

Annual Report 2005

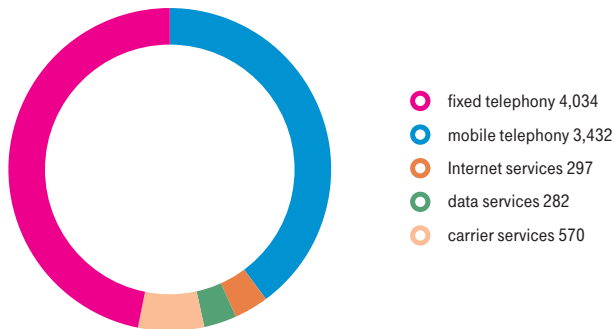
Financial Highlights
Operating Statistics



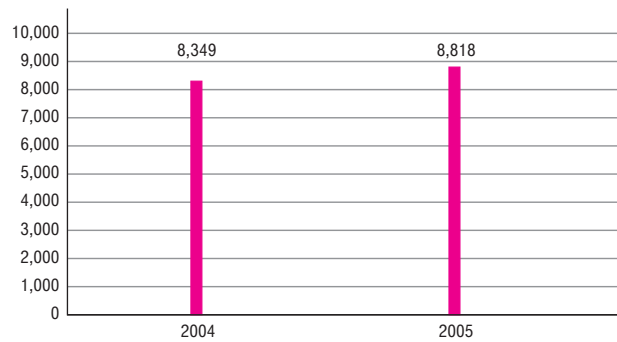
Financial Highlights

HRK millions	2005	2004	% change
Total operating income	8,818	8,349	5.6%
Net revenues	8,615	8,118	6.1%
EBIT	2,260	2,111	7.1%
Net profit for the year	1,929	1,924	0.3%
Total assets	15,494	17,239	-10.1%
Long-term debt	614	639	-3.9%
Total shareholders' equity	12,869	12,768	0.8%
Operating margin %	26.2	26.0	-
Net income margin %	22.4	23.7	-
ROA %	12.4	11.2	-

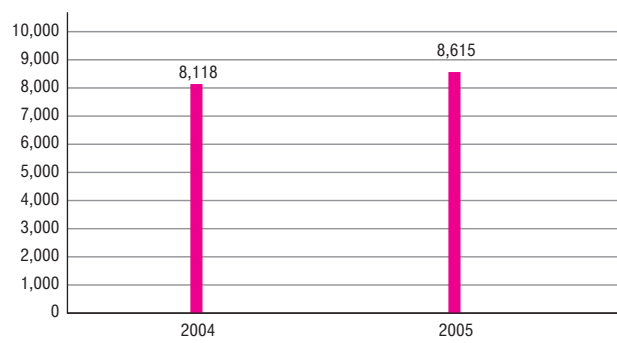
2005 revenue composition (HRK millions)



2004/2005 total operating income (HRK millions)



2004/2005 revenue comparison (HRK millions)



Operating Statistics

T-Com fixed lines	2005	2004	% change
Total number of mainlines (thsd):	1,675.0	1,676.5	-0.1%
POTS (including FGSM)	1,541.6	1,549.2	-0.5%
ISDN	133.4	127.3	4.8%
ADSL (thsd)	108.4	24.3	346.1%
Number of channels (including FGSM):	1,893.3	1,887.6	0.3%
Network digitalization (%)	100.0	100.0	/
Fixed-line penetration (%)	40.0	37.8	/
Total traffic (thsd min)	5,657,793	5,912,363	-4.3%
of which:			
National calls	4,670,187	4,854,452	-3.8%
To national mobile network	672,761	730,556	-7.9%
To VAS	67,042	62,837	6.7%
To international fixed networks	174,850	185,662	-5.8%
To international mobile networks	39,765	41,773	-4.8%
Remaining traffic	33,188	37,083	-10.5%

T-Com internet	2005	2004	% change
Dial-up users (thsd)	600.2	562.8	6.6%
Fixed-line subscribers (thsd)	0.5	0.6	-16.7%
VPN points (thsd)	0.5	0.1	197.4%
Internet penetration dial-up (%)	27.0	25.9	4.2%
Total no. of minutes spent online for dial-up customers (thsd min)	2,063,088	2,642,664	-21.9%

T-Mobile mobile communications	2005	2004	% change
Total T-Mobile customers (thsd)	1,902.5	1,533.8	24.0%
No. of prepaid customers, T-Mobile	1,486.1	1,233.6	20.5%
No. of postpaid subscribers, T-Mobile	416.4	293.4	41.9%
No. of NMT subscribers, T-Mobile	-	6.9	/
T-Mobile market share (%)	52.1	53.7	/
Mobile penetration (%)	82.4	64.4	/
MOU per average subscriber	109.2	112.8	/
Blended ARPU (in HRK)	152	157.5	/

Contents

1	Financial Highlights
1	Operating Statistics
7	I. Introduction
8	Letter of the President of the Management Board
14	Management Board
16	Supervisory Board
18	Supervisory Board Report
25	II. Business Review 2005
26	Market Overview
27	Regulatory Environment
28	T-HT's Strategy
30	Organization of T-HT
31	T-Com
36	T-Mobile
39	Human Resources
45	III. Corporate Social Responsibility
46	Donations and sponsorships
48	Environmental protection
53	IV. Management Report for the Financial Year 2005
54	T-HT Group Consolidated Financial Results
58	Reconciliation of Pro Forma Figures
63	V. Consolidated Financial statements
64	Corporate profile
66	Directors and management
67	Statement of responsibilities of the Management Board
68	Auditors' report
69	Consolidated HT Group income statement
70	HT d.d. income statement
71	Consolidated HT Group balance sheet
73	HT d.d. balance sheet
75	Consolidated HT Group cash flow statement
76	HT d.d. cash flow statement
77	Consolidated HT Group statement of changes in equity
78	HT d.d. statement of changes in equity
79	Notes to the financial statements
111	VI. Index



Quality

Our corporate vision sets high standards that can be met only by excellent results. Central to that vision is a commitment to the quality of our service and our ability to understand and meet our customers' needs. We pay attention to even the smallest detail hoping that our customers will feel the difference. Quality is not an exception - for us it is the rule.



I. Introduction

8	Letter of the President of the Management Board
14	Management Board
16	Supervisory Board
18	Supervisory Board Report

Letter of the President of the Management Board

Dear Shareholders,

I am pleased to present to you the Annual Report 2005, which clearly shows that the T-HT Group has continued to achieve successful business results, now in the liberalized telecommunications market of the Republic of Croatia. Today, we are glad to be able to state with confidence that T-HT is firmly coping with competition in each segment of its business operation. We have responded to the needs of our customers with innovative and high-quality service and have increased income; we have provided for the growth of operational profit by internal restructuring and have created new value for our shareholders; and, with a series of investments into the community, we have also confirmed our social responsibility and commitment to the prosperity of Croatian society.

The business environment has been changing substantially. The number of new carriers in fixed telephony has significantly increased; in October 2005 a third carrier entered the market of mobile telephony, while the regulator has created conditions to align our market with the legislative framework of the EU, thus facilitating the entry of alternative carriers into the market of fixed and mobile networks. Consequently, the Telecommunications Agency has issued 14 new licenses for voice services within the fixed network. We have been fully and proactively supporting the entire liberalization procedure because we consider it a basis for the development of both the telecommunications market and the entire Croatian economy. On such a vital and liberalized telecom scene, T-HT intends to keep its position as market leader. This is why decisive market responses from T-Com and T-Mobile have been made and why necessary activities have also been undertaken in corporate restructuring.

The strength of the T-HT Group lies in the integral market performance of T-Com and T-Mobile. In response to the transformation of the market structure and to new technological challenges, as well as to achieve greater focus on customers and to maximize the potentials of an integral market presence, a reorganization was carried out in 2005 within the T-HT Group which, as had previously occurred with T-Mobile, established T-Com as a separate business unit within the T-HT Group. T-Com gained thereby a certain degree of autonomy, but also of direct responsibility for market results and for the satisfaction of customers in its segment. So, the consolidated T-HT brand encompasses two brands: T-Com, which integrates the business operation of the fixed network, Internet services, the data network, and business operation with carriers, and T-Mobile, which comprises mobile telephony services.

T-Com still has a dominant market position: through extraordinary teamwork, as well as large investments, our very ambitious plan of achieving 100,000 customers for the ADSL service was reached by the end of 2005! In this way, we are directly creating the preconditions for a better and faster “communications future” for the whole of Croatia. Our development strategy will continue to involve investments in broadband Internet access and enhancement of domestic contents on the Internet. In 2006 we plan to introduce new services such as the very attractive IPTV.

We now provide residential customers with the additional choice of the most favourable packages and systems with one second as the billing unit. We are also signing framework contracts on cooperation with business clients and are launching new services. All this has resulted in a very high number of 1,675,000 fixed lines in total.

By the end of 2005, T-Mobile had attracted a total of about 1.9 million customers, including 375.000 new customers, achieving in this way a leading market share of 52.1%. The main features of the mobile market in 2005 were the entrance of a new carrier in October and the increase in total penetration from 64.3% by the end of 2004 to 82.4% by the end of 2005. We are responding to the extremely strong com-



Letter of the President of the Management Board

petition and further pressure on prices by offering superior and innovative services, and are paying special attention to cultivating a long-term quality relationship with customers. Thus, for example, in March we were the first to introduce a "postpaid" service without classical subscription, while in June we also offered to the market the UMTS service. According to several client surveys, our network has been rated the best in the Republic of Croatia. In short, we endeavour to be the brand "you would recommend to your friends".

In response to the market challenges ahead, through internal restructuring we are increasing our efficiency and creating the prerequisites for the sustainable growth and development of the Group. The rapid introduction of new technologies and an improvement in business processes are the preconditions for maintaining our market position and creating further success. In this direction, one of the necessary activities is also the management of employees identified as a technological surplus. T-HT is conducting this process with maximum social sensitivity, and our severance payments are among the highest in the region.

The T-HT Group achieved a solid financial result in 2005. Total income amounts to HRK 8.8 billion, which represents an increase of 5.6% in relation to 2004, while net profit lies at last year's level, amounting to HRK 1.9 billion. The greatest credit for the growth of the Group's income goes to the segment of mobile telephony, with an increase of 17.9%, and to a lesser extent to the segments of carrier operations and to data services. The continuously stable and successful business operation, as well as the very liquid position of the company, enabled substantial dividends to be paid to shareholders during 2005.

We believe in our role as a socially responsible company and that is why we are glad to share part of the acquired value with Croatian society as a whole, i.e. with those who need help most. We continue to allocate significant resources for donations for educational and social projects, such as "Net in School", which was conducted again in 2005 in cooperation with the Ministry of Science, Education and Sports. "Every Child Needs a Family" was an extremely successful drive to promote finding homes for children, in cooperation with UNICEF, while the project "And What About Babies..?", which was carried out in cooperation with our partners, managed to collect over HRK 3.5 million to improve the hospitalization conditions of pregnant diabetic women. Croatian culture and sports are our strategic orientation in sponsorship activities: since we wish to connect the T-HT brand to the Olympic values, we continue to be a general sponsor of the Croatian Olympic Committee, and investments in football ("I Love Football"), the Croatian Ski Union and Janica Kostelić show our support for the greatest Croatian sports, and thereby also to their popularization and further development. In culture we have committed ourselves to sponsoring numerous Croatian festivals of music, theatre and film art ("CulTurst"), to preserving the Croatian cultural heritage "Culture.HR", etc. Our firm orientation towards the future means that, apart from shareholders, the benefits of our successful business operation should also be enjoyed by the environment in which we operate.

Finally, I would like to sincerely thank all employees of the Group for their extraordinary dedication and contribution to these business results. I believe that we shall meet all our goals through the successful implementation of the defined strategy, and thus also the expectations of our customers and shareholders, as well as of our employees and of the wider social community.



Ivica Mudrinić,
President of the Management Board

Zagreb, March 2006





IVICA MUDRINIĆ

President of the Management Board and CEO

Born in 1955 in Drnis, Croatia. Graduated from the University of Toronto in 1978 with a degree in Applied Sciences and Electrical Engineering. He started his career with Motorola Communications and in 1985 established his own consultancy company for cable communications, interactive terminal development and radio communications. In 1991 he returned to Croatia and started a political career as adviser to the President of the Republic, Assistant Minister, and Minister of Transport and Communications. He served as President of the Telecommunications Council (regulator for telecommunications and broadcasting) and at the beginning of 1996 was appointed to the position of President of the Management Board and CEO of Croatian Radio and Television. On 1 January 1999 he was appointed to the position of President of the Management Board and CEO of Croatian Telecom.

IVANA ŠOLJAN

Member of the Management Board, Chief Operating Officer Fixed and Broadband and Head of the Executive Board of the Business Unit T-Com

Born in 1964. Studied Comparative Literature and English at the Faculty of Philosophy and Theatre Direction at the Academy of Dramatic Arts at the University of Zagreb. She began her professional career as a producer of commercial and musical videos (SIM Studio, 1983-1987), radio shows (Radio 101, 1987-1988) and was the co-founder and chief producer at the national commercial television Z3 (1988-1990). At the beginning of 1990 she worked for the American company Mooney LeSage and later returned to working in the media as marketing and sales manager (Globus, 1991-1992), member of the Board of the TV station OTV (1993-1995), director of strategic planning and development, and director of sales and distribution (EPH, 1995-1999). She was the founder and managing director of Klik Multimedia (January-March 2000). After the sale of Klik Multimedia to Iskon Internet, she became a member of the Iskon Management Board and was responsible for sales, marketing and content. In September 2002 she was appointed member of the Management Board of HT (today T-Hrvatski Telekom) and Chief Operating Office for the Business Unit Online and Content. Since July 2003 she has been a member of the Steering Committee for the Fixed Line business operation. In November 2003, she was appointed project sponsor, responsible for leading the processes of the interim project organization for the Fixed Network. Since March 2005 she has held the positions of COO of T-Com and CEO of the T-Com Executive Board.

BOŽANA CATHY GREGOIRE

Member of the Management Board and Chief Human Resources Officer

Born in Vinkovci in 1960. She completed elementary and high school in Melbourne, Australia. In 1985 she obtained a degree in sales and marketing at Carleton University, Ottawa, and later a degree in human resources management at Seneca College, Toronto. She has held management positions in several leading North-American and Canadian firms and consultancy companies, such as Black Foto Corporation, Omnibus Consulting Inc., Revlon Canada Inc., and Ricoh Canada Inc., where, as Company President, she was in charge of human resources and corporate sales and marketing strategy. From 10 January 2005 to 22 March 2006 she was member of the Management Board and Chief Human Resources Officer in T-HT.

MANFRED OHL

Member of the Management Board and Chief Technical Officer

Born in 1947 and graduated from the DBP Academy in Berlin in 1968 in telecommunications engineering. His entire professional career has been in the telecommunications industry. He has managed activities related to network and transmission technologies and has also led DT's investment program in introducing cable network in East Germany. From 1995 to 1998 he was in charge of the DT office in Frankfurt. In 1998 he moved to the Hungarian Matav, where he served as chief technical officer. In March 2004 he was appointed member of the Management Board of HT, today T-Hrvatski Telekom, and Chief Services Officer. Since September 2005 he has held the position of Group Chief Service Officer of T-HT and Chief Technical Officer of T-Com Croatia.

WOLFGANG BREUER

Member of the Management Board and Chief Operating Officer Mobile

Born in 1964. He obtained his Bachelor's and Master's degree from the University of Telecommunications in Cologne. In 1999 he completed the Management Development Program at the University of Michigan in the USA. He began his professional career in 1990 as Project Manager in the German company Leybold AG Hanau. In 1992 he transferred to T-Mobile, a German mobile communications operator owned by DT, where he worked as GSM Project Manager (1992-1995), Key Account Manager in the Sales Department (1995-1996) and Director of the Network in PTC, a Polish mobile operator (1996-1999). At the beginning of 2000 he became Country Manager of Croatia and Poland within the structure of the international divisions of DT, thus taking responsibility in 2001 for the whole region of Central Europe within the same division. During 2001 he became a member of the Supervisory Board of Croatian Telecom. In July 2002 he was appointed member of the Management Board and Chief Operating Officer Mobile. With the founding of HT mobilne komunikacije d.o.o. on 1 January 2003, he became President of its Management Board.

KATHARINA HOLLENDER

Member of the Management Board and Chief Financial Officer

Born in Essen, Germany, in 1966. After finishing secondary school she gained her first work experience by serving an apprenticeship in banking. She graduated in economics from the University in Essen, majoring in business informatics, organization and planning, and financial management. As a university student, she gained work experience at Siemens, Deutsche Rockwool and Stadtsparkasse Gladbeck and by leading seminars on financial development. In the past twelve years she has worked at Vebacom Service GmbH as subsidiary controller, at o.tel.o communications GmbH as the person responsible for consumer control and after that as Head of Project Office Software Development. She joined Deutsche Telekom AG in 1998, first in central controlling, responsible for national and international carriers, then as Executive Assistant Manager in Board Member Support for Finance and after one year as Head of Staff to the CFO of the Deutsche Telekom Group. From February 2004 until 1 May 2005, when she joined T-HT, she was Chief Financial and IT Officer at T-Punkt GmbH, Germany.

Supervisory Board

Gerhard Mischke,
President of the Supervisory Board

Miroslav Kovačić,
Deputy President

Michael Günther,
Member

Horst Hermann,
Member

Ana Hrastović,
Member

Siegfried Pleiner,
Member

Zvonimir Puljić,
Member (to September 16, 2005)

Josip Pupiće,
Member

Dr. Ralph Rentschler,
Member

Miljenko Boban,
Member (from September 16, 2005)



Supervisory Board Report

Pursuant to Article 263, paragraph 3, and Article 300 c, paragraph 2 of the Company Act and Article 31 of the Articles of Association of HT - Hrvatske telekomunikacije d.d., the Supervisory Board of the company HT - Hrvatske telekomunikacije d.d. Zagreb, Savska cesta 32, (hereinafter “Company”), consisting, on the day of issuance of this report, of Mr. Gerhard Mischke, Chairman of the Supervisory Board, Mr. Miroslav Kovačić, Deputy Chairman of the Supervisory Board, Mr. Horst Hermann, Ms. Ana Hrastović, Mr. Miljenko Boban, Mr. Siegfried Pleiner, Dr. Ralph Rentschler, Mr. Michael Günther and Mr. Josip PupiĆ, representative of the workers of HT d.d., Members of the Supervisory Board, submits to the General Assembly this

REPORT
on performed supervision during the business year 2005 and on the results of the examination of the reports related to the closing of the business year 2005

- The content of this report includes
- in which manner and to what extent the managing of the company has been monitored by the Supervisory Board during the business year 2005,
 - the results of the examination of the audited annual financial statements as per 31 December 2005, together with the auditor's report, as well as of the proposal for the utilization of the profit
 - the results of the examination of the Management Board report on the status of business operations for the business year 2005
 - the results of the examination of the report on relations with the governing company and affiliated companies thereof.

Corporate Profile
Deutsche Telekom AG (hereinafter “DTAG”), as the Strategic Partner of HT d.d., purchased an additional 16% of ordinary registered shares of HT on 25 October 2001 and thus became the majority shareholder with a 51% ownership stake.
The Croatian Government, representing the Republic of Croatia, by its decision, dated 17 February 2005, transferred 7% of its shares to the Fund of Homeland War Veterans and Their Family Members (hereinafter “Fund”). As of 12 April 2005, the Fund has been registered as an HT shareholder on its securities account at the Central Depository Agency with a 7% ownership stake. Erste-invest d.o.o. is the company that manages the Fund and in compliance with the Act on the Fund of Homeland War Veterans and Their Family Members is authorized to participate in the assemblies of companies owned by the Fund. The Republic of Croatia became a shareholder of the Company with a 42% ownership stake.

The Supervisory Board has five members representing Deutsche Telekom, three members representing the Republic of Croatia, and one member appointed by the Workers’ Council of HT d.d.

Supervisory Board
During 2005, the composition of the Supervisory Board of the Company changed as follows:
Mr. Michael Günther was elected Supervisory Board Member of T-HT for another term of office of four (4) years, commencing on 25 October 2005.
As of 16 September 2005, Mr. Miljenko Boban was elected as a Supervisory Board Member representing the Republic of Croatia in place of Mr. Zvonimir PuljiĆ.

Audit Committee
The composition of the membership of the Audit Committee of the Supervisory Board was not changed in 2005. On the day of issuance of this report, Mr. Horst Hermann, Chairman, Ms. Ana Hrastović, Member, and Mr. Siegfried Pleiner, Member were members of the Committee whose term of office as Committee members was prolonged for the following one year period. Furthermore, due to the changes within the management staff of the Company, the Supervisory Board decided to recall the previous, and appoint a new, Secretary of the Audit Committee in order to ensure continuity of the work of the Audit Committee.

Management Board
On the day of issuance of this report, the Management Board of the Company had six (6) members.

Below, the changes in the Management Board membership are listed.
In the course of 2005, the Supervisory Board appointed two Members of the Management Board. Ms. Katharina Hollender was appointed to the position of the Member of the Management Board and Chief Financial Officer as of 1 May 2005 due to the resignation of the Member of the Management Board of HT d.d. and Chief Financial Officer, Mr. Werner Hohenadel, dated 30 April 2005. The Supervisory Board appointed Ms. Bozana Cathy Gregoire to the position of Management Board Member and Chief Human Resources Officer as of 10 January 2005.

Through the Amendments to Appendix 1 of the Bylaws on the Work of the Management Board, the Supervisory Board decided on the basic Management Organizational Structure of the Company and on the re-distribution of the competences among the Management Board Members.
Fixed line business, including broadband, data, fixed voice and online business, was organized as the Business Unit T-Com with an Executive Board. The re-distribution of the competences among the Management Board Members was performed in the following manner:

Ms. Ivana Šoljan, Member of the Management Board, was assigned to perform the activities falling within the scope of the responsibilities of the Chief Operating Officer Fixed and Broadband (COO T-Com) and heads the Executive Board of the Business Unit T-Com (CEO of T-Com Executive Board).

Mr. Manfred Ohl, Member of the Management Board, was assigned to perform the activities falling within the responsibilities of the Group Chief Services Officer (GCSO) and of Member of the Executive Board of the Business Unit T-Com responsible for the T-Com network (CTO T-Com).

The Supervisory Board granted its further approvals for the business steering model, the T-Com Executive Board functional distribution and reporting lines between the Corporate and business units' functions, and on the new Regulations on the Organization of the Company which were implemented in the course of 2005.

Performed supervision during the business year 2005
In 2005 there were 4 sessions of the Supervisory Board. The Supervisory Board supervised the managing of the Company's business operations and performed other tasks in accordance with the Company Act, the Articles of Association of the Company, and the Bylaws on the Work of the Supervisory Board of the Company.

The Supervisory Board made an out-of-session decision in July 2005 to give consent to the Management Board for the passing of the Regulations on the Organization of the Company.

Apart from regular reports of the Management Board on the results and status of the business operations of the Company and joint consultations on business development, the issues below were discussed in more detail, and the

- Supervisory Board provided respective prior approvals and recommendations:
- Improvement of customer orientation and service
 - HR infrastructure, HR functions
 - Performance management model and Compensation model, which are currently under development and are still not implemented
 - The preliminary results of the participation of HT employees in the employee survey
 - The competition strategy of the Company
 - Corporate Governance and changes in the composition of the Membership of the Management Board as outlined above
 - Implementation of the concept of Corporate Audit International Cooperation in line with the internal regulations of T-HT
 - Amendments to the Strategic Cooperation Agreement between DTAG and HT - Hrvatske telekomunikacije d.d. and to the Strategic Cooperation Agreement between T-Mobile International AG & Co. KG and HT - Hrvatske telekomunikacije d.d. intended to increase the scope in which DT, through its branch T-Com, and T-Mobile International AG & Co. KG, will provide strategic advice and guidelines to HT d.d. in the implementation and regarding all other issues with respect to the Sarbanes-Oxley Act and its requirements for both parties
 - Results of the follow-up audit regarding the auditor's limitation of the scope to the Report on Related Parties' Transactions in the year 2004 - confirmation by the E&Y representative that the Company's auditor received sufficient audit evidence in this respect
 - Status of documentation and ownership over HT d.d.'s infrastructure and network
 - Regulations on telecommunications services and market deregulation, i.e. interconnection rates, the LL price decrease, the regulator's rejection of HT's business packages, WiMax licenses given to HT's competitor, etc.)
 - HT's participation in DTAG's Mid Term Incentive Plan for 2005
 - Broadband spread, tariff options, cost management programs and strategic project programs, headcount planning
 - Annual Business Plan for 2006 and Three-Year Strategic Plan 2006 - 2008.

- In 2005, the Audit Committee of the Supervisory Board held 4 sessions and discussed various issues, especially:
- 2004 year-end closing of the T-HT Group
 - 2005 Audit Plan external auditor & new partner Croatia E&Y
 - SOX 404 project in HT & Testing results
 - Measures monitoring and closing the remaining activities from 2004
 - Audit program 2004/2005 (execution, planning program)
 - Supervision of the realization of audit measures and audit reports (fraud management and reporting, IT solutions, Real Estate - facility

Supervisory Board Report

- classification, property registration, network registration, network capacity, business continuity activities, etc.)
- New internal structure and financial audit process IA
 - Improvement of current measures processes
 - Rights and responsibilities of Audit Committee according to S-OX
 - Internal auditing program for 2006.

The Supervisory Board supported the Management Board in their efforts to protect the interests of HT d.d. in Bosnia and Herzegovina.

The Management Board, within the legal deadlines, submitted to the Supervisory Board of the Company the annual financial statements of the Company, and the consolidated annual financial statements of the T-HT Group for the business year 2005 together with the audit report, the report on the status of the business operations of the T-HT Group and HT d.d., and the draft decision on the utilization of the profit realized by the Company during the previous business year.

Results of the examination of the Management Board report on relations with the governing company and affiliated companies thereof.

The Management Board submitted to the Supervisory Board the Report of the Management Board on relations with the governing company and affiliated companies thereof (Report of the Dependant Company), compiled in accordance with Articles 474 and 497 of the Company Act and in accordance with the principles of conscientious and truthful reporting. In the opinion of the Management Board, the relationships of the affiliated companies in the 2005 business (calendar) year in total, realized by contractual affiliating and other undertaken legal actions, were within the scope of ordinary business and entrepreneurial relationships, standard conditions and the application of regular prices.

The Company's auditor, Ernst & Young d.o.o. Zagreb, reported on the results of its audit and issued the following confirmation on the audit of the above report:

Report of Independent Accountants

Quote:
We have examined the management's assertions, included in the attached Report of the Management Board of HT - Hrvatske telekomunikacije d.d. on the relationships with the governing and affiliated Companies (Related Party Report) for the period from 1 January 2005 until 31 December 2005.
Management is responsible for HT - Hrvatske telekomunikacije d.d.'s ("HT") compliance with the requirements of Article 497 of the Croatian

Company Act. Our responsibility is to express an opinion on the management's assertion about HT's compliance based on our examination.

Our examination was conducted in accordance with International Standards on Auditing and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertions provided in the Related Party Report for the period from 1 January 2005 until 31 December 2005 are fairly stated, in all material respects.

This report is intended solely for the information and use of HT and is not intended to be and should not be used by anyone else.
End of quote.

The Supervisory Board has no objections to the results of the auditor's examination of the Management Board Report on relations with the governing company and the affiliated companies thereof. After considering the Management Board Report on relations with the governing company and the affiliated companies thereof, the statement of the Management Board and the results of the auditor's examination, the Supervisory Board states that the Company, according to the circumstances that were known at the moment of undertaking the legal affairs and actions stated in the Management Board Report on relations with the governing company and the affiliated companies thereof, received a respective counter-action for each legal affair, without any damage to the Company.

Results of the examination of annual financial statements and the auditor's report, the Management Board Report on the status of the business operations of the T-HT Group and HT d.d. for the business year 2005, and the draft decision on the utilization of profit.

The Supervisory Board issued an order to Ernst & Young, the Company's auditor, for an examination of the annual financial statements of the Company and the consolidated financial statements of the T-HT Group for 2005.

The Supervisory Board, after considering the audited financial statements of the Company and the consolidated financial statements of the T-HT Group for 2005, establishes that the Company acted in the year 2005 in accordance with the law, the acts of the Company and the decisions of the General Assembly, and that the annual financial statements were made in line with the situation in the Company's ledgers and that they indicate the correct property and business status of the Company. The Supervisory Board has no objections to the auditor's report on the examination of the annual financial statements of the Company and the consolidated financial statements of the T-HT Group.

The Supervisory Board has no objections to the audited financial statements delivered by the Management Board and gives its approval of the delivered audited financial statements. The said financial statements are considered established by both the Management Board and the Supervisory Board and are to be presented to the General Assembly.

The Supervisory Board has considered the report on the status of the business operations of the T-HT Group and HT d.d. for the business year 2005 and has no objections to the delivered report.

The Supervisory Board holds the opinion that the proposal of the Management Board on the utilization of the profit realized by HT - Hrvatske telekomunikacije d.d. in the business year 2005 is in accordance with the business results, is in accordance with the business plan for the current year, protects the shareholders' interests, and is in accordance with the positive regulations of the Republic of Croatia.

Therefore, the Supervisory Board gives its approval to the delivered proposal of the Management Board on the utilization of profit, i.e. that a part of the net profit in the amount of HRK 86,009,395.64 is allocated to the legal reserves of the Company and a part of the net profit in the amount of HRK 821,024,864.08 is allocated to the retained earnings.

The Management Board of the Company regularly informed the Supervisory Board of the Company's business, status of assets and liabilities, revenue, and organizational and other changes related to the management of the Company's business operations.

The Supervisory Board analyzed the realization of the planned results and the implementation of the basic goals of the Company's business policy for the year 2005.

After analyzing the reports of the Management Board of the Company and monitoring the changes in the financial indicators, it was assessed that the planned business parameters were realized and that the Company's business was successful.

Aside from the financial results for the year 2005, the Supervisory Board considered and approved the Company's business policy for the year 2006.

Pursuant to all of the above, the Supervisory Board will deliver to the General Assembly of the Company this Report on the performed supervision of the managing of the Company's business operations in 2005.

Gerhard Mischke
Chairman of the Supervisory Board



Trust

We are passionate about customers and their needs. Our aim is to build long-term partnership with each of our users, not only providing them with products and services that are tailored to their needs at a fair price, but also winning their respect and trust. Customers are our main concern and we are always open to their communication needs and problems.



II. Business Review 2005

26	Market Overview
27	Regulatory Environment
28	T-HT's Strategy
30	Organization of T-HT
31	T-Com
36	T-Mobile
39	Human Resources

Market Overview

Fixed Line

2005 witnessed the most significant shift to date in the Croatian telecommunications market through the liberalization of the fixed line business. A total of 14 new operators received licenses for the provision of fixed line telephony services from the Croatian Telecommunications Agency (CTA). Two new operators started providing services on a larger scale to both business and residential customers, resulting in a take-over of approximately 38,000 T-Com fixed line subscribers by the end of the year. Increased roll-out activity is expected from other licensed operators in 2006, as well as additional investments, both in network development and advertising. Despite the increased competition, T-HT did not experience significant market share decline during the year and remains well positioned for future periods by offering top quality products and services.

Mobile

The third GSM operator Tele2 commenced operations in October 2005 and created additional competition in the market. Tele2 is implementing their Europe-wide business strategy of being the "cheapest, no-frills" operator in the market, thus creating significant price pressure on the other operators. The company was awarded a combined GSM/UMTS 20-year license. Until the completion of its own network, estimated for the end of 2006, the third operator is using national roaming through Vip in accordance with a three-year national roaming contract. The launch of 3G services occurred during the year, marking another technological upgrade in the mobile market. Vip, the second GSM operator, launched limited corporate 3G services at the beginning of 2005 with a further residential roll-out from April 2005.

Internet

A strong increase in broadband users marked the year for T-Com. The broadband market experienced significant growth during the year from 22,000 to 101,300 lines and, with very limited competition (only 1 additional operator reselling T-Com ADSL), provided a stable platform for T-Com in increasing its revenue base. The competitive environment in the broadband market is expected to change in 2006 with several players announcing their increased investment in, and roll-out of, broadband services. As expected, narrow-band access continued to grow, in spite of the substitution by broadband, increasing further T-Com's market penetration.

The introduction of new technologies and their implementation in the market was a dominant factor on the Croatian telecommunications horizon during 2005. During the second half of the year, the CTA awarded WiMAX concessions in Croatia for four counties and the City of Zagreb. T-HT, among others, was awarded concessions for the provision of WiMAX services in two counties (Osijek-Baranja and Međimurje).

In 2005, the business users market displayed a further need for bundling and integration of services from their telecom providers. The Company's competition was quick to respond to these demands through the creation of multiple packaged offerings. The implementation of new technologies and superb customer service have become differentiating factors for telecommunications companies and will continue as a benchmark in future periods. The Company has made significant efforts in responding to the increased demand for substitute technologies and in retaining key customers by offering innovative, competitive solutions.

Regulatory Environment

Since 1 January 2005, T-HT has been operating in a fully liberalized market environment, albeit regulated by the Croatian Telecommunications Agency (CTA) that became operational in 2004. Under the completed legal framework of market liberalization and with the CTA firmly established, T-HT faces a strict regulatory regime. The regulations adopted during the course of 2005 promote easier market entry for providers of both fixed and mobile telecommunications. In addition, the Amendments to the Telecommunications Act that came into force in April 2005 considerably broadened CTA's discretionary authority and increased fines for violations against the Act to up to 1-5% of total annual gross income for the most severe offences. According to Croatia's framework of market liberalization, T-HT is obliged to provide fully unbundled and shared access to the local loop, carrier pre-selection and carrier selection, as well as number portability.

Although CTA approved T-HT's Reference Unbundling Offer based on an access price of HRK 52.14 per unbundled local loop on 20 October 2005, shared access is still pending. Carrier selection and pre-selection have already been available to other operators since early 2005, giving subscribers the opportunity to make use of the telecommunication services of competitive operators by dialing a prefix denoting a specific operator. Number portability, however, offers the possibility for subscribers to retain their numbers in the event of changing the operator in fixed or mobile networks.

Interconnection is a major pre-condition for liberalizing telecommunication markets, obliging the incumbent operator to grant access to other operators at cost-oriented prices.

On 25 February 2005 CTA first approved T-HT's Reference Interconnection Offer (RIO). The initial validity period was subsequently prolonged until February 2006, after which CTA imposed interconnection prices at roughly the same level as in the previous period.

Whilst T-HT had already been designated as an operator with significant market power ("SMP") in public voice in fixed networks, interconnection and leased lines, since 20 October T-HT has also been defined as an SMP operator in the market for transmission of voice, sound, data, documents, pictures and other media in the fixed network. In markets where operators are considered to exercise significant market power, these operators are obliged to follow the principles of transparency and cost orientation in pricing.

In October 2005 the Regulation on Universal Services was passed and in November of the same year T-HT was designated as a provider of universal services, thus being obliged to offer a minimum set of telecommunication services of a certain quality at an affordable price to all end users in Croatia, regardless of their geographical location. In addition, the Croatian Telecommunications Act excludes financial compensation for the provision of universal services if the designated operator has a market share of more than 80%, thus preventing T-HT from claiming financial compensation.

Due to successful liberalization facilitated by T-HT's pro-active compliance with regulatory obligations, competition increased markedly during the course of the year. Towards the end of 2005, a total of 14 fixed line licenses were awarded to operators in public voice, and UMTS licenses were granted to both existing mobile operators, T-Mobile and Vip, as well as to Tele2.

T-HT’s strategy

T-HT's strategic mission is to sustain its leadership in the marketplace by continuously investing in our customers, innovation and quality of our products and services. The foundation of our strategy rests upon three main pillars:

- Customer centric organization
- Growth through innovation
- Focus on quality and efficiency

Customer centric organization

T-HT is transforming itself into an organization where the customer becomes the central figure in all of its decision-making areas. Product development, sales and marketing, process designs, infrastructure investments and crafting strategy all evolve around fulfilling our customers' needs and providing customer satisfaction.

In 2005, both, T-Com and T-Mobile focused on creating “value” packages resulting in noticeable savings for its customers. T-Com introduced “Super” tariff packages featuring 1” billing intervals and free minutes. It additionally introduced a series of add-on packages such as “Europa 25” and “Free Sundays”, all aiming at higher customer satisfaction and lowering customer bills. For its part, T-Mobile introduced a number of new residential and business packages, giving customers cheaper voice tariffs and greater flexibility.

In 2006 and beyond, T-HT will continue to strive for excellence in all customer related “touch points”. In addition to launching additional valuable fixed and mobile tariff packages, T-HT will set its priorities on call centers to provide top-notch customer and technical support, effortless service ordering for our customers, and best-in-class service provisioning standards.

Grow through innovation and acquisition

In line with trends in Western and Central Europe, the ADSL push was one of T-HT’s key strategic actions during 2005, connecting around 80,000 new homes, and at the same time raising our Internet and Data-related services to a higher level. We will step up the aggressive roll-out of our broadband services in the upcoming years, as broadband is the most significant base for offering additional, sophisticated services that will drive our revenues. ADSL is the basis for the introduction of IPTV, which is set to be fully launched in 2006. So, in 2006 we will be offering our customers advanced “triple play” (voice, Internet and TV) services. For our business customers, we intend to rapidly widen the offer of IP-based services, especially packaged solutions and/or bundled offers. We seek to become a one-stop-shop for all their communication needs.

In our mobile business, despite growing competition through the entry of new operators, T-Mobile will strive to keep its subscriber base by offering added value for its users, through simplicity and a high quality of service. We will continue to develop our UMTS network and, by doing so, ensure quality of service and extend our network capacity. T-Mobile will continue its efforts to improve its sales channels and customer service.

While T-HT remains committed to its core operations, we believe opportunities exist to leverage our know-how and expand our efforts through the active build-up or acquisition of activities that are closely related to our core business (e.g., advanced telco technologies; combined IT-telco solutions; Internet-enabled business processes; content provision). We have started to closely monitor the developments in our domestic and neighboring markets to identify and evaluate opportunities and explore in which form we could benefit from engaging in them (e.g., sponsorships, joint ventures, partnerships, acquisitions).

Focus on quality and efficiency

T-HT continues to be one of the nation’s largest investors in new technologies, services and people. We are dedicated to continuously investing in the quality and efficiency of our network and operations. Over the next 3 years, T-HT plans to invest over HRK 2 billion in its core and access networks, and in the development of new services (e.g. IPTV, VOD, Net Phone, etc.) and IT systems. Investments in advanced technologies and network platforms such as VDSL, FTTH or Metro Ethernet will enable our customers to increase their data transfer rates up to 100 Mbit/s. Such robust platforms will also enable our customers to start using affordably bandwidth-hungry applications such as Multimedia, VOD or High Definition TV.

Organization of T-HT

Integration of business segments

The organization of the Company is based on division into corporate and business functions. Therewith, through its corporate units, the Company's business segments are integrated into an integral corporation which, using all the advantages of synergy, has a single approach to the market as the sole provider of all telecommunication services in Croatia. At the same time, through the functions of business units, orientation towards individual products and services is ensured, and, therewith, also to strengthening their position in the competitive market.

The following four Corporate Units exist within the Company, serving to integrate the business and management of the entire Company: CEO Corporate Unit, Financial Corporate Unit, Group Services Corporate Unit, and Human Resources Corporate Unit. These functions ensure that all business segments of the Company are adjusted to each other so that the Company can operate as a single entity. Moreover, all stated Corporate Units focus on securing the value of, as well as on initiating new value for, the entire Company.

T-HT has two Business Units:

- **Business Unit for Fixed Network and Broadband Operation (T-Com)**, organized within HT-Hrvatske telekomunikacije d.d. as a legal person. In accordance with the new organizational structure, the fixed network, broadband, data network and on-line services, which for a year has been under the umbrella brand of T-Com, has formally become part of a unique and functionally organized Business Unit within the Company, ready to react swiftly to the demands and expectations of customers. T-Com is headed by an Executive Committee consisting of the Chief

Executive Officer of T-Com (also T-HT's Management Board member and COO of T-Com's fixed network and broadband) and 5 members of the Executive Committee of T-Com responsible for sales, finance, marketing, network and human resources. All current regional activities of the Company in the new organization are part of T-Com. Regional activities are organized through the regional sales/regional management department, regional network department, and regional finance department. Segments of T-Com business are organized in T-Com Management Units and are managed by the respective member of the T-Com Executive Board.

- **Business Unit for Mobile Communications Operation (T-Mobile)**, a separate legal entity organized as a limited liability company one hundred percent owned by T-HT.

T-Mobile as a Business Unit is managed by the Management Board of T-Mobile. Member of the Management Board and Chief Operating Officer (COO T-Mobile) of the Company is by virtue of his/her function President of the Management Board and CEO of T-Mobile. Apart from the President, the T-Mobile Management Board has five other members who are responsible for finance, network, marketing, sales & services, and human resources. Segments of the T-Mobile business are organized in T-Mobile Management Units and are managed by the respective member of the T-Mobile Management Board.

T-Com

Overview

- Telecom market has dynamically developed during 2005. Major facts that determined the course of market movements in past year were:
- 14 new national operators obtained the license for fixed telephony in Croatia; the initial price of a fixed network license was HRK 40 million, reduced to HRK 8 million by the end of 2004, and by the beginning of 2005 reduced to the present HRK 20,000.
 - 12 new voice tariffs were offered to residential customers: the prices have declined in all segments and this trend is expected to continue.
 - The traffic figures declined: According to the Croatian Central Bureau of Statistics, users of the Croatian fixed network spent 7.46 billion minutes of calls in 2005 until August, that is, 7% less than in the same period of the previous year. The majority of calls were local calls, amounting to 97.8% of all calls, while international calls lasted 165 million minutes which is 4.6% less than in the same period of the previous year
 - New innovative services and tariff options were launched in both fixed telephony and broadband.

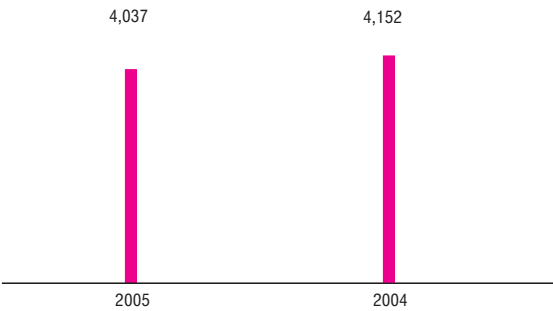
Major achievements of T-Com

Fixed telephony

Fixed telephony services remain the core business activity of T-HT. At the end of 2005, the total number of connections was 1,684,040 in analogue and digital lines (POTS, FGSM and ISDN), out of which 84% were private and 16% were business lines. The trend of redirecting customers to more advanced services can be seen in the success of ADSL and in the growth of ISDN. Number of ADSL connections sold reached over 100.000 in the course of the year. The revenue from the traditional voice service amounted to HRK 4,037 million, which represents a 3% decline compared with the previous year. The main cause is the entry of competitors and in the general fall of traffic in the fixed network. The number of POTS connections remained at the level of the previous year, whereas the number of ISDN BRA connections increased by 4% and the

Connections	2005	2004
POTS	1,534,113	1,542,070
FGSM	7,534	7,114
total POTS connections	1,541,647	1,549,184
ISDN BRA connections	130,183	124,342
ISDN PRA connections	3,179	2,956
total ISDN connections	133,362	127,298
total connections POTS+ISDN+FGSM	1,675,009	1,676,482
ADSL	101,300	22,356

Revenue comparison - Phone (HRK millions)



number of ISDN PRA connections by 7%. Residential customers account for 68%, while business customers account for 32% of the total revenue in fixed telephony. The traditional analogue approach, which is characterized by large geographic coverage and availability, enables T-Com to provide customers with top quality at acceptable prices. Advanced services were offered to allow customers to make calls more easily and conveniently. In 2005, a total of 133,000 ISDN connections was achieved. At the beginning of 2005 an attractive offer of ISDN connections and terminal equipment was devised. The offer, accompanied by a communications campaign with the aim of re-positioning ISDN as the service that provides more convenient ways to make calls, was received extremely well by customers.

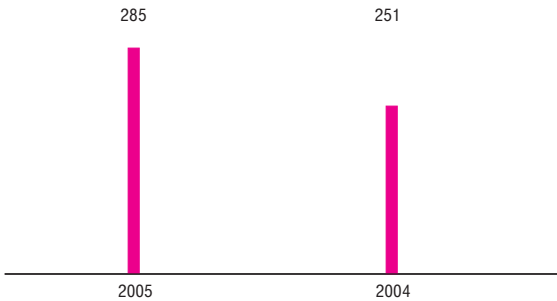
Network

Major improvements were done in the network part in order to keep up with market activities and high quality of service. The technical platform of the ISP system was upgraded with additional servers and disk space to support the growth of

Lines	2005	2004
X.25	1,279	1,438
Manageable leased lines	750	566
Unmanageable leased lines	7,527	7,550
Frame Relay	5,072	3,941
ATM	543	75
VPN	0	21
Telegraph	361	521
total	15,532	14,112

* Including CS lines

Revenue comparison - Data (HRK millions)



MAXadsl customers. Significant steps were taken to ensure maximum scalability of the platform to reduce upgrade costs and to avoid bottlenecks - the system of e-mail servers no longer adopts a monolith cluster solution but now applies a server farm solution, which allows for scaling simply by adding new servers to the system. The Disaster Tolerant project was also completed. It enables the fast recovery of key Internet services in the event of a total system breakdown (the loss of an entire data centre). The project was realized by setting up a primary and secondary location for data centers linked by means of redundant data connections, with the constant synchronization of all data among locations. "Net ID" solution was designed and implemented. This is a Single Sign-On system of centralized customer authorization that will be applied on the T-Portal within the new service called Komunikator, which will combine e-mail access, calendar, to-do list, address book and other organizer applications. The system will also be used in other web-based projects. The HotSpot service of public wireless Internet has been implemented, enabling transparent access for users of T-Mobile and T-Com services to the hotspots of both service providers. The service can be paid for by means of Internet bills as well as by credit cards, which has been realized by connecting to the existing T-Com e-commerce payment system. In the pilot phase of the HotSpot service, which lasted until the end of 2005, 13 locations were established. The new Multi-Office service links up to 4 locations connected by means of MAXadsl into a private network with Internet access, while the Business Voice service enables the use of the existing PBX exchange and the Private Network service for VoIP international calls and calls among VPN locations. The portfolio of security protection services now has the service Surfajte sigurno (Surf Safely), a software package for the protection of customers' PCs, providing 30 days of free trial and allowing for monthly payment for the software license by means of the Internet bill. Within projects introducing new services, pilots have been realized for the IP Centrex service and the Metro-Ethernet service.

Data

As for traditional data products, the greatest interest and demand relates to Frame Relay due to the flexibility and optimum solutions it provides. Frame Relay recorded growth both in the number of customers and the number of lines and speeds, resulting in 18% higher revenues compared to the previous year. ATM services also showed growth over the previous year. Revenues generated from the lease of telecommunications lines have remained at the level of the previous year. In spite of stiff competition in this segment of business operation, T Com generated HRK 285 million revenue from data services and products, which represents a growth of 4% (on a comparable basis) compared to 2004.

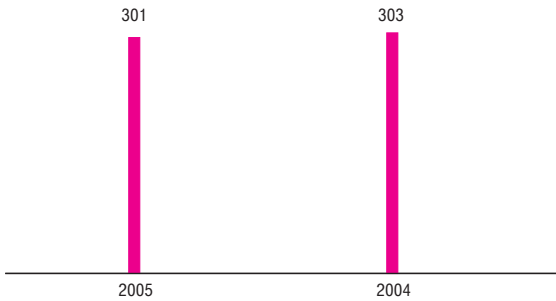
Internet

According to the results of a survey from October 2005 conducted by GfK, 35% of the population over 15 years of age, that is, over 1.2 million Croats, use the Internet at least once a month. By the end of 2004, the number of licensed Internet providers in Croatia was 20. During the first half of 2005, the entrance of fixed operators added to this number. Up to November 2005, Croatian Internet users spent 3.9 million dial-up minutes, which is 12.3% less than the same period the year before. The main reason is probably the greater use of broadband technology (ADSL). Still, as many as 93% of Internet users still employ dial-up technology. By the end of 2004, Croatia had 22,000 broadband (ADSL) customers, which is as much as 957% more than in 2003. By the end of 2005, the number of customers exceeded the impressive figure of 108,400. This year, great effort was put into marketing activities in this direction. In a situation of permanent technical innovations and constant pressure from the competition, T Com managed to retain its leading market position among Croatian providers of Internet services (IP). The number of dial-up customers in 2005 increased by 7% and reached a total of 600,000 customers. The market share of T-Com in the Internet part of its business remained relatively stable in the dial-up segment. The highest positive influence in allowing T-Com to retain its leading market position in the Internet part of its business was the introduction of MAXadsl broadband access to the Internet which was re-designed in 2004 to be more attractive to a large number of customers. By the end of 2005, the number of ADSL accounts exceeded 108,376. Revenues are in line with last year. At the same time, the increase in revenue from ADSL traffic and VPN compensated for the loss of revenue from dial-up. The year was marked by the replacement of narrowband technologies of Internet access with broadband technologies, whereby the ambitious plan of 100,000 customers was exceeded, although total revenues from Internet services remained at the same level. The year under review saw growth of revenues from the Private Network service, which has been well accepted by customers. The launch of the VPN network marked the beginning of a new generation

	2005	2004
Dial up customers	600,196	562,772
Internet access through leased line	471	560
ADSL accounts	108,376	24,302
total	709,043	587,634

Access points	2005	2004
VPN	449	138

Revenue comparison - Online (HRK millions)



of services which include consulting on the design of users' networks, the linking of remote offices, permanent support and keeping track of customers' needs. Advertising on web pages and multi-media services recorded a significant increase in comparison to the previous year. The number of customers accessing the Internet via leased lines fell by 19%, whereas the number of VPN access points tripled. The impressive number of MAXadsl customers was achieved through the constant creation of attractive offers on one hand, and by enriching multimedia Internet content on the other. On several occasions during the year, customers were offered unique market benefits, such as more favorable prices of connection, installation and modems, or promotional periods of free surfing. At the end of the year, new customers were given a DVD player as a free bonus. All the offers were presented in educational TV and radio commercials, which helped speed growth in the number of customers of very fast Internet. In communication with customers in 2005, special importance was attached to customer segmentation and the identification of specific customer needs. Targeted direct postal offers provided customers with customized Internet packages. The year was also

marked by the first steps taken to retain existing MAXadsl customers. Another novelty was the HotSpot service, introduced by T-Com in mid-2005. This service provides access to broadband Internet from public spaces such as cafés or squares.

T-Portal

T-Portal, e-zine with more than thirty columns and online services, is intended for all Croatian-speaking Internet users. Most of the visitors, around 75%, are Croatian citizens, while the remaining 25% access T-Portal from other parts of the world, primarily from the USA, Germany, Australia, Bosnia and Herzegovina, Serbia and Montenegro... Contents which are created daily - with around two hundred articles and topic units on average published each day - are consumed by the widest population of Internet users. Both children and retired people can find plenty of interesting informative, educational and entertaining contents, while the majority of content is intended for the public between the ages of 15 and 55 which make up the largest part of the entire population of portal visitors. In 2004, T-Portal had 759,500 visitors per month on average, making 4,894,000 visits, while in 2005 the number increased to 1,432,000 visitors, i.e. 6,495,000 visits per month. The distinguishing features of T-Portal are: the only national shopping centre portal; the only column "Klinici" intended for children; the widest offer of online services: business, advertising section, matchmaking, chat, web directory, webmail, telephone directory, city maps, wwwradio, gaming servers, wwwtv, road cameras, multiplayer gaming console, live sports results, etc. There is also a "Gospodarstvo" unit on business affairs as well as on current movements on the Zagreb stock market. Special space is given to MAXzona, the first Croatian broadband portal with its own video production and postproduction. Most of the contents originate from our own production. T-Portal contents are available on PDA and mobile devices (an excellent option for business people), via the mobile avantgo portal (www.tportal.hr/avantgo), and are also available via T-Mobile sms info, mms info and the wap portal. Additionally, there are different kinds of special projects (Survivor, Big Brother 1&2 with site, live streaming, etc.).

Wholesale

The liberalization of voice services in the fixed network started in Croatia in the course of 2005, resulting in a significant increase in the number of operators buying services from T-Com and becoming connected to T-HT's network. In addition, the third mobile operator started its operation in the course of 2005. The above changes considerably changed the role, structure and activities of the wholesale segment. The business and regulatory framework regulating the entry of new

fixed operators was defined through the Reference Interconnection Offer (RIO) and the Reference Unbundling Offer (RUO). Pursuant to the Reference Interconnection Offer, in the course of 2005 contracts on interconnection were concluded with new fixed operators. Besides standard services, novel services were implemented with new fixed operators, including operator selection/preselection (CS/CPS) and the service of number portability (NP). Until the end of 2005, T-Com concluded contracts on interconnection with 6 new fixed network operators. New competitors entered the market of capacities, offering considerably lower prices than T-Com, thus reducing margins in this segment.

The entry of new operators and the establishment of direct lines between national mobile and international operators resulted in significant competition in the market of voice services in the Croatian wholesale market, which will also lead to lower margins. The total revenue generated by the T-Com wholesale segment in 2005 rose by 6.6% in comparison with 2004. The main drivers of revenue growth are the entry of new fixed operators, the growth in sales of transit voice traffic and the growth in sales of Internet capacities. Growth of revenue from new fixed operators had an adverse effect on the retail segment, which is why the abovementioned growth of wholesale at the level of T-Com is not as significant as the growth of transit traffic (124.4%) and the leasing of Internet capacities (132.5%), where we attracted several small-size operators in the national market and within the region, which is a completely new revenue for T-Com. Revenues from mobile operators still account for the largest share (42.2%) of total revenues generated by wholesale, with a rather steady growth of revenues in comparison to 2004. Mobile operators recorded growth in traffic to fixed networks and traffic to value added services. However, the above growth in revenues is neutralized by the discontinued operations of the T-Mobile NMT network in 2005 and the establishment of direct international links of all national mobile operators.

Like the retail of Internet services to end users, a similar trend can be seen in the wholesale of ADSL transport and dial-up services. A significant growth in ADSL traffic occurred, but at the same time a significant fall could be observed in traffic from narrowband Internet caused by the migration of end users to broadband Internet.

Products and services

The number of customers of Fixed SMS and users of the tariff option Europe 25 introduced before the end of 2004 continue to grow, indicating that it is necessary to introduce similar tariff options for different segments of customers. Therefore, in 2005, the World 25 tariff option was devised, providing cheaper tariffs for a selection of international calls. The tariff option Free Phone Calls on Sunday allows users of packages Super 60, Super 100 and Super 150 to make an unlimited number of calls for an additional HRK 15 a month on Sunday within the national T-Com HR fixed network. Following customer needs, T-Com also introduced new Super tariff models in fixed telephony towards the end of the second quarter. The tariffs Super 60, 100 and 150 had a positive response, and following the communications campaign more than 80,000 customers began to use them. A new tariff system was introduced, with one second as the billing unit. Minutes of call were also included in the monthly subscription, and reduced prices of calls to mobile networks were also made available. The promotional period also offered free calls on Sunday. In June, a big communication campaign began with the aim of promoting the values of the T-Com brand.

A significant improvement in 2005 was achieved in informing customers of the opportunities provided by the ADSL service. For that purpose, T-Portal introduced many novelties, which advanced its leading position in the Croatian Internet space and fuelled interest in MAXadsl. T-Portal also introduced MAX zona, the first Croatian broadband portal to enable customers to access unprecedented multimedia contents in Croatia. A large amount of audio-visual and interactive contents intended for broadband users was added to T-Portal. Interest for multimedia Internet contents is shown by the number of visitors, which is growing daily. The important growth of the Internet community is based precisely on new contents, such as Multiplayer and World of Warcraft, enabling constant mingling and fun in virtual space. The existing contents of T-Portal, such as Funbox, Vijesti (news), Playtoy, Kultura (culture) etc. have been reorganized and adapted to customer trends and needs. Intending to reach various customer segments, the contents of T-Portal in 2005 have been additionally enriched with columns created by Croatian celebrities from show business and the media, who have engaged in permanent cooperation with the portal. For the second year in a row, T-Portal successfully produced multimedia coverage of the Croatian edition of Big Brother,

as well as several new Internet projects such as the Survivor reality show, which was especially challenging, since it was held on a remote island. E-commerce was promoted on several occasions in 2005. More and more companies are opting for this kind of business, primarily because web commerce allows for business in a global market 24 hours a day, 365 days a year. E-commerce offers an easy extension of sales channels with minimum costs and investments. It has been continuously expanding, both in Croatia and globally.

T-Com's 45 T-Centers all over Croatia have daily direct contact with customers who can experience in person the high quality of T-HT's products and services. As many as 20 points of sale were renovated to clearly present a modern, dynamic telecommunications company and promote the T-Com brand. Their sales premises were divided into the T-Com Zone, the T-Mobile Zone, the Business Zone, the Surfing Zone and the HOT Zone, where the customer can directly contact Customer Care. T-Com's points of sale have a growing number of visitors. In order to bring its products and services closer to customers, it started special marketing activities with some of its indirect partners, called T-Partners. There were as many as 185 T-Partners in 2005, becoming one of the most important sales channels. An additional step in customer relations was made in the field of Internet access safety. Customers were offered new safety packages such as Surfajte sigurno (Surf Safely), while the problem of dialers was brought to public attention several times. In 2005, T-Com made additional efforts in customer care. Its customer service provides information 24 hours a day, 7 days a week. The customer care strategy relies on the continuous focus on increased customer satisfaction. In 2005, the existing customer care capacities were additionally expanded: the free phone number 0800 9100 was introduced exclusively for business customers. In 2005, customer care received more than 3,300,000 calls, while the number of outgoing calls exceeded 900,000.

In September, in cooperation with PBZ American Express, the leading card organization in the Croatian market, the T American Express credit card was presented to customers. The product was created to increase customer loyalty, since it enables customers to make savings in their household budgets. The new T American Express card helps customers to save money on monthly bills for the home telephone, but also for MAXadsl Internet and 098 and 099 mobile networks. T-Com and T-Mobile, in cooperation with PBZ American Express, made a joint public appearance for this project. Such an approach makes it possible to open new distribution channels, attract new customers and simultaneously retain old customers in all segments, both in fixed telephony and for the Internet, as well as T-Mobile network customers.

Business review is based on HT Inc. unconsolidated results.

Overview

For T-Mobile Croatia LLC. (hereinafter: T-Mobile or the Company) 2005 was a dynamic year in which we:

- affirmed our position as overall market leader in the Republic of Croatia
- further enhanced the quality and coverage of GSM, and commercially launched the new generation UMTS service
- launched new, simple and innovative pricing plans in prepaid and postpaid

T-Mobile serves more than 400,000 (2004: 300,000) postpaid customers and close to 1,500,000 (2004: 1,200,000) prepaid customers. With a market share in 2005 of 52.1% * (2004: 54%), the Company proved its leading position in the competitive Croatian environment, thus confirming once again the successful meeting of customer expectations in the surroundings with the new entrant.

Major achievements in 2005

Revenues from mobile telecommunication services for 2005 were HRK 3,775 million (2004: HRK 3,275 million), which is a 15% increase over 2004.

During 2005, mobile penetration in the Republic of Croatia increased from 64.3% at the end of 2004 to 82.4%* at the end of 2005. In October 2005 the third mobile operator entered the Croatian market. Within this market development, T-Mobile further strengthened its leadership position in the Croatian mobile market, reaching a market share of 52.1%*.

At the end of 2005, T-Mobile was serving more than 400,000 postpaid customers and close to 1,500,000 prepaid customers. As a result of targeted actions, the share of postpaid in the total customer base rose from 19.6% to 21.9% in the period of one year.

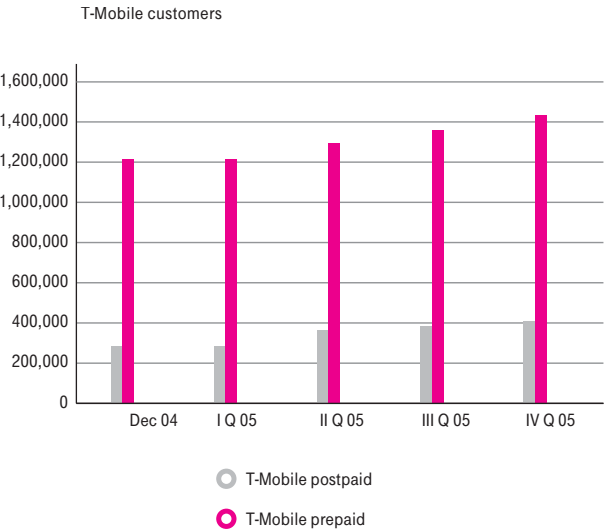
All efforts to improve customer interaction in 2005 resulted in an increase of the customer base and their loyalty, as well as a rise in customer satisfaction and the establishment of effective win-back measures. In addition, usage of voice services was 24.1% higher than in 2004. In the field of data usage, there was also an increase in 2005 in comparison to 2004: SMS usage increased by 11%, MMS usage increased by 176% and GPRS usage increased by 209%.

Becoming best in class in customer centricity

Market developments:

In 2005 efforts were taken to recognize customers' needs and to approach customers in a more personal way, developing a long-term customer relationship.

* Competitors results October - December estimated



During the year, T-Mobile offered a whole spectrum of new services which were created to meet the needs of all segments of customers. Some of the major achievements are summarized below.

- A new set of postpaid tariffs, reflecting simplicity, was introduced in March. The tariffs were designed to address customers' needs based on their monthly spend. The new, unique concept of money-bundles, through cost-control features, enables customers to use the whole amount of their chosen money-bundle, and, if the whole money-bundle was not spent in one month, to roll it over to the following month. This made T-Mobile the first mobile operator in Croatia to offer postpaid service without classic subscription. Seven new postpaid tariffs (five of those available to our residential customers) had great success. By the end of 2005, over 196,000 customers had adopted the new tariffs. This significantly contributed to an overall increase in the T-Mobile customer base.
- Three new, segmented prepaid tariffs were introduced in June. The tariffs were designed to emphasize "closer in touch", offering attractive evening and weekend rates and underlying the community aspect by offering targeted on-net and fixed tariff plans.
- The new concept of Option Team was introduced in September, designed for small business customers. The concept enables calls within small companies at a price of 0.00 HRK/min and, for the first time, calls to their favorite number out of the company, also at a price of 0.00 HRK/min. It was therefore one of the biggest T-Mobile successes in 2005. In less than four months following its introduction, from a very competitive small business market, 39,000 customers joined T-Mobile.
- GPRS and MMS roaming service became available in more than 60 different mobile networks worldwide, i.e. in 39 countries.
- The analogue NMT network was switched off on 31 March 2005, following favorable offers to NMT customers switching to the GSM network in T-Mobile.
- The 2G network was upgraded to 2G5, thus enabling 100% EDGE national coverage.
- The UMTS access network was commercially launched in June 2005.

Sales and Services developments:

Together with new offers, T-Mobile made additional efforts for the enhancement of customer interfacing processes.

The major achievements were:

- Introduction of a web-based tool for faster service provisioning at all points of sale, including indirect partners' shops.
- Results in the very small enterprises segment were increased, supported by the introduction of Business corners in T-Mobile shops and T-Centers.
- An incentive scheme was developed and implemented for T-Center employees.
- A Direct Sales Force channel was developed with 3 regional and national Indirect Sales Partners.
- A new sales channel in the form of a kiosk was opened in the "King Cross" Mall Centre, bringing in this way T-Mobile services closer to shopping customers.
- Another alternative sales channel was opened in cooperation with one of the leading consumer stores "Konzum", targeting prepaid customers mainly in rural areas, but also covering the whole territory of the Republic of Croatia.
- A premium and standard partnership model was developed, and implementation started with the aim of providing the highest quality of service.
- A Web Shop concept was launched for vouchers and particular handsets, including home delivery.
- A "Technical corner" concept was introduced in our own shop, for the purpose of promoting and facilitating advanced services.
- A Directory Assistance Service at the corporate website, but also through the T-Mobile Call Centre, was offered free of charge for the promotional period of the first year.
- Requested documentation for contracts was considerably decreased through the introduction of web-based data quality checks.
- Customer self-service tools were enhanced for +club (Loyalty program), and additional services for account information and administration were tested before implementation in January 2006.

Technical Business Area developments

In order to provide T-Mobile customers with the highest quality service, to establish the technical pre-requisites for the development of new services while obtaining a high quality of managed services, but also to be able to cope with increased traffic and numbers of customers, during 2005 the Technical Business area undertook numerous actions, among which the major achievements were:

- 83 new GSM base station locations were put on air, ending the year with 1,306 locations in the network.
- National coverage of EDGE was achieved.
- 137 new UMTS base station locations were put on air, covering regional centers, ending the year with 162 locations, achieving a 384 kbit/s data rate for outdoor use in the covered areas.

T-Mobile

- Additional capacities required for the core network were installed, together with necessary software upgrades.
- Backbone transmission network was upgraded and optimized to support nx64 kbit/s for high-speed data transfer.
- New VPN advantage platform was installed and integrated.
- New platform for on-line charging of mobile originated SMS in roaming was implemented.
- Service platforms were integrated in Service Operations & Maintenance Center.
- A new SMS center was put into operation.
- Deployment of Real Time Service Platform was initiated.

In the IT domain in 2005, T-Mobile successfully commenced the implementation of the Data Warehouse System in order to improve opportunities to compete more efficiently in the mobile market with stronger revenue and costs control (four phases of the DWH project were implemented with reports and analyses for prepaid and postpaid products and services).

Following the goal of providing our customers with the best possible services, and to be able to ensure the proactive meeting of marketing requirements, a Customer Relationship Management system (HW platform) began to be implemented.

In 2005, the Billing Disaster Recovery platform was implemented, based on disaster recovery standards and recommendations with cluster configuration at two independent locations with automatic data replication. Focusing on simplicity and ease of use from the customers’ point of view, functionalities that enabled the introduction of new postpaid tariff packages without classic subscription were developed, implemented and integrated. With the same goal in mind, a new postpaid bill layout was designed and implemented, thus improving bill clarity and accuracy.

Following the legal obligations, Lawful Interception was technically enabled and the Mobile Number Portability (MNP) project was started: MNP is expected to be in function and available in the second quarter of 2006.

Future Developments

Intensifying competition in the Croatian market and saturation of mobile penetration

Retaining and assuring the position of market leader will be one of the goals in 2006. The Company will continue to position itself as a leader in quality and reliability. Leadership is to be affirmed in the quality of the T-Mobile network and in the quality of T-Mobile services.

On the competition front, based on the benchmark with other markets, the new operator Tele2 is expected to continue price pressure. T-Mobile will focus on retaining its large customer base by offering more value propositions to its customers, promoting simplicity and high quality service to its customers.

Croatia will most likely follow other more developed markets with the appearance of disruptive technologies (e.g. VoIP), whose influence may be felt in the mobile business market as well. T-Mobile will continue to roll out the UMTS network and further strengthen itself in this area by ensuring the network’s high quality and capacity. Further improvements in the quality of our sales channels and service support will also be continued. Continuous innovative value propositions will be offered to the Croatian mobile market in 2006.

Business review is based on HT Inc. unconsolidated results.

Human Resources

T-HT recognizes the importance of human resources and the fundamental role that the contribution of each employee has in meeting the challenges of the rapidly changing conditions in the Croatian market.

Being aware that the Company’s employees are the main asset in achieving its strategic goals and in maintaining its superior market position, T-HT emphasizes the need for the qualitative development and growth of human resources, which is defined in the Human Resources Vision: “To create a high performing culture where each employee is aware of the overall corporate targets, is clear about their role accountabilities, the relevant performance expectations, and is rewarded for their contribution to those expectations.”

To fulfill its role as a business partner, Human Resources has undergone significant changes. Its activities are executed through four main pillars: HR Management, HR Development, HR Strategy and Communications, and Labor Relations Management.

Following the Company’s strategy in the entirely deregulated telecom market in Croatia, the process of headcount optimization has continued, with T-HT fully assuming its social responsibility and taking into account all the provisions prescribed by the Collective Agreement as well as the Labour Act.

Due to the qualification structure of the employees who have left the company, and the additional selective recruitment of highly specialized employees, we have continued to approach the telecom business goals by increasing the percentage of highly educated employees from 20% to 22% of the total number of employees. At the end of December 2005, there were 7,738 employees* at the level of the T-HT Group, which is 13% less than at the end of 2004.

* including 6 half-time employees

Employees by education, 31 December 2005

Education	Total
DSc	3
MSc	111
University	1803
College	889
Secondary school	3904
Highly-skilled	612
Skilled	294
Semi-skilled	26
Unskilled	12
Primary school	84
Total	7738

Labor Relations

In June 2005, the new Collective Agreement was signed with two major Unions: the Croatian Telecommunications Union and the Union of Workers in Croatia. Among other benefits which the Company wished to ensure for its employees, the following should be highlighted:

- severance package developed according to the age criterion with full social awareness of, and care for, our employees
- closed pension fund incentives to build a culture of long-term savings and investment into one’s own future
- regular medical check-ups for all employees to increase the quality of life and ensure prevention against ailments and disease

Investment in knowledge

T-HT strongly supports the systematic development of its employees, recognizing that only through timely investment in the development of employees will we be able to meet the challenges of the market. The main focus on education is to improve the competencies of employees and managers which will enable us to fulfill the corporate strategy.

Human Resources

The results of the objective external assessment of managerial competences completed in 2005 were used by T-HT as an anchor to start tailored development programs with a focus on leadership, strategic orientation, efficiency, innovation and people management, actively supporting corporate culture initiatives and T-HT values.

Intensive training courses were provided for more than 3,000 professionals in the area of professional and general competences: postgraduate and graduate studies, training in the area of professional skills and knowledge, especially new technologies, IT courses, English language courses, programs for communication skills, general finances for non-financial professionals, etc.

Imperative of internal communications

Knowing that the rapid and steady flow of information empowers the organization and enhances its business performance, T-HT supports and nurtures the systematic flow of credible, sensible, timely and

relevant information. Therefore, the development of structured internal communication has become a vital goal. The importance of open dialogue and exchange of information between employees and top management, held in an atmosphere of commitment and in a sense of belonging to the company, was shown in several forums and management road shows that took place throughout 2005. Understanding the strategic orientation of the company, changes in the environment and the position of T-HT is the key for each employee to comprehend his/her own role and contribution in achieving the company goals.

T-HT participated in the DT group-wide on-line Employee Survey 2005. This valuable tool was used to gain constructive information about the potential area of improvement in the company. Employee feedback on key issues in the Company is a powerful base for taking necessary action and propelling the corporate culture.





Care

The trust our customers have placed in us as well as the T-brand values compel us to provide top service and products, and to do more than just match the customers' requirements: to foresee what their needs will be tomorrow and how to best meet them. And every time customers deal with us, they can count on friendly and efficient service that guarantees satisfaction.

III. Corporate social responsibility

46	Donations and sponsorships
48	Environmental protection

The value approach, which T-HT has adopted in its business, is founded on the company's responsibility to society and the environment. It engages in sponsorship and donation activities, and is ecologically conscious, making a positive contribution to the community where it operates.

Concerning its donation strategy, T-HT is primarily focused on educational, social and cultural projects in the Republic of Croatia. The sponsorship strategy is mainly directed to sports and cultural activities through the business units of T-Com and T-Mobile. The Environmental Protection Policy of the T-HT Group is in line with the new environmental protection policy.

Donations and sponsorships

Driven by the idea that knowledge and culture are the driving forces of a society, and trying at the same time to help those in need, T-HT was a participant or initiator of a large number of donation activities and programs in 2005.

Within the continuing project "Net at School", which has been running since 2001 jointly with the Ministry of Science, Education and Sports, in the school year 2005/06 T-HT provided students and teachers in Croatian primary and high schools with a variety of telecommunications services. In addition to the donation of 100 million free minutes of Internet access to students outside schools and 10 hours of free Internet use via ISDN for the teaching process in schools, this year saw the project of introducing a private network with an ADSL line for both primary and high schools by which T-HT donates an ADSL line and a subscription for a MAXadsl tariff model with a speed of 768/128 kbps.

In 2005, T-HT as main sponsor participated in the UNICEF humanitarian campaign "Every Child Needs a Family". The goal of this activity is to promote and improve family care for children without parents. The funds raised in this campaign covered the needs of some fifty families who were selected as those needing education and support. Provision was made of household appliances essential for the temporary accommodation of the youngest children up to three years of age, thus helping to reduce the number of children in institutional care. T-HT is the first partner of UNICEF in Croatia and the campaign raised HRK 2,850,000. Over 110 new foster families were registered; five regional fostering centers are soon to be opened and social care employees have been additionally trained so they can provide better care for children.

T-HT was also one of the sponsors in the campaign "And Babies...?" where funds were raised for the renovation of the Centre for Diabetes in

Pregnancy at the Clinical Hospital for Women's Diseases and Childbirth in Petrova, Zagreb. The initiator of the campaign "And Babies...?" is the Croatian Prenatal Fund. During this campaign people could call the 060 number and donate funds for the reconstruction of the ward which accommodates diabetic pregnant women from the whole of Croatia. The activity lasted for three months and raised more than HRK 3,500,000.

T-HT also proved to be a socially responsible company by taking care of children's needs through the campaign "Leave a Mark". Within this campaign, school playgrounds in ten Croatian towns were reconstructed to a value of HRK 2 million. The schools were selected among those located in war-affected areas with large numbers of students. Reconstruction of school playgrounds consisted of the placing of a top layer of asphalt, marking the playground, reconstructing the goal posts and baskets and procuring nets for both. In the parts of playgrounds intended for pupils from the first to the fourth grade, playing equipment was placed - a swing, two benches and a table, a slide, a playhouse and two waste bins.

Apart for those major campaigns, T-HT provided financial support for a number of other valuable charitable projects. Among them, financial support was given to Croatian Caritas within the campaign "For 1,000 Joys" which is conducted under the slogan "Discover a New Dimension of Giving" for the purpose of providing support to a thousand of the poorest families in Croatia.

In view of the influence sports has over society in general, T-HT in 2005 continued to cooperate with the Croatian Olympic Committee, promoting as a general sponsor the Company and its brand associated with the value of the Olympics. Partnership relations were extended for another four years for one more Olympic cycle, including the Winter Olympic Games in Turin in 2006 and the Summer Olympic Games in Beijing in 2008.

Continuing the strategy of football sponsorship, the most popular team sport in Croatia, T-HT renewed contracts with the Croatian first league football teams through the broad campaign "I Love FooTball". In addition to sponsoring ten Croatian first league football teams, T-HT also sponsored the umbrella organization of Croatian football - The Association of the Croatian First League. This sponsorship was realized

by T-Com who organized a humanitarian football match within the activity, a match between FC Bayern and a selection of Croatian football players forming the T-Com Croatia Team. The humanitarian football match raised HRK 400,000 for the campaign "Every Child Needs a Family".

In an attempt to promote cultural values, T-Com organized during the summer months the project "KulTurst" by which it acted as main sponsor to four large cultural events. The events were the 52nd Pula Film Festival, the 51st Split Summer Festival and the 3rd International Tenors' Competition in Trogir, and the fifth anniversary of the Ulysses Theatre on Brijuni. In an attempt to make a connection with pop-culture, T-HT was a sponsor of Nina Badrić's concert for Valentine's Day "Love for love". Funds raised by this concert were directed to the humanitarian campaign "Every Child Needs a Family".

By becoming a partner to a large number of international and domestic forums and conferences, especially those related to the telecommunications sector, economic development and the development of the IT community, T-HT reaffirmed its leading role among the telecom operators in Croatia and provided funds for the organization of such events or the necessary telecommunications infrastructure and equipment. Among the supported projects were the Frame Program of the EU Internet Institute, ConTEL, SoftCom, MIPRO, the 13th Congress of the European Union for School and University Medicine, the conference of Digital Technology XDSL, and others.

T-HT permanently invests in knowledge and is the sponsor of the Croatian Association of IT Specialists to whom it provides equipment and prizes at various competitions of young IT specialists. T-HT participated for the second time in the competition of primary and high schools in designing Internet pages for the young related in terms of their contents to the European Union and organized by the Ministry of Foreign Affairs and European Integration of the Republic of Croatia and the Croatian Academic and Research Network - CARNet. The aim of the Login@Europe competition was to encourage students to develop, adjust and present information on the European Union. T-HT was a sponsor of the second prize in that competition and took part in the committee for the monitoring and final assessment of the best works. T-Com was also a sponsor in the second season of the big TV/multimedia show "Big Brother", the first Croatian reality

show that significantly contributed to making T-Com's brand more visible and to promoting widely the MAXadsl service. Following the reality show for 24 hours was only possible by using the T-Portal and with additional cameras, which greatly increased the use of the broadband Internet.

In 2005 T-Mobile proved again to be a company highly aware of its social responsibility. During the year, T-Mobile donated HRK 1,000,000 to the Croatian Sports Association of Disabled Persons aimed at helping children with physical disabilities and young disabled persons.

T-Mobile was the main sponsor of the FIS race for the World Cup on Sljeme, personal sponsor of the best Croatian sports person Janica Kostelić, and the main sponsor of the Croatian Alpine Ski Team (Croatian Alpine Ski Pool). T-Mobile also supports Croatian snowboarders.

In addition to skiing, T-Mobile is also very active in sailing, acting as main sponsor of the Mrduja regatta and the Vis regatta, two prestigious and very popular regattas. T-Mobile also organized a series of cycling races "T-Mobile Mountain Bike Challenge 2005" on the Croatian islands of Cres, Hvar, Šipan and Ugljan.

Based on a one-year sponsorship contract with Gibonni, one of the most popular Croatian musicians, T-Mobile made an exclusive offer of Gibonni's music for mobile phones in Croatia. T-Mobile customers can download his ring tone and real tone melodies for mobile sets.

T-Mobile also sponsored conferences held in 2005 such as ELMAR - International Maritime Electronics Conference, the Second Congress of the Alps Adria Acoustics Association, and the International Conference on Mobile Communications - ICECOM.

Furthermore, T-Mobile supported a number of scientific projects. T-Mobile worked jointly with the Faculty of Electrical Engineering and Computing in Zagreb on scientific and research educational and development exploitation projects for technical systems and cooperated with the Končar Electronics Institute. The Technical Museum and the Faculty of Electrical Engineering and Computing in Zagreb received NMT technology as donations, whilst the IT departments of primary schools and various non-profit organizations received second-hand computers.

Environmental protection

On 7 June 2005, the Management Board of T-HT adopted the Environmental Protection Policy to be applied across the entire T-HT Group. At the same session it was decided that T-HT would join the Sustainability Charter of the European Telecommunications Network Operator's Association (ETNO), of which T-HT has been a member since 1993.

In compliance with the international standard ISO 14001, which defines the conditions concerning environmental management, the environmental protection policy is a statement of the Management Board of the Company on their commitment to environmental protection. This policy should serve as the basis for establishing an environmental management system (EMS) and should ensure a unique vision with respect to environmental care across the entire organization. The policy should reflect the obligation of the organization in four key areas: compliance with statutory requirements and voluntary obligations, pollution prevention, constant improvement of performance with regard to environmental protection, including areas that are not statutorily regulated, and sharing information on performance related to environmental protection with the community.

The environmental protection policy of the T-HT Group covers all environmental aspects of the Group: waste, ground, energy, raw material, water and waste water, air and emissions, electromagnetic fields and noise. Due to the great importance of climate protection (environmental aspects, air and emission of greenhouses gases), special attention was given to those issues through the application of climate protection principles of the DT Group in an appropriate manner.

It should also be pointed out that the adoption of the environmental protection policy was one of our obligations assumed upon the signing of the ETNO Environmental Protection Charter in 1996.

On 17 August 2005, the Management Board of T-HT passed a decision on the adoption of the T-HT Group Environmental Protection Report 2004. It was the first independent report of that type since the establishment of the Company. In future, such reports will be regularly published at the beginning of the second semester for the purpose of presenting to employees, shareholders and the entire public the performance and achievements of the T-HT Group in connection with environmental protection in the previous year. By doing so, T-HT acts in line with its recently adopted Environmental Protection Policy, which, among other things, obliges T-HT to inform the public and all stakeholders about its efforts and achievements related to environmental protection.

In September 2005, T-Mobile's ISO 14001 system was successfully recertified by Cro Cert, an authorized certification company. On that occasion, T-Mobile also obtained the certificate of IQNet, the largest world association of certification companies. The ISO 14001 certificate shows that T-Mobile is actively involved in environmental protection, but it is also proof that T-Mobile is systematically and fully committed to ecological issues. T-Mobile has been continuously adjusting every part of its business to the latest European and world ecological standards.

On 31 March 2005, the analogue mobile network NMT was switched off on the basis of the Agreement on Termination of the Concession Agreement for Telecommunications Services with usage of the Radio Frequency Spectrum - NMT System, concluded with the Croatian Telecommunications Agency. Being environmentally aware, T-Mobile initiated the action of the return of all NMT handsets, which had become obsolete with the termination of the NMT network. The result of that action, during which more than 2,300 old NMT handsets were collected, also showed the high level of ecological awareness of T-Mobile customers. The handsets were ecologically disposed of, in accordance with the ISO 14001 standard and other high standards of environmental protection. The most interesting handsets were given to several museums as a reminder of the pioneer days of mobile telephony in the Republic of Croatia. All other NMT equipment was also disposed of in accordance with ecological standards.

Another ecological campaign took place during the summer of 2005. T-Mobile and the Croatian representative of Nokia, Mobis Electronic d.o.o, conducted the campaign "Nokia is Really Fancy". The campaign was very successful and more than 55,000 old mobile phones, their chargers and batteries were returned and ecologically disposed of in accordance with the highest standards of environmental protection.

Apart from special ecological campaigns, T-Mobile also takes care of the equipment used in GSM and UMTS networks. The base stations of the T-Mobile GSM network were developed, tested and put into operation in line with international standards and requirements. T-Mobile obtains certificates from its suppliers, proving that the base stations

comply with the ICNIRP safety requirements, as well as with sets of standards for product safety, electromagnetic compatibility and general technical regulations. Furthermore, all base stations are certified as compatible with the set of European and worldwide standards, and the respective certificates are issued by the Croatian Telecommunications Agency.

In respect of electromagnetic fields protection, T-Mobile is obliged to comply with the Bylaw on EMF Protection passed by the Ministry of Health. Compared to international standards, Croatian safety limits are from 2.5 to 6.25 times stricter.

Following the mentioned Bylaw, at the end of 2005 the Faculty of Electrical Engineering and Computing completed a comprehensive study on the impact of the use of electromagnetic sources. The study analyzed electromagnetic fields in the vicinity of GSM and UMTS base stations. The study was founded on a large number of measurements made by authorized companies (661 measurements at 93 locations). The detailed analysis of measurement results drew the conclusion that all GSM and UMTS base stations under the possession of T-Mobile from the measuring sample met all the regulations on protection against electromagnetic fields effective in the Republic of Croatia. In fact, more than 99% of the measured values were even below the 10% limiting-level value.



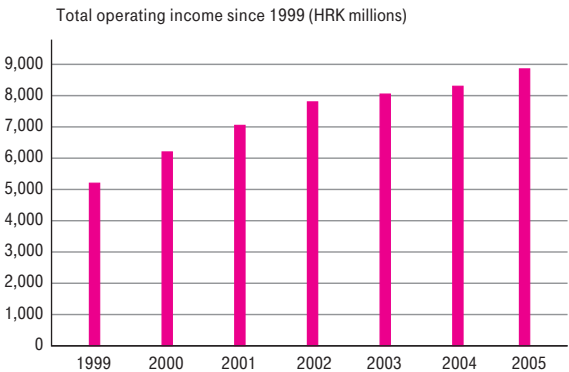
Flexibility

Following the liberalization and deregulation of the Croatian telecommunications market, we have adapted to the changes we are witnessing and in which we are participating. We have reshaped the company structure, focused on our core business and become fully customer-oriented. We have also systematically trained employees and developed new technologies in tune with world trends.

IV. Management Report for the Financial Year 2005

54	T-HT Group Consolidated Financial Results
58	Reconciliation of Pro Forma Figures

Management Report for the Financial Year 2005



The following financial analysis should be read in conjunction with the consolidated financial statements and the notes included in this report. The consolidated financial statements of T-Hrvatski Telekom are presented in Croatian kuna (HRK), and have been prepared in accordance with the International Financial Reporting Standards, as well as with the requirements of the Croatian Accounting Act. Where necessary, comparative figures for the previous year have been adjusted to confirm with changes in presentation in the current year. The format of income statements presented and the analysis thereof was made in accordance with the cost type method, and differs from the format of income statement provided for DTAG consolidation purposes, which was made in accordance with the cost function method.

T-HT Group Consolidated Financial Results

The Group's consolidated operating income for the year ending 31 December 2005 amounted to HRK 8,818 million. Its consolidated operating profit stood at HRK 2,260 million, while its net profit for the year amounted to HRK 1,929 million.

Consolidated Revenues

Revenue by business segment	2005	2004	2005/2004
	HRK millions	HRK millions	
Revenue from fixed telephony	4,034	4,148	-2.7%
Revenue from carrier services	570	514	10.9%
Revenue from data services	282	247	14.2%
Revenue from Internet services	297	300	-1.0%
Revenue from mobile telephony	3,432	2,909	18.0%
TOTAL REVENUE	8,615	8,118	6.1%

Consolidated revenues in 2005 reached HRK 8,615 million, representing an increase of 6.1% over 2004. Revenue growth was generated only in market segments where the Group is already facing competition.

The growth in group revenues was primarily driven by mobile communications and, to a lesser degree, by data and carrier services. Together, these business segments accounted for 49.7% of the Group's total revenue, with growth in these segments more than offsetting the decrease in fixed telephony revenues and revenues from Internet services.

Revenues from fixed telephony amounted to HRK 4,034 million, which represents a decrease of 2.7% compared to 2004. This decrease was mainly due to increased fixed line competition, partial migration from fixed to mobile services, and migration of international traffic to VoIP services. The specific decline in fixed-to-mobile revenues was triggered by a reduction in the prices of calls within mobile networks. The overall decrease in voice traffic was largely offset by the acceleration of ADSL access revenues (ADSL subscription).

Revenues from carrier services increased by 10.9% due to the commencement of the provisioning of services to new telecommunication providers.

Revenue from data services increased by 14.2% compared to 2004, reaching HRK 282 million. This growth resulted primarily from increased interest in more flexible products, such as frame relay and ATM.

In 2005 the total Internet revenue decreased by 1.0%. Internet penetration growth slowed and dial up revenues declined due to aggressive ADSL roll-out. Increases in ADSL traffic revenues (traffic beyond the capacities included in the ADSL access fee) did not fully offset declines in dial up revenues. In addition, ADSL access revenues are reported as fixed telephony, rather than as Internet revenues.

On a consolidated basis, revenues from mobile telephony rose by 18.0% over 2004, amounting to HRK 3,432 million, which also represents the highest relative revenue growth among business segments. These revenues were underpinned primarily by T-Mobile's strong market position, growth in penetration and market share, continued customer growth, and roll-out of new services. In absolute terms, mobile telephony was the most significant contributor to the growth of consolidated group revenues.

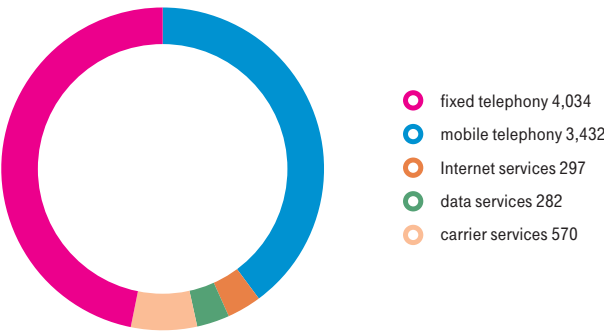
Consolidated Operating Costs

During 2005, the Group's consolidated operating costs amounted to HRK 6,558 million, which represent an increase of 5.1% compared to the 2004 consolidated costs.

Material Costs

The cost of raw materials, consumables and merchandise increased by 24.9% compared to

2005 revenue composition (HRK millions)



2004. This increase can be attributed mainly to the increase in costs of merchandise purchased for resale to consumers (mobile handsets, ADSL terminal equipment and similar). The cost of services increased by 12.5%, mainly as a result of increases in domestic interconnect costs, increases in international settlements and the increase in advertising costs. Other elements of service costs either remained stable or increased slightly.

Staff Costs

As compared with the previous year, there was a 2.3% decrease in total staff costs. The cost of gross wages and salaries decreased by 1.8%. In comparison to 2004, the costs of redundancy and employee legal cases declined by 8.7% (for details, see the paragraph on special influences).

	2005	2004	2005/2004
	HRK millions	HRK millions	
Gross wages and salaries	903	920	-1.8%
Taxes, contributions and other payroll costs	312	288	8.3%
Cost of redundancy and employee legal cases	390	427	-8.7%
Expenses related to employee benefit obligations	33	41	-19.5%
Total Staff Costs	1,638	1,676	-2.3%
Number of employees (end of year)	7,738	8,862	-12.7%

Depreciation, amortization and write down of fixed assets

Depreciation and amortization amounted to HRK 1,459 million, which represents an increase of 7.8%, or HRK 105 million over 2004. The write-down of fixed assets in the amount of HRK 47 million consists of HRK 35 million that relates to the impairment of T-Mobile’s property, plants and equipment, and HRK 12 million that relates to impairment loss of assets under construction of HT d.d.

Write-Down of Current Assets

The current assets write-down in 2005 amounted to HRK 121 million which represents a 19.9% decrease in comparison to the write-down of current assets in 2004.

Other Costs

There was a 5.6% increase in other costs, mainly caused by increased education and consulting costs, higher bank charges, membership and other fees, as well as increases in other operating charges.

Consolidated Operating Profit

The consolidated operating profit increased by 7.1% compared to the previous year. This increase was mainly generated by increased

revenues - primarily from mobile communications and to a lesser degree by decreased total staff costs which could be attributed to the redundancy programs completed in the previous periods.

Taxation

The corporate income tax rate in Croatia is 20%. Total income tax calculated for 2005 amounted to HRK 502 million. This increase in current tax expenses compared to 2004 was due mainly to an increase in the amount of profits before tax. Deferred tax in the amount of HRK 40 million resulted from the difference between deferred tax liability (HRK 45 million) and deferred tax assets (HRK 5 million).

Consolidated Net Profit

In 2005 consolidated net profit amounted to HRK 1,929 million which represents a slight increase compared to HRK 1,924 million realized in 2004. This increase in net profit resulted from the increased total operating income, with mobile communications as its main driver.

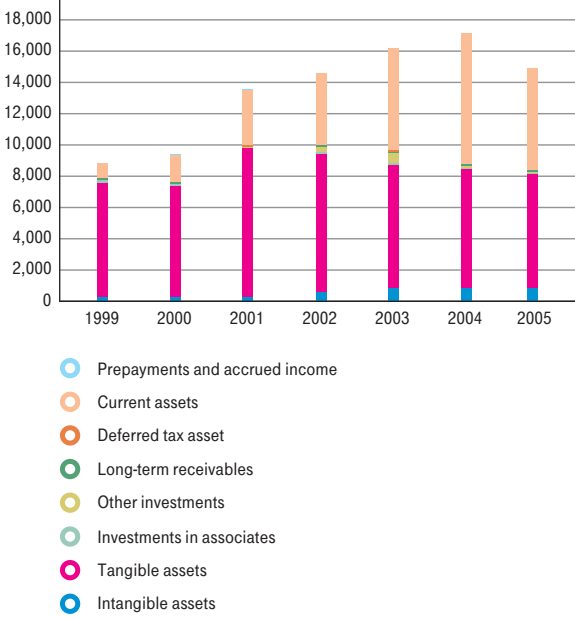
Consolidated Balance Sheet

Total consolidated assets at the end of 2005 amounted to HRK 15,494 million, representing a decrease of 10.1% over 2004. The decrease in consolidated assets derives from a decrease in current assets of 20.1% to HRK 6,093 million, mainly as a result of a decrease in cash and cash equivalents.

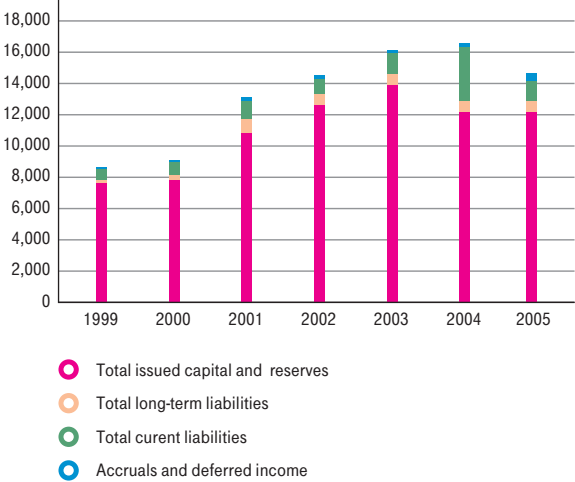
Total consolidated liabilities amounted to HRK 2,625 million as of 31 December 2005, which represents a decrease of 41.3% compared to 2004. This change in total liabilities corresponds to the following changes: (i) long-term liabilities amounting to HRK 614 million decreased by 3.9%, mainly as a result of a lower deferred tax liability; (ii) current liabilities amounting to HRK 1,686 million decreased by 52.3% mainly due to the decreased dividend payable, and to a certain extent to decreased income tax payables; (iii) accruals and deferred income amounting to HRK 325 million increased by 9.1%.

As of 31 December 2005, consolidated shareholders’ equity (capital & reserves) amounted to HRK 12,869 million, which represents a slight increase of 0.8% compared to the amount as of 31 December 2004. Moreover, retained earnings, which should be viewed in conjunction with the changes in revaluation reserves, increased in 2005. (The release of revaluation reserves to retained earnings corresponds to the difference between depreciation based on the revalued carrying amount of property, plants and equipment on the one hand, and depreciation based on the original cost of property, plants and equipment on the other.) During 2005, the Company declared and paid out dividends in the amount of HRK 1,830 million. Also an unpaid portion of dividends declared in 2004 of HRK 1,798 million were paid to shareholders in 2005.

Assets structure since 1999 (HRK millions)



Liabilities structure since 1999 (HRK millions)



Management Report for the Financial Year 2005

Subsequent event (not reflected in the financial statements)

On 16 January 2006 an advance dividend payment to shareholders was affected from the preliminary results of the Company in the amount of HRK 813 million, and was paid in January 2006.

Consolidated Cash Flow

Net cash inflows from operating activities amounted to HRK 3,149 million in 2005, a decrease of 17.0% compared to 2004. This is primarily the result of a decrease in payables and accruals, and a decrease in provisions.

Investment activities in 2005 resulted in a net cash outflow of HRK 1,928 million, while in 2004 they resulted in a net inflow of HRK 1,091 million. This reverse was mainly due to an increase in the purchase of current financial assets and a decrease in the received proceeds from the sale of current financial assets, as well as an increase in the purchase of non-current assets. The net cash outflow for financing activities amounted to HRK 3,633 million in 2005, which represents a major increase in outflows over the previous year's total of HRK 1,889 million. This increase was generated by a significantly larger dividend payment in 2005 over the amount paid in 2004.

The Group's consolidated net cash and cash equivalents position at the end of 2005 was HRK 2,889 million, which represents a decrease of 45.5% compared to 2004.

Reconciliation of Pro Forma Figures

Special Influence

Redundancy

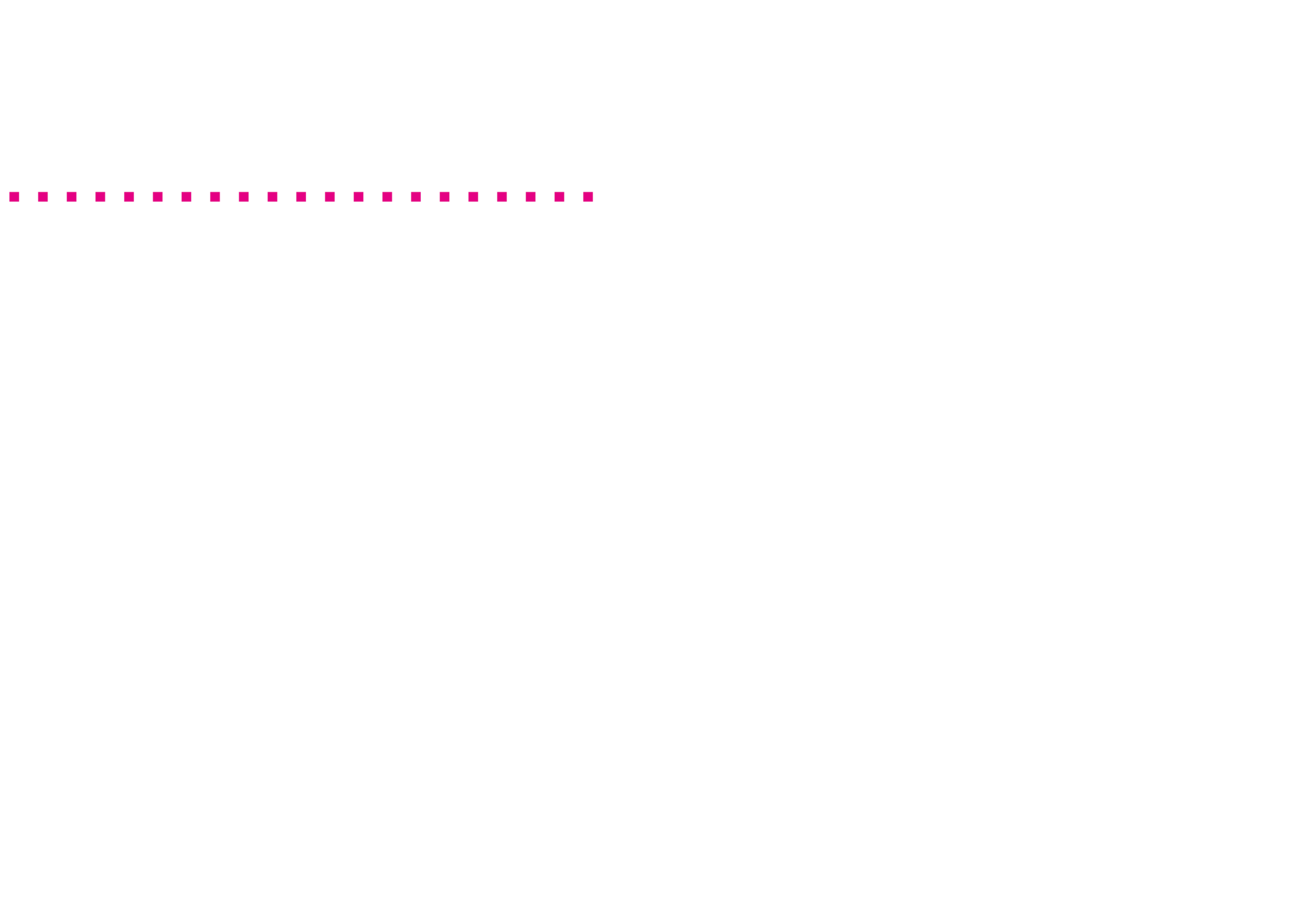
Redundancy costs of the Company and the Group totaled HRK 390 million, and include HRK 210 million for employees whose employment contracts will be terminated during 2006 for business reasons, HRK 172 million that represents supplementary amounts of contributions and taxes, and HRK 8 million for an additional provision (above and beyond the amount provided for in 2004) for 556 employees, whose employment contracts will be terminated at the beginning of 2006. The full amount of these assumed costs likely to be incurred has been recognized as an expense in the current period. In comparison, in the year 2005 the Group paid out a gross amount of HRK 431 million for severance payments to its employees.





Innovation

The world we live in is changing and so are the ways we communicate; our company is therefore dedicated to innovation. New products and continuous improvement of all work aspects are the only way to boost business performance and customer satisfaction. Each original solution opens new possibilities and helps our customers thrive in a changing world.



V. Consolidated Financial statements

64	Corporate profile
66	Directors and management
67	Statement of responsibilities of the Management Board
68	Auditors' report
69	Consolidated HT Group income statement
70	HT d.d. income statement
71	Consolidated HT Group balance sheet
73	HT d.d. balance sheet
75	Consolidated HT Group cash flow statement
76	HT d.d. cash flow statement
77	Consolidated HT Group statement of changes in equity
78	HT d.d. statement of changes in equity
79	Notes to the financial statements

History and incorporation

HT - Hrvatske telekomunikacije d.d. (“HT d.d.” or the “Company”) is a joint stock company in majority ownership of Deutsche Telekom AG (“DTAG”). It was incorporated on 28 December 1998 under the laws of the Republic of Croatia pursuant to the terms of the Law on the Separation of Croatian Posts and Telecommunications into Croatian Posts and Croatian Telecommunications (Official Gazette No. 101/98), which involved the Post and Telecommunications businesses of the former HPT - Hrvatska pošta i telekomunikacije (“HPT s.p.o.”) being separated and transferred into two new joint stock companies, HT - Hrvatske telekomunikacije d.d. (“HT d.d.”) and HP - Hrvatska pošta d.d. (“HP d.d.”), which commenced their operations on 1 January 1999.

Pursuant to the terms of the of Law on Privatisation of Hrvatske telekomunikacije d.d. (Official Gazette No. 65/99 and No. 68/01), on 5 October 1999, the Republic of Croatia sold a 35% stake in HT d.d. to DTAG and on 25 October 2001 DTAG purchased a further 16% stake in HT d.d. and thus became the majority shareholder with a 51% ownership stake. DTAG is now represented in the Supervisory Board with five members, the Republic of Croatia with three and one member is appointed by the Workers’ Council of HT d.d. As of 17 February 2005, the Government of the Republic of Croatia transferred 7% of its shares in HT d.d. to the Fund for Croatian Homeland War Veterans and Their Families in accordance with Law on Privatisation of HT d.d. (Official Gazette No. 65/99 and 8/2001).

During 2002, HT mobilne komunikacije d.o.o. (“HTmobile”) was founded as a separate legal entity and subsidiary wholly owned by HT d.d. for providing the mobile telecommunication services. HTmobile commenced its commercial activities on 1 January 2003, until that time GSM and NMT services were provided by HT d.d. During 2003, the process of the mobile telecommunication business separation into HTmobile was finalized.

During 2004, HT Group performed a rebranding process and took a new corporate identity as of 1 October 2004. The new brand name was formed by adding the letter “T” to the company’s previous brand name, Hrvatski Telekom. By doing that, HT Group has become T-Hrvatski Telekom, or T-HT. The change of identity on a corporate level, forming of trade marks was followed for two separate segments of the Group, T-Com and T-Mobile. T-Com consists of fixed network operations (ex HTtel) and Internet access services (ex HTnet), and the mobile segment of the Group officially changed the name of the company from HT mobilne komunikacije d.o.o. into T-Mobile Croatia d.o.o. (“T-Mobile”).

Principal activities

The principal activities of HT d.d. and its subsidiary T-Mobile Croatia d.o.o. (together “HT Group” or “the Group”) comprise the provision of telecommunication services, and the design and construction of communication networks in the Republic of Croatia.

The Group’s operations are performed through its two business units: Business unit for fixed and broad-band (T-Com) and Business unit mobile (T-Mobile - separate legal entity) supported by four corporate units (CEO corporate unit, Financial corporate unit, Human resources corporate unit and Group services corporate unit). The Group’s regional presence is organized through four regions: Region North (location Zagreb), Region West (location Rijeka), Region South (location Split) and Region East (location Osijek). In addition to providing fixed line telephony services (access and traffic through fixed telephone lines and additional fixed network services), the Group operates Internet, data services (Leased lines, ATM, X25 and Frame relay), mobile telephone networks GSM (global network called CRONET) and UMTS (third generation mobile network).

Significant events

Since implementation of ADSL access services in April of 2004 and with first 10,000 customers in October of 2004 a significant expansion of this service was continued in 2005. The number of ADSL connections has increased from 22,356 at the end of 2004 to 101,300 by the end of 2005. Expansion of ADSL services will enable development of new services and contents based on broadband access toward Internet, as well as VoD (“Video on Demand” services), TV through Internet protocol etc. In June 2005, T-Mobile started commercial offering of UMTS pursuant to the Concession agreement for frequencies for performing of public telecommunication services with usage of the radio frequency spectrum in the system of third generation mobile network - UMTS, concluded with Croatian Agency for Telecommunications (“CAT”) on 16 December 2004.

On 31 March 2005, T-Mobile shut down the NMT network pursuant to the Agreement on termination of the Concession agreement for telecommunications services with usage of radio frequency spectrum - NMT system, concluded with CAT. With shutting down the old analogue network, T-Mobile has undertaken ecological action of replacing old NOKIA handsets.

During 2005 T-Mobile has made considerable investment in development and modernization of the mobile networks which was rated by users in several market researches as the best network in the Republic of Croatia.

T- Mobile is the first operator on the Croatian market to introduce new postpaid tariff packages without classic subscription fee, where the money bundle is included in the monthly package charge.

Strategy

The Company and the Group have continued to develop the range of its new services and additional customer-orientated approach in providing fixed, mobile, data and internet services. The Group intensively continues to prepare for harder and stronger competition and for the complete de-regulation of telecommunication market. The customer is in our focus of doing business. The Company is implementing new technologies, developing new products and services, and improving it's complete relationship with customers. In January 2003 the fixed telephony market in Croatia has been liberalized. In 2004, two telecommunication carriers were granted permits by the CAT, an independent regulatory body for the telecommunications area, to perform business in the fixed network segment. They started with commercial operations in May and June 2005, respectively. The new carriers have become competitors of the Company not only in the segment of residential and business customers, but also in the wholesale business. By the end of 2005, 12 new carriers have been given permits for the public voice service business, and their commercial operation is expected in the course of 2006. CAT has passed and released several significant documents regulating the wholesale segment of business. The most significant ones are the Company’s Reference Interconnection Offer, Decision on Number Portability and Carrier Pre-selection and Reference Offer by the Company for Unbundled Access to the Local Loop. In October 2005 the third mobile operator, TELE2, entered Croatian market. The Group is preparing for all strategic challenges and by quality relationship with its customers, constant restructuring of the Company and increasing of operation efficiency, creating preconditions for maintaining of the leader position in all market segments in which the Group operates. The Company’s and the Group’s final goal is to create new values for its customers, shareholders and business partners with full social responsibility towards its employees and society at the same time.

Directors and management

Supervisory Board

The members of the Supervisory Board who served during 2005 and subsequently are as follows:

Gerhard Mischke	President	From 22 October 2004
Miroslav Kovačić	Deputy president	From 17 June 2004
Horst Hermann	Member	From 22 October 2004
Ana Hrastović	Member	From 26 March 2004
Dr. Ralph Rentschler	Member	From 15 December 2003
Michael Günther	Member	From 24 October 2001
Miljenko Boban	Member	From 16 September 2005
Josip Pupić	Member	From 9 October 2004
Siegfried Pleiner	Member	From 16 October 2002
Zvonimir Puljić	Member	Until 16 September 2005

Management Board

The members of the Management Board who served during 2005 and subsequently are as follows:

Ivica Mudrinić	President	From 28 December 1998
Wolfgang Breuer	Member	From 19 July 2002
Ivana Šoljan	Member	From 1 September 2002
Manfred Ohl	Member	From 1 May 2004
Božana Cathy Gregoire	Member	From 10 January 2005
Katharina Hollender	Member	From 1 May 2005
Werner Hohenadel	Member	Until 30 April 2005

Statement of responsibilities of the Management Board

Pursuant to Croatian Accounting Law (Official Gazette No. 90/92), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) and give a true and fair view of the state of affairs and results of the Group and the Company for that period.

In preparing the financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business in the foreseeable future.

The Management Board must also ensure that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and the Company and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette No. 90/92). The Management Board is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accompanying financial statements were approved for issuance by the Management Board on 21 February 2006.

HT - Hrvatske telekomunikacije d.d.
Savska cesta 32
10000 Zagreb
Republic of Croatia

On behalf of the Management Board,



I. Mudrinić
President of the Management Board

21 February 2006

Auditors’ report

To the Shareholders of HT - Hrvatske telekomunikacije d.d.:

We have audited the accompanying financial statements of HT - Hrvatske telekomunikacije d.d. (“T-HT” or the “Company”) and its subsidiary (together “the Group”), as at 31 December 2005, as set out on pages 69 to 109 prepared under the accounting policies set out on pages 79 to 83. The financial statements have been prepared on the basis of the International Financial Reporting Standards issued by the International Accounting Standards Board.

Respective responsibilities of the Management Board and auditors

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

Basis of opinion

We conducted our audit of the financial statements of the Company and the Group in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management Board as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements as at 31 December 2005 give a true and fair view of the financial position of the Company and of the Group, of the results of their operations, cash flows and changes in equity for the year then ended and have been prepared in accordance with International Financial Reporting Standards and the requirements of the Croatian Accounting Law (Official Gazette No. 90/92).

Emphasis of matter

Ownership over ducts

Without qualifying our opinion, we draw your attention to the following. Although ownership over ducts (as a part of the Telecommunication Network) was acquired “ex lege” by the “Law on Separation of Croatian Post and Telecommunication”, according to other Croatian legislation, part of the Company's network considered as real estate (ducts) - does not have all necessary permits (building and use permits) and the major part is not registered in the land registry. There are instances of intrusions in the Company's ducts by competitors and some claims of ownership over these assets by the authorities (local and State), that may have a material effect on the financial statements in the case the Company loses ownership rights on some ducts. The Company obtained independent legal opinion that confirms ownership right acquired “ex lege”. Net book value of all the Company's ducts as of 31 December 2005 is HRK 1,299 million. Due to the fact that this matter is very complex, the Company can not estimate outcome of these ownership claims and no adjustments were made to those financial statements relating to this matter.

Ernst & Young d.o.o. Zagreb, Republic of Croatia
Zagreb, 19 July 2005
21 February 2006

Slaven Đuroković

Consolidated HT Group income statement

For the year ended 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
Operating income			
Revenue	3	8,615	8,118
Other income		203	231
Total operating income		8,818	8,349
Material costs			
a) Cost of raw materials, consumables and merchandise		(688)	(551)
b) Other material costs and costs of services	4	(2,067)	(1,837)
Staff costs			
a) Gross wages and salaries		(903)	(920)
b) Taxes, contributions and other payroll costs		(312)	(288)
c) Costs of redundancy	6	(390)	(427)
d) Expense related to employee benefit obligations	16	(33)	(41)
Work performed by the Company and capitalised		159	48
Depreciation and amortisation of fixed assets	5	(1,459)	(1,354)
Impairment of property, plant and equipment	5	(47)	(57)
Write down of current assets		(121)	(151)
Other costs	7	(697)	(660)
Total operating costs		(6,558)	(6,238)
Operating profit		2,260	2,111
Financial income		222	299
Financial expense		(52)	(7)
Share of profits of associates	11	1	3
Profit before taxes from ordinary activities		2,431	2,406
Taxation	8	(502)	(482)
Net profit for the year		1,929	1,924

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

HT d.d. income statement

For the year ended 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
Operating income			
Revenue	3	5,543	5,569
Other income		364	390
Total operating income		5,907	5,959
Material costs			
a) Cost of raw materials, consumables and merchandise		(295)	(250)
b) Other material costs and costs of services	4	(1,747)	(1,667)
Staff costs			
a) Gross wages and salaries		(758)	(794)
b) Taxes, contributions and other payroll costs		(263)	(250)
c) Costs of redundancy	6	(390)	(420)
d) Expense related to employee benefit obligations	16	(30)	(39)
Work performed by the Company and capitalised		159	48
Depreciation and amortisation of fixed assets	5	(1,001)	(990)
Impairment of property, plant and equipment	5	(12)	-
Write down of current assets		(92)	(99)
Other costs	7	(475)	(425)
Total operating costs		(4,904)	(4,886)
Operating profit		1,003	1,073
Financial income		193	274
Financial expense		(49)	(7)
Dividend income from subsidiary	20	811	653
Profit before taxes from ordinary activities		1,958	1,993
Taxation	8	(238)	(277)
Net profit for the year		1,720	1,716

The accompanying accounting policies and notes are an integral part of this consolidated income statement.


Consolidated HT Group balance sheet


As at 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
ASSETS			
Non-curent assets			
Intangible assets	9	1,129	976
Property, plant and equipment	10	7,956	8,277
Investments in associates	11	99	98
Other investments	12	91	121
Long-term receivables		34	37
Deferred tax asset	8	60	65
Total non-curent assets		9,369	9,574
Current assets			
Inventories	13	177	224
Debtors	14	1,322	1,210
Investments	12	946	675
Time deposits	27 b)	759	211
Cash and cash equivalents	27 a)	2,889	5,302
Total current assets		6,093	7,622
Prepayments and accrued income		32	43
TOTAL ASSETS		15,494	17,239

	Notes	2005 HRK millions	2004 HRK millions
EQUITY AND LIABILITIES			
Issued capital and reserves			
Subscribed share capital	18	8,189	8,189
Legal reserves	19	394	265
Retained earnings	20	993	849
Revaluation reserves	21	1,343	1,522
Fair value reserves		21	19
Net profit for the year		1,929	1,924
Total issued capital and reserves		12,869	12,768
Non-current liabilities			
Provisions	17	110	94
Employee benefit obligations	16	139	131
Deferred tax liability	8	336	381
Long-term loans		7	12
Other long-term liabilities		22	21
Total non-current liabilities		614	639
Current liabilities			
Dividend payable	20	-	1,798
Trade payables and other current liabilities	15	1,064	997
Provisions for redundancy	6	557	606
Income tax payable		58	127
Short-term borrowings and current portion of long-term loans		7	6
Total current liabilities		1,686	3,534
Accruals and deferred income		325	298
Total liabilities		2,625	4,471
TOTAL EQUITY AND LIABILITIES		15,494	17,239

Signed on behalf of T-HT d.d. on 21 February 2006:

I. Mudrinić

K. Hollender

The accompanying accounting policies and notes are an integral part of this consolidated income statement.


HT d.d. balance sheet


As at 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
ASSETS			
Non-current assets			
Intangible assets	9	560	490
Property, plant and equipment	10	6,641	6,862
Investment in subsidiary		1,478	1,478
Investments in associates	11	38	38
Other investments	12	91	121
Long-term receivables		34	37
Deferred tax asset	8	33	38
Total non-current assets		8,875	9,064
Current assets			
Inventories	13	110	156
Debtors	14	893	864
Receivables from subsidiary		110	107
Dividend receivables from subsidiary	20	-	653
Investments	12	849	675
Time deposits	27 b)	759	211
Cash and cash equivalents	27 a)	2,149	4,201
Total current assets		4,870	6,867
Prepayments and accrued income		6	8
TOTAL ASSETS		13,751	15,939

	Notes	2005 HRK millions	2004 HRK millions
EQUITY AND LIABILITIES			
Issued capital and reserves			
Subscribed share capital	18	8,189	8,189
Legal reserves	19	316	230
Retained earnings	20	119	140
Revaluation reserves	21	1,343	1,522
Fair value reserves		19	19
Net profit for the year		1,720	1,716
Total issued capital and reserves		11,706	11,816
Non-current liabilities			
Provisions	17	108	91
Employee benefit obligations	16	132	126
Deferred tax liability	8	336	381
Long-term loans		7	12
Other long-term liabilities		22	21
Total non-current liabilities		605	631
Current liabilities			
Dividend payable	20	-	1,798
Trade payables and other current liabilities	15	598	637
Provisions for redundancy	6	557	599
Payables to subsidiary		129	225
Income tax payable		-	80
Short-term borrowings and current portion of long-term loans		7	6
Total current liabilities		1,291	3,345
Accruals and deferred income		149	147
Total liabilities		2,045	4,123
TOTAL EQUITY AND LIABILITIES		13,751	15,939

Signed on behalf of T-HT d.d. on 21 February 2006:

I. Mudrinić

K. Hollender

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

Consolidated HT Group cash flow statement

For the year ended 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
Net profit		1,929	1,924
Depreciation charges	5	1,459	1,354
Impairment loss of property, plant and equipment	5	47	57
Income tax expense	8	502	482
Interest income		(204)	(293)
Loss on disposal of assets		33	53
Share of profit of equity-accounted investments	11	(1)	(3)
Decrease in inventories		11	34
Increase / Decrease in receivables and prepayments		(124)	14
Increase in payables and accruals		124	222
Increase in employee benefit obligations	16	8	18
Interest paid		-	(1)
Provisions - non-cash items		(16)	322
Value adjustment of inventories		36	21
Other non-cash items		(20)	(10)
Taxes paid		(635)	(402)
Net cash inflow from operating activities		3,149	3,792
Cash flows used in investing activities			
Purchase of non-current assets	9,10	(1,377)	(1,117)
Purchase of non-current financial assets		(70)	(11)
Proceeds from sale of non-current assets		17	8
Proceeds from sale of non-current financial assets		98	135
Purchase of current financial assets		(1,660)	(937)
Proceeds from sale of current financial assets		860	2,701
Interest received		203	309
Dividend received	11	1	3
Net cash (outflow) / inflow from investing activities		(1,928)	1,091
Cash flows from financing activities			
Repayment of long-term borrowings		(5)	(13)
Dividends paid	20	(3,628)	(1,876)
Net cash outflow from financing activities		(3,633)	(1,889)
Effect of FX rate changes on cash and cash equivalents		(1)	15
Net (decrease) / increase in cash and cash equivalents		(2,413)	3,009
Analysis of changes in cash and cash equivalents:			
At 1 January		5,302	2,293
Net cash (outflow) / inflow		(2,413)	3,009
At 31 December	27 a)	2,889	5,302

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

HT d.d. cash flow statement

For the year ended 31 December 2005

	Notes	2005 HRK millions	2004 HRK millions
Net profit		1,720	1,716
Depreciation charges	5	1,001	990
Impairment loss of property, plant and equipment	5	12	-
Income tax expense	8	238	277
Interest income		(174)	(264)
Loss on disposal of assets		10	8
Dividend from associates	11	(1)	(3)
Decrease in inventories		10	35
(Increase)/ Decrease in receivables and prepayments		(23)	75
Increase in dividend receivable from subsidiary	20	-	(653)
Dividend from subsidiary	20	(811)	-
(Decrease)/ Increase in payables and accruals		(127)	204
Increase in employee benefit obligations	16	6	17
Provisions - non-cash items		(11)	277
Value adjustments of inventories		36	21
Other non-cash items		(12)	(7)
Taxes paid		(382)	(190)
Net cash inflow from operating activities		1,492	2,503
Cash flows used in investing activities			
Purchase of non-current assets	9,10	(875)	(602)
Purchase of non-current financial assets		(70)	(11)
Proceeds from sale of non-current assets		5	5
Proceeds from sale of non-current financial assets		98	135
Purchase of current financial assets		(1,565)	(937)
Proceeds from sale of current financial assets		860	2,701
Interest received		173	283
Dividend received	11,20	1,465	3
Net cash inflow from investing activities		91	1,577
Cash flows from financing activities			
Repayment of long-term borrowings		(5)	(8)
Dividends paid	20	(3,628)	(1,876)
Net cash outflow from financing activities		(3,633)	(1,884)
Effect of FX rate changes on cash and cash equivalents		(2)	15
Net (decrease) / increase in cash and cash equivalents		(2,052)	2,211
Analysis of changes in cash and cash equivalents:			
At 1 January		4,201	1,990
Net cash (outflow) / inflow		(2,052)	2,211
At 31 December	27 a)	2,149	4,201

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

Consolidated HT Group statement of changes in equity

For the year ended 31 December 2005

	Subscribed share capital HRK millions	Revaluation reserves HRK millions	Legal reserves HRK millions	Fair value reserves HRK millions	Retained earnings HRK millions	Net profit for the year HRK millions	Total HRK millions
Balance as at 1 January 2004	8,189	1,722	190	18	2,910	1,488	14,517
Allocation of net income	-	-	75	-	1,413	(1,488)	-
Depreciation transfer, net of related							
deferred tax of HRK 50 million	-	(200)	-	-	200	-	-
Dividends paid	-	-	-	-	(1,876)	-	(1,876)
Dividends declared	-	-	-	-	(1,798)	-	(1,798)
Profit for the financial year	-	-	-	-	-	1,924	1,924
Fair value of investments	-	-	-	1	-	-	1
Balance as at 31 December 2004	8,189	1,522	265	19	849	1,924	12,768
Allocation of net income	-	-	129	-	1,795	(1,924)	-
Depreciation transfer, net of related							
deferred tax of HRK 45 million	-	(179)	-	-	179	-	-
Dividends paid	-	-	-	-	(1,830)	-	(1,830)
Profit for the financial year	-	-	-	-	-	1,929	1,929
Fair value of investments	-	-	-	2	-	-	2
Balance as at 31 December 2005	8,189	1,343	394	21	993	1,929	12,869

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

HT d.d. statement of changes in equity

For the year ended 31 December 2005

	Subscribed share capital HRK millions	Revaluation reserves HRK millions	Legal reserves HRK millions	Fair value reserves HRK millions	Retained earnings HRK millions	Net profit for the year HRK millions	Total HRK millions
Balance as at 1 January 2004, as reported	8,189	1,722	190	18	2,910	804	13,833
Restatement due to change in accounting policy	-	-	-	-	(60)	-	(60)
Balance as at 1 January 2004, restated	8,189	1,722	190	18	2,850	804	13,773
Allocation of net income	-	-	40	-	764	(804)	-
Depreciation transfer, net of related deferred tax of HRK 50 million	-	(200)	-	-	200	-	-
Dividends paid	-	-	-	-	(1,876)	-	(1,876)
Dividends declared	-	-	-	-	(1,798)	-	(1,798)
Profit for the financial year	-	-	-	-	-	1,716	1,716
Fair value of investments	-	-	-	1	-	-	1
Balance as at 31 December 2004	8,189	1,522	230	19	140	1,716	11,816
Allocation of net income	-	-	86	-	1,630	(1,716)	-
Depreciation transfer, net of related deferred tax of HRK 45 million	-	(179)	-	-	179	-	-
Dividends paid	-	-	-	-	(1,830)	-	(1,830)
Profit for the financial year	-	-	-	-	-	1,720	1,720
Balance as at 31 December 2005	8,189	1,343	316	19	119	1,720	11,706

The accompanying accounting policies and notes are an integral part of this consolidated income statement.

Notes to the financial statements

For the year ended 31 December 2005

1. Status of T-HT and HT Group

HT - Hrvatske telekomunikacije d.d. (“HT d.d.” or the “Company”) is a joint stock company whose shareholders are Deutsche Telekom AG (51%), the Republic of Croatia (42%) and Fund for Croatian Homeland War Veterans and Their Families (7%) (“Fund”).

Under the Separation Law of 10 July 1998, the Telecommunications and Post businesses of HPT s.p.o. and the related assets and liabilities were transferred at net book value into two new joint stock companies, HT d.d. and HP d.d. on 1 January 1999. HPT s.p.o. ceased operations from that date. The share capital of HT d.d. was registered on 28 December 1998 on the basis of the unaudited balance sheet of HPT s.p.o. as at 31 December 1997. The registered office address of the Company is Savska cesta 32, Zagreb, Croatia. During 2002 the Management Board of HT d.d. made a decision to transfer the mobile telecommunication business to a newly established wholly owned subsidiary, HT mobilne komunikacije d.o.o. (“HTmobile”). HTmobile was registered at the Commercial Court on 6 November 2002 and commenced its commercial activities on 1 January 2003. The headquarters of HTmobile is Ulica grada Vukovara 23, Zagreb, Croatia. On 1 October 2004, HTmobile has changed its registered name to T-Mobile Croatia d.o.o.

The total number of employees of the Group and the Company as at 31 December 2005 was 7,738 and 6,718 (2004: 8,862 and 7,854), respectively.

2. Summary of accounting policies

A summary of the significant accounting policies of HT d.d. are set out below:

a) Basis of accounting

HT d.d. maintains its accounting records in Croatian Kuna (HRK) and in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board, effective as of 31 December 2005, and as prescribed by the Croatian Accounting Law (Official Gazette No. 90/92) and in accordance with the accounting principles and practices observed by enterprises in Croatia.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention, except for:

- Property, plant and equipment carried at revalued amounts (Note k);
- Investments held for trading and available-for-sale stated at fair value (Note v); as disclosed in the accounting policies hereafter.

c) Basis of consolidation

The consolidated financial statements of the Group include HT d.d. and its wholly owned subsidiary, T-Mobile Croatia d.o.o. All intra-group transactions and balances are eliminated.

d) Functional currency

The Company’s financial statements and consolidated financial statements are presented Croatian Kuna (HRK) which is the Company’s and the Group’s functional currency. The effective exchange rate of the Croatian currency (expressed in HRK) at 31 December 2005 was HRK 6.23 per United States Dollar (USD) (2004: HRK 5.64) and HRK 7.38 per Euro (2004: HRK 7.67). All amounts disclosed in the financial statements are stated in millions of HRK if not otherwise stated.

e) Significant accounting estimates

The preparation of the financial statements required management to make certain estimates and assumptions which impact the carrying values of the Group’s and Company’s assets and liabilities and the disclosure of contingent items at the balance sheet date and reported revenues and expenses for the period then ended. Estimates are used for, but not limited to: depreciable lives and residual values of property, plant and equipment and intangible assets, allowances for inventories and doubtful debts and provisions for employee benefits, and legal claims. Future events and their effects cannot be perceived with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Group’s and Company’s operating environment changes. Actual results may differ from those estimates.

2. Summary of accounting policies (continued)

f) Operating profit

Operating profit is defined as result before income taxes and finance items. Finance items comprise interest revenue on cash balances in the bank, deposits, treasury bills, interest bearing available for sale investments, dividend income from subsidiary and associates, interest expense on borrowings, gains and losses on sale of available for sale financial instruments and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

g)Early adoption of IFRS and IFRSs and IFRIC

Interpretation not yet effective

The Company has not early adopted any IFRS and IFRIC interpretation issued and not yet effective.

h) Investment in subsidiary

In the Company's financial statements, investment in subsidiary is stated at cost.

i) Investments in associates

In the Group's financial statements, investments in associated companies (generally investments with an ownership interest of between 20% and 50% in a company's equity) where significant influence is exercised by HT d.d. are accounted for using the equity method less any impairment in value. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in previous years no longer exist. In the Company's financial statements, investments in associates are stated at cost as requested by revised IAS 28 and opening retained earnings as of 1 January 2004 are decreased by HRK 60 million.

j) Intangible fixed assets

Intangible fixed assets are measured initially at cost. Intangible assets are recognised in the event that the future economic benefits that are attributable to the assets will flow to the enterprise, and that the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful life. There are no intangible assets that are assessed to have indefinite useful life the amortisation method is reviewed annually at each financial year-end. Useful life of intangible assets is as follows:

UMTS licence	20 years
Patents and concessions	5 - 10 years
Software	5 years
Other assets	5 years

k) Property, plant and equipment

■ An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refund able purchase taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. After recognition as an asset, an item of property, plant and equipment is carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Independent property, plant and equipment revaluations are performed when the carrying amount becomes materially different from the fair values. Any increase in the recorded value of property, plant and equipment is credited to the property, plant and equipment revaluation surplus, unless, and only to the extent that, it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case it is recognised as income.

Any decrease is first offset against an increase related to an earlier valuation in respect of the same asset and is thereafter recognised as an expense. The relevant portion of the revaluation surplus realised in respect of a previous valuation is released from the asset valuation surplus directly to retained earnings upon the disposal of the revalued asset and through depreciation as the asset is used.

■ Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

■ Depreciation is computed on a straight-line basis. At the time of the most recent valuation described above, the Company made a detailed review of the remaining useful life of its property, plant and equipment. The revised remaining useful life is on average as follows:

Buildings	11 years
Machinery and equipment	6 years
Furniture and vehicles	6 years

2. Summary of accounting policies (continued)

k) Property, plant and equipment (continued)

Useful life of newly acquired assets is as follows:

Buildings	25 - 50 years
Cables	10 - 18 years
Cable ducts and tubes	30 years
Equipment	2 - 10 years
Furniture and vehicles	5 - 15 years

Land is not depreciated.

■ The useful life, depreciation method and residual values are reviewed at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

■ Construction-in-progress represents plant and properties under construction and is stated at cost.

Depreciation of an asset begins when it is available for use.

l) Impairment of assets

■ Financial instruments

For financial assets carried at amortised cost, whenever it is probable that the Company will not collect all amounts due according to the contractual terms of loans, receivables or held-to-maturity investments, an impairment or bad debt loss is recognised in the income statement.

■ Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income or treated as a revaluation decrease for property, plant and equipment that are carried at a revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

m) Inventories

Inventories are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of weighted average cost.

n) Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after provision for impairment.

o) Foreign currencies

Transactions denominated in foreign currencies are translated into local currency at the middle exchange rates of Croatian National Bank prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into local currency at the middle exchange rates of Croatian National Bank prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the income statement within financial income or financial expense, respectively.

p) Operating leases

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term, even if the payments are not made on such a basis.

q) Taxation

■ The income tax charge is based on profit for the year and includes deferred taxation. Deferred taxes are calculated using the balance sheet liability method.

■ Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

2. Summary of accounting policies (continued)

q) Taxation (continued)

- The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities in the balance sheet. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

r) Employee benefit obligations

The Company provides benefits for all employees (see Note 16). The obligation and costs of one off retirement benefits including jubilee benefits are determined using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognised on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognised when the curtailment or settlement occurs. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and that the amount of the revenue can be measured reliably. Revenues for all services are recognised net of VAT and discounts when the service is provided. Revenue from fixed telephony includes revenue from activation, monthly fee, calls placed by fixed line subscribers and revenue from additional services in fixed telephony. Revenues from activation (connection fees) are recognised immediately in the period when customer line is activated. Revenue from carrier services includes interconnection services for domestic and international carriers. Revenue from mobile telephony includes revenue from installation, monthly fee and call charges for post-paid mobile customers, call charges for pre-paid mobile customers, call charges for customers of

international mobile operators when roaming on the T-Mobile's network, sale of mobile handsets and domestic interconnection revenues related to mobile network. Revenue from monthly fee, unused tariff packages and prepaid vouchers are recognised when they are realised. Before their realisation they are recorded as deferred revenues. Revenue arrangements with multiple deliverables in mobile business (bundled product offers) are recognised in accordance with industry specific US GAAP rule EITF 00-21 as allowed by IFRS. Revenue arrangements with multiple deliverables are divided into separate units of accounting. Arrangement consideration is allocated among the separate units of accounting based on their relative fair values. The arrangement consideration allocable to a delivered item that does not qualify as a separate unit of accounting within the arrangement is combined with the amount allocable to the other applicable undelivered item within the arrangement. Appropriate recognition of revenue is then applied to those combined deliverables as a single unit of accounting. The amount allocable to a delivered item is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (the non-contingent amount). Revenue from Internet and data services includes revenue from leased lines, frame relay, X.25, ATM, VPN, revenue from Internet subscription, ADSL traffic, fixed line access, WEB hosting, VPN and revenue from Internet traffic to T-Com call number.

t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and which are subject to an insignificant risk of change in value.

u) Borrowings

Borrowing costs, which include interest and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings, are expensed in the period in which they are incurred. Borrowings are initially recognised in the amount of the proceeds received net of transaction costs.

2. Summary of accounting policies (continued)

v) Investments

Investments are classified into the following categories: held-to-maturity, trading and available-for-sale.

- Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.
- Available-for-sale investments are classified as current assets if management intends to realise them within 12 months after the balance sheet date. All purchases and sales of investments are recognised on the settlement date.
- Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.
- Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.
- Gains or losses on measurement to the fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders' equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

w) Provisions

A provision is recognised when, and only when, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense. Provisions for termination benefits are recognised when the Company is demonstrably committed to a termination of employment contracts, that is when the Company has a detailed formal plan for the termination which is without realistic possibility of withdrawal. Provisions for termination benefits are computed based on amounts paid or expected to be paid in similar voluntary redundancy programs.

x) Revaluation reserves

This reserve includes the cumulative net change in the fair value of property, plant and equipment carried at revalued amounts. An amount corresponding to the difference between depreciation based on the revalued carrying amount of the property, plant and equipment and depreciation on the property, plant and equipment's original cost is transferred annually from the revaluation reserve to retained earnings as a change in equity.

y) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

z) Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

aa) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Revenue

a) Revenue - by business

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Revenue from fixed telephony	4,034	4,148	4,037	4,152
Revenue from mobile telephony	3,432	2,909	-	-
Revenue from carrier services	570	514	920	863
Revenue from Internet services	297	300	301	303
Revenue from data services	282	247	285	251
	8,615	8,118	5,543	5,569

b) Revenue - by geographical area

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Republic of Croatia	7,727	7,367	5,134	5,183
Rest of the World	888	751	409	386
	8,615	8,118	5,543	5,569

4. Other material costs and costs of services

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Domestic interconnect	692	669	853	873
International settlements	466	403	330	289
Advertising costs	283	216	111	88
Maintenance services	271	261	193	168
Rent	109	94	68	72
Other costs	246	194	192	177
	2,067	1,837	1,747	1,667

5. Depreciation, amortisation and write down of fixed assets

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Depreciation	1,251	1,205	914	923
Amortisation	208	149	87	67
	1,459	1,354	1,001	990
Impairment loss	47	57	12	-
	1,506	1,411	1,013	990

Refer to Note 10 for further details on depreciation expense and impairment loss.

6. Costs of redundancy and employee legal cases

Redundancy costs of the Company and the Group include the amount of net severance payments of HRK 8 million for an additional provision (above amount provided for in 2004) for 556 employees, whose employment contracts will be terminated by the beginning of 2006 and HRK 210 million for employees whose employment contracts will be terminated during 2006 due to business reasons. The full amount of these costs estimated to be incurred has been recognized as an expense in the current period.

The accompanying amounts of contributions and taxes related to these severance payments for the Company and the Group are HRK 172 million.

During 2005 the Company paid out gross amount of HRK 431 million for severance payments to its employees.

7. Other costs

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Education and consulting costs	180	167	132	108
Bank charges, membership and other fees	150	137	81	87
Daily allowances and other costs of business trips	35	30	26	21
Loss on disposal of fixed assets	26	48	3	4
Security costs	44	46	44	46
Contract workers	31	20	15	9
Provision for charges and risks (Note 17)	22	22	22	22
Other operating charges	209	190	152	128
	697	660	475	425

8. Taxation

a) Tax on profit

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Current tax expense	541	553	278	321
Deferred tax benefit	(39)	(71)	(40)	(44)
Taxation	502	482	238	277

8. Taxation (continued)

b) Reconciliation of the taxation charge to the income tax rate

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Profit on ordinary activities before taxation	2,431	2,406	1,958	1,993
Income tax at 20%	486	481	392	399
Tax effects of income not taxable in determining taxable profit:				
Dividends received and incentives	(4)	(18)	(165)	(146)
Related to provision for bad debts	-	(7)	-	-
Tax effects of expenses that give rise to temporary differences not recognised as deferred tax assets:				
Provision for obsolete inventories and fixed assets	(12)	3	(12)	3
Provision for bad debts	5	7	5	7
Tax effects of expenses not deductible in determining taxable profit:				
Entertainment expenses	6	5	4	4
Other non-deductible expenses	21	11	14	10
Taxation	502	482	238	277

The deferred tax benefit of HRK 40 million (2004: HRK 44 million) relates to the release of portion of the deferred tax liability recognised as a result of the revaluation of property, plant and equipment in the amount of HRK 45 million (2004: HRK 50 million) and to the release of the portion of the deferred tax asset recognised as a result of the fact that part of the write down of the property, plant and equipment was not tax deductible at the time of revaluation in the amount of HRK 5 million (2004: HRK 6 million). The Company has not recognised any deferred tax in respect of non-deductible costs such as provisions for bad debts, obsolete stock and value adjustments of fixed assets which, in management's opinion, will not meet prescribed conditions to be treated as tax allowable expenses in future periods.

8. Taxation (continued)

Components of deferred tax assets and liabilities are as follows:

HT Group	Asset		Liability	
	2005	2004	2005	2004
	HRK millions	HRK millions	HRK millions	HRK millions
Property, plant and equipment write down	36	49	-	-
Property, plant and equipment write up	-	-	(336)	(381)
Other non-deductible costs	24	16	-	-
At 31 December	60	65	(336)	(381)

HT d.d.	Asset		Liability	
	2005	2004	2005	2004
	HRK millions	HRK millions	HRK millions	HRK millions
Property, plant and equipment write down	33	38	-	-
Property, plant and equipment write up	-	-	(336)	(381)
At 31 December	33	38	(336)	(381)

The deferred tax asset of the Company arises on the property, plant and equipment write down as a result of the fact that HRK 395 million of the write down reported in 2001 was not tax deductible in 2001. Of this amount, HRK 229 million became tax deductible in the period from 2002 to 2005, and the remaining HRK 166 million will be tax deductible in future periods.

The deferred tax liability arises on the property, plant and equipment write up in 2001 as a result of the fact that revaluation is only recorded for accounting purposes. The deferred tax liability was at recognition taken directly to equity and is released as tax benefit in the profit and loss account, as the revalued assets are depreciated.

The deferred tax liability recognised directly in equity during the period is as follows:

	2005	2004
	HRK millions	HRK millions
At 1 January	381	431
Depreciation transfer from revaluation reserves	(45)	(50)
At 31 December	336	381

9. Intangible assets

HT Group	Licences and concessions	Software	Other assets	Assets under construction	Total
	HRK millions	HRK millions	HRK millions	HRK millions	HRK millions
Cost					
At 31 December 2004	420	620	14	267	1,321
Additions	67	237	3	54	361
Transfers	8	176	-	(184)	-
Disposals	-	(1)	-	-	(1)
At 31 December 2005	495	1,032	17	137	1,681
Accumulated amortization					
At 31 December 2004	122	213	10	-	345
Charge for the year	53	153	2	-	208
Disposals	-	(1)	-	-	(1)
At 31 December 2005	175	365	12	-	552
Net book value					
At 31 December 2004	298	407	4	267	976
At 31 December 2005	320	667	5	137	1,129

The intangible assets of the Group as of 31 December 2005 include the GSM and UMTS licence with the carrying value of HRK 38 million and HRK 129 million (2004: HRK 48 million and HRK 132 million), respectively. GSM and UMTS licence is amortised over a period of 10 (starting from September 1999) and 20 (starting from June 2005) years, respectively.

Assets under construction primarily relates to software and the various licences for use of software.

Additions of intangible assets

Major additions in 2005 relate to software for billing and software for accounts receivable in the amount of HRK 143 million and HRK 25 million respectively.

9. Intangible assets (continued)

HT d.d.	Licences and concessions HRK millions	Software HRK millions	Other assets HRK millions	Assets under construction HRK millions	Total HRK millions
Cost					
At 31 December 2004	43	306	12	265	626
Additions	6	115	2	34	157
Transfers	6	175	-	(181)	-
At 31 December 2005	55	596	14	118	783
Accumulated amortization					
At 31 December 2004	29	98	9	-	136
Charge for the year	7	79	1	-	87
At 31 December 2005	36	177	10	-	223
Net book value					
At 31 December 2004	14	208	3	265	490
At 31 December 2005	19	419	4	118	560

Fully amortised intangible assets

The gross carrying value of fully amortised intangible assets still in use as at 31 December 2005 was HRK 35 million and HRK 41 million, for the Company and the Group respectively (2004: HRK 25 million and HRK 28 million).

10. Property, plant and equipment

Property, plant and equipment is stated at revalued amounts. In accordance with this policy, independent valuations will be performed periodically and professional appraisers as of 1 January 2001 performed the first valuation. The appraisal company determined the fair value of the entire amount of the Company's property, plant and equipment based on their market value as at 1 January 2001. When there was no evidence of market value because of the specialised nature of the property and equipment and because the items are rarely sold, they were valued at the depreciated replacement cost. The Company's management estimates that there has been no significant changes in economic circumstances since this valuation was performed that would affect the fair value of its property, plant and equipment carried at revalued amounts at the balance sheet date.

HT Group	Land and buildings HRK millions	Telecom plant and machinery HRK millions	Tools, vehicles IT and office equipment HRK millions	Assets under construction HRK millions	Total HRK millions
Cost or valuation					
At 31 December 2004	1,814	10,074	807	443	13,138
Additions	59	489	148	320	1,016
Transfers	38	213	24	(275)	-
Disposals	(1)	(320)	(46)	(44)	(411)
At 31 December 2005	1,910	10,456	933	444	13,743
Accumulated depreciation					
At 31 December 2004	417	4,007	401	36	4,861
Charge for the year	108	1,006	137	-	1,251
Impairment of assets	2	33	-	12	47
Transfers	(3)	3	-	-	-
Disposals	(1)	(288)	(39)	(44)	(372)
At 31 December 2005	523	4,761	499	4	5,787
Net book value					
At 31 December 2004	1,397	6,067	406	407	8,277
At 31 December 2005	1,387	5,695	434	440	7,956

10. Property, plant and equipment (continued)

HT d.d.	Land and buildings	Telecom plant and machinery	Tools, vehicles IT and office equipment	Assets under construction	Total
	HRK millions	HRK millions	HRK millions	HRK millions	HRK millions
Cost or valuation					
At 31 December 2004	1,490	8,069	709	338	10,606
Additions	21	366	119	212	718
Transfers	17	199	9	(225)	-
Disposals	(2)	(7)	(26)	(18)	(53)
At 31 December 2005	1,526	8,627	811	307	11,271
Accumulated depreciation					
At 31 December 2004	371	3,013	358	2	3,744
Charge for the year	83	712	119	-	914
Impairment loss	-	-	-	12	12
Transfers	(2)	6	(4)	-	-
Disposals	(1)	(5)	(20)	(14)	(40)
At 31 December 2005	451	3,726	453	-	4,630
Net book value					
At 31 December 2004	1,119	5,056	351	336	6,862
At 31 December 2005	1,075	4,901	358	307	6,641

Included within assets under construction of the Group and the Company are spare parts of HRK 51 million and HRK 34 million (2004: HRK 50 million and HRK 42 million), net of a provision of HRK 4 million and nil (2004: HRK 32 million and HRK 2 million), respectively.

Beginning in 2001, HT d.d. has performed additional procedures which have provided support for the existence of legal title to land and buildings transferred from HPT s.p.o. under the Separation Law of 10 July 1998. HT d.d. is still in the process of formally registering this legal title.

The Company does not have any material property, plant and equipment held for disposal, nor does it have any material idle property, plant and equipment.

Property, plant and equipment (continued)

Depreciation transfer from revaluation reserve

An amount corresponding to the difference between depreciation based on the revalued carrying amount of the property, plant and equipment and depreciation based on the property, plant and equipment's original cost is transferred annually from the revaluation reserve to retained earnings as a change in equity.

Impairment loss

During 2005, T-Mobile performed an impairment review of its property, plant and equipment and recognised an impairment loss of HRK 35 million which relates to telecommunications equipment (2004: HRK 57 million) because of its obsolescence and planned modernisation in 2006. Impairment was recorded because T-Mobile plans to dispose of those assets before the expiration of their previously estimated useful life.

Disposal of property, plant and equipment

The disposal of the Group's property, plant and equipment during 2005 primarily relates to the disposal of obsolete mobile telecommunication machinery and equipment in net book value of HRK 22 million (base stations and related radio equipment) which will be replaced by modern and better quality equipment (2004: HRK 51 million). In addition, the significant disposal during 2005 relates to NMT equipment whose value was fully adjusted.

Ownership over ducts

Although ownership over ducts (as a part of the Telecommunication Network) was acquired “ex lege” by the “Law on Separation of Croatian Post and Telecommunication”, according to other Croatian legislation, part of the Company’s network considered as real estate (ducts) - does not have all necessary permits (building and use permits) and the major part is not registered in the land registry.

There are instances of intrusions in the Company's ducts by competitors and some claims of ownership over these assets by the authorities (local and State), that may have a material effect on the financial statements in the case the Company loses ownership rights on some ducts. The Company obtained independent legal opinion that confirms ownership rights acquired “ex lege”. Due to the fact that this matter is very complex, the Company can not estimate outcome of these ownership claims and no adjustments were made to these financial statements relating to this matter.

Net book value of all the Company's ducts as of 31 December 2005 is HRK 1,299 million.

Fully depreciated tangible assets

The gross carrying value of the Company's and Group's fully depreciated property, plant and equipment still in use as at 31 December 2005 was HRK 792 million and HRK 841 million, respectively (2004: HRK 493 million and HRK 696 million, respectively).

11. Investments in associates

The net book value of investments in associates comprises:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
HT d.o.o. Mostar	22	22	22	22
HP d.o.o. Mostar	2	2	2	2
Eronet d.o.o.	75	74	14	14
At 31 December	99	98	38	38

As required by revised IAS 28, investments in associates in the separate financial statements of the Company have been restated to the cost method.

T-HT has the following associates incorporated in the Republic of Bosnia and Herzegovina.

Entity	Country of Business	Principal Activities	Ownership Interest
HT d.o.o. Mostar	Republic of Bosnia and Herzegovina	Provision of fixed line telecommunication services	30.29%
HP d.o.o. Mostar	Republic of Bosnia and Herzegovina	Provision of post services	30.29%
Eronet d.o.o.	Republic of Bosnia and Herzegovina	Provision of mobile telecommunication services	49.00%

The movement in investments in associates of the Group during the year was as follows:

	2005	2004
	HRK millions	HRK millions
At 1 January	98	98
Share of profits	56	54
Dividends paid	(1)	(3)
Impairment of investments	(54)	(51)
At 31 December	99	98

In 2004, Eronet lost its licence for the provision of telecommunication services in Bosnia and Herzegovina and in 2005 Eronet operated based on a short term agreement with the licence holder HT Mostar. As this agreement was short term and expired at 31 December 2005, the Company performed an impairment assessment of its investments in Eronet and management estimated the recoverable amount of this investment to be HRK 75 million. As a result of this review a further impairment charge of HRK 54 million is recognised in the consolidated income statement (2004: HRK 51 million).

11. Investments in associates (continued)

Summarised Group's share in aggregated financial information of associates is as follows:

	2005	2004
	HRK millions	HRK millions
Share of the associates balance sheets:		
Current assets	118	93
Non-current assets	632	652
Current liabilities	(121)	(142)
Non-current liabilities	(189)	(184)
Net assets	440	419
Share of the associates revenue and profits:		
Revenue	346	335
Profit	39	56

The above 2005 figures are extracted on unaudited financial information.

12. Other investments

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Available-for-sale investments - non-current	91	121	91	121
Total non current investments	91	121	91	121
Available-for-sale current investments	946	675	849	675
Total current investments	946	675	849	675

Non-current available-for-sale investments include the following bonds:

Issuer	Currency	Interest	Maturity	2005	2004
				HRK millions	HRK millions
Government Agency for Savings Insurance and Bank Restructuring	EUR	8.375%	19 December 2005	-	64
Government of Croatia	EUR	6.875%	14 December 2008	32	34
Government of Croatia	EUR	5. 5%	10 February 2014	8	8
Government of Croatia	HRK	5.25%	15 December 2015	38	-
Other equity securities	HRK			13	15
				91	121

12. Other investments (continued)

Current available-for-sale investmtns include the following:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Unit holdings in money market funds:				
ZB Invest d.o.o.	176	82	151	82
Erste Invest d.o.o.	92	10	72	10
PBZ Invest d.o.o.	20	45	20	45
Raiffeisenbank Invest d.o.o.	100	43	75	43
CAIB Invest d.o.o.	21	5	21	5
	409	185	339	185
Treasury bills:				
Ministry of Finance of Republic of Croatia	510	490	510	490
	510	490	510	490
Bonds:				
Government of Croatia	27	-	-	-
	27	-	-	-
	946	675	849	675

Estimated fair value of units in money market funds and bonds as of 31 December 2005 is determined by reference to their market value at the balance sheet date offered on secondary capital market.

13. Inventories

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Merchandise	83	89	26	28
Inventories and spare parts	94	135	84	128
	177	224	110	156

14. Debtors

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Trade debtors	1,230	1,143	842	817
Other debtors	92	67	51	47
	1,322	1,210	893	864

15. Trade payables and other current liabilities

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Trade payables	833	798	414	476
Accrued liabilities	113	72	91	54
Payroll and payroll taxes	90	94	77	82
VAT and other taxes payable	12	19	12	19
Other creditors	16	14	4	6
	1,064	997	598	637

There are no formal procedures in Croatia to agree the final level of tax charge upon submission of the declaration for corporate tax and VAT. However, such tax settlements may be subject to review by the relevant tax authorities at any time during the three years following the end of the tax year in which the income tax return was submitted. Given the above, tax liabilities of the Company for the years 2003 and thereafter are open to tax review. During 2005, the tax authorities completed examining the income tax liabilities of the Company for years from 2000 to 2002 and claimed that an additional HRK 92 million of taxes and interests in respect of these years should be paid. The Company had made an appeal against this claim to the same tax authorities and their response has not been received yet. The Company has made a provision for the additional amount that is in its view, reasonable to expect to be settled in this case. No further disclosures are made as required by IAS 37 because they may prejudice the position of the Company in this dispute. Part of total amount of accrued liabilities relates to this matter.

16. Employee benefit obligations

The Group and the Company provides benefit plans for all employees. Provisions for pension obligations are established for benefits payable in respect of retirement, jubilee (length of service) and surviving dependant pensions. One off retirement benefits are dependent on employees fulfilling the required conditions to enter retirement and jubilee benefits are dependent on the number of years of service in the Group or the Company. All benefit entitlements are determined from the respective employee's monthly remuneration.

The obligation resulting from defined benefit pension plans is determined using the projected unit credit method. Unrecognised gains and losses resulting from changes in actuarial assumptions are recognised as income or expense over the expected remaining service life of the active employees.

The following table reconciles the funded status of defined benefit plans to the amounts recognised in the balance sheet.

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Present value of funded defined benefit obligations	206	163	193	153
Unrecognised actuarial losses	(54)	(20)	(54)	(20)
Unrecognised past service cost	(13)	(12)	(7)	(7)
Net liability	139	131	132	126

Benefit expense comprises the following:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Current service cost	20	22	18	21
Interest expense on obligations	12	14	11	13
Amortisation of past service cost	1	1	1	1
Amortisation of loss	-	4	-	4
Total benefit expense	33	41	30	39

16. Employee benefit obligations (continued)

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Net liability, beginning of year	131	113	126	109
Net expense recognised in the income statement (Note 7)	33	41	30	39
Payments made under scheme	(25)	(26)	(24)	(25)
Curtailment of unrecognised prior service cost	-	3	-	3
Net liability, end of year	139	131	132	126

The principal actuarial assumptions used to determine pension obligations as of 31 December were as follows:

	2005 %	2004 %
Discount rate (p.a.)	6.5	7.0
Wage and salary increases (annually)	4.5	5.0

17. Provisions

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
At 1 January	94	111	91	108
Additions	22	45	22	45
Utilisation	(6)	(39)	(5)	(39)
Reversal	-	(23)	-	(23)
At 31 December	110	94	108	91

As at 31 December 2005 the Company and the Group has provided estimated amounts for several legal actions and claims that management has assessed as likely to be asserted in the future against the Company and the Group, respectively.

18. Share capital

Authorised, issued, fully paid and registered share capital

	2005	2004
	HRK millions	HRK millions
81,888,535 ordinary shares of HRK 100 each	8,189	8,189

The number of shares in issues remained unchanged between 1 January 1999 and 31 December 2005.

19. Legal reserves (the Group and the Company)

Legal reserves represent reserves prescribed by the Company Law in the amount of 5% of the net profit for the year, until these reserves amount to 5% of share capital. Legal reserves that do not exceed the above amount can only be used to cover current year or prior year losses. If the legal reserves exceed 5% of the share capital they can also be used to increase the share capital of the Company.

20. Retained earnings

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
At 1 January	849	2,910	140	2,910
Restatement 1 January, change of accounting policy	-	-	-	(60)
Additions	1,974	1,613	1,809	964
Dividends paid	(1,830)	(1,876)	(1,830)	(1,876)
Dividends declared	-	(1,798)	-	(1,798)
At 31 December	993	849	119	140

During 2005 the Company declared and paid out dividends in the amount of HRK 1,830 million (HRK 22.35 per share) (2004: HRK 3,674 million, HRK 44.86 per share and paid HRK 1,876 million). Out of the total amount, HRK 769 million, HRK 933 million and HRK 128 million was paid in 2005 to Republic of Croatia, Deutsche Telekom AG and the Fund, respectively. Unpaid amount from 2004 of HRK 1,798 million were paid to the shareholder Deutsche Telekom AG at the beginning of 2005.

The Company’s wholly owned subsidiary, T-Mobile Croatia d.o.o., declared a dividend in February 2005 in the amount of HRK 811 million that was paid to the Company in October 2005 (2004: HRK 653 million).

On 16 January 2006, the General Assembly of the Company declared an advance dividend payment to the shareholders resulting from preliminary results of the Company for 2005 in the amount of HRK 813 million (HRK 9.93 per share) that was paid in January 2006.

21. Revaluation reserves (the Group and the Company)

	2005	2004
	HRK millions	HRK millions
At 1 January	1,522	1,722
Release of revaluation reserves to retained earnings (net of deferred tax)	(179)	(200)
At 31 December	1,343	1,522

The release of revaluation reserves to retained earnings in the amount of HRK 224 million (2004: HRK 250 million), net of HRK 45 million of deferred tax (2004: HRK 50 million) corresponds to the difference between depreciation based on the revalued carrying amount of property, plant and equipment and depreciation based on the property, plant and equipment’s original cost, as explained in Note 10.

22. Commitments

Operating lease commitments

The Company has operating lease commitments in respect of buildings, equipment and cars.

Operating lease charges:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Current year expense (Note 4)	109	94	68	72

Future minimum lease payments under non-cancellable operating leases with a term of more than one year as at 31 December were as follows:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Within one year	80	84	50	64
Between 2 and 5 years	267	242	168	178
Greater than 5 years	409	328	311	288

The contracts relate primarily to property leases and car leases.

Capital commitments

As at 31 December 2005, the Group and the Company were committed under contractual agreements to capital expenditures as follows:

	HT group 2005	HT group 2004	HT d.d. 2005	HT d.d. 2004
	HRK millions	HRK millions	HRK millions	HRK millions
Intangible assets	90	10	2	2
Property, plant and equipment	339	151	69	67
	429	161	71	69

23. Contingencies (the Group and the Company)

a) Litigation

At the time of preparation of these financial statements, there are a number of claims outstanding against the Company. In the opinion of the Management Board, the settlement of these cases will not have a material adverse effect on the financial position of HT d.d. except for certain claims for which provision was established (see Note 17).

b) Refundable connection fees

Prior to the formation of the former HPT s.p.o. in 1990, and, subsequently, HPT s.p.o. or its predecessor entities (together "HPT") entered into contracts with customers and municipalities which provided for the payment of connection fees to HPT. There were variations in the terms of these contracts between regions, but certain contracts provided for the refund of connection fees on disconnection or for other specified events. In addition, in war-affected areas there is uncertainty as to whether all subscribers who had paid connection fees were actually connected. On 1 January 1999 HT d.d. assumed responsibility for the liability arising from these contracts under the terms of the Separation Law. Consequently, HT d.d. bears the risk noted above and may have an unrecorded liability for the refund of connection fees, although the extent of any such exposure cannot reliably be determined. The Management Board is of the opinion that the actual amounts not provided and which will need to be refunded in the future are immaterial in the context of these financial statements.

Billing interval

The State Inspectorate of the Republic of Croatia (hereinafter: the State Inspectorate), on January 29, 2004, started an investigation on the implementation of the provisions of the Law on Consumer Protection regarding a method of charging public voice services. Namely, the Company charges intervals of 60 seconds for national calls and intervals of 15 seconds for fixed to mobile and international calls. The State Inspectorate is investigating allegations pursuant to which the applied charging method should be per 1 second instead of intervals the Company is currently charging. If the State Inspectorate concludes that the Company must charge customers on per second basis, it may pass a resolution pursuant to which (i) the Company must return to the residential customers overcharged amounts from the day of application of the Law on Consumer Protection (September 2003) until the date of resolution; and (ii) the Company would be prohibited to further charge per 60 or per 15 seconds and that per 1 second charging should be applicable method. There has been no development on this issue since mid 2004. However, a new Bylaw on telecommunication services was brought into force as 1 January 2005 which requires the Group to introduce at least one tariff package that has a billing interval of 1 second. This significantly decreases the risk as it does not prohibit tariff packages with intervals longer than 1 second that was the subject of the State Inspectorate investigation. Nevertheless, the Company is unable to assess whether the investigation that was performed by State Inspectorate will result in a material liability, and therefore, no provision has been recorded in the financial statements as at 31 December 2005.

24. Balances and transactions with related parties (the Group)

HT d.d. is a joint stock company which operates in Croatia in the telecommunications market. As a result of HT d.d.'s strategic position within the Croatian economy, a substantial portion of its business is trans-acted with the Croatian Government, its departments and agencies and companies owned by the Croatian Government.

The transactions specified in the table below primarily relate to the transactions with the companies owned by Deutsche Telekom AG (DTAG). The Company enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies during 2005 and 2004. Further, DTAG and T-Mobile Germany provided technical assistance to the Group in the amount of HRK 56 million (2004: HRK 59 million).

The main transactions with related parties during 2005 and 2004 were as follows:

Related party:	Revenue		Expenses	
	2005	2004	2005	2004
	HRK millions	HRK millions	HRK millions	HRK millions
T-Systems International, Germany	40	67	18	38
HT Mostar, Bosnia and Herzegovina	30	33	48	35
T-Mobile, Germany	47	44	15	9
Others	83	65	53	35
Total international settlements	200	209	134	117
Deutsche Telekom AG, Germany	-	-	67	54
T-Systems International, Germany	-	-	6	5
Others	-	1	5	20
Total intercompany services	-	1	78	79
T-Systems International, Germany	-	-	14	19
Deutsche Telekom AG, Germany	-	-	9	28
Others	-	-	6	7
Total capital expenditures	-	-	29	54
Total related parties	200	210	241	250

Costs of rebranding that were incurred during 2005 have been compensated by the Parent Company, Deutsche Telekom AG in the amount of HRK 5 million (2004: HRK 97 million).

Compensation of key management personnel

In 2005 total compensation paid to key management personnel of the Group amount to HRK 22 million. Compensation paid to key management personnel relate to short-term employee benefits. Key manage-ment personnel include members of the Management Boards of the Company and subsidiary, Executive Board of T-Com, executive directors of the Company and directors of the subsidiary.

24. Balances and transactions with related parties (the Group) (continued)

The balance sheet includes the following balances resulting from transactions with related parties:

Related party:	Receivables		Payables	
	2005	2004	2005	2004
	HRK millions	HRK millions	HRK millions	HRK millions
T-Systems International, Germany	23	31	7	21
HT Mostar, Bosnia and Herzegovina	14	103	27	96
T-Mobile, Germany	-	3	16	2
Others	5	9	30	11
Total international settlements	42	146	80	130
Deutsche Telekom AG, Germany	-	65	60	59
T-Systems International, Germany	-	-	8	5
Others	-	-	5	14
Total intercompany services	-	65	73	78
Total related parties	42	211	155	208

The Group provides telecommunications services to the Government of Republic of Croatia and its min-istries, on normal commercial terms and conditions, such as are no more favourable than those available to other customers. The telecommunications services provided to the Government of Republic of Croatia and its ministries do not represent a significant component of the Group's revenue.

25. Financial instruments (the Group and the Company)

The Group is exposed to international service-based markets. As a result, it can be affected by changes in foreign exchange rates. The Group also extends credit terms to its customers and is exposed to a risk of default. The significant risks, together with the methods used to manage these risks, are described below. The Group does not use derivative instruments either to manage risk or for speculative purposes.

Credit risk

The Group has no significant concentration of credit risk with any single counter party or group of counter parties having similar characteristics. The Group procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of debtors (see Note 14) net of provisions for impairment recognised at the balance sheet date. Additionally, the Group is exposed to risk through cash deposits in the banks. Management of the risk is focused on dealing with most reputable banks in foreign and domestic ownership in the domestic market and on contacts with the banks on a daily basis.

Liquidity risk

The Group policy is to maintain sufficient cash and cash equivalents or to have available funding through an adequate amount of committed credit facilities to meet its commitments in the foreseeable future.

Any excess cash is invested mostly in available-for-sale investments.

Foreign exchange risk

The Group’s functional currency is the Croatian Kuna (HRK). Certain assets and liabilities are denominated in foreign currencies which are translated at the prevailing middle exchange rate of Croatian National Bank at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect short-term cash flows. Significant amount of deposits in the banks are made in foreign currency, primarily in Euro. As there is no adequate balance in Euro denominated liabilities at the balance sheet date, the Group is exposed to translation foreign currency risk.

Fair value estimation

The fair value of securities included in available-for-sale investments is estimated by reference to their quoted market price at the balance sheet date. The Group's principal financial instruments not carried at fair value are trade receivables, other receivables, long-term receivables, trade and other payables. The carrying amount of cash and cash equivalents and of bank deposits approximates their fair value due to the short-term maturity of these financial instruments. Similarly, the historical cost carrying amounts of receivables and payables, including provisions, which are all subject to normal trade credit terms approximate their fair values.

26. Service Concession Arrangements (the Group and the Company)

The Group is part to the following concession agreements:

Concession Agreement for the performance of telecommunication services in a fixed network

With this Agreement, the Government grants HT d.d., as the Concessionaire, the right to provide the following services throughout the territory of the Republic of Croatia:

- I. Public Voice Services over a Fixed Public Telecommunications Network,
- II. International Telecommunications Services,
- III. Data Transmission Services,
- IV. Domestic and international Leased Line Services,
- V. Telecommunications services open to competition in a fixed network in accordance with Article 25 of the Law on Telecommunications.

The Concession Agreement was signed on 22 September 1999, with two amendments dated 30 July 2001 and 17 October 2001. The Concession is granted for the period of 30 years, and it can be extended under the same conditions. The Concession Agreement conditions may be revised upon the agreement of both parties. Concession fees for Public Voice Services amounts 0.1% (2004: 0.2%), leased line services 0.1% (2004: 0.1%), value added services 0.1% (2004: 1.0%) and other telecommuni-

cation services 0.1% (2004: 1.0%) realised from gross annual revenue are effective in 2005. After the expiry of HT d.d. exclusive rights in the fixed network on 1 January 2003, the Law on Telecommunications stipulates adjusting of the Concession Agreement with provisions of the Law. HT d.d. has submitted an invitation for negotiations to the Government of the Republic of Croatia. HT d.d. has the right to provide the services under I to V above and based on decision of authorized regulatory body made on 28 November 2005 have the obligation to provide Universal telecommunication services, as determined in Article 37 of the Law on Telecommunications (Official Gazette No. 122/03, 158/03, 177/03, 60/04, 70/05). The Concession Agreement can be terminated or suspended by the Government of the Republic of Croatia with twelve months notice if HT d.d. after issuance of a third warning from the Government if it fails to comply with certain fundamental conditions of the Agreement or fundamental terms of the Law on Telecommunications or of relevant Subordinate Legislation. The Concession Agreement defines certain network build-out targets which HT d.d. has met as of 31 December 2002. Authorized Ministry set the new service quality standards within all obligations which are imposed to the provider of Universal telecommunication services. Prices for telecommunication services that are rendered by HT d.d. and for which authorized regulatory body determined that HT d.d. has significant market power on public voice service market in fixed network and leased telecommunication lines market have to be cost driven and pre-approved by authorized regulatory body in accordance with Article 63 Paragraph 3 of the Law on Telecommunications.

26. Service Concession Arrangements (the Group and the Company) (continued)

Concession Agreements for Telecommunication Services with the usage of radio frequency spectrum in GSM global network and Concession Agreements for Telecommunication Services with the usage of radio frequency spectrum in third generation mobile network system - UMTS

Service Concession Arrangements	Starting date	Period (years)	Concession fee
Concession Agreements for Telecommunications Services with the usage of radio frequency spectrum in GSM global network	16.09.1999.	10	Initial fee of HRK 100 million Annual fee of HRK 5 million
Concession Agreements for Telecommunications Services with the usage of radio frequency spectrum in third generation mobile network system: UMTS	18.10.2004.	20	Initial fee of HRK 132 million Annual fee for second and every next year of 1% of total revenues realized in UMTS mobile network

T-Mobile has to pay the annual radiofrequency fee of HRK 100 thousand per one duplex channel (60 channels) pursuant to the GSM Concession and HRK 5 million per each granted frequency block of 5 MHz in UMTS network (3+1 blocks).
In addition, T-Mobile pays an annual fee of HRK 150 per one mobile radio station postpaid customer in GSM. T-Mobile has the right to collect this fee from its customer.
Furthermore, T-Mobile is obliged to pay fees in the amount of 0.2% of operating income according to applicable Law and By-Laws for all networks (GSM and UMTS).
Also T-Mobile pays annually HRK 3.5 million for each granted National Destination Code (2 NDCs) and HRK 9 thousand for other granted codes.

27. Cash and cash equivalents and time deposits

a) Cash and cash equivalents
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	HT group 2005 HRK millions	HT group 2004 HRK millions	HT d.d. 2005 HRK millions	HT d.d. 2004 HRK millions
Cash on hand and balances with banks	2,889	5,152	2,149	4,051
Short-term investments	-	150	-	150
Cash and cash equivalents	2,889	5,302	2,149	4,201

b) Time deposits
Time deposits are accounts that bear interest from 3.00% to 5.00% and that Company is entitled to withdraw with prior notice. Time deposits, denominated in HRK and euro, are held with the following domestic banks:

	HT group 2005 HRK millions	HT group 2004 HRK millions	HT d.d. 2005 HRK millions	HT d.d. 2004 HRK millions
Privredna banka Zagreb d.d.	320	-	320	-
Zagrebačka banka d.d.	164	51	164	51
Splitska banka d.d.	100	-	100	-
Volksbank d.d.	75	-	75	-
Erste Steiermarkische Bank d.d.	50	100	50	100
Raiffeisenbank Austria d.d.	50	60	50	60
	759	211	759	211

c) Currency breakdown of cash and cash equivalents and time deposits:

	HT group 2005 HRK millions	HT group 2004 HRK millions	HT d.d. 2005 HRK millions	HT d.d. 2004 HRK millions
HRK	2,421	4,224	1,878	3,209
EUR	1,164	1,239	985	1,183
USD	63	50	45	20
	3,648	5,513	2,908	4,412

28. Subsequent events

No other events or transactions, except as stated in Note 20, have occurred since 31 December 2005 or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the financial statements.

Index

ADSL	1, 8, 26, 28, 31, 33, 34, 35, 46, 54, 55, 65, 82	EUROPE 25	35
ASSET	1, 21, 39, 56, 57, 58, 67, 68, 69, 70, 71, 73, 75, 76, 79, 80, 81, 82, 83, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 102, 106	FGSM	31
		FINANCING	58, 75, 76
ATM	32, 55, 64, 82	FIXED NETWORK	8, 14, 27, 30, 31, 34, 35, 64, 65, 107
		FRAME RELAY	32, 55, 64, 82
BALANCE SHEET	57, 71, 72, 73, 74, 79, 81, 82, 83, 91, 95, 96, 98, 105, 106, 109	GPRS	36, 37
BRAND	8, 10, 30, 35, 43, 46, 47, 64	GROUP	8, 10, 15, 19, 20, 21, 30, 39, 40, 46, 48, 53, 54, 55, 58, 64, 65, 67, 68, 69, 71, 72, 75, 77, 79, 80, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109
BROADBAND	8, 14, 19, 26, 28, 30, 31, 33, 34, 35, 47, 64, 65		
		GSM	15, 26, 36, 37, 48, 49, 64, 89, 108
CAPITAL	57, 72, 74, 77, 78, 79, 96, 100, 102, 104	HOTSPOT	32, 34
COMPANY	10, 14, 15, 18, 19, 20, 21, 26, 30, 35, 36, 37, 38, 39, 40, 46, 47, 48, 51, 57, 58, 64, 65, 67, 68, 69, 70, 79, 80, 81, 82, 83, 85, 87, 88, 90, 91, 92, 93, 94, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109	HT Mostar	94, 104, 105
		HUMAN RESOURCES	14, 18, 30, 39, 40, 64
CONCESSION	26, 48, 65, 80, 89, 90, 107, 108		
CONSOLIDATED	8, 20, 21, 54, 55, 56, 57, 58, 69, 70, 71, 72, 74, 75, 76, 77, 78, 79, 94	INCOME	8, 10, 27, 54, 56, 57, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 80, 81, 87, 94, 97, 98, 99, 106, 108
		INTERNET	8, 14, 26, 28, 29, 32, 33, 34, 35, 46, 47, 54, 55, 64, 65, 82, 84
DATA	8, 10, 19, 27, 28, 29, 30, 32, 36, 37, 38, 54, 55, 64, 65, 82, 84, 107	INVESTMENT	8, 10, 26, 28, 29, 35, 39, 57, 58, 65, 71, 73, 75, 77, 78, 79, 80, 81, 82, 83, 94, 95, 96, 106, 109
DEPRECIATION	56, 57, 69, 70, 75, 76, 77, 78, 80, 81, 83, 85, 88, 91, 92, 93, 101	ISDN	31, 46
DEUTSCHE TELEKOM	15, 18, 64, 79, 100, 104, 105	ISP	31
DIAL-UP	33, 34, 55		
DIVIDEND	10, 57, 58, 70, 72, 73, 74, 75, 76, 77, 78, 80, 87, 94, 100	LICENCES	8, 19, 26, 27, 89, 90
DT GROUP	40, 48		
		MANAGEMENT	8, 10, 14, 15, 18, 19, 20, 21, 30, 38, 39, 40, 48, 54, 55, 56, 57, 58, 66, 67, 68, 79, 83, 87, 91, 94, 99, 103, 104, 106
EARNINGS	21, 57, 72, 74, 77, 78, 80, 83, 93, 100, 101	MAXadsl	32, 33, 34, 35, 46, 47
EDGE	37	MMS	34, 36, 37
EMPLOYEES	10, 19, 37, 39, 40, 46, 48, 55, 58, 61, 65, 79, 82, 85, 98	NETWORKS	8, 27, 29, 33, 34, 35, 37, 48, 54, 64, 65, 108
ERONET D.O.O.	94	NMT	1, 34, 37, 47, 48, 64, 65, 93
		ONLINE	14, 19, 33, 34
		OPERATOR	15, 26, 27, 28, 31, 33, 34, 36, 37, 38, 47, 48, 65, 82
		ORGANIZATION	14, 15, 19, 21, 25, 28, 30, 35, 40, 46, 47, 48

POSTPAID	10, 36, 37, 38, 65, 108	TAX	55, 56, 57, 58, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 80, 81, 82, 85, 86, 87, 88, 97, 101
POTS	31		
PREPAID	36, 37, 38, 82	T-COM	8, 14, 15, 19, 25, 26, 28, 30, 31, 32, 33, 34, 35, 46, 47, 64, 82, 104
PRIVATE NETWORK	32, 33, 46	TELEGRAPH	32
		T-HRVATSKI TELEKOM	14, 15, 54, 64
REBRANDING	64, 104	T-MOBILE	8, 15, 19, 25, 27, 28, 30, 32, 34, 35, 36, 37, 38, 46, 47, 48, 49, 55, 56, 64, 65, 79, 82, 93, 100, 104, 105, 108
REDUNDANCY	55, 56, 58, 69, 70, 72, 74, 83, 85	T-PORTAL	32, 34, 35, 47
RESTRUCTURING	8, 10, 65, 95		
REVENUE	21, 26, 28, 29, 31, 32, 33, 34, 36, 38, 54, 55, 56, 69, 70, 79, 80, 82, 84, 95, 104, 105, 107, 108	UMTS	10, 26, 27, 28, 36, 37, 38, 48, 49, 64, 65, 80, 89, 108
ROAMING	26, 37, 38, 82	VOIP	32, 38, 54
		VPN	32, 33, 38, 82
SERVICES	5, 8, 10, 15, 19, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 43, 46, 48, 54, 55, 64, 65, 69, 70, 82, 84, 94, 103, 104, 105, 107, 108	WAP	34
SHARES	18, 64, 100	WIMAX	19, 26, 28
SMS	34, 35, 36, 38		
STRATEGY	8, 10, 14, 19, 26, 28, 35, 39, 46, 65		
SUPERVISORY BOARD	15, 16, 18, 19, 20, 21, 64, 66		
TARIFF	19, 28, 31, 35, 37, 38, 46, 65, 82, 103		