 of 2009, operators Metronet telekomunikacije d.d. and Amis Telekom d.o.o. filed lawsuits against T-Com to the Croatian Commercial Court, thereby requesting damages from T-Com for delay in providing collocation services requesting damages in the amount of 33 million kn by Metronet Telekomunikacije d.d. and 30 million kn by Amis Telekom d.o.o. as well as the annulment of the Contract on lease and use of DTI. T-Com responded to these lawsuits, thereby opposing all claims of the plaintiffs and requesting rejection of the lawsuits. These cases are pending before the Croatian Commercial Court.

The Croatian Competition Agency has, at the request of Amis Telekom d.o.o. and B.net d.o.o., officially started investigations into the potential abuse of dominant market position of T-Com and Iskon with regard to the provision of leased lines and internet services including MAXadsl and MAXtv. The Group is co-operating fully with the Agency's investigation and believes the claims against it are without merit.

Economic environment and possible legislative changes affecting T-HT

The Croatian economy has declined sharply, falling 6.7% in the first three months of 2009, compared with Q1 2008. As a consequence, unemployment is rising, customers are reducing spending and in general it is taking longer for Croatian companies to collect revenues from both retail and business customers.

The economic crisis and associated budget deficit have led the Government of the Republic of Croatia to propose a number of measures designed to raise taxes. The proposals are currently before the Parliament of Croatia, with voting expected on Friday 31 July 2009.

Proposals affecting T-HT are as follows:

- Fee for the Provision of Mobile Electronic Communications Network Services

This proposal is for a 6% fee on mobile services, including voice, text and multimedia, to be payable by the operator, based upon the revenues generated by the aforementioned services. The accounting period for such fees will be one calendar month. If enacted the proposal would come into force on 1 August 2009.

- Amendments to the Value Added Tax Act

This proposal will increase the general rate of Value Added tax from 22% to 23%, effective 1 August 2009.

- Special Tax on Salary, Pensions and Other Income

The Government proposes a temporary tax of 2% on salary, pension and other income between HRK 3,000 and HRK 6,000 per month, and 4% on salary, pension and other income greater than HRK 6,000 per month. The tax will come into force on the day of its publishing in the Official Gazette and will remain in force until 31 December 2010.

Group 2009 Outlook

Revenue

- The Group has previously indicated it expected 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

Financial statements

Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Jun 2009	Jan-Jun 2008	% of change 09/08	Apr-Jun 2009	Apr-Jun 2008	% of change 09/08
Mobile telephony	1,935	1,854	4.4%	1,009	991	1.8%
Fixed telephony	1,287	1,422	-9.5%	638	705	-9.5%
Wholesale services	331	379	-12.6%	159	188	-15.3%
Internet services	554	424	30.5%	282	214	31.7%
Data services	94	101	-7.1%	46	50	-8.0%
Miscellaneous	7	0	-	6	-1	-716.4%
Revenue ¹⁾	4,208	4,180	0.7%	2,140	2,147	-0.3%
Income from usage of own products, merchandise and services	56	53	5.9%	39	31	26.6%
Other operating income	108	137	-21.3%	44	68	-35.8%
Total operating revenue	4,372	4,370	0.1%	2,223	2,245	-1.0%
Operating expenses	2,453	2,437	0.6%	1,254	1,240	1.1%
Material expenses	1,136	1,143	-0.6%	582	591	-1.5%
Employee benefit expenses	585	565	3.6%	298	285	4.3%
Other expenses	679	684	-0.7%	345	355	-2.7%
Write down of asset	53	46	15.5%	29	10	199.5%
EBITDA ²⁾	1,919	1,932	-0.7%	969	1,005	-3.6%
Depreciation and amortization	710	672	5.6%	364	335	8.7%
EBIT ³⁾	1,209	1,260	-4.0%	605	670	-9.8%
Financial income	190	176	7.6%	60	74	-19.7%
Income from investment in joint ventures	9	12	-22.8%	7	7	7.1%
Financial expenses	25	15	70.0%	19	5	292.4%
Profit before taxes	1,384	1,434	-3.5%	652	746	-12.6%
Taxation	292	309	-5.7%	143	169	-1.4%
Net profit	1,092	1,125	-2.9%	509	577	-11.8%
Minority interest	0	0	-0.2%	0	0	-0.2%
Net profit after minority interest	1,092	1,125	-2.9%	509	577	-11.8%
Exceptional items	4	0	-	4	0	
EBITDA before exceptional items	1,923	1,932	-0.5%	973	1,005	-3.2%

¹⁾ Since the beginning of 2009 IFRIC 13 has been applied. IFRIC 13 addresses how companies that grant their customer's loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services if and when the customers redeem the points. Consequently, previous year 2008 have been restated. Impact of IFRIC 13 on T-HT Group revenue is: Jan-Jun 2008: - 13.6 million HRK; Jan-Jun 2009: - 8.2 million HRK.

²⁾ EBITDA - Earnings before interest, taxes, depreciation and amortization. The Group believes that EBITDA is measure commonly used by analysts and investors in the industry in which it operates. EBITDA, as calculated by the Group, may not be comparable to similarly titled measures reported by other companies.

³⁾ EBIT - Earnings before interest and taxes.

Consolidated Balance Sheet

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

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%

Statement of changes in Equity

Position	in HRK million			
	31 December 2008	Increase	Decrease	30 June 2009
1. Subscribed share capital	8,189			8,189
2. Net income reserves	409			409
3. Retained earnings or loss carried forward	1,533	2,305	-2,456	1,382
4. Net profit (loss) for the period	2,309	1,092	-2,309	1,092
5. Revaluation of available for sale financial assets	-1	2	-3	-2
6. Other changes in equity	1		-17	1
7. Total increase or decrease of equity	12,440	3,399	-4,768	11,071
7a. Attributable to majority owners	12,439	3,399	-4,768	11,070
7b. Attributable to minority interest	1			1

Notes to the condensed consolidated financial statements For the six months ended 30 June 2009

Basis of preparation

The condensed consolidated financial statements of 30 June 2009 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, except for investments available-for-sale stated at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of T-HT's consolidated financial statements for the year ended 31 December 2008.

Dividends

In April 2009, the General Assembly of HT-Hrvatske telekomunikacije d.d. decided on a dividend payment to the shareholders resulting from results of the Company for 2008 and retained earnings in the amount of HRK 2,456 million (HRK 29,99 per share). In March 2009 HRK 1,051 million was paid as advance dividend approved by the Supervisory Board, while HRK 1,405 million was paid as per decision of the General Assembly on 19 May 2009.

Segment information

The primary segment reporting format is determined to be business segments as the T-HT's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

T-Com segment provides fixed telephony, wholesale services, internet services and data services.

T-Mobile provides mobile telephony.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transactions between business segments. Those transactions are eliminated in consolidation.

T-HT's geographical segments are based on the geographical location of its customers.

Revenue from mobile terminating calls transited through T-Com's network are disclosed as revenue from wholesale services in T-Com segment, while on Group level they are reclassified to revenue from mobile telephony.

Revenue from sale of mobile trade goods through T-Com's shops is disclosed as miscellaneous revenue in T-Com segment, while on Group level they are reclassified to revenue from mobile telephony.

Due to tourist season, higher revenues and operating profits are usually expected in the summer months for T-Mobile segment.

Business segments

The following tables present revenue and profit and certain assets information regarding the T-HT's business segments:

Six months ended 30 June 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,287	-	-	-	1,287
Wholesale services	382	-	(51)	-	331
Internet services	554	-	-	-	554
Data services	94	-	-	-	94
Mobile telephony	-	1,848	87	-	1,935
Miscellaneous	43	-	(36)	-	7
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Sales to external customers	2,360	1,848	-	-	4,208
Inter-segment sales	146	169	-	(315)	-
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Total revenue	2,506	2,017	-	(315)	4,208
<i>Results</i>					
Segment results	572	637	-	-	1,209
Net finance revenue	112	63	-	-	175
	-----	-----	-----	-----	-----
Profit before income tax	684	700	-	-	1,384
Income tax expense	(151)	(141)	-	-	(292)
	-----	-----	-----	-----	-----
Net profit for the period	533	559	-	-	1,092
As at 30 June 2009					
<i>Assets and liabilities</i>					
Segment assets	10,032	4,288	-	(1,566)	12,754
Investment in associates	2	-	-	-	2
Investment in joint venture	370	-	-	-	370
	-----	-----	-----	-----	-----
Total assets	11,404	4,288	-	(1,566)	13,126

Six months ended 30 June 2008

	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,422	-	-	-	1,422
Wholesale services	409	-	(30)	-	379
Internet services	424	-	-	-	424
Data services	101	-	-	-	101
Mobile telephony	-	1,790	64	-	1,854
Miscellaneous	34	-	(34)	-	-
	-----	-----	-----	-----	-----
Sales to external customers	2,390	1,790	-	-	4,180
Inter-segment sales	171	205	-	(376)	-
	-----	-----	-----	-----	-----
Total revenue	2,561	1,995	-	(376)	4,180
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<i>Results</i>					
Segment results	656	604	-	-	1,260
Net finance revenue	129	45	-	-	174
	-----	-----	-----	-----	-----
Profit before income tax	785	649	-	-	1,434
Income tax expense	(164)	(145)	-	-	(309)
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Net profit for the period	621	504	-	-	1,125
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As at 31 December 2008

Assets and liabilities

Segment assets	10,924	4,056	-	(168)	14,812
Investment in associates	2	-	-	-	2
Investment in joint venture	365	-	-	-	365
	-----	-----	-----	-----	-----
Total assets	11,291	4,056	-	(168)	15,179

Current interim period 1 April 2009 to 30 June 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	638	-	-	-	638
Wholesale services	185	-	(26)	-	159
Internet services	282	-	-	-	282
Data services	46	-	-	-	46
Mobile telephony	-	964	45	-	1,009
Miscellaneous	25	-	(19)	-	6
Sales to external customers	1,176	964	-	-	2,140
Inter-segment sales	71	63	-	(134)	-
Total revenue	1,247	1,027	-	(134)	2,140
<i>Results</i>					
Segment results	273	332	-	-	605
Net finance revenue	22	25	-	-	47
Profit before income tax	295	357	-	-	652
Income tax expense	(71)	(72)	-	-	(143)
Net profit for the period	224	285	-	-	509
Current interim period 1 April 2008 to 30 June 2008	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	705	-	-	-	705
Wholesale services	202	-	(14)	-	188
Internet services	214	-	-	-	214
Data services	50	-	-	-	50
Mobile telephony	-	960	31	-	991
Miscellaneous	16	-	(17)	-	(1)
Sales to external customers	1,187	960	-	-	2,147
Inter-segment sales	94	105	-	(199)	-
Total revenue	1,281	1,065	-	(199)	2,147
<i>Results</i>					
Segment results	326	344	-	-	670
Net finance revenue	55	21	-	-	76
Profit before income tax	381	365	-	-	746
Income tax expense	(82)	(87)	-	-	(169)
Net profit for the period	299	278	-	-	577
	705	-	-	-	705

Relations with the governing company and its affiliated companies

In the first six months of 2009 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

In the first six months of 2009 there were no changes in transactions among related parties which were specified in the annual financial report for 2008 and which had a significant impact on the financial position and operations of the Group in the first six months of 2009.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six months of 2009 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first six months of 2009 the Group generated total revenue from related companies from international traffic to the amount of HRK 57 million (the first six months of 2008: HRK 62 million), while total costs of international traffic amounted to HRK 64 million (the first six months of 2008: HRK 79 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 17 million in the first six months of 2009 (the first six months of 2008: HRK 16 million).

Further, the Group provides telecommunications services to the Government of the Republic of Croatia, its departments and agencies, and companies owned by the Republic of Croatia on normal commercial terms and conditions, such as are no more favorable than those available to other customers. These telecommunications services do not represent a significant component of the Group's revenue.

Compensation of the Supervisory Board

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 of the average monthly net salary of the employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first six months of 2009, the Company paid a total amount of HRK 0.4 million (the first six months of 2008: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2009 the total compensation paid to key management personnel of the Group amounted to HRK 20 million (first six months of 2008: HRK 20 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include Members of the Management Boards of the Company and its subsidiaries, the Executive Board of T-Com and the Executive Directors of the Company, who are employed by the Group.

Selected Operational Data⁽¹⁾

T-MOBILE SEGMENT

Key operational data	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Subscribers			
No. of prepaid subscribers	1,991,817	1,793,433	11.1%
No. of postpaid subscribers	875,277	749,824	16.7%
Total T-Mobile subscribers	2,867,094	2,543,257	12.7%
% of postpaid subscribers	31	29	1.0 p.p.
Minutes of use (MOU)			
MOU per average subscriber	109.4	127.7	-14.3%
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) ³⁾⁴⁾	101	116	-12.9%
Blended non-voice ARPU (monthly average for the period in HRK)	22.1	24.0	-7.8%
SAC per gross add²⁾	204	275	-25.8%
Churn rate (%)			
Churn rate total	1.6	1.2	0.3 p.p.
Churn rate postpaid	0.7	0.7	0.0 p.p.
Churn rate prepaid	1.9	1.4	0.5 p.p.
Penetration (%)	135.6	120.9	14.7 p.p.
Market share of subscribers (%)	47.6	47.4	0.2 p.p.
Market share by revenue (%)⁴⁾	50.0	49.5	0.5 p.p.

T-COM SEGMENT

Key operational data	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Fixed telephony			
Total POTS and FGSM mainlines	1,412,852	1,468,352	-3.8%
Total ISDN mainlines	99,895	108,857	-8.2%
Total (POTS+FGSM+ISDN)	1,512,747	1,577,209	-4.1%
Payphones	8,519	9,358	-9.0%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,521,266	1,586,567	-4.1%
Total Traffic (thousands of minutes)	1,791,366	1,960,588	-8.6%
To national fixed network	1,518,313	1,649,674	-8.0%
To national mobile network	158,807	184,900	-14.1%
To VAS	33,041	33,089	-0.1%
To international networks	60,604	67,326	-10.0%
Remaining traffic ⁽⁵⁾	20,602	25,599	-19.5%
Average monthly voice revenue per voice access (ARPA) (HRK)	138	151	-8.6%

Key operational data	Jan-Jun 2009	Jan-Jun 2008	% change 09/08
Internet services			
Dial-up users	763,648	756,801	0.9%
Active dial - up users	57,771	103,521	-44.2%
ADSL mainlines	509,874	402,880	26.6%
IPTV customers	170,591	71,602	2.4x
Fixed-line customers	1,092	968	12.8%
VPN connection points	3,292	1,800	82.9%
ADSL mainlines ARPA (monthly average for the period in HRK)	123	121	1.8%
Active dial-up users ARPU (monthly average for the period in HRK)	55	57	-2.0%
Data services			
Metro Ethernet (connection points)	2,439	1,497	62.9%
Other data lines	3,670	4,815	-23.8%
Total	6,109	6,312	-3.2%
Wholesale services			
Customers			
CPS (Carrier Pre-Selection)	226,376	230,283	-1.7%
NP (Number portability) users/number	321,003	214,219	49.8%
ULL (Unbundled Local Loop) ⁶⁾	110,670	60,616	82.6%

⁽¹⁾ Some key performance indicators ("KPI") in the telecommunication sector, including minutes of usage ("MOU"), average revenue per user ("ARPU"), ARPU composition, churn and the number of customers, may be calculated differently by other companies operating in this sector. Therefore, the Company's KPI's may not be directly comparable to those of its competitors.

⁽²⁾ SAC - Subscriber acquisition costs

⁽³⁾ Blended ARPU is affected by restating of previous year for IFRIC 13.

⁽⁴⁾ Market share by net revenue. As of Q1 2009 T-Mobile has changed its method of revenue market share calculation to reduce uncertainties associated with estimates. Instead of Total revenue, Net revenue is used and National roaming revenues are not deducted any more. 2008 numbers were restated accordingly.

Source: Number of subscribers for VIPnet 2Q 2009 internally estimated. Telekom Austria quarterly report for Q2 2008. Published ViPnet and Tele2 Quarterly report for Q2 2008 and Tele2 Quarterly report for Q2 2009. VIPnet's total revenue for Jan-Jun 2009 internally estimated. Market shares are based on unconsolidated revenue for T-Mobile.

⁽⁵⁾ Includes payphone traffic, operator assisted services, additional services (such as CLIP, CLIR, CFR, conference call, inquiries services and fixed SMS) and calls to satellite.

⁽⁶⁾ Previous year figures have been restated according to actual reporting (w/o Iskon ULL number of lines).

Statement of the Management Board of HT – Hrvatske telekomunikacije d.d.

To the best of our knowledge, consolidated financial statements of the company HT – Hrvatske telekomunikacije d.d. and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of the Group.

The interim management report for the period ended 30 June 2009 contains true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Interim financial statements for 2009 were not subject to audit or limited review.

Ivica Mudrinić, President of the Management Board

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

Irena Jolić Šimović, Member of the Management Board and COO T-Com

Rainer Rathgeber, Member of the Management Board and COO T-Mobile

Božidar Poldrugač, Member of the Management Board and CTO/CIO Group

Branka Skaramuča, Member of the Management Board and CHRO

Zagreb, 30 July 2009

Presentation of information

Unless the context otherwise requires, references in this publication to "*T-HT Group*" or "*the Group*" or "*T-HT*" are to the Company – HT – Hrvatske telekomunikacije d.d., together with its subsidiaries.

References to "*HT*" or the "*Company*" are to the Company – HT – Hrvatske telekomunikacije d.d.

References to "*T-Mobile*" are to the Company's wholly-owned subsidiary, T-Mobile Croatia d.o.o., which also functions as the Group's mobile operations business unit.

References to "*T-Com*" are to the Group's other business unit which is responsible for the fixed network, wholesale, broadband, data and on-line services.

References to "*Iskon*" are to the Company's wholly-owned subsidiary, Iskon Internet d.d, which forms part of the T-Com business unit.

Disclaimer

This release contains 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 information concerning important factors that could cause actual results to differ materially is available in the Group's reports which may be found at www.t.ht.hr