

Zagreb – 27 February 2009

T-Hrvatski Telekom

Results for Financial Year 2008

Strong performance in line with expectations: revenue up 2.7%, T-Mobile subscribers up 12.8% to nearly 2.7million, strong growth in broadband, MAXtv and wholesale, proposed dividend of HRK 29.99 per share

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces its consolidated audited results for the financial year 2008.

Group Highlights

- Strong performance in line with expectations
- Solid growth in Internet, Mobile and Wholesale drives 2.7% revenue growth to HRK 8,816 million (EUR 1,221 million)
- EBITDA* steady at HRK 4,009 million (EUR 555 million); EBITDA margin* remains strong at 45.5%
- Net profit rose 3.2% to HRK 2,310 million excluding the impact of a one-off gain in 2007 (down 6.6% including the impact of the one-off gain)
- Operating cash flow remains strong at HRK 3,112 million (EUR 431 million)
- Proposed dividend of HRK 29.99 per share (2007: HRK 29.56)

T-Mobile

- 12.8% growth in subscriber numbers
- 6.1% increase in revenue to HRK 4,430 million
- Postpaid subscribers up 18.4%, now 59.7% of T-Mobile revenue
- Successful iPhone launch in November

T-Com

- Strong growth in internet and wholesale supports revenue at HRK 5,198, down just 1.0%
- Internet revenue up 33.2%
- ADSL mainlines up 37.0% to 472,653
- MAXtv subscribers up 210.0% to 135,573

* before exceptional items

Ivica Mudrinić, President of the Management Board, said:

“Despite the economic turmoil of 2008, T-Hrvatski Telekom has delivered what it promised: solid growth in revenues, protection of operating margins, strong cash generation and a substantial dividend for shareholders. We have achieved this by focusing on continuing investment in the quality and reach of our network, keeping a tight control on costs, while at the same time offering innovative products such as MAXtv and the iPhone 3G at competitive prices. We will continue to focus on these core priorities as we face the challenges of the coming year.”

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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	85211249

Replay available until 5 March 2008

International dial-in	+44 (0)1452 550 000
UK free call dial in	0800 953 1533
Access number	85211249#

Full audited accounts and a presentation covering results for the financial year 2008 can be downloaded from the T-HT web site.

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

Analyst & investor meeting in London, Wednesday 4th March 2009

T-HT will hold a meeting for analysts and investors in London on Wednesday, 4th March 2009, commencing 10.30am at the offices of College Hill, The Registry, Royal Mint Court, EC3N 4QN. To register your attendance, please contact lucy.moseley@collegehill.com

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, 2.7 million mobile subscribers and more than 472,000 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 depositary receipts trading on the London Stock Exchange.

Summary of key financial indicators

in HRK million	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Revenue	8,816	8,580	2.7%
EBITDA	3,964	3,955	0.2%
EBITDA before exceptional items ¹⁾	4,009	4,050	-1.0%
EBIT (Operating profit)	2,602	2,519	3.3%
Net profit	2,310	2,473	-6.6%
EBITDA margin	45.0%	46.1%	-1.1 p.p.
EBITDA margin before exceptional items	45.5%	47.2%	-1.7 p.p.
EBIT margin	29.5%	29.4%	0.1 p.p.
Net profit margin	26.2%	28.8%	-2.6 p.p.
in HRK million	At 31 Dec 2008	At 31 Dec 2007	% change 08/07
Cash equivalents and time deposits	5,436	5,900	-7.9%
Total assets	15,179	15,292	-0.7%
Total issued capital and reserves	12,440	12,543	-0.8%
in HRK million	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Net cash flow from operating activities	3,112	3,155	-1.4%

¹⁾ Exceptional items in Jan-Dec 2007: 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

Exchange rate information

in HRK	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Twelve months to 31 December 2007	7.34	7.32	5.36	4.98
Twelve months to 31 December 2008	7.22	7.32	4.93	5.15

Summary of key performance indicators

T-Mobile	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Subscribers	2,689,992	2,384,859	12.8%
Minutes of Use (MOU) per average subscriber	122.3	127.4	-4.0%
Blended ARPU ¹⁾	118.5	128.8	-7.9%
Churn rate (%)	1.4	1.3	0.1 p.p.
Market share of subscribers (%)	45.9	47.4	-1.5 p.p.
Market share by revenue (%) ¹⁾²⁾	50.4	52.2	-1.8 p.p.
T-Com	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Total (POTS+FGSM+ISDN) mainlines	1,550,123	1,614,813	-4.0%
Total traffic (thousands of minutes)	3,797,966	4,241,870	-10.5%
Internet subscribers	551,868	482,867	14.3%
ADSL mainlines	472,653	344,925	37.0%
ADSL mainlines ARPA	120	122	-1.6%
IPTV customers	135,573	43,734	3.1x
Total data lines	6,389	7,149	-10.6%
ULL	87,072	29,773	2.9x

1) Revenue from VAS services is presented on net principle.

2) Market share by total revenue without national roaming.

Supervisory Board Decisions

Financial Statements

As of 26 February 2009, the financial statements were approved by both the Management Board and the Supervisory Board and are to be presented to the General Assembly, planned for 21 April 2009.

Dividend

The Management Board and Supervisory Board of HT-Hrvatske telekomunikacije d.d. propose to this year's General Assembly the distribution of a dividend of HRK 29.99 per share, resulting in a total dividend payment of HRK 2,455,837,164.65. The dividend will be paid out of Net income realised in financial year 2008 of HRK 2,103,678,782.86 and retained earnings from previous years in the amount of HRK 352,158,381.79.

The Supervisory Board gave its consent to the Management Board to pay to the shareholders an advance dividend of HRK 12.84 per share or HRK 1,051,448,789.40 in total. The advance dividend will be paid to shareholders registered at the Central Depository Agency on 5 March 2009. The due date for advance dividend payment is 9 March 2009.

According to the proposal, the residual amount of HRK 17.15 per share will be paid to shareholders registered at the Central Depository Agency on the day of the General Assembly session, planned for 21 April 2009. The due date for the residual dividend payment is 19 May 2009.

Supervisory Board changes

Following the resignations of Deutsche Telekom AG (DT) nominee, Mr. Horst Hermann, effective as of 15 August 2008 and of Mr. Michael Günther, the Chairman of the Supervisory Board, DT nominee, with effect of the closing of the ordinary General Assembly of the Company on 21 April 2009, the Supervisory Board hereby proposes to elect the following DT nominees as members of the Supervisory Board of HT d.d.:

- Dr. Steffen Roehn, T-Mobile Germany, CIO and Member of the Executive Committee
T-Mobile International AG
- Mr. Guido Kerkhoff, Deutsche Telekom AG, Head of Group Accounting and Controlling

Business and financial review

T-Hrvatski Telekom Group (T-HT) is Croatia's leading telecommunications company. 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.

The Group is the market leader in all of its business segments. As at 31 December 2008, T-Com served more than 1.5 million fixed-lines and nearly 473,000 high-speed broadband connections – up from around 345,000 at the end of the 2007. The Group's portal, tportal.hr, is the leading news portal in Croatia with more than 200,000 unique users every day. In the mobile market, T-Mobile has around 2.7 million subscribers, representing an estimated market share of 45.9%.

Market overview

The most important market trends of 2007 remained significant throughout 2008: strong growth in broadband, increasing demand for Internet content, interactive television on the rise, continued decline in fixed telephony, mobile penetration approaching maturity, mobile data services picking up steam.

For T-HT and the Croatian telecommunications market, 2008 had a number of important events:

- In February 2008, the wholesale bitstream offer became available, marking another important step in the liberalisation of Croatia's telecommunications market.
- In June 2008, the national roaming agreement between T-Mobile, the leading mobile operator, and Tele2, the third mobile operator, became effective.
- In July 2008 the new Electronic Communications Act, passed by the Croatian Parliament in June 2008, came into force, reflecting recommendations and directives adopted by the European Commission.
- In October 2008, MAXtv, the Company's IPTV service, celebrated its 100,000th customer, to become one of the most successful IPTV launches in Europe.
- In November 2008, T-Mobile Croatia introduced Apple's revolutionary iPhone 3G, heralding a new, data-rich era for Croatian mobile users.

Fixed-line

In a highly competitive market, T-HT Group maintained its leadership position with market share of 82%. This success is based on the Group's continuing dedication to high-quality services, strengthened sales channels and the creation of tailored offers to suit the needs of specific customer segments.

Despite the continued and expected decrease in total fixed-voice minutes, the fixed-line market remains strong without a significant drop in total mainlines. Overall, the fixed-telephony market is declining in line with other European markets.

Following the merger of two alternative operators in 2008, nine operators are now active in the fixed-telephony segment of the Croatian market, with no new operators entering the market in 2008. One of the largest alternative operators announced its intention to focus solely on business customers while others continued their core network roll-out, mainly in four largest cities. The largest mobile competitor launched its prepaid fixed line service.

Mobile telecommunications

T-Mobile remains the leader in a market that continues to grow and mature, with mobile penetration of an estimated 132.1% served by three operators since 2005. According to the Croatian Central Bureau of Statistics, total Croatian mobile market minutes increased by 14% in 2008 (from 4,985 million in 2007 to 5,704 million minutes in 2008).

In an important step, T-Mobile signed a national roaming agreement with Tele2, the third mobile operator, which became effective in June 2008.

Mobile internet was the theme of 2008, with all the leading operators promoting their prepaid and postpaid mobile broadband offerings to encourage consumers to move beyond simple text messaging and begin using more mobile content, data and applications.

Internet

T-Com is by far the biggest provider of broadband services in Croatia, continuing to expand the roll out of its high-speed MAXadsl offering and augmenting it with premium services such as MAXtv – the T-Com's IPTV service. At the end of the year T-Com had 472,653 ADSL mainlines, up from 344,925 in 2007, and representing a broadband market share of 87%.

Despite this strong increase in subscriber numbers, Croatia's broadband market remains a significant growth opportunity for T-HT, with just 30% Croatian households connected via broadband compared to an average of 55% in Western Europe. Both T-Com and Iskon, HT's subsidiary, are active in the broadband market. Despite strong competition from

alternative providers, Iskon confirmed its position as one of the leading alternative broadband operators, focusing primarily on residential ULL, advanced broadband users and small to medium-sized businesses.

In October 2008, T-Com signed its 100,000th MAXtv customer. By the end of 2008 this number increased to nearly 136,000 customers, establishing T-HT as the leader in the Croatian pay-TV market after just two years.

Data

T-HT has maintained its leadership of a market that is migrating from traditional unmanaged data services to lower-cost, IP-based services that are less complex to manage, require less investment and are therefore more cost effective for both the Group and end-users.

The data market is small in comparison with other segments, representing less than 2% of total Croatian market revenue. However, data products represent a significant tool for retaining and acquiring business customers.

The Group's main data service competitors continued to develop their own fibre networks targeting business and public segments.

Wholesale

In 2008, the Government of the Republic of Croatia encouraged companies with state-owned infrastructure to commercially offer their available infrastructure capacities to all operators. In addition to local-loop unbundling, which has been available since 2006, bitstream, or the provision of broadband Internet access services, was offered for the first time in 2008. It enables competitors to offer their own broadband products to consumers even if they do not operate the local loop.

T-HT Group has established interconnections with all mobile-network operators and fixed-network operators in Croatia.

T-HT provides wholesale services to four major customer segments: international operators, mobile operators, fixed operators and a variety of different companies including VAS providers, ISPs and VoIP service providers.

In terms of total market revenue, the overall Croatian wholesale market remained stable in 2008. As the market liberalisation continued, the number of ULL (unbundled local loop) customers increased from 29,773 in 2007 to 87,072 in 2008.

Regulatory Environment

On 1st July 2008, the new Law on Electronic Communications came into force, replacing the previous Law on Telecommunications. The current Croatian regulatory regime transposes the 2002 EU New Regulatory Framework onto Croatia's electronic communications market.

In accordance with the new Law on Electronic Communications, the Croatian National Regulatory Authority – the Croatian Agency for Post and Electronic Communications (the “Agency”) – is authorized to pass subordinate legislation. Thus, its authority encompasses aspects of telecommunications including duct and infrastructure issues, right-of-way fees, conditions of service provisioning, universal services, and the prevention of fraud and abuse.

In second half of 2008 several Ordinances were available for public consultation. From the Group's perspective some of the most important are: Ordinance on the joint use of the electronic communications infrastructure and related equipment; Ordinance on the conditions for providing and quality parameters of electronic communications services; Ordinance on the certificate and the fee for the right of way; Ordinance on numbering, addresses and radiofrequencies fees (RF); and

Ordinance on the Agency's fees. The Ordinance on the conditions of the usage and allocation of RF spectrum and Table of usage RF spectrum came into force at the beginning of December 2008.

In parallel, the Agency is undertaking a new round of market analyses pursuant to the latest EU Recommendation on Relevant Markets, of 17 December 2007. Until a new market analysis is finalized, designations of significant market power (SMP status) and accompanying remedies/obligations based on the old Law on Telecommunications will remain applicable. Following the new market analyses and depending on its outcomes, current remedies will cease to apply, whereas new remedies will be imposed by a decision of the Agency pursuant to the new Law on Electronic Communications.

Since 2002 the Company has held SMP (significant market power) status in the market for fixed public voice, the market for leased lines, the market for interconnection and the market for voice and data transmission. In 2007 the Company's subsidiary Iskon Internet was designated as holding joint significant market power with the Company in the market for fixed public voice and the market for voice and data transmission.

Since 2005 T-Mobile has been designated as an SMP operator in the interconnection market and in the market for public voice services on mobile networks. The SMP status of the Company, T-Mobile and Iskon in these markets was reiterated by the Agency's publication of a list of SMP operators in December 2007.

As a consequence, the Company, Iskon and T-Mobile are subject to ex-ante sector-specific regulations in the markets where they are designated as SMP operators. Accordingly, the Company has to offer its competitors network access (including interconnection, unbundled access to the local loop, and bitstream access), as well as access to certain services and facilities on a non-discriminatory basis.

Furthermore, prices for all regulated wholesale products, as well as retail public voice pricing in the fixed network and leased lines of SMP operators, are subject to cost orientation and ex-ante approval by the Agency, whereas other retail pricing is subject to ex-post review. In addition, tariffs for universal services must be set at an "affordable level". Other tariffs are essentially unregulated. In particular, the retail prices of T-Mobile are not subject to ex-ante approval by the Agency.

Operators with SMP status are obliged to maintain separate cost accounting systems with regard to services on those markets where they hold SMP status. This obligation is designed to ensure transparency with respect to various telecommunications services, in order to prevent cross-subsidization of services. For that reason, the Agency undertook an Accounting Separation and Cost Accounting project during 2008 and in December 2008 imposed an obligation on the Company to implement accounting separation on a CCA/LRIC (Current Cost Accounting/Long Run Average Incremental Costs) basis until 2011. Consequently, the implementation of accounting separation is expected to provide the Agency with a transparent view of the Company's cost structures.

The Company's Reference Unbundling Offer (RUO) for full and shared access to local loops was under revision by the Agency in January and in July 2008, which focused mainly on operational and costing issues related to the unbundling (such as air-conditioning, relocation of collocations, preparation of collocation rooms). In addition, with the Agency's participation, the Company has been working with FER (Faculty of Electrical Engineering and Computing) to produce a "Static Plan of Frequency Spectrum Management".

In June 2008 the Wholesale leased-lines offer of the Company was amended, introducing new categories for quantity discounts and discount specification. Since February 2008, the Company's bitstream (wholesale broadband access) offer has been available to Internet Service Providers (ISP), enabling them to offer a package of broadband access and Internet to customers.

In 2008 the Company launched a special tariff package for customers with low income, whilst also maintaining its discount policy for customers with special social needs (people with disabilities, war veterans etc.).

In June 2008, the Reference Interconnection Offer (RIO) of T-Mobile was amended. In December 2008 the Agency started a revision of interconnection prices of the Company and T-Mobile. Since the validity of both RIOs of the Company and T-Mobile were to expire until the end of 2008, on 23 December, 2008, the Agency passed a decision on prolongation of validity of both RIOs until the end of the revision process. On 26 January 2009, the Agency passed decisions decreasing the Company's local and single tandem weighted average interconnection rates by 13.11% and 20% respectively, as well as decreasing T-Mobile's mobile termination rate by 14.5%. These new interconnection rates were included in RIOs and were submitted to the Agency. The Agency granted approval to the Company's revised RIO on February 16, 2008 and to T-Mobile's revised RIO on February 19, 2008. The revised RIO's are applicable as of March 1, 2009.

The Company's Concession Agreement ceased to apply when the new Law on Electronic Communications came into force. However, authorizations granted for service provisioning are ensured under the new Law via a general authorization regime. Accordingly in February 2009 the Agency issued a certificate confirming the submission of the prior notification to the Company and to T-Mobile. T-Mobile Croatia's GSM concession agreement ceases to be valid in 2009 and its renewal is expected during 2009 in accordance with the new authorization regime.

Group financial performance

Revenue

The year 2008 progressed as expected, with T-Hrvatski Telekom maintaining its leadership in all segments of the Croatian telecommunications market. Total consolidated revenue increased by 2.7% to HRK 8,816 million, from HRK 8,580 million in 2007. Growth in mobile telephony, internet services and to a lesser degree, wholesale services more than compensated for a 10.1% decline in fixed-line revenue. Together, these three services accounted for 65.9% of total group sales, compared with 61.0% in year 2007.

Operating expenses

Excluding depreciation and amortization, total operating expenses increased by 5.0% to HRK 5,125 million (2007: HRK 4,883 million). As detailed below, the increase resulted from higher costs associated with equipping new broadband and MAXtv subscribers, higher costs associated with increased activity in domestic interconnection services and increased subscriber-acquisition and retention costs. These increases were partially offset by decreased employee benefits expenses associated with a reduction in employee numbers compared with 2007.

Merchandise, material, services, energy and other expenses

- Merchandise, material and energy expenses

The total cost of merchandise, material and energy increased by 27.5% to HRK 1,105 million, mainly due to the cost of supporting an increasing number of new ADSL and IPTV customers with the necessary modems and terminal equipment, as well as the higher cost of mobile merchandise sold through direct and indirect channels.

- Services expenses

Services expenses increased by 15.8% to HRK 1,357 million, with higher domestic interconnection services (due to increase in mobile telephony revenue), international telecommunications services as a result of higher transit traffic in 2008 and copyright fees related to MAXtv content being the major reasons.

- Other expenses

Other expenses decreased by 1.9% to HRK 1,525 million mainly due to decreases in provisions for charges and risks, maintenances expenses and education and consulting expenses which were partly offset by increases in advertising, rental and leasing and contract workers expenses.

Employee benefit expenses

Total employee benefits expenses, before exceptional items related to redundancy costs, decreased by 3.3% to HRK 1,157 million from HRK 1,197 million in 2007. This is the result of T-HT's ongoing headcount reduction programme.

In Q4 2008, provisions of HRK 45 million were made for redundancy versus HRK 79 million in 2007. Consequently, employee benefit expenses after exceptional items decreased by 5.8% to HRK 1,202 million (2007: HRK 1,276 million). As at 31 December 2008, the Group had 6,487 employees compared to 6,724 employees at 31 December 2007.

In October 2008, the Group has agreed a further headcount reduction of 216 employees as part of its ongoing cost-optimization programme.

Write-down of current assets

The write-down of current assets decreased by 39.1% to HRK 95 million (2007: HRK 156 million) mainly due to an improvement in collection of receivables.

Depreciation and amortization

Depreciation and amortization decreased by 1.2% to HRK 1,346 million, primarily because most of the Group's IN platforms were fully depreciated in 2007.

Profitability

in HRK million	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Revenue	8,816	8,580	2.7%
EBITDA	3,964	3,955	0.2%
EBITDA before exceptional items ¹⁾	4,009	4,050	-1.0%
EBIT (Operating profit)	2,602	2,519	3.3%
Net profit	2,310	2,473	-6.6%
EBITDA margin	45.0%	46.1%	-1.1 p.p.
EBITDA margin before exceptional items	45.5%	47.2%	-1.7 p.p.
EBIT margin	29.5%	29.4%	0.1 p.p.
Net profit margin	26.2%	28.8%	-2.6 p.p.

¹⁾ Exceptional items in Jan-Dec 2007: 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to related to provisions for redundancy restructuring costs.

With operating expenses rising slightly faster than revenue, EBITDA before exceptional items decreased by 1.0% to HRK 4,009 million, representing an EBITDA margin of 45.5% (2007: HRK 4,050 million at a margin of 47.2%).

Operating profit increased by 3.3% to HRK 2,602 million, representing an EBIT margin of 29.5% (2007: HRK 2,519 million at a margin of 29.4%). This was mainly due to a lower redundancy costs and a decrease in the impairment of non-current assets in 2008.

Excluding the impact of a one-off gain in 2007, net profit rose 3.2%. Including the one-off gain net profit fell by 6.6% to HRK 2,310 million (2007: HRK 2,473 million), mainly because of a 92.9% fall in income from the Group's investment in HT Mostar, which contributed HRK 17 million in 2008, compared with HRK 256 million in 2007, most of which consisted of a one-off gain relating to the reversal of an impairment provision.

Balance sheet

The value of Group assets fell by 0.7% to HRK 15,179 million, mostly as a result of dividend payments in May totalling HRK 2,421 million.

Inventory levels rose by 36.2% because of the increased need to stock ADSL and IPTV equipment to support the expansion of these services, as well as an acceleration in the installation and connection of optical lines.

Cash equivalents and time deposits stood at HRK 5,436 million on 31 December 2008, compared with HRK 5,900 million on 31 December 2007.

Cash flow

The Group generated HRK 3,112 million of net cash from operating activities (2007: HRK 3,155 million). This 1.4% decrease is mostly attributable to a 21.8% increase in taxes paid.

Capital expenditure

Capital expenditure increased by 30.1% to HRK 1,624 million in 2008 from HRK 1,248 million in 2007 mainly due to increased investment in the fixed-line network (e.g. optical access network, DSL access nodes) and the development of 2G and 3G networks and platforms. The capex to revenue ratio stood at 18.4% (2007: 14.6%).

in HRK million	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
T-Com	1,156	874	32.3%
T-Mobile	468	374	25.1%
Total Capital Expenditure	1,624	1,248	30.1%

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

- Subscriber numbers up 12.8% to 2.69 million; T-Mobile has 45.9% of SIM market share in Croatia
- Revenue up 6.1% to HRK 4,430 million
- Postpaid revenue up 7.7% to HRK 2,645 million or 59.7% of T-Mobile revenue
- EBITDA up 8.3% to HRK 1,938 million

Mobile penetration rate in Croatia has reached 132.1% according to T-HT estimates. Of three mobile operators in Croatia, T-Mobile is the market leader with a 45.9% share of the SIM market – down slightly from 47.4% at the end of 2007 – and an estimated 50.4% market share by revenue.

Strong promotional activities led to subscriber numbers increasing by 12.8% to 2,689,992 with postpaid subscribers rising by 18.4% to 810,615 and pre-paid rising by 10.5% to 1,879,377. Postpaid accounts make up 30.1% of subscriber numbers but contribute 59.7% of T-Mobile revenue.

Minutes of use per average subscriber have decreased by 4.0% to 122.3 minutes (2007: 127.4 minutes). The decline is mostly attributable to the fact that subscriber numbers have increased and also because promotions encouraging longer calls in 2007 were not repeated in 2008.

As a result of increased subscriber numbers and promotional incentives offering cheaper calls, the monthly average revenue per user (ARPU) fell 7.9% to HRK 118.5 (2007: HRK 128.8). The overall churn rate increased slightly from 1.3% in 2007 to 1.4% in 2008, with postpaid churn remaining steady at 0.7%, because of targeted promotions and tailor-made pricing plans. Subscriber acquisitions costs (SAC) per gross add decreased 1.1% to HRK 269.9, as a result of the increase in gross add numbers outpacing the increase in acquisition costs.

T-Mobile

in HRK million	Jan-Dec 2008	%	Jan-Dec 2007	%	% change A08/A07
Revenue from Postpaid services ¹⁾²⁾³⁾	2,645	59.7%	2,456	58.8%	7.7%
Revenue from Prepaid services ²⁾³⁾	1,430	32.3%	1,449	34.7%	-1.3%
Other mobile revenue	355	8.0%	269	6.5%	31.6%
Revenue³⁾	4,430	100.0%	4,174	100.0%	6.1%
Other operating income	161		138		16.8%
Operating expenses	2,652		2,522		5.2%
EBITDA	1,938	43.8%	1,790	42.9%	8.3%
Depreciation and amortization	469		528		-11.1%
EBIT	1,469	33.2%	1,262	30.2%	16.4%

¹⁾ Including revenue from visitors

²⁾ As of Q1 2008, interconnection revenue redistribution between Prepaid and Postpaid has been changed in accordance with "actual data". Actual data shows that there is more termination revenue in favour of Postpaid than previously estimated. This change has an impact on Postpaid and Prepaid revenue split as well as Postpaid and Prepaid ARPU.

³⁾ Revenue from VAS services is presented on net principle.

Revenue

T-Mobile revenue increased by 6.1% to HRK 4,430 million (2007: HRK 4,174 million), of which 59.7% or HRK 2,645 million was postpaid (2007: HRK 2,456 million or 58.8%). The strong increase in the subscriber base was, as expected, partially offset by a decrease in call prices to maintain competitive positioning. In June 2008, the national roaming agreement between T-Mobile and Tele2, the third mobile operator, became effective.

Other operating income is 16.8% higher than in the previous year, mainly as a result of higher collected written-off receivables from previous years and higher discounts received from suppliers for mobile merchandise.

Profitability

T-Mobile EBITDA increased by 8.3% to HRK 1,938 million (2007: HRK 1,790 million) mainly as a result of revenue and other operating income developments as explained above.

EBIT increased by 16.4% to HRK 1,469 million (2007: HRK 1,262 million) as a result of EBITDA improvement and 11.1% decrease in charges for depreciation and amortisation, in part reflecting the fact that IN platforms were fully depreciated in 2007.

Capital expenditure

T-Mobile's capital expenditure increased by 25.1% to HRK 468 million (2007: HRK 374 million) as the division increased investment in 2G and 3G networks and new platforms. This represents 10.6% of revenue, compared with 8.9% last year.

T-Com highlights

- Internet revenue up 33.2% to HRK 901 million
- ADSL mainlines up 37.0% to 472,653
- MAXtv subscribers up 210.0% to 135,573 after breaking through 100,000 in late October
- Wholesale revenue up 6.8% to HRK 1,155 million
- Increase in Wholesale and Internet revenue almost entirely offset decline in fixed-line revenue
- EBITDA before exceptional items fell by 8.4% to HRK 2,071 million

One of nine fixed-line providers in Croatia, T-Com is by far the market leader with nearly 1.6 million lines connected – a revenue market share of around 82%, according to internal Group estimates. The fixed-line telephony business remains strong despite challenging conditions that include increasing competition and some migration of fixed-line use to mobiles.

T-Com is also the market leader in the provision of internet access, particularly high-speed broadband through ADSL technology. In the Data business, T-Com continues to migrate customers to IP-based services. In Wholesale, T-Com remains the largest provider, with the most extensive network coverage.

T-Com

in HRK million	Jan-Dec 2008	%	Jan-Dec 2007	%	% change 08/07
Fixed telephony	2,798	53.8%	3,113	59.3%	-10.1%
Wholesale services	1,155	22.2%	1,082	20.6%	6.8%
Internet services	901	17.3%	676	12.9%	33.2%
Data services	199	3.8%	211	4.0%	-5.7%
Miscellaneous	145	2.8%	168	3.2%	-13.8%
Revenue	5,198	100.0%	5,249	100.0%	-1.0%
Other operating income	211		200		5.9%
Operating expenses	3,383		3,284		3.0%
EBITDA	2,026	39.0%	2,165	41.2%	-6.4%
EBITDA before exceptional items¹⁾	2,071	39.8%	2,259	43.0%	-8.4%
Depreciation and amortization	893		908		-1.7%
EBIT	1,133	21.8%	1,257	23.9%	-9.8%

¹⁾ Exceptional items in Jan-Dec 2007: 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

Revenue

T-Com revenue fell by just 1.0% to HRK 5,198 million (2007: HRK 5,249 million) with strong growth in Internet and Wholesale revenue almost entirely making up for a HRK 314 million decline in fixed-line telephony revenue.

Fixed-line telephony

Despite a 4.1% fall in total mainlines in 2008, T-Com maintained its market leadership with nearly 1.6 million lines connected as at 31 December 2008. Customer migration is being driven by higher use of mobile phones and increasing competition in the fixed-line market, including the unbundling of local loops (ULL). Total traffic fell by 10.5% to 3,798 million minutes.

Revenue from fixed telephony decreased by 10.1% to HRK 2,798 million (2007: HRK 3,113 million). A 5.7% decrease in ARPA to HRK 150 per month is mainly attributable to fixed-to-mobile substitution, an increase in internet telephony (VoIP) and price competition. In order to stem the decline in ARPA, T-Com has introduced new tariffs for residential and business customers and a new Fixed-to-International tariff option for business.

Wholesale

Wholesale revenue increased by 6.8% to HRK 1,155 million (2007: HRK 1,082 million), driven by continued market liberalization that has increased the number of unbundled local loops and number portability, and also by an increase in international incoming and hubbing traffic. Fully-unbundled lines increased from 29,773 at 31 December 2007 to 87,072 at the end of December 2008, while ported numbers rose 87.5% to 272,687 (December 2007: 145,404). Carrier pre-select (CPS) customers stood at 235,869 (December 2007: 236,065).

Internet services

Internet services are provided both through T-Com and HT's wholly-owned subsidiary Iskon. They include Internet access services (both dial up and broadband) and related traffic, IP VPN services, IP Centrex services (VoIP), IPTV, content and multimedia services including ASP and web hosting.

Revenue from Internet services increased by 33.2% to HRK 901 million (2007: HRK 676 million), mostly as a result of overall increased usage, the migration of customers from dial-up services to broadband and the growth of new internet services such as MAXtv. Revenue was also supported by "Net phone" package offer, IP-telephony based service introduced for the SME segment in 2007. Iskon's contribution to revenue after consolidation amounted to HRK 93 million compared with HRK 70 million in 2007. At Iskon, 2008 was a year of expansion with growth in total net revenues, driven by a doubling in broadband revenues and growth in the ULL customer base.

ADSL mainlines increased by 37.0% to 472,653 (2007: 344,925), with overall internet subscriptions up 14.3% to 551,868 (2007: 482,867). ADSL lines now account for 85.6% of all internet subscribers, up from 71.4% in December 2007. As of the end 2008 the Group estimates that household broadband penetration in Croatia amounted to 30%.

MAXtv, the Group's interactive TV service, has been a major success with a 210.0% increase in subscribers to 135,573, with particularly strong growth since late October, when subscriber numbers broke through 100,000 subscribers. This strong growth was supported by the new standalone MAXtv service, which does not require a broadband subscription.

MAXtv features blockbuster films from studios including Warner Bros, Paramount Pictures, NBC Universal as well as numerous local and international TV channels including an HBO premium package (HBO, HBO Comedy) and an exclusive HBO Digital on-demand service. A premium service offers a networked personal video recorder, with the ability to record MAXtv channels whenever the subscriber wishes. MAXtv product innovation included the introduction of high-definition TV with up to seven HD channels.

Data services

Revenue from data services decreased by 5.7% to HRK 199 million (2007: HRK 211 million). T-Com has focused on migrating customers from traditional data services towards new services such as Metro Ethernet, which increased from 893 connection points in December 2007 to 2,088 connection points in December 2008. In spite of respectable growth in the Metro Ethernet service, the total number of data subscribers has fallen by 10.6% to 6,389, as a result of competition in the data services market and a shift of traditional data services to VPN.

Miscellaneous and other operating income

Miscellaneous revenue fell by 13.8% to HRK 145 million primarily as a result of lower revenue from the sale of mobile merchandise. Other operating income includes revenue from services provided to T-Mobile (such as fleet, treasury, human

resources, warehouses, logistics, IT, real estate), revenue from default interests, revenue from fixed asset rental and revenue from construction work for third parties. Other operating income increased by 5.9% to HRK 211 million.

Profitability

EBITDA before exceptional items fell by 8.4% to HRK 2,071 million at a margin of 39.8% (2007: HRK 2,259 million at a margin of 43.0%) as a result of the increased costs detailed above.

T-Com's depreciation and amortization decreased by 1.7% to HRK 893 million in 2008 from HRK 908 million in 2007.

EBIT fell by 9.8% to HRK 1,133 million, at a margin of 21.8% (2007: HRK 1,257 million at a margin of 23.9%).

Capital expenditure

Capital expenditure increased by 32.3% to HRK 1,156 million in 2008 from HRK 874 million in 2007. This increase in capital expenditure was mainly due to higher investment in network infrastructure (e.g. optical access network, DSL access nodes) and data centre. The capex to revenue ratio stood at 22.2% (2007: 16.7%).

Group 2009 Outlook

Revenue

- Within the context of the global crisis, the Croatian economy faces a period of uncertainty and its impact on T-HT has yet to become apparent. At this time, the Management Board believes it prudent to anticipate a slight decline in revenues compared with 2008
 - Mobile revenue remaining at 2008 levels
 - Fixed telephony continuing to decline
 - Internet revenue showing significant growth
 - Wholesale revenue declining

EBITDA

- The Group aims to mitigate erosion of strong EBITDA margin through ongoing cost-control initiatives

CAPEX

- The Group will target the same level of CAPEX as in year 2008
 - Investment in the fixed network will focus on optical access network development aiming to increase broadband coverage and capacity
 - Investment in the mobile network will focus on deployment of new access network technologies aiming to enable mobile data growth and secure wireless broadband performance

Regional Expansion

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

Financial statements

Consolidated Income Statement

in HRK million (IFRS; audited)	Jan-Dec 2008	Jan-Dec 2007	% of change 08/07
Mobile telephony	4,194	3,903	7.5%
Fixed telephony	2,796	3,110	-10.1%
Wholesale services	719	660	8.9%
Internet services	899	674	33.3%
Data services	199	211	-5.7%
Miscellaneous	9	22	-61.0%
Revenue ⁽¹⁾	8,816	8,580	2.7%
Other operating income	274	258	6.0%
Operating expenses	5,125	4,883	5.0%
Merchandise, material, services, energy and other expenses	3,988	3,594	11.0%
Merchandise, material and energy expenses	1,105	867	27.5%
Services expenses	1,357	1,172	15.8%
Other expenses	1,525	1,555	-1.9%
Employee benefit expenses	1,202	1,276	-5.8%
Work performed by the Group and capitalised	-159	-143	11.0%
Write down of current asset	95	156	-39.1%
EBITDA ⁽²⁾	3,964	3,955	0.2%
Depreciation and amortization	1,346	1,362	-1.2%
Impairment of non-current assets	17	74	-77.4%
EBIT ⁽³⁾	2,602	2,519	3.3%
Net financial income	322	312	3.2%
Income from investment in joint ventures	18	258	-92.9%
Profit before taxes	2,942	3,089	-4.7%
Taxation	632	616	2.6%
Net profit for the year	2,310	2,473	-6.6%
Exceptional items	45	95	-52.7%
EBITDA before exceptional items	4,009	4,050	-1.0%

¹⁾ As of Q1 2008, revenue from VAS (Value-added services) is presented on a net basis and the figures for year 2007 have been adjusted accordingly.

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. Exceptional items in Jan-Dec 2007: 95 HRK million → HRK 79 million related to redundancy restructuring costs and HRK 16 million related to IPO process costs, in Jan-Dec 2008: 45 HRK million related to provisions for redundancy restructuring costs.

³⁾ EBIT - Earnings before interest and taxes.

Consolidated Balance Sheet

in HRK million (IFRS; audited)	At 31 Dec 2008	At 31 Dec 2007	% of change 08/07
Intangible assets	972	1,005	-3.3%
Property, plant and equipment	6,428	6,153	4.5%
Goodwill	77	77	0.2%
Investments	404	393	2.9%
Other long term assets	97	113	-14.2%
Total non-current assets	7,978	7,741	3.1%
Inventories	314	230	36.2%
Trade and other receivables	1,293	1,266	2.2%
Prepayments and accrued income	105	62	69.9%
Available-for-sale investments	53	93	-43.0%
Cash equivalents and time deposits	5,436	5,900	-7.9%
Total current assets	7,201	7,551	-4.6%
TOTAL ASSETS	15,179	15,292	-0.7%
Subscribed share capital	8,189	8,189	0.0%
Reserves	408	411	-0.8%
Retained earnings	3,843	3,943	-2.5%
Total issued capital and reserves	12,440	12,543	-0.8%
Provisions	105	90	16.4%
Employee benefit obligations	187	201	-7.1%
Deferred income and other non-current liabilities	149	163	-8.6%
Total non-current liabilities	441	454	-2.8%
Trade and other payables	1,590	1,442	10.3%
Provisions for redundancy	139	231	-39.9%
Accruals, deferred income and short term borrowings	569	622	-8.5%
Total current liabilities	2,298	2,295	0.1%
Total liabilities	2,739	2,749	-0.4%
TOTAL EQUITY AND LIABILITIES	15,179	15,292	-0.7%

Consolidated Cash Flow Statement

in HRK million (IFRS; audited)	Jan-Dec 2008	Jan-Dec 2007	% of change 08/07
Net profit	2,310	2,473	-6.6%
Depreciation and impairment loss of non-current assets	1,363	1,436	-5.1%
Income tax expense	632	616	2.6%
Decrease/ (Increase) in inventories	-111	-60	85.0%
(Increase)/ Decrease in receivables and payables	-84	-128	-34.4%
Decrease in provisions	15	-5	-400.0%
Other transaction with impact on operating activities	-314	-603	-47.9%
Taxes paid	-699	-574	21.8%
Net cash flows from operating activities	3,112	3,155	-1.4%
Net Purchase/Proceeds of non-current assets	-1,571	-1,239	26.8%
Net Purchase/Proceeds of financial assets	2,376	2,517	-5.6%
Interest received	380	309	23.0%
Dividend received	0	5	-100.0%
Net cash flows from / (used in) investing activities	1,185	1,592	-25.6%
Repayment of long-term borrowings and lease liability	-12	-9	33.3%
Dividends paid	-2,421	-2,617	-7.5%
Net cash flows used in financing activities	-2,433	-2,626	-7.3%
Net decrease in cash and cash equivalents	1,864	2,121	-12.1%
Effect of F/X rate changes on cash and cash equivalents	-8	-8	0.0%
Cash and cash equivalents at the beginning of period	3,367	1,254	168.5%
Net cash (outflow) / inflow	1,856	2,113	-12.2%
Cash and cash equivalents at the end of period	5,223	3,367	55.1%

Selected Operational Data⁽¹⁾

T-MOBILE SEGMENT

Key operational data	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Subscribers			
No. of prepaid subscribers	1,879,377	1,700,042	10.5%
No. of postpaid subscribers	810,615	684,817	18.4%
Total T-Mobile subscribers	2,689,992	2,384,859	12.8%
% of postpaid subscribers	30.1%	28.7%	1.4 p.p.
Minutes of use (MOU)			
MOU per average subscriber	122.3	127.4	-4.0%
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) ⁽³⁾	118.5	128.8	-7.9%
Blended non-voice ARPU (monthly average for the period in HRK)	24.5	25.1	-2.6%
SAC per gross add ⁽²⁾	269.9	273.0	-1.1%
Churn rate (%)			
Churn rate total	1.4	1.3	0.1 p.p.
Churn rate postpaid	0.7	0.7	0.0 p.p.
Churn rate prepaid	1.7	1.5	0.2 p.p.
Penetration (%)			
Market share of subscribers (%)	45.9	47.4	-1.5 p.p.
Market share by revenue (%) ⁽³⁾⁽⁴⁾	50.4	52.2	-1.8 p.p.

T-COM SEGMENT

Key operational data	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Fixed telephony			
Total POTS and FGSM mainlines	1,444,356	1,500,757	-3.8%
Total ISDN mainlines	105,767	114,056	-7.3%
Total (POTS+FGSM+ISDN)	1,550,123	1,614,813	-4.0%
Payphones	8,948	10,066	-11.1%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,559,071	1,624,879	-4.1%
Total Traffic (thousands of minutes)	3,797,966	4,241,870	-10.5%
To national fixed network	3,177,675	3,519,864	-9.7%
To national mobile network	365,003	433,595	-15.8%
To VAS	66,119	75,863	-12.8%
To international networks	133,210	147,560	-9.7%
Remaining traffic ⁽⁵⁾	55,959	64,988	-13.9%
Average monthly voice revenue per voice access (ARPA) (HRK)	150	159	-5.7%

Key operational data	Jan-Dec 2008	Jan-Dec 2007	% change 08/07
Internet services			
Internet access customers			
Number of Internet subscribers	551,868	482,867	14.3%
Active dial-up users (%)	14.4	28.6	-14.2 p.p.
ADSL lines (%)	85.6	71.4	14.2 p.p.
Dial-up users	761,324	746,652	2.0%
Active dial - up users	79,215	137,942	-42.6%
ADSL mainlines	472,653	344,925	37.0%
IPTV customers	135,573	43,734	3.1x
Fixed-line customers	1,026	881	16.5%
VPN connection points	2,395	1,383	73.2%
Internet revenue			
Active dial-up users revenue (,000)	71,981	117,050	-38.5%
ADSL mainlines revenue (,000)	578,535	396,560	45.9%
Active dial-up users ARPU (monthly average for the period in HRK)	56	60	-6.7%
ADSL mainlines ARPA (monthly average for the period in HRK)	120	122	-1.6%
Data services			
Number of lines (except where stated otherwise)			
X25 (connection points)	27	871	-96.9%
Managed leased lines	234	303	-22.8%
Unmanaged leased lines	2,132	2,430	-12.3%
Frame Relay	1,900	2,635	-27.9%
ATM	8	17	-52.9%
Metro Ethernet (connection points)	2,088	893	2.3x
Total	6,389	7,149	-10.6%
Wholesale services			
Customers			
CPS	235,869	236,065	-0.1%
NP (users/number)	272,687	145,404	87.5%
ULL	87,072	29,773	2.9x
Wholesale revenue (HRK millions)	1,155	1,082	6.8%

(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) Revenue from VAS services is presented on net principle.

(4) Market share by total revenue without national roaming.

Source: published VIPnet and Tele2 quarterly report for 4Q 2007. Number of subscribers for VIPnet and Tele2 for 4Q 2008 internally estimated. Telekom Austria Annual report for Q1, Q2, Q3 2008. Tele2 Quarterly report for Q1, Q2, Q3 2008. VIPnet's total revenue for Jan-Dec 2008 internally estimated. VIPnet's national roaming services for Jan-May 2008 internally estimated. Tele2 total Revenue internally estimated.

(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.

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