

Zagreb – 7 August 2008

T-Hrvatski Telekom

Interim results for the six months ended 30 June 2008

Revenue up 2.1%, T-Mobile breaks through 2.5 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 interim results for the six months ended 30 June 2008.

Group Highlights

- Revenue up 2.1% to HRK 4,193 million (EUR 577 million), driven by internet, wholesale and mobile services
- EBITDA down 2.4% to HRK 1,932 million (EUR 266 million) because of increased operating expenses; EBITDA margin of 46.1%
- Net profit down 15.6% to HRK 1,125 million (EUR 155 million) because of lower income from HT Mostar compared with H1 2007, which included one off gains. Excluding the impact of one-off gains, net profit rose 2.3%.
- Net cash flow from operations up 2.4% to HRK 1,038 million (EUR 143 million)
- HRK 2,421 million dividend payment in May, representing payout ratio of 100%
- Offering of shares in June to former and current employees reduces Government holding to 5.2%
- Resolution of DTI (Distributive Telecommunication Infrastructure) access rights as expected
- Full-year 2008 guidance remains unchanged

T-Mobile

- Revenue up 4.2% to HRK 2,007 million (EUR 276 million)
- Subscriber numbers up 14.5% to 2,543,257
- Monthly minutes of use up 5.8% to 127.7 minutes per subscriber
- National roaming agreement with TELE 2 effective from June

T-Com

- Revenue steady at HRK 2,563 million (EUR 353 million)
- ADSL mainlines up 45.4% to 402,880
- MAXtv subscribers up 3.4x to 71,602

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

“T-Hrvatski Telekom had an excellent first half of 2008. Our strategy is delivering stable revenue with healthy margins that support strong generation of cash. Our focus on quality and competitive pricing has helped the Group maintain leadership in all market segments, with good growth in mobile subscriptions and high-speed internet. We remain confident of continuing our strong performance throughout 2008.”

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A conference call for analyst and investors will start at 11.00 UK time / 12.00 CET today. The dial-in details are as follows:

Conference Call

International dial-in:	+44 (0) 1452 586 513
Conference ID	58449234

Replay (available for 5 working days)

International dial-in:	+44 (0) 1452 550 000
UK free dial in	0845 245 5205
Access number:	58449234#

The H1 2008 results presentation can be downloaded from the T-HT web site. (www.t.ht.hr)

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, 2.5 million mobile subscribers and more than 403,000 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 5.2%. 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-Jun 2008	Jan-Jun 2007	% change 08/07
Revenue	4,193	4,109	2.1%
EBITDA	1,932	1,979	-2.4%
EBIT (Operating profit)	1,260	1,290	-2.4%
Net profit	1,125	1,333	-15.6%
EBITDA margin	46.1%	48.2%	-2.1 p.p.
EBIT margin	30.0%	31.4%	-1.4 p.p.
Net profit margin	26.8%	32.5%	-5.6 p.p.
	At 30 Jun 2008	At 31 Dec 2007	% change 08/07
Cash equivalents and time deposits	4,271	5,898	-27.6%
Total assets	13,513	15,293	-11.6%
Total issued capital and reserves	11,283	12,573	-10.3%
	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Net cash flow from operations	1,038	1,014	2.4%

Exchange rate information

in HRK	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2007	7.36	7.30	5.54	5.42
Six months to 30 June 2008	7.27	7.25	4.76	4.59

Summary of key performance indicators

T-Mobile	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Subscribers	2,543,257	2,222,067	14.5%
Minutes of Use (MOU)	127.7	120.7	5.8%
Blended ARPU ¹⁾	117.5	127.6	-7.9%
Churn rate (%)	1.21	1.15	0.06 p.p.
Market share of subscribers (%)	47.1	47.9	-0.8 p.p.
Market share by revenue (%) ¹⁾²⁾	50.7	53.0	-2.3 p.p.
T-Com	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Total (POTS+FGSM+ISDN) mainlines	1,577,209	1,638,372	-3.7%
Total traffic (thousands of minutes)	1,960,767	2,182,423	-10.2%
Internet subscribers	506,401	438,194	15.6%
ADSL mainlines	402,880	277,028	45.4%
ADSL mainlines ARPA	124	122	1.7%
IPTV customers	71,602	21,123	3.4x
Total data lines	6,312	7,545	-16.3%
ULL	72,475	12,739	5.7x

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 June 2008, T-Com served more than 1.5 million fixed-lines and more than 400,000 high-speed broadband connections – up from 277,000 in H1 2007. In the mobile market, T-Mobile subscriber numbers broke through 2.5 million during the first half of 2008 – an increase of 14.5% on the same period last year and a market share of more than 47%.

The most significant trends in the Croatian market remained unchanged in the period under review: increased competition following deregulation is leading to a gradual decline in fixed-line telephony revenue; the mobile market is growing and maturing, and there is increasingly strong demand for high-speed broadband and the value-added services it enables, such as interactive television.

Recent regulatory developments affecting the Group

Law on Electronic Communications

The new Law on Electronic Communications replaced the previous Law on Telecommunications on 1 July 2008. Its adoption was one of the requirements imposed by the EU as part of Croatia's accession negotiations; as such, it ensures compliance with the 2002 EU regulatory framework in telecommunications.

As a consequence of the new Law, the existing Concession Agreement of T-HT, including its amendments, ceased to have effect. However, all existing licenses and applications continue to apply under a general authorization issued to telecommunications operators.

The new Law also resolved the outstanding issue of the access to the infrastructure in the manner outlined in the Group's IPO prospectus last year. Accordingly, infrastructure operators now have a right of way if they have built electronic communications infrastructure on public land, or on the property of other parties (subject to certain conditions, such as a building permit or use of the infrastructure for at least 3 years without a court dispute). Infrastructure operators are obliged to grant access to and joint use of their infrastructure.

Frame Agreements

Following a July 2007 decision by the Croatian Competition Agency (CA) that HT and T-Mobile abused their dominant position when entering into Frame Agreements with larger business customers, T-HT applied to the Administrative Court seeking a reversal of the decision in its favour, or a nullification of the decision due to procedural errors by the CA.

As required by Croatian Competition Act, the CA has submitted a request for the initiation of proceedings before the Misdemeanour Court in September 2007. On 26 May 2008, HT and T-Mobile received an official notification of first-instance proceedings and are preparing a written defence. At this moment there is no certainty as to the duration and outcome of the Misdemeanour proceedings. Should the Misdemeanour Court rule against HT and T-Mobile, there will be a right of appeal against the decision. An appeal in Misdemeanour proceedings has a suspensive effect.

Group financial performance

Revenue

The first half 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 2.1% to HRK 4,193 million, from HRK 4,109 million in the first half of 2007. Growth in mobile telephony, internet services and to a lesser degree, wholesale services more than compensated for a 9.9% decline in fixed-line revenue. Together, these three services accounted for 63.6% of total group sales, compared with 59.0% in H1 2007.

Operating expenses

Excluding depreciation and amortization, total operating expenses increased by 6.8% to HRK 2,397 million (H1 2007: HRK 2,245 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 subscribers acquisition and retention costs. These increases were partially offset by decreased staff costs associated with a reduction in staff numbers compared with H1 2007.

Merchandise, material, services, energy and other expenses

- Merchandise, material and energy expenses

The total cost of merchandise, material and energy increased by 34.8% to HRK 483 million in 2008, from HRK 358 million in 2007. The increase was mainly due to an increase in the cost of modems and terminal equipment for new ADSL and IP TV customers, as well as the higher cost of mobile merchandise sold through direct and indirect channels.

- Services expenses

Service expenses increased by 3.4% to HRK 662 million (H1 2007: HRK 640 million) as a result of higher domestic interconnection services needed to support the increased use of mobile phones, as well as higher transit traffic generated by international services.

- Other expenses

Other expenses increased by 6.8% to HRK 695 million (H1 2007: HRK 651 million), mostly because of increased sponsorship activity around the Euro2008 soccer tournament and promotional campaigns of key products, but also because of rental costs related to the network, increased legal costs, postal expenses and provisions.

Employee benefit expenses

Staff costs fell by 5.6% to HRK 565 million (H1 2007: HRK 598 million) as a result of the Group's restructuring programme, which reduced the number of staff from 7,004 in H1 2007 to 6,500 at the end of H1 2008. In July the Group signed a Collective Agreement to enable the introduction of a new salary system that will align salary more closely with an employee's overall performance.

Write-down of current assets

The write-down of current assets decreased by 21.9% to HRK 46 million (H1 2007: HRK 59 million).

Depreciation and amortization

Depreciation and amortization decreased by 2.5% to HRK 672 million, primarily because most of the Group's IN platforms were fully depreciated in 2007.

Profitability

in HRK million	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Revenue	4,193	4,109	2.1%
EBITDA	1,932	1,979	-2.4%
EBIT (Operating profit)	1,260	1,290	-2.4%
Net profit	1,125	1,333	-15.6%
EBITDA margin	46.1%	48.2%	-2.1 p.p.
EBIT margin	30.0%	31.4%	-1.4 p.p.
Net profit margin	26.8%	32.5%	-5.6 p.p.

With operating costs rising faster than revenue, EBITDA decreased by 2.4% to HRK 1,932 million, representing an EBITDA margin of 46.1% (H1 2007: HRK 1,979 million at a margin of 48.2%).

Operating profits decreased by 2.4% to HRK 1,260 million, representing an EBIT margin of 30.0% (H1 2007: HRK 1,290 million at a margin of 31.4%).

Net profit fell by 15.6% to HRK 1,125 million (H1 2007: HRK 1,333 million), mostly because of a 95.3% fall in income from the Group's investment in HT Mostar, which contributed HRK 12 million in H1 2008, compared with HRK 261 million in H1 2007 (which mostly consisted of one-off gain relating to the reversal of an impairment provision. Excluding the impact of one-off gains, net profit would have risen 2.3%).

Balance sheet

The value of Group assets fell by 11.6% to HRK 13,513 million, mostly as a result of dividend payments in May totalling HRK 2,421 million. Cash equivalents and time deposits stood at HRK 4,271 million on 30 June 2008, compared with HRK 5,898 million on 1 January 2008. Total current liabilities decreased from HRK 2,265 million at 31 December 2007 to HRK 1,849 million at 30 June 2008, mostly due to decreased trade payables and payments made to employees who left the Company in current year as part of the redundancy programme.

Cash flow

The Group generated HRK 1,038 million of net cash from operations (H1 2007: HRK 1,014 million). This improvement is mostly attributable to improved management of working capital.

Capital expenditure

Capital expenditure rose by 20.5% to HRK 477 million (H1 2007: HRK 396 million) as a result of increased investment in the fixed-line network (e.g. optical access network, DSL access nodes) and development of 3G networks and platforms. Of the HRK 477 million, T-Com invested HRK 330 million, up 23.2% on H1 2007, while T-Mobile increased capital expenditure by 14.9% to HRK 147 million to support 3G networks and new platforms.

in HRK million	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
T-Com	330	268	23.2%
T-Mobile	147	128	14.9%
Total Capital Expenditure	477	396	20.5%

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 14.5% to 2.54 million; T-Mobile has 47.1% of SIM market share in Croatia
- Minutes of use up 5.8% to 127.7 minutes per month
- Revenue up 4.2% to HRK 2,007 million
- Postpaid up 8.3% to HRK 1,194 million or 59.5% of T-Mobile revenue
- EBIT up 3.5% to HRK 605 million
- National roaming agreement with TELE2 effective from June

Of three mobile operators in Croatia, T-Mobile is the market leader with a 47.1% share of the SIM market – down slightly from 47.9% in H1 2007 – and an estimated 50.7% market share by revenue. Strong promotional activity led to subscriber numbers increasing by 14.5% to 2,543,257, with postpaid subscribers rising by 22.2% to 749,824 and pre-paid rising by 11.5% to 1,793,433. Postpaid accounts make up 29.5% of subscriber numbers but contribute 59.5% of T-Mobile revenue.

Average monthly minutes of use (MOU) increased by 5.8% to 127.7 minutes following promotions that enabled pre-paid customers to call at more favourable prices and change of subscriber structure. Overall mobile minutes increased by 24% from 1,092 million minutes in H1 2007 to 1,351 million minutes in H1 2008.

As a result of price cutting and increased subscriber numbers, the monthly average revenue per user (ARPU) fell 7.9% to HRK 117.5 (H1 2007: HRK 127.6). The overall churn rate increased slightly from 1.15% in H1 2007 to 1.21% in H1 2008, but postpaid churn fell from 0.79% in H1 2007 to 0.72% in H1 2008, because of targeted promotions and tailor-made pricing plans. Subscriber acquisitions costs (SAC) per gross add increased by 8.3% to HRK 275, mostly as a result of higher handset costs. As announced earlier, T-Mobile began a national roaming agreement with TELE 2 in June 2008.

T-Mobile

in HRK million	Jan-Jun 2008	%	Jan-Jun 2007	%	% change A08/A07
Revenue from Postpaid services ¹⁾²⁾³⁾	1,194	59.5%	1,103	57.2%	8.3%
Revenue from Prepaid services ²⁾³⁾	678	33.8%	708	36.7%	-4.2%
Other mobile revenue	135	6.7%	116	6.0%	16.4%
Revenue³⁾	2,007	100.0%	1,927	100.0%	4.2%
Other operating income	84		56		50.4%
Operating costs	1,251		1,129		10.8%
EBITDA	840	41.9%	854	44.3%	-1.7%
Depreciation and amortization	235		270		-12.7%
EBIT	605	30.1%	584	30.3%	3.5%

¹⁾ Including visitors' revenue

²⁾ As of Q1 2008, interconnection revenue redistribution between Prepaid and Postpaid has been changed in accordance with "actual data" instead of "estimated 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 4.2% to HRK 2,007 million (H1 2007: HRK 1,927 million), of which 59.5% or HRK 1,194 million was postpaid (H1 2007: HRK 1,103 million or 57.2%). The strong increase in the subscriber base was, as expected, partially offset by a decrease in call prices to maintain competitive positioning.

Other income is 50.4% higher than in the previous year 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 decreased by 1.7% to HRK 840 million (H1 2007: HRK 854 million) as a result of the higher operating costs - mostly subscriber related - that were only partially offset by higher mobile and other revenue.

EBIT increased by 3.5% to HRK 605 million (H1 2007: HRK 584 million) after a 12.7% decrease in charges for depreciation and amortisation to HRK 235 million (H1 2007: 270 million). The decrease in the depreciation charge reflects the fact that IN platforms were fully depreciated in 2007.

Capital expenditure

T-Mobile's capital expenditure increased by 14.9% to HRK 147 million as the division increased investment in 3G networks and new platforms. This represents 7.3% of revenue, compared with 6.6% last year.

T-Com

Highlights

- Wholesale and Internet revenue almost entirely offset decline in fixed-line revenue
- Internet revenue up 34.2% to HRK 425 million
- ADSL mainlines up 45.4% to 402,880

- MAXtv subscribers up 239% to 71,602
- Wholesale revenue up 8.7% to HRK 558 million

One of 10 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 86%, 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-Jun 2008	%	Jan-Jun 2007	%	% change 08/07
Fixed telephony	1,424	55.6%	1,582	61.6%	-9.9%
Wholesale services	558	21.8%	513	20.0%	8.7%
Internet services	425	16.6%	317	12.3%	34.2%
Data services	101	3.9%	99	3.9%	1.6%
Miscellaneous	55	2.1%	58	2.3%	-5.3%
Revenue	2,563	100.0%	2,569	100.0%	-0.2%
Other operating income	108		97		11.9%
Operating costs	1,579		1,540		2.5%
EBITDA	1,093	42.6%	1,125	43.8%	-2.9%
Depreciation and amortization	437		419		4.3%
EBIT	656	25.6%	706	27.5%	-7.1%

Revenue

T-Com revenue fell by just 0.2% to HRK 2,563 million (H1 2007: HRK 2,569 million) with strong growth in Internet and Wholesale revenue almost entirely making up for a HRK 158 million decline in fixed-line telephony revenue.

Fixed-line telephony

Despite a fall of 3.7% since H1 2007, T-Com maintained its market leadership with nearly 1.6 million lines connected as at 30 June 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). Retail subscriber voice traffic fell by 10.2% to 1,961 million minutes.

Revenue from fixed telephony decreased by 9.9% to HRK 1,424 million (H1 2007: HRK 1,582 million). A 6.0% decrease in ARPA to HRK 151 per month is mainly attributable to price competition, fixed-to-mobile substitution and an increase in internet telephony (VoIP). 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 8.7% to HRK 558 million (H1 2007: HRK 513 million), driven by continued market liberalization that has increased the number of unbundled local loops and number portability, and also by an increase in hubbing traffic. Fully-unbundled lines increased from 12,739 in H1 2007 to 72,475 at the end of H1 2008, while number ports more than doubled to 214,219 (H1 2007: 102,005). Active carrier pre-select (CPS) customers stood at 230,283 (H1 2007: 242,034).

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 34.2% to HRK 425 million (H1 2007: HRK 317 million), mostly as a result of 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 45 million in H1 2008, compared with HRK 33 million in H1 2007.

ADSL mainlines increased by 45.4% to 402,880 (H1 2007: 277,028), with overall internet subscriptions up 15.6% to 506,401 (H1 2007: 438,194). ADSL lines now account for 79.6% of all internet subscribers, up from 63.2% in H1 2007. As of the end of June 2008 the Group estimates that household broadband penetration in Croatia amounted to 25%.

ADSL ARPA (Average Revenue per Access) increased by 1.7% to HRK 124 per month because of strong promotions offered by T-Com in order to increase broadband uptake. 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 3.4x increase in subscribers to 71,602 – or nearly 18% of all ADSL lines. 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.

Data services

Revenue from data services increased by 1.6% to HRK 101 million (H1 2007: HRK 99 million). T-Com has focused on migrating customers from traditional data services towards new services such as Metro Ethernet, which increased from 259 lines in H1 2007 to 1,497 lines in H1 2008. However, the total number of data subscribers has fallen by 16.3% to 6,312 as a result of competition in the data services market.

Miscellaneous and other operating income

Miscellaneous revenue fell by 5.3% to HRK 55 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 11.9% to HRK 108 million.

Profitability

EBITDA fell by 2.9% to HRK 1,093 million at a margin of 42.6% (H1 2007: HRK 1,125 million at a margin of 43.8%) as a result of the increased costs detailed above.

Higher depreciation and amortization charges led to EBIT falling by 7.1% to HRK 656 million, at a margin of 25.6% (H1 2007: HRK 706 million at a margin of 27.5%).

Capital expenditure

Capital expenditure increased by 23.2% to HRK 330 million in 2008 from HRK 268 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.

Group 2008 Outlook maintained:

Revenue

- Group revenue expected to remain stable at 2007 levels.
- Continuing strong growth of internet and mobile revenue will offset expected decline in fixed-line revenue. Wholesale revenue expected to remain stable.
- ADSL customer base expected to reach 450,000 customers by the end of 2008. Strong growth in our MAXtv customer base expected to continue.
- Growth in mobile subscribers and data services is expected to result in a moderate growth in mobile revenue this year. 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

- Competitive pressure, increasing subscriber acquisition and retention costs in both the fixed-line and mobile segments will continue to impact the Group's EBITDA margin, although our ongoing cost control programme will mitigate this to some degree. Headcount optimisation will continue, but not as extensively as in 2007.

Regional Expansion

- The Group intends to participate in the privatization process of HT Mostar, which is expected to start this year. 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.

Financial statements

Consolidated Income Statement

in HRK million (IFRS; Unaudited)	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Mobile telephony	1,866	1,784	4.6%
Fixed telephony	1,423	1,580	-9.9%
Wholesale services	379	326	16.3%
Internet services	425	316	34.5%
Data services	101	99	1.6%
Miscellaneous	0	3	-93.4%
Revenue¹⁾	4,193	4,109	2.1%
Other operating income	136	116	17.9%
Operating expenses	2,397	2,245	6.8%
Merchandise, material, services, energy and other expenses	1,840	1,649	11.5%
Merchandise, material and energy expenses	483	358	34.8%
Services expenses	662	640	3.4%
Other expenses	695	651	6.8%
Employee benefits expenses	565	598	-5.6%
Work performed by the Group and capitalised	-53	-61	-12.9%
Write down of current assets	46	59	-21.9%
EBITDA²⁾	1,932	1,979	-2.4%
Depreciation and amortization	672	689	-2.5%
Impairment of non-current assets	1	0	
EBIT³⁾	1,260	1,290	-2.4%
Net financial income	162	148	9.1%
Income from investment in joint ventures	12	261	-95.3%
Profit before taxes	1,434	1,700	-15.6%
Taxation	309	366	-15.6%
Net profit	1,125	1,333	-15.6%

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.

³⁾ EBIT - Earnings before interest and taxes but after exceptional items.

Consolidated Balance Sheet

in HRK million (IFRS; Unaudited)	At 30 Jun 2008	At 31 Dec 2007	% change 08/07
Intangible assets	947	1,007	-6.0%
Property, plant and equipment	6,002	6,151	-2.4%
Goodwill	77	76	0.8%
Investments	408	393	3.9%
Other long term assets	96	112	-14.3%
Total non-current assets	7,530	7,739	-2.7%
Inventories	255	230	10.7%
Trade and other receivables	1,265	1,269	-0.3%
Prepayments and accrued income	101	62	63.5%
Available-for-sale investments	91	94	-3.6%
Cash equivalents and time deposits	4,271	5,898	-27.6%
Total current assets	5,983	7,554	-20.8%
TOTAL ASSETS	13,513	15,293	-11.6%
Subscribed share capital	8,189	8,189	0.0%
Reserves	413	411	0.0%
Retained earnings	2,682	3,973	-32.5%
Total issued capital and reserves	11,283	12,573	-10.3%
Provisions	152	90	69.0%
Employee benefit obligations	210	201	4.5%
Deferred income and other non-current liabilities	19	165	-88.3%
Total non-current liabilities	381	455	-16.3%
Trade and other payables	1,164	1,520	-23.4%
Provisions for redundancy	129	277	-53.5%
Accruals, deferred income and short term borrowings	556	468	18.8%
Total current liabilities	1,849	2,265	-18.4%
Total liabilities	2,230	2,720	-18.0%
TOTAL EQUITY AND LIABILITIES	13,513	15,293	-11.6%

Consolidated Cash Flow Statement

in HRK million (IFRS; Unaudited)	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Net profit	1,125	1,333	-15.6%
Depreciation and impairment loss of non-current assets	672	689	-2.4%
Income tax expense	309	366	-15.7%
Decrease/ (Increase) in inventories	-25	-69	-64.4%
(Increase) / Decrease in receivables and payables	-384	-487	-21.2%
Decrease in provisions	-97	-221	-56.2%
Other transaction with impact on operating activities	-209	-300	-30.5%
Taxes paid	-354	-297	19.2%
Net cash flows from operating activities	1,038	1,014	2.4%
Net Purchase/Proceeds of non-current assets	-444	-432	2.8%
Net Purchase/Proceeds of financial assets	535	1,007	-46.9%
Interest received	191	114	67.1%
Dividend received	0	0	
Net cash flows from / (used in) investing activities	281	688	-59.2%
Repayment of long-term borrowings and lease liability	-5	-5	-3.2%
Dividends paid	-2,421	-207	11.7x
Net cash flows used in financing activities	-2,426	-212	11.4x
Net decrease in cash and cash equivalents	-1,107	1,490	-174.3%
Effect of F/X rate changes on cash and cash equivalents	1	-2	-156.1%
Cash and cash equivalents at 1 January	3,366	1,254	168.4%
Net cash (outflow) / inflow	-1,106	1,488	-174.3%
Cash and cash equivalents at 30 June	2,260	2,742	-17.6%

Selected Operational Data⁽¹⁾
T-MOBILE SEGMENT

Key operational data	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Subscribers			
No. of prepaid subscribers	1,793,433	1,608,281	11.5%
No. of postpaid subscribers	749,824	613,786	22.2%
Total T-Mobile subscribers	2,543,257	2,222,067	14.5%
% of postpaid subscribers	29%	28%	1.0 p.p.
Minutes of use (MOU)			
MOU per average subscriber	127.7	120.7	5.8%
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) ⁽²⁾	117.5	127.6	-7.9%
Blended non-voice ARPU (monthly average for the period in HRK)	24.0	24.2	-0.8%
SAC per gross add	275	254	8.3%
Churn rate (%)			
Churn rate total	1.21	1.15	0.06 p.p.
Churn rate postpaid	0.72	0.79	-0.07 p.p.
Churn rate prepaid	1.42	1.28	0.14 p.p.
Penetration	121.5	104.6	16.9 p.p.
Market share of subscribers (%)	47.1	47.9	-0.8 p.p.
Market share by revenue (%) ⁽²⁾⁽³⁾	50.7	53.0	-2.3 p.p.

T-COM SEGMENT

Key operational data	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Fixed telephony			
Total POTS and FGSM mainlines	1,468,352	1,518,661	-3.3%
Total ISDN mainlines	108,857	119,711	-9.1%
Total (POTS+FGSM+ISDN)	1,577,209	1,638,372	-3.7%
Payphones	9,358	11,348	-17.5%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,586,567	1,649,720	-3.8%
Total Traffic (thousands of minutes)	1,960,767	2,182,423	-10.2%
To national fixed network	1,649,674	1,817,489	-9.2%
To national mobile network	184,900	222,628	-16.9%
To VAS	33,267	36,550	-9.0%
To international networks	67,326	74,003	-9.1%
Remaining traffic ⁽⁴⁾	25,599	31,723	-19.3%
Average monthly voice revenue per voice access (ARPA) (HRK)	151	160	-5.6%

Key operational data	Jan-Jun 2008	Jan-Jun 2007	% change 08/07
Internet services			
Internet access customers			
Number of Internet subscribers	506,401	438,194	15.6%
Active dial-up users (%)	20.4	36.8	-0.4
ADSL lines (%)	79.6	63.2	0.3
Dial-up users	756,801	741,311	2.1%
Active dial - up users	103,521	161,166	-35.8%
ADSL mainlines	402,880	277,028	45.4%
IPTV customers	71,602	21,123	3.4x
Fixed-line customers	968	795	21.8%
VPN connection points	1,800	1,110	62.2%
Internet revenue			
Active dial-up users revenue (,000)	41,622	64,419	-35.4%
ADSL mainlines revenue (,000)	276,568	177,579	55.7%
Active dial-up users ARPU (monthly average for the period in HRK)	57	59	-3.8%
ADSL mainlines ARPA (monthly average for the period in HRK)	124	122	1.7%
Data services			
Number of lines (except where stated otherwise)			
X25 (connection points)	105	1,359	-92.3%
Managed leased lines	247	328	-24.7%
Unmanaged leased lines	2,245	2,641	-15.0%
Frame Relay	2,207	2,931	-24.7%
ATM	11	27	-59.3%
Metro Ethernet (connection points)	1,497	259	5.8x
Total	6,312	7,545	-16.3%
Wholesale services			
Customers			
CPS	230,283	242,034	-4.9%
NP (users/number)	214,219	102,005	110.0%
ULL	72,475	12,739	5.7x
Wholesale revenue (HRK millions)	558	513	8.7%

⁽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: Telekom Austria Quarterly report for Q1'08. Tele2 Quarterly report for Q1'08. VIPnet's Total revenue for Jan-Jun '08 internally estimated. VIPnet's National roaming revenue 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.

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