# Executive Summary

During 2008 Croatian telecom market has experienced further growth of fixed broadband lines, with net additions reaching the highest values ever and penetration in population exceeding 12%. The number of fixed telephony lines has remained relatively stable, as negative effects of the fixed-mobile substitution have been offset by the increased demand for new telephony lines in the civil engineering market. The mobile penetration has been continuously increasing, reaching 133% by the end of 2008, with the annual customer growth during 2008 amounting to relatively high value of 845.000.

Within the EU accession process Croatia adopted the new Electronic Communication Act that came into force in 2008. The major improvement which Act is expected to bring to the market is the introduction of cost oriented regulation of SMP wholesale prices that NRA should impose during 2009 and 2010. This will be especially important to the fixed market, where major alternative operators have made significant network investments during the last three years, with their profit *break-even* points still being several years away. Considering this, additional merger and acquisition among alternative operators in fixed market segment are highly probable during 2009.

The fixed market segment has still been highly dominated by the incumbent *T-Com*, whose revenue market share exceeded 80% in 2008. *T-Com* controlled 84% of all retail broadband lines in the market, owning 74% of net line additions during 2008. Alternative operators (primarily *Optima telekom*) have started to unbundle local loops more widely, decreasing incumbent's market share. In 2008 *T-Com* and national cable operator *B.net* started to intensively promote their IPTV and cable TV packages, respectively, offering competitive service bundles with lately introduced HDTV channels.

In the mobile market the market shares of the leading operators *T-Mobile* and *Vipnet* have continued to decrease, on account of the rise of the third mobile operator *Tele2*, whose customer market share reached 12% by the end of 2008. *Tele2* has not yet succeeded to achieve full national coverage, further relying on national roaming services, that were switched over from *Vipnet* to *T-Mobile* in June 2008. Improved competition within the mobile market segment has already brought increased pressure on retail prices, resulting with further decline of the overall market and operators' ARPUs. The increased traffic volumes and customer base have compensated the negative effect of declining ARPUs on revenues, causing the market revenue growth in 2008 to be comparable to the previous year. Mobile broadband services, after being offered in the market for several years, have experienced significant growth during 2008, with the penetration of broadband users in population reaching 2,7% by the end of 2008.