

Zagreb - 8 November 2007

T-Hrvatski Telekom results for nine months to 30 September 2007: market leadership and strong financial performance continues

Group highlights:

- **Consolidated revenues increased** by 1.2 % over the same period in 2006, amounting to HRK 6,655 million (EUR 910 million)
 - Growth in mobile, Internet and wholesale services compensated for the expected lower fixed line voice revenues
 - Maintained position as market leader in all business segments
- **EBITDA** before exceptional items remained stable at HRK 3,236 million (EUR 443 million) with EBITDA margin of 48.6%
- **Net profit** of HRK 2,152 million (EUR 294 million) increased by 15.0% over the same period in 2006, mainly as a result of one-off income related to investment in HT Mostar
- **Net cash flow from operating activities** still very robust although decreased by 12.4% to a level of HRK 2,258 million (EUR 309 million)
- **T-Com segment:** ADSL mainlines increased by 71.0% year-on-year. MAXtv (the Group's successful HD-ready IPTV service) recorded more than 23 thousand customers providing access to up to 80 national and international TV channels
- **T-Mobile segment:** significant growth of 9.7% in subscriber base enabled unconsolidated revenue growth of 3.9% versus the comparable period in 2006. ARPU well managed despite significant competitive pressure

Commenting on the performance for the first nine months 2007, Ivica Mudrinić, President of the Management Board and CEO, said: "The nine month period to 30 September 2007 has been one of significant progress for the Group. On 5 October 2007, the Group completed its very successful IPO on the Zagreb and London Stock Exchanges and we have been delighted by the interest shown by investors both during the process and thereafter. The business has performed very much in-line with our expectations. Our focus on operational excellence has ensured that EBITDA margins have been maintained and the optimization of our cost base remains a fundamental part of our long term strategic outlook. Competition and regulation remains a significant feature of our market place and we are therefore investing heavily to ensure that we continue to provide high quality and compelling telecommunications services to all our customers."

About T-Hrvatski Telekom

T- Hrvatski Telekom is the leading provider of telecommunication services in Croatia. Through its two business units, T-Com and T-Mobile, the Group provides fixed telephony, mobile telephony, wholesale, Internet and data services.

Iskon Internet d.d., one of the leading alternative telecommunication providers in Croatia, was acquired by and became a member of T-HT Group in 2006. The majority owner of T-HT is Deutsche Telekom AG with 51% of T-HT's shares. The Government of the Republic of Croatia owns 9.5% of T-HT's shares (7% of which are earmarked for former and present T-HT Group employees), while the Croatian War Veteran's Fund owns 7% of shares. The remainder, 32.5% is in public hands. The Company completed the listing of its shares on the Zagreb Stock Exchange and global depositary receipts on the London Stock Exchange on 5 October 2007.

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

This release includes non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an additional indicator of the Group's operating performance. However such measures are not replacements for measures defined by and required under IFRS. In addition, some key performance indicators utilised by the Company may be calculated differently by other companies operating in the sector. Therefore the non-IFRS measures and key performance indicators used in this release may not be directly comparable to those of the Group's competitors.

Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2007	Jan-Sep 2006	% of change
Fixed telephony	2,437	2,690	-9.4%
Mobile telephony	3,026	2,874	5.3%
Wholesale services	549	492	11.6%
Internet services ¹⁾	487	359	35.7%
Data services	151	157	-3.8%
Miscellaneous	5	4	25.0%
Revenues	6,655	6,576	1.2%
Other operating income	172	122	41.0%
Operating cost	3,634	3,460	5.0%
Material and services costs	2,317	2,135	8.5%
Personnel costs	880	912	-3.5%
Work performed by company and capitalized	-94	-133	-29.3%
Write down of current assets	126	148	-14.9%
Other costs	405	398	1.8%
EBITDA²⁾	3,193	3,238	-1.4%
Depreciation and amortization	1,018	1,048	-2.9%
EBIT³⁾	2,175	2,190	-0.7%
Financial income / expenses	231	158	46.2%
Share of profits of associates and equity accounted investments	271	1	
Profit before taxes	2,677	2,349	14.0%
Taxation	525	477	10.1%
Net profit	2,152	1,872	15.0%
Exceptional items ⁴⁾	43	5	760.0%
EBITDA before exceptional items	3,236	3,243	-0.2%

¹⁾ Iskon included in financial statements from 1 June 2006

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 but after exceptional items.

⁴⁾ Exceptional items only occurred and shown in T-Com segment

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 September 2007	At 31 December 2006	% of change
Intangible and tangible assets	967	1,126	-14.1%
Property, plant and equipment	5,997	6,244	-4.0%
Goodwill	78	78	0.0%
Investments	401	113	254.9%
Other long term assets	111	123	-9.8%
Total non-current assets	7,554	7,684	-1.7%
Inventories	211	175	20.6%
Debtors	1,345	1,135	18.5%
Prepayments and accrued income	104	49	112.2%
Investments	293	878	-66.6%
Cash equivalents and time deposits	5,078	5,537	-8.3%
Total current assets	7,031	7,774	-9.6%
TOTAL ASSETS	14,585	15,458	-5.6%
Subscribed share capital	8,189	8,189	0.0%
Reserves	410	415	-1.2%
Retained earnings	3,656	4,127	-11.4%
Total issued capital and reserves	12,255	12,731	-3.7%
Provisions	96	97	-1.0%
Employee benefit obligations	217	199	9.0%
Deferred income and other non-current liabilities	54	176	-69.3%
Total non-current liabilities	367	472	-22.2%
Trade payables and other current liabilities	1,171	1,383	-15.3%
Provisions for redundancy	197	428	-54.0%
Accruals, deferred income and other current liabilities	595	444	34.0%
Total current liabilities	1,963	2,255	-12.9%
Total liabilities	2,330	2,727	-14.6%
TOTAL EQUITY AND LIABILITIES	14,585	15,458	-5.6%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2007	Jan-Sep 2006	% of change
Profit before tax	2,677	2,349	14.0%
Depreciation charges	1,018	1,048	-2.9%
Interest income	-186	-133	39.8%
Loss on disposal of assets	15	0	
Decrease in inventories	-36	10	-460.0%
(Increase) / Decrease in receivables and prepayments	-254	54	-570.4%
(Increase) / Decrease in payables and accruals	-199	-240	-17.1%
Decrease in provisions	-246	-174	41.4%
Other transaction with impact on operating activities	-32	70	-145.7%
Taxes paid	-499	-407	22.6%
Net cash flow from operating activities	2,258	2,577	-12.4%
Net Purchase/Proceeds of non-current assets	-616	-664	-7.2%
Net Purchase/Proceeds of financial assets	789	-2,231	-135.4%
Net cash flow from investing activities	173	-2,895	-106.0%
Repayment of long-term borrowings and proceeds from loan taken	-3	17	-117.6%
Dividends paid	-2,617	-813	221.9%
Net cash flow from financing activities	-2,620	-796	229.1%
Effect of F/X rate changes on cash and cash equivalents	-4	1	
Net decrease in cash and cash equivalents	-193	-1,113	-82.7%
Analysis of changes in cash and cash equivalents:			
At the beginning of period	1,254	2,889	-56.6%
Net cash (outflow) / inflow	-193	-1,113	-82.7%
At the end of period	1,061	1,776	-40.3%

Selected operational data ¹⁾

T-COM SEGMENT

Key operational data	30 September 2007	30 September 2006	% of change
Fixed telephony			
Total POTS and FGSM mainlines	1,511,619	1,508,627	0.2%
Total ISDN mainlines	116,942	128,157	-8.8%
Total (POTS+FGSM+ISDN)	1,628,561	1,636,784	-0.5%
Payphones	10,417	13,069	-20.3%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,638,978	1,649,853	-0.7%
Total Traffic (thousands of minutes)	3,181,639	3,673,235	-13.4%
To national fixed network	2,629,744	3,019,723	-12.9%
To national mobile network	333,851	414,460	-19.4%
To VAS	54,320	48,602	11.8%
To international networks	112,150	132,977	-15.7%
Remaining traffic ²⁾	51,574	57,473	-10.3%
Average monthly voice revenue per voice access (ARPA) (HRK)	160	176	-9.1%
Internet services			
Internet access customers			
Number of Internet subscribers	449,367	381,611	17.8%
Dial-up users	744,826	726,449	2.5%
ADSL mainlines	299,433	175,068	71.0%
Fixed-line customers	840	803	4.6%
VPN connection points	1,195	752	58.9%
Internet revenue			
Active dial-up users revenue (000)	91,162	123,200	-26.0%
ADSL mainlines revenue (000)	279,970	160,491	74.4%
Active dial-up users ARPU	60	65	-7.7%
ADSL mainlines ARPA	121	129	-6.2%
Data services			
Number of lines (except where stated otherwise)			
X25 (connection points)	1,003	1,375	-27.1%
Managed leased lines	311	356	-12.6%
Unmanaged leased lines	2,568	2,979	-13.8%
Frame Relay	2,843	3,153	-9.8%
ATM	24	33	-27.3%
Metro Ethernet (connection points)	493	19	
Total	7,242	7,915	-8.5%
Wholesale services			
Customers			
CPS	240,697	167,978	43.3%
NP (users/number)	121,348	52,925	129.3%
ULL	24,024	18	
Wholesale revenues (HRK millions)	876	785	11.6%

T-MOBILE SEGMENT

Key operational data	30 September 2007	30 September 2006	% of change
Subscribers			
No. of pre-paid subscribers	1,637,353	1,576,050	3.9%
No. of post-paid subscribers	640,825	500,253	28.1%
Total T-Mobile subscribers	2,278,178	2,076,303	9.7%
% of post-paid subscribers	28%	24%	
Minutes of use (MOU)			
MOU per average subscriber	127	111	14.5%
Average revenue per user (ARPU) (HRK)			
Blended ARPU	132	140	-5.3%
Blended non-voice ARPU	25	23	6.0%
SAC per gross add (HRK)			
	265	369	-28.2%
Churn rate (%)			
Churn rate total	1.2	1.0	
Churn rate post-paid	0.8	1.3	
Churn rate pre-paid	1.3	1.0	
Penetration (%)			
	109	94	
Market share of subscribers (%)			
	47.0	50.2	
Market share by revenue (%)³⁾			
	52.6	53.2	

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

3) Source: Telekom Austria annual report for 2006 and for the first half of 2007, internal estimation of VIPnet's revenues for 3Q2007 and revenues for Tele2. Market shares are based on unconsolidated revenues for T-Mobile (i.e. not net of T-Com revenues) and excluding estimated VIPnet roaming revenues from Tele2.

Analysis of the consolidated financial statements for the first nine months 2007

Note: presented consolidated financial statements are unaudited.

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period-end	Average	Period-end
Year ended 31 December 2006	7.32	7.35	5.84	5.58
Nine months ended 30 September 2007	7.31	7.28	5.27	5.14

Consolidated Income Statement

Revenues

Total consolidated revenues increased by 1.2% to HRK 6,655 million for the nine months ended 30 September 2007 ("reporting period") from HRK 6,576 million for the same period in 2006. Revenue growth was driven by mobile telephony and Internet services and, to a lesser degree, by wholesale services. Together these three business services accounted for 61.0% of the Group's total revenues for the nine months ended 30 September 2007 and 56.6% of the Group's total revenues for the same period previous year. The growth in revenues from mobile telephony, Internet and wholesale services more than offset the expected decline in fixed telephony revenues and revenues from data services.

Operating costs

Total operating costs in the reporting period increased by 5.0% to HRK 3,634 from HRK 3,460 million for the same period in 2006. This was primarily a result of an increase in material and services costs, partially offset by a decrease in personnel costs.

Material and services costs

The cost of raw materials, consumables and merchandise purchased for resale increased by 5.4% to HRK 529 million for the nine months ended 30 September 2007 from HRK 502 million for the same period in 2006. This increase was mainly due to an increase in the cost of modems and terminal equipment for fixed telephony services such as ADSL and IP TV in the T-Com segment in addition to the increase in cost of mobile merchandise sold through both direct and indirect channels by T-Mobile.

Other material costs and the costs of services increased by 9.5% to HRK 1,788 million for the nine months ended 30 September 2007 from HRK 1,633 million for the comparable period 2006. This was mainly due to increases in domestic and international connection services, maintenance costs (partly due to the outsourcing of such services) and rental costs in respect of rights of way over the Duct Infrastructure and T-Mobile's fees to indirect sales partners which resulted from larger subscriber base.

Total cost accrual in respect of rights of way over the Duct Infrastructure (“DTI costs”) for the period of first nine months of 2007 amounted to HRK 56 million (of which HRK 21 million relates to the reporting period, while remaining HRK 35 million relates to previous periods). It is slightly lower than that reported for the period of the first six months 2007 of HRK 61 million due to new information gathered and reassessment of the related costs.

Personnel costs

Total personnel costs decreased by 3.5% to HRK 880 million for the nine months ended 30 September 2007 from HRK 912 million for the same period in 2006 due to headcount reduction.

As at 30 September 2007, the Group had 6,860 employees compared to 7,546 employees as at 30 September 2006, representing a decrease of 9.1%.

Write-down of current assets

The current assets write-down decreased by 14.9% to HRK 126 million for the nine months ended 30 September 2007 compared to HRK 148 million for the nine months ended 30 September 2006, due to an improvement in debt collection.

Other costs

Other costs increased by 1.8% to HRK 405 million for the nine months ended 30 September 2007 from HRK 398 million for the comparable period in 2006, primarily reflecting the one-off costs of the Group’s IPO.

Depreciation and amortization

Depreciation and amortization decreased by 2.9% to HRK 1,018 million for the nine months ended 30 September 2007 from HRK 1,048 million for the nine months ended 30 September 2006. This decrease was primarily due to the complete depreciation of certain assets, primarily cables, switching equipment, transmission equipment, DTI and IT equipment, which occurred in 2006.

Exceptional items

In the reporting period the Group’s exceptional items totalled HRK 43 million of which HRK 35 million was related to DTI costs and an additional HRK 8 million which related to IPO costs. In the same period last year exceptional items amounted to HRK 5 million which was the result of the Group’s project to close certain warehouses and waste management of inventory and material on stock.

Profitability

in HRK million	Jan-Sep 2007	Jan-Sep 2006	% of change
Revenues	6,655	6,576	1.2%
EBITDA	3,193	3,238	-1.4%
EBITDA before exceptional items	3,236	3,243	-0.2%
EBIT (Operating profit)	2,175	2,190	-0.7%
Net profit	2,152	1,872	15.0%
Profitability Ratios			
EBITDA margin	48.0%	49.2%	
EBITDA margin before exceptional items	48.6%	49.3%	
EBIT margin	32.7%	33.3%	
Net profit margin	32.3%	28.5%	

EBITDA

EBITDA before exceptional items decreased by 0.2% to HRK 3,236 million for the nine months ended 30 September 2007 from HRK 3,243 million for the nine months ended 30 September 2006.

EBITDA margin before exceptional items for the period of first nine months 2007 stood at 48.6% which represents a slight decrease from 49.3% achieved in the comparable period 2006.

Exceptional items for the reporting period represented 1.3% of related EBITDA before exceptional items.

Operating profit (EBIT)

Consolidated operating profit decreased by 0.7% to HRK 2,175 million for the nine months ended 30 September 2007 from HRK 2,190 million for the nine months ended 30 September 2006. This was due to a higher increase in telecommunications costs, primarily related to Domestic interconnection and to a lesser extent, International settlements.

Net profit

Consolidated net profit increased by 15.0% to HRK 2,152 million for the nine months ended 30 September 2007 from HRK 1,872 million for the same period in 2006. This increase in net profit was primarily due to income from equity accounted investments relating to the Group's investment in HT Mostar d.o.o. In the nine months ended 30 September 2007 the Group booked HRK 271 million of related income, the majority of which were one-off profits (such as the reversal of the impairment provision and profit arising from disposal of the shares in connection with the investment in HT MObilne Mostar).

In addition, higher net profit was also driven by the increase in net financial income (which grew by 48.5%) resulting primarily from higher average cash balances.

Consolidated Balance sheet and Cash flow

The total assets of the Group declined by 5.6% from HRK 15,458 million as of December 31 2006 to HRK 14,585 million as of 30 September 2007. In the same period total issued capital and reserves decreased by 3.7%. As at September 30 2007 cash equivalents and time deposits stood at HRK 5,078 million which represents a fall of 8.3% from the beginning of the year. The major driver behind all three reductions highlighted above was the payment of the dividends in the reporting period in the total amount of HRK 2,617 million.

Net cash flow from operating activities still very robust although decreased by 12.4% to HRK 2,258 million in the first nine months of 2007 mainly due to an increase in receivables and prepayments as well as an increase in taxes paid compared to the same period last year.

Capital expenditure decreased by 15.7% to HRK 629 million for the nine months ended 30 September 2007 from HRK 746 million for the nine months ended 30 September 2006.

Analysis of segment results

Segment information

The Group's results are segmented according to the way the business is managed into the T-Com segment and the T-Mobile segment.

The T-Com segment (which is not separate legal entity) provides fixed telephony, wholesale services, Internet services and data services. The T-Com segment encompasses Hrvatske telekomunikacije d.d. (the Company) and Iskon Internet d.o.o. (Iskon), Company's fully owned subsidiary. Iskon is the leading Croatian Internet/alternative telecommunication services provider and was acquired in May 2006.

The T-Mobile segment (or T-Mobile Croatia d.o.o., wholly owned subsidiary of the Company) provides mobile telephony which includes mobile wholesale, mobile Internet and mobile data services.

The sum of the financial results of two segments presented bellow does not equal Group's financial results because of intersegment eliminations.

T-Com

The following table provides selected unconsolidated income statement data for T-Com for the nine months ended 30 September 2007 and 30 September 2006.

Income statement

in HRK million	Jan-Sep 2007	%	Jan-Sep 2006	%	% of change
Revenues	4,056	100.0%	4,093	100.0%	-0.9%
Other income	141		128		10.5%
Operating costs	2,452		2,372		3.4%
Exceptional items	43		5		759.4%
EBITDA	1,703	42.0%	1,843	45.0%	-7.6%
Depreciation and amortization	625		675		-7.4%
EBIT	1,078	26.6%	1,168	28.5%	-7.7%
EBITDA before exceptional items	1,745	43.0%	1,849	45.2%	-5.6%

Revenues

The table below sets forth a breakdown of T-Com's revenues (as described above) for the nine months ended 30 September 2007 and 30 September 2006.

Revenue structure

in HRK million	Jan-Sep 2007	%	Jan-Sep 2006	%	% of change
Fixed telephony	2,439	60.1%	2,692	65.8%	-9.4%
Wholesale services	876	21.6%	785	19.2%	11.6%
Internet services	488	12.0%	362	8.8%	34.8%
Data services	151	3.7%	157	3.8%	-4.0%
Miscellaneous	101	2.5%	97	2.4%	4.2%
Revenues	4,056	100.0%	4,093	100.0%	-0.9%

Total revenues from T-Com decreased by 0.9% to HRK 4,056 million for the nine months ended 30 September 2007 from HRK 4,093 million for the same period previous year. The decrease in T-Com's revenue was due primarily to a decrease in fixed telephony traffic caused by fixed to mobile substitution and increased competition resulting in customer migration to other operators. The decrease has been partially offset by the performance of wholesale services, in particular origination and termination revenues from CPS, the migration of traditional data services to IP platforms and a significant increase in revenues from Internet services, particularly ADSL.

Revenues from fixed telephony

Revenue from fixed telephony decreased by 9.4% to HRK 2,439 million for the nine months ended 30 September 2007 from HRK 2,692 million for the same period previous year. The decrease in revenue from fixed telephony is primarily due to a decrease in fixed telephony traffic caused by fixed to mobile substitution and increased competition resulting in a customer migration to other operators (CPS, ULL).

T-Com mainlines kept stable on the level of 1,639 million mainlines as of 30 September 2007 starting from 1,650 million mainlines as of 30 September 2006 (the decrease of mainlines occurs in the number of ISDNs), thus resulting in stable access revenue. The decrease in fixed telephony revenue is primarily attributable to changes in traffic revenue, which decreased by 19.3% from HRK 1,490 million in the nine months ended 30 September 2006 to HRK 1,202 million in the nine months ended 30 September 2007. This decrease was partially offset by an increase in revenue from other fixed network services.

The decrease in ARPA by 9.1% was a result of fixed to mobile substitution and downward price pressure arising from increased competition. In addition, the introduction of CPS led to a certain amount of traffic revenue flowing from voice lines to wholesale. This also had a subsequent effect on ARPA.

Revenues from wholesale services

In the reporting period revenues from wholesale services increased by 11.6% to HRK 876 million from HRK 785 million for the same period in 2006. This increase was primarily due to the liberalization of the market. Higher origination and termination revenue was a result of a growth in CPS active lines (up 72,719 from 30 September 2006 to 30 September 2007). In 2007 wholesale started to provide ULL services for other fixed operators (24,024 lines as at 30 September 2007), which resulted in additional revenue from infrastructure services. Furthermore, an increase in revenues may be partly explained by the recently introduced cable duct rental agreements and related revenues.

Revenues from internet services

Revenue from Internet services increased by 34.8% to HRK 488 million for the nine months ended 30 September 2007 from HRK 362 million in the same period previous year. This increase is due to the further growth of the ADSL customer base, which increased to 299,433 customers as at 30 September 2007 representing an increase of 71.0% from 175,068 as at 30 September 2006. Iskon's contribution to revenue after consolidation amounted to HRK 52 million for nine months ended 30 September 2007.

ARPA in ADSL has declined by 6.2% because of the strong promotions and the repricing offered by the Group in order to increase broadband penetration and retain the Group's market share in Croatia. At the end of reporting period, MAXtv (the Group's successful HD-ready IPTV service) recorded more than 23 thousand customers with service upgrades and a broadened content offering enabling users to view up to 80 national and international TV channels.

Revenues from data services

Revenue from data services decreased by 4.0% to HRK 151 million for the nine months ended 30 September 2007 from HRK 157 million for the same period in 2006. This decrease was mainly due to the controlled further migration of customers from traditional data services to cheaper IP-based services. This has allowed the Group to retain existing customers whilst also attracting new customers.

Miscellaneous revenues

Miscellaneous revenue primarily consists of revenue from the sale of mobile merchandise. Revenue from the sale of mobile merchandise is generated by T-Com buying mobile merchandise at cost from T-Mobile and selling it through its sales channels. Miscellaneous revenue increased by 4.2% to HRK 101 million for the reporting period compared to HRK 97 million for the same period the year before primarily due to increase in sale of mobile goods.

Other income

Other 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 income increased by 10.5% to HRK 141 million for the nine months ended 30 September 2007 from HRK 128 million for the comparable period 2006. This was primarily due to an increase in income from construction work carried out for third parties and sale of fixed assets such as dismantled switches.

EBITDA

For the nine months ended 30 September 2007, EBITDA before exceptional items decreased by 5.6% to HRK 1,745 million from HRK 1,849 million for the same period last year. This decrease is primarily due to the revenue decrease of HRK 37 million, primarily in area of fixed telephony as described above and an increase in operating costs (before depreciation and amortization) by HRK 80 million, primarily driven by an increase in merchandise costs and decrease of own work capitalized. This was partially offset by an increase in other income of HRK 13 million.

T-Mobile

At the end of September 2007 the mobile penetration rate in Croatia stood at 109% compared to 94% at the end of September 2006. T-Mobile increased its subscriber base by 9.7% on a comparable basis, to a level of 2,278 million subscribers. Its revenue market share declined from 53.2% to 52.6%, while its subscribers market share declined from 50.2% to 47.0%.

The following table sets forth selected unconsolidated income statement data for T-Mobile for the nine months ended 30 September 2007 and the nine months ended 30 September 2006.

Income statement

in HRK million	Jan-Sep 2007	%	Jan-Sep 2006	%	% of change
Revenues	3,235	100.0%	3,113	100.0%	3.9%
Other income	87		58		50.0%
Operating costs	1,831		1,776		3.1%
EBITDA	1,491	46.1%	1,395	44.8%	6.9%
Depreciation and amortization	393		373		5.4%
EBIT	1,098	33.9%	1,022	32.8%	7.4%

Revenues

Revenue structure

in HRK million	Jan-Sep 2007	%	Jan-Sep 2006	%	% of change
Revenues from Postpaid services ¹⁾	1,886	58%	1,849	59%	2.0%
Revenues from Prepaid services	1,167	36%	1,109	36%	5.2%
Other mobile revenues	182	6%	155	5%	17.4%
Revenues	3,235	100%	3,113	100%	3.9%

¹⁾ including visitors' revenue

In the reporting period T-Mobile's revenues increased by 3.9% to HRK 3,235 million from HRK 3,113 million for the same period in 2006. Revenue growth was mainly a result of the strong growth in the postpaid subscriber base in the first nine months of 2007, as well as a stable spending pattern in the same period by pre-paid subscribers. The increase in revenue generated from a growth in the subscriber base and higher usage traffic was partly offset by a decrease in call prices.

As a result of competitive pricing and increased penetration, blended ARPU has shown a small declining trend over this period. This decrease in ARPU has been offset, in part, by a shift of subscribers from pre-paid to post-paid (as the latter typically have a higher ARPU) and the increase in mobile usage.

EBITDA

For the nine months ended 30 September 2007, EBITDA for mobile telephony increased by 6.9% to HRK 1,491 million from HRK 1,395 million for the same period last year. The increase was due to a combination of higher revenues from mobile services and a more moderate growth in operating expenses. There were no exceptional items influencing presented EBITDA in the reported periods in the T-Mobile segment.

Other Group events

On 6 September 2007 the General Assembly of HT- Hrvatske telekomunikacije d.d. passed a decision on the payment of an extraordinary dividend from the net profit of the Company realized in previous business years in the total amount of HRK 2,410 million.

On 26 October 2007 T-HT was shortlisted in a public tender for the acquisition of a significant equity participation in Telekom Slovenije.

Group 2007 Outlook:

Revenues

- Relative decline in 2007 Fixed telephony revenues expected equivalent to decline in 2006
- Strong growth in Internet services. Target of reaching slightly above 320,000 ADSL subscribers by end of 2007 with ARPU under pressure
- Traditional Data revenues in slight decline
- Growth in wholesale revenues partly offsetting decline in Fixed telephony
- Mobile ARPU decrease offset by subscriber growth resulting in low single digit revenue growth

EBITDA

- EBITDA margin under pressure from increasing acquisition and retention costs
- Cost optimization program and further headcount reduction to limit decrease in margins

CAPEX

- Group capex as a percentage of revenues slightly lower compared to 2006
