Hrvatski Telekom

Zagreb – 6 November 2008

T-Hrvatski Telekom

Results for the first nine months of 2008

Revenue up 2.8%, T-Mobile exceeds 2.6 million subscribers; strong growth in ADSL and MAXtv.

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HRTA CZ), Croatia's leading telecommunications provider, announces its unaudited results for the nine months ended 30 September 2008.

Group Highlights

- Solid growth in Internet, Mobile and Wholesale drives 2.8% revenue growth to HRK 6,652 million (EUR 919 million)
- EBITDA stable at HRK 3,193 million (EUR 441 million); EBITDA margin remains strong at 48.0%
- Net profit fell 1.5% to HRK 1,888 million excluding the impact of a one-off gain in 2007 (down 12.3% including the impact of the one-off gain)
- Operating cash flow remains strong at HRK 1,937 million
- Outlook maintained, but with full-year revenue expectations slightly increased

T-Mobile

- 15% growth in subscriber numbers drives 5.5% increase in revenue to HRK 3,365 million
- Monthly minutes of use down 1.8% to 125.1 minutes per subscriber
- Postpaid subscribers up 20.7%; postpaid accounts for 60.5% of T-Mobile revenue
- Launching iPhone in Croatia on 7 November

T-Com

- Revenue steady at HRK 3,904 million
- ADSL mainlines up 43.4% to 429,242
- MAXtv subscribers up 4x to 92,205; reaches 100,000 in October following launch of standalone product

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

"T-Hrvatski Telekom had an excellent third quarter that enhanced an already strong year to date. Our focus on competitive pricing and product innovation has helped the group deliver solid growth in mobile revenue and an outstanding performance in increasing broadband and IPTV subscriber numbers. Since the end of the third quarter our MAXtv service has broken through 100,000 subscribers and I am pleased to report that we will launch the iPhone in Croatia tomorrow. As the year draws to a close we remain confident of delivering a good set of results for the whole of 2008."

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A conference call for analyst and investors will start at 09.00 UK time / 10.00 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	71765212

Replay (available until Thursday 13 November 2008)

International dial-in:	+44 (0) 1452 55 00 00
UK free call dial in	0800 953 1533
Access number:	71765212#

A presentation covering results for the first nine months of 2008 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, 2.6 million mobile subscribers and more than 429,000 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.

Hrvatski Telekom

Summary of key financial indicators

in HRK million	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Revenue	6,652	6,468	*2.8%*
EBITDA	3,193	3,196	*-0.1%*
EBITDA before exceptional items[1)]	3,193	3,238	*-1.4%*
EBIT (Operating profit)	2,183	2,177	*0.3%*
Net profit	1,888	2,153	*-12.3%*
EBITDA margin	48.0%	49.4%	*-1.4 p.p.*
EBITDA margin before exceptional items	48.0%	50.1%	*-2.1 p.p.*
EBIT margin	32.8%	33.7%	*-0.8 p.p.*
Net profit margin	28.4%	33.3%	*-4.9 p.p.*
in HRK million	At 30 Sep 2008	At 31 Dec 2007	% change 08/07
Cash equivalents and time deposits	4,891	5,898	*-17.1%*
Total assets	14,298	15,293	*-6.5%*
Total issued capital and reserves	12,046	12,573	*-4.2%*
in HRK million	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Net cash flow from operating activities	1,937	2,062	*-6.1%*

1) Exceptional items in 3Q 2007 only: 43 HRK million→35 million related to DTI costs and HRK 8 million related to IPO costs.

Exchange rate information

in HRK	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Nine months to 30 September 2007	7.31	7.28	5.47	5.14
Nine months to 30 September 2008	7.24	7.11	4.76	4.96

Summary of key performance indicators

T-Mobile	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Subscribers	2,619,602	2,278,178	*15.0%*
Minutes of Use (MOU)	125.1	127.4	*-1.8%*
Blended ARPU[1)]	120.2	130.1	*-7.6%*
Churn rate (%)	1.28	1.18	*0.10 p.p.*
Market share of subscribers (%)	46.6	47.4	*-0.8 p.p.*
Market share by revenue (%)[1)2)]	50.1	52.2	*-2.1 p.p.*
T-Com	**Jan-Sep 2008**	**Jan-Sep 2007**	**% change 08/07**
Total (POTS+FGSM+ISDN) mainlines	1,559,469	1,628,561	*-4.2%*
Total traffic (thousands of minutes)	2,850,920	3,181,639	*-10.4%*
Internet subscribers	520,254	449,367	*15.8%*
ADSL mainlines	429,242	299,433	*43.4%*
ADSL mainlines ARPA	123	121	*1.5%*
IPTV customers	92,205	23,084	*4.0x*
Total data lines	6,314	7,242	*-12.8%*
ULL	73,966	19,215	*3.8x*

1) Revenue from VAS services is presented on net principle.
2) Market share by total revenue without national roaming.

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 30 September 2008, T-Com served more than 1.5 million fixed-lines and around 430,000 high-speed broadband connections – up from around 300,000 at the end of the same period in 2007. Our 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 more than 2.6 million subscribers, representing a market share of more than 46.6%.

Recent changes to the Management Board

On 1 October, Irena Jolić Šimović, Member of the Management Board, became Chief Executive of T-Com, the Group's fixed network and broadband operation. She replaced Ivana Šoljan, who left the Company.

At the same time, Branka Skaramuča, Member of the Management Board and Chief Human Resources Officer of T-Mobile additionally took over Irena's previous role, as the Chief Human Resources Officer of T-HT.

Group financial performance

Revenue

The first nine months of 2008 progressed as expected, with T-Hrvatski Telekom maintaining its leadership in all segments of the Croatian telecommunications market. Total consolidated revenue increased by 2.8% to HRK 6,652 million, from HRK 6,468 million in the first nine months of 2007. Growth in mobile telephony, internet services and to a lesser degree, wholesale services more than compensated for a 10.2% decline in fixed-line revenue. Together, these three services accounted for 65.9% of total group sales, compared with 61.2% in first nine months 2007.

Operating expenses

Excluding depreciation and amortization, total operating expenses increased by 5.1% to HRK 3,644 million (first nine months 2007: HRK 3,467 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 staff costs associated with a reduction in staff numbers compared with first nine months of 2007.

Merchandise, material, services, energy and other expenses

- Merchandise, material and energy expenses

  The total cost of merchandise, material and energy increased by 29.6% to HRK 731 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 12.3% to HRK 1,032 million, with higher domestic interconnection services (due to increase in mobile telephony revenue) and international telecommunications services as a result of higher transit traffic in 2008 being the major reasons.

- Other expenses

  Other expenses decreased by 2.9% to HRK 1,048 million in the absence of an exceptional item of HRK 35 million booked in 2007.

Employee benefit expenses

Employee benefit expenses fell by 3.6% to HRK 852 million (first nine months 2007: HRK 884 million) as a result of the Group's restructuring programme, which reduced the number of employees from 6,860 at the end of September 2007 to 6,481 at the end of September 2008. Since the end of the period under review, 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 30.3% to HRK 68 million (first nine months 2007: HRK 98 million).

Depreciation and amortization

Depreciation and amortization decreased by 0.9% to HRK 1,009 million, primarily because most of the Group's IN platforms were fully depreciated in 2007.

Profitability

in HRK million	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Revenue	6,652	6,468	*2.8%*
EBITDA	3,193	3,196	*-0.1%*
EBITDA before exceptional items[1)]	3,193	3,238	*-1.4%*
EBIT (Operating profit)	2,183	2,177	*0.3%*
Net profit	1,888	2,153	*-12.3%*
EBITDA margin	48.0%	49.4%	*-1.4 p.p.*
EBITDA margin before exceptional items	48.0%	50.1%	*-2.1 p.p.*
EBIT margin	32.8%	33.7%	*-0.8 p.p.*
Net profit margin	28.4%	33.3%	*-4.9 p.p.*

[1)] Exceptional items in 3Q 2007 only: 43 HRK million. This amount comprised HRK 8 million IPO costs (booked under Services expense) plus HRK 35 million of DTI rental cost with respect to periods before year 2007 (booked under Other expenses).

With operating expenses rising faster than revenue, EBITDA before exceptional items decreased by 1.4% to HRK 3,193 million, representing an EBITDA margin of 48.0% (first nine months 2007: HRK 3,238 million at a margin of 50.1%).

Operating profit increased by 0.3% to HRK 2,183 million, representing an EBIT margin of 32.8% (first nine months 2007: HRK 2,177 million at a margin of 33.7%).

Excluding the impact of a one-off gain, net profit fell 1.5%. Including the one-off gain net profit fell by 12.3% to HRK 1,888 million (first nine months 2007: HRK 2,153 million), mainly because of a 92.5% fall in income from the Group's investment in HT Mostar, which contributed HRK 20 million in first nine months 2008, compared with HRK 270 million in first nine months of 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 6.5% to HRK 14,298 million, mostly as a result of dividend payments in May totalling HRK 2,421 million.

Inventory levels rose by 38.9% because of the increased need for ADSL and IPTV equipment to support expansion of services, as well as an acceleration in the installation and connection of optical lines.

Cash equivalents and time deposits stood at HRK 4,891 million on 30 September 2008, compared with HRK 5,898 million on 31 December 2007.

Total current liabilities decreased from HRK 2,265 million at 31 December 2007 to HRK 1,924 million at 30 September 2008, mostly due to decreased trade payables and payments made to employees who left the Group in current year as part of the redundancy programme.

Cash flow

The Group generated HRK 1,937 million of net cash from operating activities (first nine months 2007: HRK 2,062 million). This 6.1% decrease is mostly attributable to a 26.1% increase in taxes paid.

Capital expenditure

Capital expenditure increased by 34.8% to HRK 848 million in 2008 from HRK 629 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 12.8% (first nine months 2007: 9.7%).

in HRK million	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
T-Com	606	430	*40.9%*
T-Mobile	242	199	*21.6%*
Total Capital Expenditure	848	629	*34.8%*

Analysis of segment 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 15.0% to 2.62 million; T-Mobile has 46.6% of SIM market share in Croatia
- Minutes of use per average subscriber down 1.8% to 125.1 minutes per month
- Revenue up 5.5% to HRK 3,365 million
- Postpaid up 6.8% to HRK 2,037 million or 60.5% of T-Mobile revenue
- EBITDA up 4.4% to HRK 1,557 million

Mobile penetration rate in Croatia has reached 126.5% according to T-HT estimates. Of three mobile operators in Croatia, T-Mobile is the market leader with a 46.6% share of the SIM market – down slightly from 47.4% at the end of first nine months 2007 – and an estimated 50.1% market share by revenue.

Strong promotional activities led to subscriber numbers increasing by 15.0% to 2,619,602 with postpaid subscribers rising by 20.7% to 773,612 and pre-paid rising by 12.7% to 1,845,990. Postpaid accounts make up 30% of subscriber numbers but contribute 60.5 % of T-Mobile revenue.

Minutes of use per average subscriber have decreased by 1.8% from 127.4 in the first nine months of 2007 to 125.1 in 2008. The decline is mostly attributable to the fact that promotions encouraging longer calls in Q3 2007 were not repeated in Q3 2008.

As a result of promotional incentives offering cheaper calls and increased subscriber numbers, the monthly average revenue per user (ARPU) fell 7.6% to HRK 120.2 (first nine months 2007: HRK 130.1). The overall churn rate increased slightly from 1.18% in first nine months 2007 to 1.28% in first nine months 2008, but postpaid churn fell from 0.76% in first nine months 2007 to 0.71% in first nine months 2008, because of targeted promotions and tailor-made pricing plans. Subscriber acquisitions costs (SAC) per gross add decreased 2.6% to HRK 258, as a result of the increase in gross add numbers outpacing the increase in acquisition costs.

T-Mobile

in HRK million	Jan-Sep 2008	%	Jan-Sep 2007	%	% change A08/A07
Revenue from Postpaid services[1)2)3)]	2,037	60.5%	1,907	59.8%	*6.8%*
Revenue from Prepaid services[2)3)]	1,090	32.4%	1,102	34.5%	*-1.1%*
Other mobile revenue	238	7.1%	182	5.7%	*30.8%*
Revenue[3)]	**3,365**	100.0%	**3,191**	100.0%	***5.5%***
Other operating income	120		87		*37.9%*
Operating expenses	1,928		1,787		*7.9%*
EBITDA	**1,557**	46.3%	**1,491**	46.7%	***4.4%***
Depreciation and amortization	352		393		*-10.4%*
EBIT	**1,205**	35.8%	**1,098**	34.4%	***9.7%***

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 5.5% to HRK 3,365 million (first nine months 2007: HRK 3,191 million), of which 60.5% or HRK 2,037 million was postpaid (first nine months 2007: HRK 1,907 million or 59.8%). The strong increase in the subscriber base was, as expected, partially offset by a decrease in call prices to maintain competitive positioning.

Other operating income is 37.9% 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 4.4% to HRK 1,557 million (first nine months 2007: HRK 1,491 million) mainly as a result of revenue and other operating income developments as explained above.

EBIT increased by 9.7% to HRK 1,205 million (first nine months 2007: HRK 1,098 million) as a result of EBITDA improvement and 10.4% 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 21.6% to HRK 242 million as the division increased investment in 2G and 3G networks and new platforms. This represents 7.2% of revenue, compared with 6.2% last year.

T-Com highlights

- Internet revenue up 33.5% to HRK 652 million
- ADSL mainlines up 43.4% to 429,242
- MAXtv subscribers up 4x to 92,205 , breaking through 100,000 in late October
- Wholesale revenue up 9.0% to HRK 889 million
- Increase in Wholesale and Internet revenue almost entirely offset decline in fixed-line revenue
- EBITDA before exceptional items fell by 6.4% to HRK 1,636 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 84%, 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-Sep 2008	%	Jan-Sep 2007	%	% change 08/07
Fixed telephony	2,119	54.3%	2,359	60.3%	*-10.2%*
Wholesale services	889	22.8%	816	20.8%	*9.0%*
Internet services	652	16.7%	488	12.5%	*33.5%*
Data services	150	3.8%	151	3.9%	*-0.5%*
Miscellaneous	93	2.4%	99	2.5%	*-6.0%*
Revenue	**3,904**	**100.0%**	**3,914**	**100.0%**	***-0.3%***
Other operating income	154		143		*7.7%*
Operating expenses	2,422		2,353		*3.0%*
EBITDA	**1,636**	**41.9%**	**1,705**	**43.6%**	***-4.0%***
EBITDA before exceptional items[1)]	**1,636**	**41.9%**	**1,747**	**44.6%**	***-6.4%***
Depreciation and amortization	658		626		*5.2%*
EBIT	**978**	**25.0%**	**1,079**	**27.6%**	***-9.4%***

[1)] Exceptional items in 3Q 2007 only: 43 HRK million→35 million related to DTI costs and HRK 8 million related to IPO costs.

Revenue

T-Com revenue fell by just 0.3% to HRK 3,904 million (first nine months 2007: HRK 3,914 million) with strong growth in Internet and Wholesale revenue almost entirely making up for a HRK 240 million decline in fixed-line telephony revenue.

Fixed-line telephony

Despite a fall of 4.3% since September 2007, T-Com maintained its market leadership with nearly 1.6 million lines connected as at 30 September 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 10.4% to 2,851 million minutes.

Revenue from fixed telephony decreased by 10.2% to HRK 2,119 million (first nine months 2007: HRK 2,359 million). A 5.9% 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 9.0% to HRK 889 million (first nine months 2007: HRK 816 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 19,215 in September 2007 to 73,966 at the end of September 2008, while ported numbers almost doubled to 241,015 (September 2007: 121,348). Carrier pre-select (CPS) customers stood at 221,491 (September 2007: 240,697).

Internet services

Internet services are provided both through HT and through its 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 33.5% to HRK 652 million (first nine months 2007: HRK 488 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. Iskon's contribution to revenue after consolidation amounted to HRK 68 million in first nine months 2008, compared with HRK 52 million in the same period 2007. Recently, the Croatian Telecommunications Agency authorised IP-telephony based "Net phone" package offers.

ADSL mainlines increased by 43.4% to 429,242 (September 2007: 299,433), with overall internet subscriptions up 15.8% to 520,254 (September 2007: 449,367). ADSL lines now account for 82.5% of all internet subscribers, up from 66.6% in September 2007. As of the end of September 2008 the Group estimates that household broadband penetration in Croatia amounted to 27%.

ADSL ARPA (Average Revenue per Access) increased by 1.5% to HRK 123 per month because of a strong increase in broadband usage. To maintain ARPA, T-Com will continue to promote upgrades to higher speeds and will motivate increased usage by offering innovative content services.

MAXtv, the Group's interactive TV service, has been a major success with a 4x increase in subscribers to 92,205. In late October this broke through 100.000 subscribers, growing rapidly following the launch of a stand-alone MAXtv service that does not require a broadband subscription as well.

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. A recent innovation enables this recorder to be programmed via the internet or SMS message.

Data services

Revenue from data services decreased by 0.5% to HRK 150 million (first nine months 2007: HRK 151 million). T-Com has focused on migrating customers from traditional data services towards new services such as Metro Ethernet, which increased from 493 lines in September 2007 to 1,757 lines in September 2008. In spite of respectable growth in the Metro Ethernet service, the total number of data subscribers has fallen by 12.8% to 6,314, 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 6.0% to HRK 93 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 7.7% to HRK 154 million.

Profitability

EBITDA before exceptional items fell by 6.4% to HRK 1,636 million at a margin of 41.9% (first nine months 2007: HRK 1,747 million at a margin of 44.6%) as a result of the increased costs detailed above.

T-Com's depreciation and amortization increased by 5.2% to HRK 658 million in 2008 from HRK 626 million in 2007 owing to the higher capital expenditure required in 2008 to fund Network improvements and the new data centre.

Higher depreciation and amortization charges led to EBIT falling by 9.4% to HRK 978 million, at a margin of 25.0% (first nine months 2007: HRK 1,079 million at a margin of 27.6%).

Capital expenditure

Capital expenditure increased by 40.9% to HRK 606 million in 2008 from HRK 430 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 15.5% (first nine months 2007: 11.0%).

Group 2008 Outlook maintained, but with full-year revenue expectations slightly increased

Revenue

- Group revenue expected to be slightly above 2007 levels.

- Decline in fixed-line revenue being offset by good growth in Internet, Mobile and Wholesale revenue.

- ADSL customer base expected to reach 450,000 customers by the end of 2008. Strong growth in our MAXtv customer base expected to continue following launch of stand-alone service.

- Continued growth in mobile subscribers and data services will drive a solid increase in mobile revenue although mobile ARPU will decrease as a natural consequence of SIM growth outpacing revenue growth.

CAPEX

- The Group is focused on the development of an access network as a part of its strategy to migrate to a single IP platform. Therefore CAPEX is expected to represent a slightly higher percentage of revenue in 2008, compared with 2007.

EBITDA

- Ongoing cost control programme will mitigate to some degree the erosion of EBITDA margins caused by competitive pressures and increasing subscriber acquisition and retention costs.

Regional Expansion

- The Group intends to participate in the privatization process of HT Mostar. T-HT holds a 39.1% stake in HT Mostar and is represented on its management bodies. The Group will continue to monitor and evaluate all other expansion opportunities that could increase shareholder value.

Hrvatski Telekom

Financial statements

Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2008	Jan -Sep 2007	% of change 08/07
Mobile telephony	3,150	2,980	*5.7%*
Fixed telephony	2,117	2,358	*-10.2%*
Wholesale services	580	489	*18.7%*
Internet services	651	487	*33.7%*
Data services	150	151	*-0.5%*
Miscellaneous	3	4	*-6.7%*
Revenue (1)	6,652	6,468	*2.8%*
Other operating income	186	194	*-4.2%*
Operating expenses	3,644	3,467	*5.1%*
Merchandise, material, services, energy and other expenses	2,810	2,561	*9.7%*
Merchandise, material and energy expenses	731	564	*29.6%*
Services expenses	1,032	918	*12.3%*
Other expenses	1,048	1,079	*-2.9%*
Employee benefit expenses	852	884	*-3.6%*
Work performed by the Group and capitalised	-86	-76	*13.1%*
Write down of current asset	68	98	*-30.3%*
EBITDA (2)	3,193	3,196	*-0.1%*
Depreciation and amortization	1,009	1,018	*-0.9%*
Impairment of non-current assets	1	1	*61.7%*
EBIT (3)	2,183	2,177	*0.3%*
Net financial income	219	231	*-5.2%*
Income from investment in joint ventures	20	270	*-92.5%*
Profit before taxes	2,423	2,679	*-9.6%*
Taxation	534	526	*1.6%*
Net profit for the year	1,888	2,153	*-12.3%*
Exceptional items	0	43	*-100.0%*
EBITDA before exceptional items	3,193	3,238	*-1.4%*

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 3Q 2007only: 43 HRK million → 35 million related to DTI costs and HRK 8 million related to IPO costs.

3) EBIT - Earnings before interest and taxes.

Hrvatski Telekom

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 Sep 2008	At 31 Dec 2007	% of change 08/07
Intangible assets	898	1,007	-10.8%
Property, plant and equipment	6,085	6,151	-1.1%
Goodwill	77	76	0.8%
Investments	416	393	5.9%
Other long term assets	93	112	-16.8%
Total non-current assets	7,569	7,739	-2.2%
Inventories	320	230	38.9%
Trade and other receivables	1,377	1,269	8.5%
Prepayments and accrued income	77	62	24.1%
Available-for-sale investments	65	94	-30.9%
Cash equivalents and time deposits	4,891	5,898	-17.1%
Total current assets	6,730	7,554	-10.9%
TOTAL ASSETS	14,298	15,293	-6.5%
Subscribed share capital	8,189	8,189	0.0%
Reserves	412	411	0.0%
Retained earnings	3,445	3,973	-13.3%
Total issued capital and reserves	12,046	12,573	-4.2%
Provisions	95	90	6.1%
Employee benefit obligations	214	201	6.7%
Deferred income and other non-current liabilities	19	165	-88.7%
Total non-current liabilities	328	455	-27.9%
Trade and other payables	1,201	1,520	-21.0%
Provisions for redundancy	114	277	-58.8%
Accruals, deferred income and short term borrowings	609	468	30.1%
Total current liabilities	1,924	2,265	-15.0%
Total liabilities	2,253	2,720	-17.2%
TOTAL EQUITY AND LIABILITIES	14,298	15,293	-6.5%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2008	Jan-Sep 2007	% of change 08/07
Net profit	1,888	2,153	-12.3%
Depreciation and impairment loss of non-current assets	1,010	1,018	-0.8%
Income tax expense	534	526	1.6%
Decrease/ (Increase) in inventories	-90	-37	141.4%
(Increase) / Decrease in receivables and payables	-479	-471	1.9%
Decrease in provisions	-96	-250	-61.6%
Other transaction with impact on operating activities	-277	-438	-36.8%
Taxes paid	-555	-440	26.1%
Net cash flows from operating activities	1,937	2,062	-6.1%
Net Purchase/Proceeds of non-current assets	-815	-628	29.9%
Net Purchase/Proceeds of financial assets	1,532	1,941	-21.1%
Interest received	265	213	24.5%
Dividend received	0	0	
Net cash flows from / (used in) investing activities	982	1,526	-35.6%
Repayment of long-term borrowings and lease liability	-8	-3	134.5%
Dividends paid	-2,421	-2,617	-7.5%
Net cash flows used in financing activities	-2,428	-2,620	-7.3%
Net decrease in cash and cash equivalents	491	968	-49.3%
Effect of F/X rate changes on cash and cash equivalents	-5	-4	16.5%
At the beginning of period	3,366	1,254	168.4%
Net cash (outflow) / inflow	485	963	-49.6%
At the end of period	3,851	2,217	73.7%

Hrvatski Telekom

Selected Operational Data[1]

T-MOBILE SEGMENT

Key operational data	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Subscribers			
No. of prepaid subscribers	1,845,990	1,637,353	*12.7%*
No. of postpaid subscribers	773,612	640,825	*20.7%*
Total T-Mobile subscribers	2,619,602	2,278,178	*15.0%*
% of postpaid subscribers	30%	28%	*2.0 p.p.*
Minutes of use (MOU)			
MOU per average subscriber	125.1	127.4	*-1.8%*
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) [2]	120.2	130.1	*-7.6%*
Blended non-voice ARPU (monthly average for the period in HRK)	24.3	24.7	*-1.6%*
SAC per gross add	258	265	*-2.6%*
Churn rate (%)			
Churn rate total	1.28	1.18	*0.10 p.p.*
Churn rate postpaid	0.71	0.76	*-0.05 p.p.*
Churn rate prepaid	1.51	1.34	*0.17 p.p.*
Penetration (%)	126.5	108.3	*18.2 p.p.*
Market share of subscribers (%)	46.6	47.4	*-0.8 p.p.*
Market share by revenue (%) [2][3]	50.1	52.2	*-2.1 p.p.*

T-COM SEGMENT

Key operational data	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Fixed telephony			
Total POTS and FGSM mainlines	1,451,355	1,511,619	*-4.0%*
Total ISDN mainlines	108,114	116,942	*-7.5%*
Total (POTS+FGSM+ISDN)	1,559,469	1,628,561	*-4.2%*
Payphones	9,236	10,417	*-11.3%*
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,568,705	1,638,978	*-4.3%*
Total Traffic (thousands of minutes)	2,850,920	3,181,639	*-10.4%*
To national fixed network	2,376,948	2,629,744	*-9.6%*
To national mobile network	279,403	333,851	*-16.3%*
To VAS	48,621	54,320	*-10.5%*
To international networks	101,317	112,150	*-9.7%*
Remaining traffic[4]	44,631	51,574	*-13.5%*
Average monthly voice revenue per voice access (ARPA) (HRK)	150	160	*-5.9%*

Key operational data	Jan-Sep 2008	Jan-Sep 2007	% change 08/07
Internet services			
Internet access customers			
Number of Internet subscribers	520,254	449,367	*15.8%*
Active dial-up users (%)	17.5	33.4	*-15.9 p.p.*
ADSL lines (%)	82.5	66.6	*15.9 p.p.*
Dial-up users	758,130	744,826	*1.8%*
Active dial - up users	91,012	149,934	*-39.3%*
ADSL mainlines	429,242	299,433	*43.4%*
IPTV customers	92,205	23,084	*4.0x*
Fixed-line customers	996	840	*18.6%*
VPN connection points	2,117	1,195	*77.2%*
Internet revenue			
Active dial-up users revenue (,000)	57,590	91,162	*-36.8%*
ADSL mainlines revenue (,000)	427,596	279,970	*52.7%*
Active dial-up users ARPU (monthly average for the period in HRK)	56	60	*-6.4%*
ADSL mainlines ARPA (monthly average for the period in HRK)	123	121	*1.5%*
Data services			
Number of lines (except where stated otherwise)			
X25 (connection points)	84	1,003	*-91.6%*
Managed leased lines	238	311	*-23.5%*
Unmanaged leased lines	2,178	2,568	*-15.2%*
Frame Relay	2,048	2,843	*-28.0%*
ATM	9	24	*-62.5%*
Metro Ethernet (connection points)	1,757	493	*3.6x*
Total	6,314	7,242	*-12.8%*
Wholesale services			
Customers			
CPS	221,491	240,697	*-8.0%*
NP (users/number)	241,015	121,348	*98.6%*
ULL	73,966	19,215	*3.8x*
Wholesale revenue (HRK millions)	889	816	*9.0%*

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

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

Source: Published VIPnet's and Tele2's report for 2Q2007.Number of subscribers for VIPnet and Tele2 for Q3 internally estimated. Telekom Austria Annual report for Q1&Q2 2008. Tele2 report for Q1, Q2 and Q3 2008. VIPnet's Total revenue for Jan-Sep '08 internally estimated. VIPnet's National roaming services internally estimated. Tele2 Total revenue internally estimated. Market shares are based on unconsolidated revenue for T-Mobile (i.e. not net of T-Com revenue).

(4) 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.

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