

Zagreb – 14 February 2014

T-Hrvatski Telekom Results for the year ended 31 December 2013

In 2013 T-HT maintained market leading position in all business segments

- *Revenue down 6.8%*
- *EBITDA margin 42.6%*
- *Proposed profit distribution : 51.5% for dividend, 48.5% for reinvestment*

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces audited results for the year ended 31 December 2013.

In 2013, T-HT maintained its robust market leading position in the Croatian telecommunication market in all business segments. At the end of the year, T-HT had more than 1.2 million fixed line customers, 2.3 million mobile subscribers, 628,414 broadband retail access lines and provided TV services to 390,755 customers.

In 2013, T-HT delivered revenue of HRK 7.04 billion, down 6.8% on the previous year. T-HT's revenue was strongly impacted by the economic downturn and significant regulatory changes resulting from harmonization with EU regulations during the year, particularly in the areas of roaming and termination prices.

T-HT slowed the decrease in its revenues, with a 2.9% increase in non-voice revenue and a significant 25.5% increase in ICT revenue. Revenue increases were also seen in mobile broadband and TV services.

T-HT also maintained a strong EBITDA margin of 42.6%, down 2.1 percentage points from the previous year. The EBITDA margin before exceptional items stands at 43.5%, a fall of 3.1 percentage points from 2012.

In 2013, net income was HRK 1.44 billion, down 15.0% on the previous year.

For 2013, the Group reported capital expenditure of HRK 1.43 billion, which marked a 20.8% increase on the previous year. T-HT continued to invest in IP transformation and mobile broadband infrastructure, including the LTE network for 4G services.

Intensifying investment in company development to reverse the trend

Although the revenue decrease was slowed by increases in ICT revenue and non-voice revenue, the decline in revenue from traditional services has continued and with it the fall in profitability.

T-HT intends to intensify its investments in the development of the Group by investing in infrastructure development and through the regional expansion of its business, to reverse the trend in declining business results and ensure long term value for its shareholders.

As a consequence, T-HT proposes the distribution of part of its net income in the amount of HRK 736,961,436 to shareholders through a dividend payment of HRK 9.00 per share. That equates to 51.5% of income allocated to shareholders. The remaining 48.5% in the amount of HRK 694 million is

proposed to be allocated for reinvestment in the business and the share capital will be increased by this amount.

Intensified investment in infrastructure development and entry into the region will ensure long term value for shareholders, and create the opportunity for further growth and strong business results across the Group. Investment will be focused on infrastructure development and service quality improvements, exploitation of regional expansion opportunities and the further expansion of the business through offering products and services across the region.

Investment in infrastructure development and service quality will ensure the further strengthening of T-HT's position in growing market segments related to fixed and mobile broadband access, TV services and Cloud services as well as the development of an intuitive and highly developed customer experience in the selection, purchase and delivery of services.

Along with opportunities for regional business expansion through acquisitions, the Group is also considering the possibilities of the regional expansion of its services and products.

Davor Tomašković, President of the Management Board (CEO) said: "Our results for 2013 announced today demonstrate that T-HT has maintained its leading position across all segments of the Croatian telecommunication market. The economic downturn and significant regulatory changes strongly impacted the 2013 performance.

"In order to reverse the declining trend in T-HT's results and to ensure long-term value for shareholders, we plan to embark on significant investment in the development of the Group. We will intensify investment in infrastructure development and increased service quality while also identifying and exploiting regional business expansion opportunities. In order to strengthen our presence in the region, as well as potential acquisition opportunities we will also consider expanding our products and services in southeast European markets.

"T-HT is also undertaking further internal transformation to achieve a more flexible organization that is wholly focused on our customers and on constantly improving our product and service offering. We aim to establish a longer-term perspective for T-HT, our shareholders and employees – and we will need to take significant steps to do so."

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A conference call for analysts and investors will be held at 08:30 UK time / 09:30 CET on the same day.

The conference call dial in details are as follows:

International Dial In	+44 (0) 1452 555 566
UK Free Call Dial In (from landlines only)	0800 694 0257
Conference ID	55003038

A replay of the call will be available until Thursday, 20 February 2014 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0800 953 1533
Conference ID	55003038

Full audited accounts for T-HT Group and HT d.d., other prescribed documentation as well as a presentation covering results for the 2013 financial year, can be downloaded from the T-HT web site. (www.t.ht.hr/eng/investors/) and are fully available in the Official Register of Prescribed Information (SRPI).

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1. Business and financial review

1.1 Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and the market leader in all segments in which it operates. At 31 December 2013, the Group served more than 1.2 million fixed-line customers, 2.3 million mobile subscribers, 628,414 broadband retail access lines and provided TV services to 390,755 customers.

1.2 Group Strategy

T-HT Group Vision

T-HT is the leading digital solution provider that powers the online society and digital economy in Croatia and the Region.

T-HT Group Strategy

T-HT Group strategy is focused on shaping the regional market for broadband and for digital multimedia and communications services. This approach is based primarily on customers' ever evolving requirements for quality services that fulfil their communication, business and entertainment needs.

The central point of this strategy is a focus on customer experience, achieved through superior customer service and network quality.

The Group continues to develop intuitive customer interfaces and efficient processes that facilitate the selection, purchase and delivery of services and enable highly responsive customer support. Group will ensure that at the same time, the outstanding quality and capacity of the Group's network allow it to accommodate the demands of bandwidth-hungry multimedia and business applications delivered to users over hi-tech devices ranging from smartphones to high-definition TVs.

By doing this, T-HT is aiming to maintain its leading position in all market segments and extract the maximum value arising from further developments in fixed and mobile broadband, pay TV and business and consumer facing Cloud-based services.

1.3 Market overview

Croatia's accession to the EU had a major impact on the roaming environment. EU roaming regulation has been in force since 1 July 2013, resulting in voice roaming prices reduced more than 3 times, SMS roaming prices reduced by 3.5 times, while data roaming prices reduced by 10.7 times. These price decreases had a negative impact on visitor roaming and retail revenue trends.

Negative economic trends, EU roaming regulation, the continuation of flat rate tariff offers and mobile Internet promotions including tablets impacted trends in the mobile market in 2013.

The mobile market continued to decline in 2013 under the impact of regulation, increased price competition, mobile market saturation and delayed economic recovery. Mobile broadband recorded growth in 2013 as a result of increasing smartphone and tablet penetration and increasing demand for mobile data.

The fixed broadband market continued to grow, while further consolidation in the fixed market led to the greater intensification of the competitive environment.

A number of Croatia's alternative operators have entered pre-bankruptcy proceedings, having been negatively affected by economic and competition-based factors, so further consolidation in the telecommunications market is expected.

The Croatian Post and Electronic Communications Agency (HAKOM) unveiled its decision on the assignment of the unallocated radio frequency spectrum (the remaining digital dividend) on the 801-811 and 842-852 MHz band, divided in 2x5 MHz blocks. HT was granted the block of 806-811/847-852 MHz.

The Croatian IT market demonstrated a negative trend in 2013 owing to economic pressures. This marks the fifth consecutive year that IT spending has decreased in Croatia. Further weakening of economic conditions, problems with financing of the state budget, and a further increase in unemployment affected domestic IT spending in 2013. The Croatian IT market is estimated to show a decline of 3.0% in 2013¹. Against the backdrop of negative overall trends on the IT market in Croatia, however, some segments – such as smartphones, tablets, cloud services and data center equipment – are showing growth.

1.3.1 Fixed-line market

Fixed telephony remains highly competitive in Croatia, with 13 operators active in the market². In addition, market consolidation in 2013 further increased competitive pressure from bundled telecommunications offers.

Competitive pressure notwithstanding, T-HT successfully maintained its leading position in the fixed line market, reflecting the Group's continuing dedication to high-quality services and improved offers.

Fixed voice usage showed a further decline at the same time as fixed broadband and mobile usage increased. The number of fixed-line minutes of use (MOU) decreased by 17.7% in the first nine months of 2013, (the most recent available figures), compared with the same period in 2012³.

1.3.2 Mobile telecommunications

Through a range of brands, the Group maintained a leading market position in a saturated mobile market, served by three operators. Mobile penetration is estimated to have reached 115.6% and the Company's share of total mobile customers is estimated at 46.6% at the end of 2013. All mobile operators intensified efforts to increase their share of postpaid customers within their customer bases.

Despite increased mobile usage, mobile revenue continued to display a declining trend due to lower mobile termination rates and intense pricing pressure as prices continue to slide, while tariff bundles increased. Further falls in mobile revenue were caused by the EU roaming regulation that came to force on 1 July 2013.

Total Croatian mobile market minutes of use (MOU) increased by 24.8% and the number of SMSs sent increased by 9.6%³ in first nine months of 2013 compared with the same period in 2012. Mobile data continued to grow with all three mobile operators promoting voice-messaging-data bundled tariff offers alongside increasing smartphone and tablet offers.

1.3.3 Internet

The Croatian fixed broadband market continued to grow in 2013, with 915,705⁴ fixed broadband connections Q3 2013. The market grew 4.1% compared with the end of Q3 2012. DSL is still the dominant broadband technology. At the end of 2013, T-HT Group had 628,414 broadband access lines.

The Croatian broadband market still represents a growth opportunity for T-HT with an estimated 50% of Croatian households connected to fixed broadband network compared to an average of 67% in Western Europe⁵.

The Croatian pay TV market grew by 13.2% in first nine months of 2013, against the same period in 2012, reaching 683,014 customers⁴.

1.3.4 Data

T-HT maintained its leading position in a data market that is migrating from traditional data services to more cost-effective, IP-based services. Although the data market is relatively small it represents an important service for business customers.

1.3.5 Wholesale

Following liberalization of the fixed line market, demand for infrastructure services requested by alternative operators remained high in 2013. The number of broadband wholesale customers (BSA and Naked BSA) reached 41,242 at the end of 2013. In addition, significant demand for Unbundled Local Loop (ULL) continued, and the number of customers increased to 172,639 at the end of 2013. The number of Wholesale Rental Lines (WLR) increased to 118,154. In January 2013, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination. Additional prices for BSA and Naked BSA were amended in July 2013.

1) Source: Croatian IT market 2013 and 2014: Revised Forecast, IDC Adriatics, December 2013

2) Source: Croatian Post and Electronic Communications Agency, June 2013

3) Source: Croatian Central Bureau of Statistics, December 2013

4) Source: Croatian Post and Electronic Communications Agency, December 2013

5) Source: Analysys Mason

1.4 Economic background

The Croatian economy has been undergoing continuous contraction for five consecutive years. Croatian GDP growth in 2013 is expected to be reported at -0.8%⁶. Gradual economic recovery could be driven by a higher rate of exports and significant foreign direct investments, but there is a high degree of uncertainty whether that can be achieved in the near future.

Employment in Croatia also continued to fall in 2013 for the fifth consecutive year. The average annual registered unemployment rate in 2013 is expected to increase to a yearly average of 20.3% (which is 1.2 p.p. higher than the average unemployment rate in 2012).⁷ The rising unemployment rate had a negative impact on personal consumption, which has been estimated to have declined by 0.7% in 2013⁷, while disposable income also declined further to average HRK 5,396 in 2013⁷.

Industrial production is expected to have declined by 2.0%⁷ in 2013 owing to business contraction and declines in exports.

The average inflation rate, measured by Consumer Price Index (CPI), is expected to have slowed to 2.3% in 2013 from 3.4% in 2012 because of decreasing prices of import⁸.

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- 6) Source: The Economist Intelligence Unit
7) Source: Raiffeisen Research, Dec. 2013
8) Source: Croatian National Bank, December 2013

1.5 Historical information on the 6% fee on mobile network services

The 6% fee was originally introduced on 1 August 2009 as a crisis measure and was initially abolished with effect from 1 January 2012. The newly elected Government proposed and Parliament reinstated the fee with effect from 26 January 2012. Subsequently, the 6% fee was terminated with effect from 9 July 2012.

The impact of the 6% tax in 2012 was HRK 56 million (applicable from 26 January 2012 to 9 July 2012).

1.6 Supervisory Board Decisions

1.6.1 Financial Statements

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have adopted the Annual Financial Statements of the Company and the Consolidated Financial Statements of T-HT Group, with the auditor's report, for the 2013 financial year.

The Annual Financial Statements will be forwarded to the General Assembly.

1.6.2 Net profit distribution

Hrvatski Telekom d.d. realized net profit (after taxation) in the amount of HRK 1,431,245,824.11 in the business year ending with 31 December 2013.

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have proposed a dividend distribution to shareholders of HRK 736,961,436.00 or 9.00 HRK per share.

The amount of HRK 284,388.11 will be allocated to retained earnings.

The amount of HRK 694,000,000.00 will be used to increase the share capital from Company's own capital.

The General Assembly will be convoked shortly and it is expected to be held during April.

1.6.3 Shares without nominal amounts

The Management Board and Supervisory Board of Hrvatski Telekom d.d. proposed that HT shares shall no longer have nominal amounts, and instead they shall be shares without nominal amounts, to be forwarded to the General Assembly for decision making.

1.6.4 Share capital increase using the net profit of the Company

The Management Board and Supervisory Board of Hrvatski Telekom d.d. proposed share capital increase from the Company's own capital, to be forwarded to the General Assembly for decision making.

1.6.5 Amendments to the Articles of Association

The Management Board and Supervisory Board of Hrvatski Telekom d.d. proposed that HT shares no longer have nominal amounts and that the amount of the share capital in the Articles of Association is being changed, based on the decision proposals listed above, to be forwarded to the General Assembly for decision making.

1.6.6 Amendments to the Decision of the General Assembly on granting authority to the Management Board of the Company for acquisition of Company shares, as of 4 May 2011:

The Management Board and Supervisory Board of Hrvatski Telekom d.d. proposed to empower Management Board, given the fact that it is already authorized by the General Assembly Decision for acquisition of Company shares and their withdrawal, not to act in accordance with the provisions on regular decrease of the share capital because the shares of the company are without nominal amount and it is determined that by withdrawing of the shares the remaining shares' participation in the share capital is increased.

1.6.7 Decision on reallocation of directorate responsibilities

Since on 31 March 2014 the term of office of Mr. Dino Ivan Dogan, Ph.D., as a Member of the Management Board and Chief Financial Officer of Hrvatski Telekom d.d. is due to expire, the Supervisory Board has decided to temporarily assign the overall responsibilities of the Chief Financial Officer to the President of the Management Board (CEO) as of the expiry of the term of office referred to herein and until a replacement is named in due course.

1.6.8 Decision on reallocation of directorate responsibilities

Since on 14 March 2014 the term of office of Mr. Božidar Poldrugač as a Member of the Management Board and Chief Technical and Information Officer of Hrvatski Telekom d.d. is due to expire, the Supervisory Board has decided to temporarily assign the overall responsibilities of the Chief Technician and Information Officer to the President of the Management Board (CEO) as of the expiry of the term of office referred to herein and until a replacement is named in due course.

1.7 Regulatory environment

The Croatian Law on Electronic Communications, which replaced the previous Law on Telecommunications, has been in force since 1 July 2008. The law transposed the 2002 EU Regulatory Framework onto Croatia's electronic communications market and has since undergone three rounds of amendments.

The first amendments to the Law on Electronic Communications were adopted by Croatian Parliament in July 2011 and came into force in August 2011. The purpose of these amendments was to align Croatia's electronic communications market with the EU Regulatory Framework of 2009.

The second set of amendments to the Law on Electronic Communications was adopted by the Croatian Parliament in November 2012 and came into force in December 2012. These were designed

to reduce the members of the Council of Croatian Post and Electronic Communications Agency (hereinafter: the Agency) from seven to five.

The third round of amendments was adopted in June 2013, primarily aimed at aligning Croatian Law on Electronic Communications with the EU regulatory framework in the area of roaming regulation.

To date, the Agency has adopted several by-laws prescribing the terms and conditions for the provision of electronic communications services in Croatia.

In line with the Croatian regulatory framework, and in line with the latest EU recommendations, the Agency can impose regulatory remedies only after proper market analysis and determination of the existence of significant market power (SMP). Currently, the Company holds SMP in the following markets:

1. call origination in the fixed network
2. call termination in the fixed network
3. wholesale (physical) network infrastructure access (including shared or fully unbundled access)
4. wholesale broadband access
5. call termination in the mobile network
6. wholesale terminating segments of leased lines
7. wholesale trunk segments of leased lines (non-competitive lines)
8. retail access to the public communications network at a fixed location
9. publicly available local and/or national telephone service provided at a fixed location for residential customers
10. publicly available local and/or national telephone service provided at a fixed location for non-residential customers
11. retail broadband Internet access (regulated as of 23 March 2012)
12. retail market for transmission of TV programs with remuneration - IPTV market (regulated as of 23 March 2012)

In these markets, the following remedies are applied:

- in markets 1 - 7: network access and use of special network facilities (this obligation is extended to the Company's optical fibre access network), non-discrimination, transparency, price control and cost accounting, accounting separation (applies only to the Company's fixed business)
- in market 8: network access and use of special network facilities (obligation to offer wholesale line rental - WLR), non-discrimination, transparency, price control and cost accounting (notification of retail prices 30 days in advance; prohibition of unreasonably bundled services - introduction of naked DSL, provision of "pure" network access); accounting separation; in line with these obligations, the Company published wholesale reference offers for naked bitstream and WLR in June /July 2011
- in markets 9 - 12: price controls and regulation of promotional offers were imposed upon the Company and Iskon.

The Agency conducted the first round of market analysis in the period 2009-2012. The second round of market analysis was undertaken and completed in June 2013. As a result of the second round of market analysis of wholesale markets under 1, 2 and 5 above, the Company published the new wholesale reference offer for call termination in the mobile network which became applicable on 30 June, 2013 and the new wholesale reference offer for fixed interconnection (call origination and call termination in fixed networks) which became applicable on 1 August, 2013.

In addition, the second round of market analysis for markets under 3 and 4 above introduced the geographical segmentation of the Republic of Croatia into Type 1 and Type 2 areas, applicable to so-called fibre (FTTx) regulation.

In Type 2 areas, softer regulation applies to FTTH and FTTN networks (e.g. the Company can have commercial wholesale prices for FTTH services, shorter notification periods for FTTN reconstruction apply, retail promotion restrictions for FTTH products do not apply in Type 2 areas).

In line with the obligations imposed in the second round of market analysis for markets 3 and 4 above, the Company published wholesale reference offers for wholesale (physical) network infrastructure access (including shared or fully unbundled access) and wholesale broadband access (BSA) on 2 September, 2013, with effect as of 1 October, 2013.

The Company retains SMP status defined under the old legal framework (i.e. under the Law on Telecommunications that was replaced by the Law on Electronic Communications in 2008) in the retail market for leased lines. In 2010, the Agency initiated a market analysis procedure for this market according to EU rules, with finalization expected in Q1 2014 (according to the Agency announcement).

In June 2013, the Agency finalized its own cost models for the fixed/mobile network (development of cost models was initiated in third quarter of 2011). Consequently, in 2013 the Agency adopted several decisions determining cost oriented prices for the Company's wholesale products in the fixed and mobile network:

- a) In June 2013, the Agency adopted a decision on the reduction of the Company's mobile termination fees, based on results from the cost models. Mobile termination fees were decreased to:
 - National mobile termination (for calls originated in a national operator's network and terminated in the Company's network directly or indirectly via a national operator): 0.1933 kn/min (from 1 July 2013), 0.1282 kn/min (from 1 January 2014), 0.063 kn/min (from 1 January 2015)
 - International mobile termination for calls delivered from a national/EU/EEA operator's network, regardless of the network where the call is originated: 0.45 kn/min (from 1 July 2013), 0.32 kn/min (from 1 July 2014), 0.063 kn/min (from 1 January 2015). International mobile termination for calls directly delivered from an international operator's network of country that is not an EU/EEA member remained unregulated.
- b) In June 2013, the Agency decreased the Company's wholesale BSA prices for ADSL/VDSL technology based on results derived from the Agency's cost models. In December 2013, the Agency held a public consultation on cost orientation of all BSA prices for services based on the copper and fiber network; new prices based on the Agency's cost models are expected to come into force in Q2 2014 after clearance by the European Commission.
- c) In December 2013, the Agency adopted a decision on the reduction of the Company's fixed termination/origination fees, based on results from the cost models. Fixed termination/origination fees were reduced to:
 - Local termination fees in fixed (peak/off peak): 2.67 lp/min/1.33 lp/min (from 1 January 2014), 1.63 lp/min / 0.82 lp/min (from 1 July 2014), 0.60 lp/min / 0.30 lp/min (from 1 January 2015)
 - Local origination fees in fixed (peak/off peak): 3.16 lp/min / 1.58 lp/min (from 1 January 2014), 2.32 lp/min / 1.16 lp/min (from 1 July 2014), 1.48 lp/min / 0.74 lp/min (from 1 January 2015)

- Regional termination fees in fixed (peak/off peak): 3.87 lp/min / 1.93 lp/min (from 1 January 2014), 2.23 lp/min / 1.12 lp/min (from 1 July 2014), 0.60 lp/min / 0.30 lp/min (from 1 January 2015)
 - Regional origination fees in fixed (peak/off peak): 4.36 lp/min / 2.18 lp/min (from 1 January 2014), 2.92 lp/min / 1.46 lp/min (from 1 July 2014), 1.48 lp/min / 0.74 lp/min (from 1 January 2015)
 - National termination fees in fixed (peak off peak): 7.33 lp/min / 3.67 lp/min (from 1 January 2014), 3.97 lp/min / 1.98 lp/min (from 1 July 2014), 0.60 lp/min / 0.30 lp/min (from 1 January 2015)
 - National origination fees in fixed (peak/off peak): 7.89 lp/min / 3.95 lp/min (from 1 January 2014), 4.69 lp/min / 2.34 lp/min (from 1 July 2014), 1.48 lp/min / 0.74 lp/min (from 1 January 2015)
- d) In December 2013, the Agency adopted a decision on the determination of cost-oriented pricing for the wholesale unbundled local loop service (ULL) based on results from its cost models. The new cost-oriented ULL pricing was defined, with the maximum amount set at HRK 57.30. The Company can increase the current ULL price (HRK 43.16) to the cost-oriented level of 57.30 HRK, on condition that there is a sufficient margin in comparison to the Company's retail prices, which must be substantiated by the appropriate margin squeeze test.

In January 2013, the new Universal Service Ordinance, adopted by the Agency, came into force. Under this Ordinance, the Agency extended the USO scope to include broadband access at a minimum speed of 144 kbit/s. Consequently, the Company is obliged to offer broadband access with a defined speed as a part of its universal service obligation. Additionally, the Company will be obliged to offer broadband access at a minimum speed of 1 Mbit/s as a part of its universal service obligation as of 1 January 2015.

In November 2013, the Agency adopted a decision on the assignment of the remaining "digital dividend" in the 800 RF spectrum. Under this process, the Company was assigned one 2x5 MHz block (806-111/847-852 MHz) for the period until 18 October 2024. The Company had already acquired a license for the block of 852-862 MHz for the period from 29 October 2012 until 18 October 2024.

Accounting separation (this applies only to the Company's fixed business): the cost accounting project, initiated at the end of 2008, is ongoing.

1.8 Segmental reporting

On 1 January 2010, the former operating segments T-Com and T-Mobile, serving the fixed and mobile markets respectively, were replaced by a new structure based upon Residential and Business units. As of the first quarter of 2011, a new reporting structure based on this customer segmentation was introduced with three separate operating segments: Residential Segment, Business Segment and Network and Support Functions.

The Residential Segment (RS) includes marketing, sales and customer services, focused on providing mobile, fixed line telecommunications and TV distribution services to residential customers.

The Business Segment (BS) includes marketing, sales and customer services, focused on providing mobile and fixed line telecommunications and systems integration services to corporate customers, small- and medium-sized businesses and the public sector. The Business Segment is also responsible for the wholesale business in both fixed and mobile services.

The Network and Support Function (NSF) performs cross-segment management and support functions, and includes the Technology department, Procurement, Accounting, Treasury, Legal and other central functions.

Wholly owned subsidiaries Iskon Internet, Combis, KDS and E-tours are consolidated within the respective operating segments.

The Group reports EBITDA and primary revenues and expenses (i.e. revenues and expenses involving third parties) for its operating segments.

Depreciation is not allocated to the segments as the majority is related to the fixed and mobile network, which is part of the NSF.

1.9 Change in the definition of mobile data subscribers

In 2013, the definition of mobile data subscribers was amended. Previously, data subscribers consisted of mobile broadband subscribers with internet tariffs, and handset internet subscribers related to the data tariffs and options with recurring payments on a fixed period contract of more than one month and with predefined data volumes.

According to the new definition of mobile data subscribers, handset internet subscribers are counted at the SIM level with reference to both non-recurring and recurring data usage. Additionally, the new definition includes M2M subscribers while mobile broadband subscribers are calculated the same way.

1.10 Reclassification of dunning letters and default interest revenue

In Q4 2013, the treatment of revenue from default interests and dunning letters was changed and presented as a part of revenue instead of Other Operating Income. In order to reconcile the presentation of comparable period data with data presented in 2013, the following positions in the financial statements for the year ended 31 December 2012 were also reclassified as follows: Other operating income (HRK -99 million), Net revenue (HRK +99 million). The respective revenue in 2013 amounted to HRK 69 million.

1.11 Summary of key financial indicators

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Revenue	1,837	1,895	-3.1%	7,042	7,555	-6.8%
EBITDA before exceptional items	850	854	-0.4%	3,065	3,520	-12.9%
Exceptional items	0	144	-100.0%	66	144	-53.9%
EBITDA after exceptional items	850	710	19.8%	2,998	3,376	-11.2%
EBIT (Operating profit)	443	359	23.3%	1,632	2,050	-20.4%
Net profit after minority interest	478	308	55.3%	1,442	1,696	-15.0%
EBITDA margin before exceptional items	46.3%	45.1%	1.2 p.p.	43.5%	46.6%	-3.1 p.p.
EBITDA margin after exceptional items	46.3%	37.5%	8.8 p.p.	42.6%	44.7%	-2.1 p.p.
EBIT margin	24.1%	19.0%	5.2 p.p.	23.2%	27.1%	-4.0 p.p.

Net profit margin	26.0%	16.2%	9.8 p.p.	20.5%	22.4%	-2.0 p.p.
in HRK million	At 31 Dec 2013			At 31 Dec 2012		change
Cash and cash equivalents	2,039			3,146		-35.2%
Total assets	12,820			13,113		-2.2%
Total issued capital and reserves	10,700			10,899		-1.8%

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Net cash flow from operating activities	921	1,040	-11.5%	2,348	2,982	-21.3%

RESIDENTIAL SEGMENT

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Revenue	1,018	1,074	-5.2%	3,992	4,160	-4.0%
Contribution to EBITDA before EI	754	753	0.1%	2,793	2,895	-3.5%

BUSINESS SEGMENT

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Revenue	818	821	-0.3%	3,051	3,396	-10.2%
Contribution to EBITDA before EI	421	487	-13.4%	1,687	2,114	-20.2%

NETWORK & SUPPORT FUNCTIONS

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Contribution to EBITDA before EI	-324	-386	15.9%	-1,416	-1,489	4.9%

1.12 Exchange rate information

	Kuna per EURO		Kuna per U.S dollar	
	Average	Period end	Average	Period end
Twelve months to 31 Dec 2012	7.52	7.55	5.85	5.73
Twelve months to 31 Dec 2013	7.57	7.64	5.71	5.55

1.13 Selected Operational Data

Key operational data	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Mobile subscribers in 000						
Number of subscribers	2,303	2,326	-1.0%	2,303	2,326	-1.0%
- Residential	1,833	1,859	-1.4%	1,833	1,859	-1.4%
- Business	469	467	0.5%	469	467	0.5%

Number of postpaid subscribers	1,070	1,011	5.9%	1,070	1,011	5.9%
Number of prepaid subscribers	1,232	1,315	-6.3%	1,232	1,315	-6.3%
Minutes of use (MOU) per average subscriber	175	155	13.0%	174	146	19.2%
- Residential	158	133	18.4%	155	121	28.0%
- Business	246	244	0.8%	249	244	2.1%
Blended ARPU (monthly average for the period in HRK)	80	88	-8.9%	83	91	-8.6%
- Residential	69	73	-5.0%	71	74	-3.9%
- Business	123	148	-17.1%	133	160	-17.0%
Blended non-voice ARPU (monthly average for the period in HRK)	32	31	1.2%	31	28	9.9%
SAC per gross add in HRK	114	87	30.5%	104	80	30.8%
Churn rate (%)	4	4	-0.4 p.p.	3	3	-0.1 p.p.
Penetration (%) ¹⁾	116	117	-1.1 p.p.	116	117	-1.1 p.p.
Market share of subscribers (%) ¹⁾	47	47	0.1 p.p.	47	47	0.1 p.p.
Data subscribers (in 000) ²⁾	1,303	1,269	2.7%	1,303	1,269	2.7%

1) Source: VIPnet's published quarterly report Q4 2012 and Tele2's quarterly report for Q4 2012 and Q4 2013. Number of subscribers for VIPnet for Q4 2013 is internally estimated.

2) Mobile Data Subscribers reported according to the new definition. The Q4 2012 data is estimated.

Key operational data	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Fixed mainlines in 000						
Fixed mainlines - retail ¹⁾	1,133	1,208	-6.2%	1,133	1,208	-6.2%
- Residential	973	1,032	-5.8%	973	1,032	-5.8%
- Business	160	176	-8.7%	160	176	-8.7%
Fixed mainlines - wholesale (WLR)	118	104	13.7%	118	104	13.7%
- Residential	101	85	17.9%	101	85	17.9%
- Business	18	19	-5.4%	18	19	-5.4%
Total Traffic (mill. of minutes) ⁵⁾	464	578	-19.7%	1,967	2,398	-18.0%
- Residential	383	454	-15.7%	1,573	1,844	-14.7%
- Business	82	124	-34.2%	394	554	-28.9%
ARPA voice per access (monthly average for the period in HRK) ²⁾	100	111	-10.2%	103	115	-10.1%
- Residential	88	95	-8.1%	90	97	-7.5%
- Business	171	201	-15.2%	184	216	-15.1%
IP mainlines/customers in 000						
Broadband access lines - retail ³⁾	628	633	-0.7%	628	633	-0.7%
- Residential	520	526	-1.1%	520	526	-1.1%
- Business	108	107	1.0%	108	107	1.0%
Broadband access lines - wholesale ⁴⁾	41	25	67.8%	41	25	67.8%

- Business	41	25	67.8%	41	25	67.8%
TV customers	391	364	7.3%	391	364	7.3%
- Residential	369	344	7.3%	369	344	7.3%
- Business	22	21	7.3%	22	21	7.3%
thereof IPTV	340	332	2.5%	340	332	2.5%
- Residential	320	312	2.4%	320	312	2.4%
- Business	21	20	4.1%	21	20	4.1%
thereof Cable TV	6	6	0.0%	6	6	0.0%
- Residential	6	6	0.1%	6	6	0.1%
- Business	0	0	-8.0%	0	0	-8.0%
thereof Satellite TV	45	26	69.2%	45	26	69.2%
- Residential	43	26	68.6%	43	26	68.6%
- Business	1	1	89.1%	1	1	89.1%
Fixed-line customers	1	1	5.8%	1	1	5.8%
VPN connection points	5	4	5.3%	5	4	5.3%
Broadband retail ARPA (monthly average for the period in HRK)	126	125	0.7%	127	126	1.4%
- Residential	126	125	0.7%	126	124	1.8%
- Business	133	134	-0.5%	133	134	-0.7%
Data lines in 000						
Total data lines	5	5	1.0%	5	5	1.0%
Wholesale customers in 000						
CPS (Carrier Pre-Selection)	23	32	-28.8%	23	32	-28.8%
NP (Number portability) users/number	722	646	11.7%	722	646	11.7%
ULL (Unbundled Local Loop)	173	162	6.7%	173	162	6.7%

1) Includes PSTN, FGSM and IP Voice customers migrated to IP platform; Payphones excluded

2) Payphones excluded

3) Includes ADSL, FTTH and Naked DSL

4) Includes Naked Bitstream + Bitstream

5) Total traffic is generated by fixed retail mainlines as defined in note 1.

2. Group financial performance

- Revenue down 6.8% to HRK 7,042 million or EUR 930 million (2012: HRK 7,555 million, EUR 1,005 million)
 - Non voice revenue up 2.9%
 - Fixed broadband ARPA up 1.4% to HRK 127
 - Smartphone sales at 60.0% of total postpaid handsets sold
 - Other service revenue up 21.6% to HRK 551 million (EUR 73 million) (2012: HRK 453 million, EUR 60 million)
- EBITDA down 11.2% to HRK 2,998 million (EUR 396 million) and margin at 42.6% (2012: HRK 3,376 million or EUR 449 million, 44.7%)

- EBITDA before exceptional items down 12.9% to HRK 3,065 million (EUR 405 million), margin at 43.5% (2012: HRK 3,520 million or EUR 468 million, 46.6%)
- Net profit down 15.0% at HRK 1,442 million (EUR 190 million), margin at 20.5% (2012: HRK 1,696 million or EUR 226 million, 22.4%); positive impact of applied tax relief for the profit reinvestment
- Operating cash flow down 21.3% to HRK 2,348 million (EUR 310 million)
- Capex up 20.8% to HRK 1,426 million (EUR 188 million)

2.1 Revenue

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Voice revenue ¹⁾	754	929	-18.9%	3,273	3,954	-17.2%
Non voice revenue ¹⁾	705	682	3.4%	2,799	2,721	2.9%
Other service revenue	208	100	107.5%	551	453	21.6%
Terminal equipment	61	43	42.4%	213	183	16.4%
Miscellaneous ²⁾	109	141	-22.6%	207	245	-15.6%
Revenue	1,837	1,895	-3.1%	7,042	7,555	-6.8%

¹⁾ Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group interconnection revenues reclassified from non-voice to voice revenues)

²⁾ Revenue from dunning letters and default interests in 2013 presented in Revenue. Consequently, restatement from Other operating income to Miscellaneous (YE 2012 +99 HRK million) for 2012 made.

Total consolidated revenue decreased by 6.8% to HRK 7,042 million in 2013 from HRK 7,555 million in 2012. The decrease was driven by a HRK 681 million fall in voice revenue, and a HRK 38 million drop in miscellaneous revenue, slightly offset by an increase in other service revenue of HRK 98 million, a rise in non voice revenue of HRK 79 million and an increase in terminal equipment of HRK 30 million.

The negative revenue trend resulted from intensified competitive pressure from bundled telecommunication offers and downward pressure on pricing, falling consumption and the continued economic slowdown.

The revenue decline was primarily driven by lower mobile and fixed voice revenue in both the business and residential segments. Mobile voice decline resulted from a lower number of customers and lower average prices owing to a saturated mobile market and EU roaming regulation. Roaming and visitors revenue was HRK 133 million lower, mostly due the impact of EU roaming regulation applied as of 1 July 2013 and with the bulk of the impact in Q3 2013.

The fixed retail voice decline was driven by a lower number of mainlines resulting in lower traffic as well as lower ARPA. The fixed wholesale voice decline was mainly driven by lower international hubbing services as a result of increased competition and lower national voice due to lower interconnection prices from January 2013 combined with lower traffic. The fall in voice revenue was accompanied by a decline in miscellaneous revenue, mainly due to lower national roaming and revenue from default interest and dunning letters.

The declines in voice and miscellaneous revenues were slightly offset by an increase in other service revenue, non voice and terminal equipment revenues. An increase in other service revenue resulted from higher ICT revenue. Non voice revenue increased due to higher mobile data revenue coming

from an enhanced volume of data and multimedia packages included in the new tariffs. In addition, the rise in non voice revenue resulted from a higher number of TV customers and higher broadband retail ARPA, but was partially offset by lower SMS revenue and lower revenue from international global internet access.

Higher terminal equipment revenue was mainly caused by the impact of split contracts (entire handset revenue recognized at the moment of handset purchase) and lower subsidies on handsets than in 4Q 2012 in the mobile segment, as well as prolonged Christmas promotional activities from 2012 to Q1 2013 in the fixed segment.

The contribution of subsidiaries to Group revenue in 2013 was as follows – Iskon: HRK 335 million (2012: HRK 299 million) and Combis: HRK 385 million (2012: HRK 351 million).

In Q4 2013 total consolidated revenue decreased by 3.1% to HRK 1,837 million from HRK 1,895 million in the same period of 2012. This decrease was driven by voice revenue, which fell HRK 175 million, and a HRK 32 million drop in miscellaneous revenue and was largely offset by an increase in other service revenue, which was HRK 108 million higher, non voice revenue, up HRK 23 million, and terminal equipment, which rose by HRK 18 million.

In Q4 2013, revenue decreased primarily due to lower mobile and fixed voice revenue in both the business and residential segments. The fall in mobile voice resulted from a lower number of customers and lower average prices of usage owing to a saturated mobile market. The fixed retail voice decline was driven by a lower number of mainlines, resulting in lower traffic as well as lower ARPA. The fixed wholesale voice decline was mainly driven by lower international hubbing traffic and lower international termination revenues to other mobile networks as international mobile termination rates decreased as of July 2013.

The fall in voice revenue was accompanied by a decline in miscellaneous revenue mainly due to lower revenue from dunning fees and default interest, as well due to a fall in national roaming driven by lower prices in 2013.

The decline in voice and miscellaneous revenues were slightly offset by an increase in other service revenue, non voice and terminal equipment revenues. An increase in other service revenue resulted largely from higher ICT revenue. Furthermore, subscription fees also rose in Q4 2013 since the reposting of subscription fees to voice and non voice for some services was undertaken for the entire year in Q4 2012. Non voice revenue increased mainly due to higher fixed IP revenues, which are mostly driven by the 7.3% rise in TV customers resulting from the marketing of additional packages, especially sport and HBO packages. Furthermore, higher wholesale non-voice revenue was generated by higher revenues from infrastructure services as a result of a higher customer base. Mobile revenue was slightly greater than in the same period last year as an increase in mobile data and visitors revenues was partially offset by lower SMS revenue. Higher terminal equipment revenue was mainly caused by the impact of split contracts (entire handset revenue recognized at the moment of handset purchase, MAXobitelj promotion with smartphones included and lower subsidies on handsets than in Q4 2012).

2.2 Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased by 3.6% to HRK 4,181 million in 2013 from HRK 4,339 million in 2012. This was primarily a result of lower accrued costs for redundancy payments in 2013 treated as exceptional items, lower write downs of asset,

material expenses and other expenses, as well as a greater amount of work undertaken by the Group and capitalized.

Total consolidated operating expenses before depreciation and amortization decreased by 16.7% to HRK 992 million in Q4 2013 from HRK 1,190 million in Q4 2012. This was primarily a result of lower employees' benefits expenses, mainly driven by lower accrued costs for redundancy payments in 2013 treated as exceptional items, lower material expenses and other expenses, as well as higher work undertaken by the Group and capitalized.

2.2.1 Material expenses

Material expenses decreased to HRK 1,898 million in 2013 from HRK 1,914 million in 2012 mainly as a result of lower services expenses, partially offset by higher merchandise costs.

A decrease in services expenses of 14.7% resulted primarily from lower telecommunication costs and copyright fees. International telecommunication costs declined mainly due to lower international hubbing traffic and lower average roaming unit costs. Domestic telecommunication costs decreased mainly due to lower fixed and mobile termination rates combined with fixed to other mobile traffic decrease. Copyright costs decreased mainly due to higher content capitalization in 2013.

An increase in merchandise costs was mainly driven by stronger sales in ICT, but also due to a higher number of acquired and retained mobile customers and a greater share of more valuable tariffs with more expensive handsets.

In Q4 2013, material expenses decreased to HRK 484 million from HRK 513 million in Q4 2012, mainly as a result of lower services expenses partially offset by higher merchandise costs. A decrease in services expenses mainly came from lower copyright fees and lower telecommunication costs. Merchandise costs increased, driven largely by stronger revenue in ICT.

2.2.2 Employee benefits expenses

Total employee benefits expenses decreased by 7.7% to HRK 1,114 million in 2013 from HRK 1,208 million in 2012. Costs for redundancy in 2013 were booked at HRK 66 million, against HRK 144 million in 2012. Excluding redundancy costs, employee benefits expenses decreased mainly as a result of a lower number of FTE. The number of FTE decreased to 5,621 in 2013 from 5,780 in 2012 primarily due to a Headcount Restructuring program in 2013, the impact of which was partially offset by new employments resulting from the company transformation initiatives.

In Q4 2013, total employee benefits expenses decreased by 34.1% to HRK 243 million from HRK 368 million in Q4 2012. Costs for redundancy were booked at HRK 144 million in Q4 2012, while in 2013 these costs were posted in Q1 and Q3.

2.2.3 Other expenses

Other expenses decreased by 0.7% to HRK 1,205 million in 2013 from HRK 1,213 million in 2012, mainly due to lower sales commissions, postal charges, provisions and advertising costs. These were partially offset by higher maintenance, licenses, external employment costs and miscellaneous other operating expenses. A decline in sales commissions resulted from a lower number of sales transactions realized through indirect sales channel because of direct sales channel marketing activities introduced in 2013. Postal charges decreased due to improvements in billing procedures (one bill, e-bill) resulting in a lower number of printed invoices and due to more favorable prices for

invoice delivery. Advertising cost decreased due to a lower level of advertising activities undertaken this year. License costs increased, mainly driven by spectrum licenses. External employment costs increased due to intensified activities in telesales and e-business.

In Q4 2013, other expenses decreased by 5.4% to HRK 314 million from HRK 332 million in Q4 2012 mainly due to lower advertising costs.

2.3 Write down of assets

The assets write down decreased by 31.2% to HRK 61 million in 2013 from HRK 89 million in 2012, mainly due to the lower value adjustment of receivables and inventories. The decrease of value adjustment of receivables was mainly related to a lower amount of invoiced receivables.

In Q4 2013, the assets write down increased by 52.6% to HRK 8 million from HRK 5 million in Q4 2012, mainly due to a higher value adjustment of inventories partially offset by a lower value adjustment of receivables.

2.4 Depreciation and amortization

Depreciation and amortization were 3.0% higher than the previous year (2013: HRK 1,366 million; 2012: HRK 1,326 million) mostly driven by content capitalization and spectrum licences.

In Q4 2013, depreciation and amortization were 16.3% higher than in the same period of 2012, mainly driven by higher content capitalization as well as higher investments. In addition, asset impairments were higher in Q4 2013 against Q4 2012.

2.5 T-HT Group profitability

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Revenue	1,837	1,895	-3.1%	7,042	7,555	-6.8%
EBITDA before exceptional items	850	854	-0.4%	3,065	3,520	-12.9%
Exceptional items ¹⁾	0	144	-100.0%	66	144	-53.9%
EBITDA after exceptional items	850	710	19.8%	2,998	3,376	-11.2%
EBIT (Operating profit)	443	359	23.3%	1,632	2,050	-20.4%
Net profit after minority interest	478	308	55.3%	1,442	1,696	-15.0%
EBITDA margin before exceptional items	46.3%	45.1%	1.2 p.p.	43.5%	46.6%	-3.1 p.p.
EBITDA margin after exceptional items	46.3%	37.5%	8.8 p.p.	42.6%	44.7%	-2.1 p.p.
EBIT margin	24.1%	19.0%	5.2 p.p.	23.2%	27.1%	-4.0 p.p.
Net profit margin	26.0%	16.2%	9.8 p.p.	20.5%	22.4%	-2.0 p.p.

1) Exceptional items refer to redundancy costs totalling HRK 66 million in 2013. Exceptional items in 2012 refer to redundancy provisions totalling HRK 144 million.

With lower revenue and other operating income partially offset by decreased operating expenses, EBITDA fell 11.2% to HRK 2,998 million in 2013 (2012: HRK 3,376 million) for an EBITDA margin of

42.6% (2012: 44.7%). In Q4 2013, EBITDA increased by 19.8% to HRK 850 million from HRK 710 million in the same period of 2012 as a result of lower revenue offset by a decrease in operating expenses arising mainly from 2012 redundancy costs being booked in Q4 whilst these costs were mostly booked Q1 in 2013.

EBITDA before exceptional items decreased by 12.9% to HRK 3,065 million in 2013 from HRK 3,520 million in 2012. This was a result of a 6.8% fall in net revenue and a 14.7% decline in other operating income, partially offset by a 1.9% drop in operating expenses. In Q4 2013, EBITDA before exceptional items decreased by 0.4% to HRK 850 million from HRK 854 million in Q4 2012. This was a result of a 3.1% fall in net revenue, largely offset by a 5.2% decrease in operating expenses.

Consolidated operating profit decreased by 20.4% to HRK 1,632 million in 2013 from HRK 2,050 million in 2012 as a result of lower EBITDA and higher depreciation and amortization, as outlined above. In Q4 2013 consolidated operating profit increased by 23.3% to HRK 443 million from HRK 359 million in Q4 2012 as a result of an EBITDA increase that was partially offset by higher depreciation and amortization.

Consolidated net profit decreased by 15.0% to HRK 1,442 million in 2013 from HRK 1,696 million in 2012. This decrease resulted from lower EBITDA combined with higher depreciation and amortization and decreased net financial income. The amount of profit reinvested was deducted from the tax base and this positively impacted 2013 net income in the amount of HRK 139 million.

In Q4 2013 consolidated net profit increased by 55.3% to HRK 478 million from HRK 308 million in Q4 2012. This increase resulted largely from higher operating profit combined with the impact of decreased tax base.

2.6 Balance sheet

The total value of assets decreased by 3.3% in comparison to 2012.

The decrease of current assets was mostly a result of a fall in cash and cash equivalents due to lower revenue as well as a decrease in inventories owing to higher sales of mobile and fixed equipment in December 2013. The decrease of non-current assets is mainly a result of lower financial asset.

Total issued capital and reserves decreased to HRK 10,700 million at 31 December 2013 from HRK 10,899 million at 31 December 2012 mainly as a result of lower net profit in 2013.

Total current liabilities decreased to HRK 1,844 million at 31 December 2013 from HRK 1,935 million at 31 December 2012 mainly due to provisions for redundancy.

2.7 Cash flow

Cash flow from operating activities decreased by 21.3% to HRK 2,348 million (2012: HRK 2,982 million) mainly due to lower net profit and an increase in current receivables.

Cash flow from investing activities decreased by 3.1% as a result of lower cash inflow from the sale of current financial assets and higher investment in capital expenditure.

Compared to previous year, net cash flow from financing activities increased by 7.6% due to lower dividend payments in 2013.

2.8 Capital expenditure

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Business	78	61	<i>27.6%</i>	252	141	<i>79.1%</i>
Residential	217	128	<i>69.0%</i>	636	391	<i>62.5%</i>
Network and Support Functions	274	378	<i>-27.5%</i>	538	648	<i>-17.1%</i>
T-HT Group	568	567	<i>0.3%</i>	1,426	1,180	<i>20.8%</i>
Capex / Revenue ratio	30.9%	29.9%	<i>1.0 p.p.</i>	20.2%	15.6%	<i>4.6 p.p.</i>

Capital expenditure in 2013 was significantly higher than in 2012, rising HRK 246 million.

The main investment projects impacting capital expenditure 2013 were:

A strategic project in mobile broadband deployment enabled the Group to outperform the competition in mobile broadband with respect to coverage, scalability and performance.

A strategic project in PSTN migration enabled fixed voice service continuity with the efficient transformation from obsolete TDM technology to IP. In 2013, 11 local exchanges were shut down.

Investments in the pilot Terastream project secured a High Speed Broadband Network based on IP protocol version 6. This includes optical Gigabit home connections for new customers, fast provisioning time, new premium 3Play Services virtualized in the Datacenter Cloud and an improved customer experience.

In 2013, the Group installed 51 nodes/locations and migrated 37 nodes/locations within MLPS project.

Within the continuing investment in ICT Products & Solutions, in 2013 the main focus was centred on the Fiscalization project.

The corporate Transformation program is informed by a long term perspective. The changes undertaken thus far are part of a broader initiative to replace legacy processes with on-line systems, adjusting /replacing supporting systems accordingly to bring about the full enablement of an on-line based business model.

In real estate, major investments were made in the refurbishment of buildings in Zagreb Selska for a new data center and in Draškovićeva for the relocation of a call centre.

Other key capital expenditures were the capitalization of content provider costs and spectrum licenses for 800MHz band.

In Q4 2013 capital expenditure remained at the same level as in Q4 2012.

3. Analysis of segment results

3.1 Residential Segment

Highlights

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 1.4% (down 4.8% on Q3 2013)
- 520,456 broadband retail access lines, down 1.1% (flat on Q3 2013), and 368,572 TV customers, up 7.3% (up 1.9% on Q3 2013)
- Revenue down 4.0%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,793 million, down 3.5%
- Launch of MAXobitelj converged offer
- Launch of innovative PLAN tariffs with distinctive Multimedia package
- bonbon launched postpaid segment offer
- Further promotions of 4G mobile internet tariffs with attractive handset offers
- MAXadsl “double speed” offer introduced
- Continued growth in IPTV and Satellite TV
- ULTRA MAX packages launch with 40 Mbps access speed

Key Operational Data	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Mobile subscribers in 000						
Number of subscribers	1,833	1,859	-1.4%	1,833	1,859	-1.4%
Minutes of use (MOU) per average subscriber	158	133	18.4%	155	121	28.0%
Blended ARPU (monthly average for the period in HRK)	69	73	-5.0%	71	74	-3.9%
Fixed mainlines in 000						
Fixed mainlines - retail ¹⁾	973	1,032	-5.8%	973	1,032	-5.8%
Fixed mainlines - wholesale (WLR)	101	85	17.9%	101	85	17.9%
Total Traffic (mill. of minutes) ³⁾	383	454	-15.7%	1,573	1,844	-14.7%
ARPA voice per access (monthly average for the period in HRK)	88	95	-8.1%	90	97	-7.5%
IP mainlines/customers in 000						
Broadband access lines - retail ²⁾	520	526	-1.1%	520	526	-1.1%
TV customers	369	344	7.3%	369	344	7.3%
<i>thereof IPTV</i>	320	312	2.4%	320	312	2.4%
<i>thereof Cable TV</i>	6	6	0.1%	6	6	0.1%
<i>thereof Satellite TV</i>	43	26	68.6%	43	26	68.6%
Broadband retail ARPA (monthly average for the period in HRK)	126	125	0.7%	126	124	1.8%

¹⁾ Includes POTS, FGSM and IP Voice customers migrated to IP; excluding Payphones

²⁾ Includes ADSL, FTTH and Naked DSL

³⁾ Total traffic is generated by fixed retail mainlines as defined in note 1.

3.1.1 Business review

The Group continued to provide a broad range of offers and services during 2013 in the Residential segment and in 2013 introduced its innovative PLAN tariffs. The PLAN offering is designed to meet the many and varied needs of different customer categories – ranging from customers using the handset only for calls and SMS to customers requiring the complete online experience using LTE speeds providing up to 10 times faster internet access.

The PLAN tariffs also provide a distinctive Multimedia package that includes access to Deezer (a leading global music service), MaxTV To Go (with premium and exclusive TV content) and Spremalica (providing 10GB free private online space for data storage). In addition, PLAN tariffs include a significantly enhanced volume of data, SMS and voice minutes.

Along with the new PLAN tariffs, T-HT also promoted mobile Internet tariffs and innovative and useful Value Added Services, such as the Parental Control Service, and partnered with Oryx to introduce a road assistance service to national and international travellers in July, bookable via SMS.

Ahead of Croatian accession to the EU and the introduction of new roaming regulation, T-HT also launched, for the prepaid and postpaid segments, Travel & Talk and Travel & Work options offering international calls and data packages at affordable prices for its customers to provide hassle free cross border communication. The Group also ran a number of special Christmas offers on many of its tariffs and bundles.

In June, bonbon introduced a new postpaid offer – a package of voice, text and data that customers can customise according to their preference. bonbon also remained successful in the prepaid segment in the 2013 on the back of several special pricing offers.

Multiplus mobile, the MVNO brand launched in 2012, also remained successful in 2013, supported by a range of promotional offers.

T-HT has further expanded the coverage of its 4G network based on LTE (Long Term Evolution) technology. In 2013, additional mobile Internet tariffs based on the 4G network continued, accompanied by new a Mobile Internet portfolio launch with higher value (e.g. MAXtv To Go) and attractive offers of the latest smartphones such as the Samsung Galaxy Tab with additional discounts through the T-HT web shop. T-HT was also first to provide access to the 4G network, based on LTE technology, and 4G handsets to prepaid customers.

The fixed segment was also characterised by innovation, premium content offers and a range of promotional campaigns that focused on the MaxADSL, MaxTV and MaxTV Sat products.

In February, HotSpot Fon service, part of the largest global WIFI network Fon, was launched by T-HT. The service enables customers to use over seven million Fon Hotspots in over 100 countries worldwide for free and new Hotspots were opened in Q4 2013.

In May, the Group launched the MaxADSL “double speed” offer which provided all new and existing T-HT MaxADSL customers, Max2 Internet and Max3 customers two times faster speeds and affordable

internet usage. In addition, an offer launched in the summer provided all T-HT fixed Internet customers flat mobile Internet at HRK 25 per month. This deal also featured a Huawei MediaPad 7, available from HRK 98, and a Multimedia package (available on tablet, smartphone, laptop or PC) for just HRK 1 during the summer months. An ADSL higher speed promotion was launched as part of the Christmas marketing campaign, offering the 3G Samsung Galaxy 3.0 Tab at a price of HRK 199.

In December, a new Fiber offer was introduced, providing 40Mbps as the basic FTTH speed and 10Mbps as an additional option. A promotion for ULTRA MAX packages was launched in Q4 providing 10 times faster Internet in first three months of usage for a price of the MAX2/3 package for customers signing up for 12 or 24 month contracts.

The mobile customer base decreased by 1.4%, to 1,833,460 customers at the end of 2013 from 1,858,708 customers at the end of 2012, mainly as a result of aggressive competitive offers and a fall in customers with double SIM cards due to the continuing trend of favourable flat and cross net offers. The number of postpaid customers rose 9.7% from 2012 as a result of the successful introduction of new tariffs. However, the number of prepaid customers was 6.4% lower than 2012 due to the overall decline in the prepaid market.

Minutes of usage per average customer at the end of 2013 increased by 28.0% compared to 2012, due to the introduction of flat offers and bundles with a high amount of minutes in both the postpaid and prepaid tariffs.

Blended ARPU decreased by 3.9% as a result of a very competitive market driven by attractive offers for customers.

At the end of 2013, retail fixed access mainlines totalled 972,771, down 5.8% from the end of 2012. This decline is in line with the overall market trend of fixed to mobile and IP substitution, regulation and enforced competition. Fixed telephony users generated 1,573 million of minutes in 2013 - 14.7% lower than last year as a result of lower customer numbers and fixed-to-mobile substitution.

Fixed voice ARPA decreased by 7.5% as a result of the general market trends outlined above.

At the end of 2013, the number of broadband retail accesses decreased by 1.1% to 520,456. At the same time, broadband retail ARPA increased by 1.8% due to an increased share of customers with packages including higher traffic and higher access speeds (and therefore higher subscription fees).

The TV customer base is growing steadily. At the end of 2013, the Group had 368,752 customers, a 7.3% increase from 2012. TV ARPU was 6.2% up on the previous year, driven by premium content (additional packages, video on demand etc).

Satellite TV, which is an extension of the IPTV service, continues to grow with continuous improvements providing more value for customers, and is expected to contribute significantly to the overall success of the Group's TV services.

3.1.2 Residential Segment financial performance

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Voice revenue	491	587	-16.4%	2,078	2,353	-11.7%
Non voice revenue	435	414	5.1%	1,692	1,597	6.0%
Other service revenue	0	-26	100.7%	2	-3	162.7%
Terminal equipment	46	30	50.8%	157	134	17.2%
Miscellaneous ¹⁾	46	68	-32.2%	62	79	-21.2%
Total Revenue	1,018	1,074	-5.2%	3,992	4,160	-4.0%
Operating expenses ²⁾	265	321	-17.6%	1,199	1,265	-5.2%
Contribution to EBITDA before EI	754	753	0.1%	2,793	2,895	-3.5%

1) Revenue from dunning letters and default interests in A 2013 presented in Revenue. Consequently, restatement from Other operating income to Miscellaneous (YE 2012 +61 HRK million) for A 2012 made.

2) Operating expenses per segment for 2012 changed in comparison to originally reported in 2012 due to organisational changes in 2013.

Financial review

In 2013, total residential revenue was HRK 3,992 million, a 4.0% (HRK 168 million) decline on 2012. This decrease resulted from lower voice revenue in the fixed and mobile networks, in combination with lower miscellaneous revenue, but was partially offset by higher non voice revenue, terminal equipment and other service revenue.

This negative revenue trend is a continuation from 2012, and has resulted largely from the difficult macroeconomic environment, intense competition and the tight regulation of the fixed line business.

In Q4 2013, total residential revenue was HRK 1,018 million, marking a 5.2% (HRK 56 million) decline as a result of the factors outlined above.

Voice revenue

The decline in total revenue in 2013 outlined above was driven primarily by a fall of HRK 274 million in voice revenue.

This negative trend was seen in both the fixed and mobile networks.

Fixed voice revenue declined by 10.4% (HRK 126 million). The fall resulted from a 5.8% drop in the number of retail mainlines and fixed to mobile substitution. The number of minutes also fell, down 14.7%. These factors, combined with stronger competition and ongoing price competition, meant ARPA declined by 7.5%.

The revenue decrease in the mobile segment was driven by lower retail and wholesale revenue. This was the result of lower average revenue per customer, which fell in both the postpaid and prepaid segments.

Despite of higher postpaid customer base, which rose 9.7%, a HRK 75 million fall in postpaid revenue was caused by lower ARPU. This was the outcome of customers moving to flat tariffs, with a highly competitive market putting downward pressure on pricing, roaming regulation and a challenging

macroeconomic environment. At the same time, flat tariffs increased outgoing minutes of use by 37.4%.

Postpaid termination revenue contributed to the fall in voice revenue deviation due to decrease of unitary termination price.

A HRK 73 million fall in prepaid revenue resulted from a 6.4% fall in the customer base and lower ARPU. The lower prepaid customer base was caused by a drop in the number of acquired customers due to very aggressive mobile number portability offers by competitors. Lower prepaid ARPU resulted from a fall in MTR prices and a lower number of recharges.

In Q4 2013, voice revenue decreased by 16.4%, or HRK 96 million, as a result of the factors outlined above that impacted voice revenue throughout 2013.

Non voice revenue

In 2013, non voice revenue increased by 6.0%, or HRK 96 million, as a result of higher revenue from fixed and mobile services.

An increase in fixed revenue of 4.2%, or HRK 44 million, was driven by a 1.8% rise in broadband retail ARPA (2013: HRK 126 vs. 2012: HRK 124), mainly due to the heavy promotion of high access speeds. In addition, TV revenue rose due to a higher number of TV customers.

In 2013, the TV customer base rose by 24,925 customers, up 7.3% resulted from the promotion of additional packages, especially with sport and HBO content.

Mobile services rose 9.6%, or HRK 52 million, largely in the postpaid segment. In mobile, a shift of non-voice revenue towards data revenue was seen owing to an enhanced volume of data and multimedia packages included in new tariffs. This is in line with global trends, with the average mobile user shifting increasingly toward usage of advanced services such as data transmission and using traditional non voice services such as SMS far less. This trend is also visible in the prepaid business, where attractive offers with data packages are available.

Comparing Q4 2013 with Q4 2012, non voice revenues increased by 5.1%, or HRK 21 million, as a result of higher revenue from fixed and mobile postpaid services as outlined above.

Terminal equipment

In 2013, terminal equipment revenue increased by 17.2%, or HRK 23 million, from 2012.

An increase in the mobile segment was caused by the split contract effect (entire handset revenue recognized at the moment of handset purchase), the MAXobitelj promotion which included smartphones as part of the offer, and lower subsidies on handsets than in 2012.

Growth in the fixed segment was caused by MAXobitelj promotional activities, which offered Samsung tablets at affordable prices, and extended Christmas promotional activities from 2012 to Q1 2013.

In Q4 2013, terminal equipment revenue rose 50.8%, or HRK 15 million. This increase was evident in both the mobile and fixed business and resulted from the factors outlined above affecting full year terminal equipment revenue.

Miscellaneous

Miscellaneous revenue fell 21.2%, or HRK 17 million, due largely to lower interest revenue and the termination of revenue from dunning letters since August 2012, due to a regulatory decision not allowing to charging for dunning letters to residential customers.

In Q4 2013, miscellaneous revenue was down 32.2%, or HRK 22 million, resulting from lower default interest revenue in the fixed segment.

Contribution to EBITDA

The Residential segment contribution to EBITDA was down 3.5%, or HRK 102 million, on the previous year due a fall in total revenue of HRK 168 million, slightly offset by a decrease in total costs of HRK 66 million.

Costs were lower mainly lower due to decreased copyright fees, which were HRK 45 million lower; sales commissions, which fell by HRK 23 million; losses on accounts receivables, down HRK 12 million; and telecommunication services costs, down HRK 10 million. These lower costs were slightly offset by a HRK 24 million increase in merchandise costs and a HRK 1 million rise in indirect costs.

Lower copyright fees resulted from a higher share of capitalized content rights contracts. However, there was also a higher number of TV customers and a greater number of additional TV packages, especially sport and HBO packages. Lower sales commission costs were the outcome of a lower number of sales transactions realized through indirect sales channel. Losses on accounts receivable fell in line with the revenue decline and as a result of better debt collection. Lower telecommunications services costs resulted from new roaming regulation, introduced in July 2013, as well as fixed and mobile termination rate unitary price decreases.

Merchandise costs were higher, mostly due to a higher number of new postpaid customers in the mobile segment and to a different tariff mix (a greater share of higher value tariffs with more expensive handsets). Also, the MAXobitelj promotion, which included smartphones, contributed to higher merchandise costs than in 2012.

In Q4 2013, the contribution to EBITDA remained flat compared to the same period in 2012, as a result of lower revenue offset by lower operating expenses.

The main positive impact on costs arose from lower copyright fees, caused by a higher share of capitalized content rights contracts.

3.2 Business Segment

Highlights

- Substantial customer base across all segments and products
- Mobile subscribers up 0.5% (up 0.6% on Q3 2013)
- 107,958 broadband retail access lines, up 1.0% (down 1.4% on Q3 2013) and 22,183 TV customers, up 7.3% (up 2.9% on Q3 2013)
- Revenue down 10.2%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,687 million, down 20.2%
- ICT revenue growth; further development of Cloud services portfolio and Marketplace

- New mobile tariff portfolio for business customers' launched "Plan za posao"
- Launched Ultra packages, based on FTTH technology
- MAX3 packages launched in July, offering fixed telephone, Internet and TV in one package

Key Operational Data	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Mobile subscribers in 000						
Number of subscribers	469	467	0.5%	469	467	0.5%
Minutes of use (MOU) per average subscriber	246	244	0.8%	249	244	2.1%
Blended ARPU (monthly average for the period in HRK)	123	148	-17.1%	133	160	-17.0%
Fixed mainlines in 000						
Fixed mainlines - retail ¹⁾	160	176	-8.7%	160	176	-8.7%
Fixed mainlines - wholesale (WLR)	18	19	-5.4%	18	19	-5.4%
Total Traffic (mill. of minutes) ⁴⁾	82	124	-34.2%	394	554	-28.9%
ARPA voice per access (monthly average for the period in HRK)	108	107	1.0%	184	216	-15.1%
IP mainlines/customers in 000						
Broadband access lines - retail ²⁾	108	107	1.0%	108	107	1.0%
Broadband access lines-wholesale ³⁾	41	25	67.8%	41	25	67.8%
TV customers	22	21	7.3%	22	21	7.3%
<i>thereof IPTV</i>	21	20	4.1%	21	20	4.1%
<i>thereof Cable TV</i>	0	0	-8.0%	0	0	-8.0%
<i>thereof Satellite TV</i>	1	1	89.1%	1	1	89.1%
Fixed-line customers	1	1	5.8%	1	1	5.8%
VPN connection points	5	4	5.3%	5	4	5.3%
Broadband retail ARPA (monthly average for the period in HRK)	133	134	-0.5%	133	134	-0.7%
Data lines in 000						
Total data lines	5	5	1.0%	5	5	1.0%
Wholesale customers in 000						
CPS (Carrier Pre-Selection)	23	32	-28.8%	23	32	-28.8%
NP (Number portability) users/number	722	646	11.7%	722	646	11.7%
ULL (Unbundled Local Loop)	173	162	6.7%	173	162	6.7%

1) Includes PSTN, FGSM and IP voice customers migrated to IP platform; excluding payphones

2) Includes ADSL, FTTH and Naked DSL

3) Includes Naked Bitstream + Bitstream

4) Total traffic is generated by fixed retail mainlines as defined in note 1.

3.2.1 Business Review

The mobile customer base rose 0.5% on 2012. Minutes of use per average customer was 2.1% higher than the previous year due to significant growth in termination minutes per customer, while originating minutes decreased.

In a challenging economic environment and with EU regulation on roaming prices, introduced on 1 July, blended ARPU was 17.0% lower on the previous year. However, blended non-voice ARPU increased 7.1%, on the back of smartphone penetration.

A new tariff portfolio for business customers entitled "Plan za posao" was launched at the end of Q1. The new tariffs within the portfolio offer unlimited calls to the T-Com and T-Mobile community, flat Internet and attractive packages of messages and minutes across other networks. A "4G" Option was also introduced to enable 4G surfing on LTE mobile devices.

The Group also introduced a range of offers and campaigns designed at encouraging mobile data usage and maintaining the Group's leading market position in Croatia.

T-HT's fixed retail customer base is developing in line with general trends across the telecommunication market, due to fixed to mobile substitution and IP migration along with the impact of the overall economic situation. At 160,436 lines in 2013, the fixed retail customer base was 8.7% lower compared with 2012.

As result of a lower customer base, due to the factors outlined above, total fixed traffic fell 28.9 % on the year and fixed voice ARPA decreased 15.1% on the year to HRK 184.

The broadband retail customer base rose 1.0% on the year to 107,958, with ARPA down slightly.

The Group continued to offer an attractive range of ADSL contracts offering high speed connectivity.

Changes in ADSL access prices and offers for business customers were also launched in April. Existing ADSL access speeds offering "up to 10Mbps / 640Kbps" and "up to 20Mbps / 768Kbps" were replaced with speeds "up to 10Mbps / 1Mbps" and "up to 20Mbps/ 1Mbps". A new permanent offer was introduced to business customers with ADSL access speeds up to 10Mbps, giving them a two-month period of 10Mbps ADSL access for the price of 4Mbps ADSL access, or 20Mbps for the price of 10Mbps ADSL access.

These included Business Ultra packages, launched in April, based on FTTH technology and Business MAX3 packages offering telephone, Internet and TV to the customer in one package.

In Q4 changes in the Poslovni Ultra MAX packages for business customers were introduced and the basic speed included in all Ultra MAX packages was boosted from 20/5 Mbps to 40/10 Mbps. The Ultra MAX package also provides an option to upgrade to speeds of 100/20 Mbps, whilst the Business Ultra MAX2 package has been upgraded to include additional services.

The TV customer base rose 7.3% to 22,183 customers, due to continuous improvements in the services and content.

Since the start of 2013, the Group has run a promotion targeting new DTH (direct-to-home satellite dish) users. Customers signing a 24 month contract during this offer received 50% off monthly fees for the first 12 months with a minimum contract of 12 months or 24 months.

Promotions were also available on the Mali HotelTV service, offering discounted monthly fees.

The Group also continued to run a range of promotions and offers on IPTV services to support sales and maintain its position as a leading provider in the Croatian market.

The IP Fixed line customer base increased by 5.8% and VPN connection points increased by 5.3% from the previous year.

The number of data lines rose 1.0% over 2012. Traditional data lines continue to decrease as T-HT promotes migration to IP based products. Consequently, usage of the Metro Ethernet service is growing.

More than 1,550 companies and about 12,400 end users are using T-HT Cloud services. Following continuous engagement and expansion within the Cloud portfolio in Q4 2013, new services were launched including the Cloud Data Center and a Mobile device management service, whilst the Virtual Server has been upgraded with new packages and new functionalities.

More than 7,100 units of Fiscal cash registers have now been sold, while the T-HT Fleet management service has more than 2,000 users and the Cloud Exchange service has more than 3,100 users.

The ICT Marketplace enhanced its offering with new products in Q4 2013 and now provides the following services: Cloud Call Center, Cloud Legal regulation, Virtual server, Virtual desktop, Cloud Exchange mail and Sharepoint, Teambox, Opinator, On line meeting, Spontania video meeting, Spontania Classroom, SugarCRM, and free applications (FileZilla, AbiWord, WinRar, Opera).

Combis and T-HT successfully delivered high value customized ICT solutions including data storage and ERP-UPD solution.

Combis closed a number of material projects in areas such as infrastructure cabling and banking and continued to develop innovative ICT solutions.

Wholesale

At the end of December 2013, there were 172,639 active ULL lines and 41,242 wholesale DSL and naked DSL lines (BSA). The ULL market is still growing, but growth is slowing, as it is in BSA. Slower growth of ULL and BSA lines is the outcome of lower conversion from T-HT retail - in the past, circa 50% of retail churn was converted to wholesale services, while in 2013 the conversion rate was lower than 20% due to a higher number of total disconnections. At the same time, the number of WLR lines increased to 118,154 compared to 103,912 at the end of 2012 due to the higher number of requests for new WLR lines.

As a result of WLR, the number of "pure" CPS customers fell to 22,801 at the end of 2013. New CPS activations are primarily connected with WLR activations and contribute to WLR gross adds (they do not count towards CPS gross adds).

At the end of December 2013, 722,086 numbers had been ported from T-HT's fixed network to other fixed networks compared to 646,297 in the same period last year. Despite the growth in the number of WLR and CPS customers due to the lower ARPU value of new CPS customers, the volume of originated minutes in 2013 declined by 31.9% compared to 2012. At the same time, the number of terminated minutes from other fixed networks into the T-HT network was 9.2% lower than in 2012.

Visitor roaming services generated 45.2% of all revenue coming from international operators in 2013. A successful tourist season in the summer and the application of EU regulated prices in retail and

wholesale contributed to significant growth in usage of roaming services by foreign visitors in the T-HT mobile network and by T-HT retail users abroad. Comparing to 2012, visitors generated 30.4% more voice minutes, 14.1% more SMS and as much as 582.8% more data traffic. At the same time, T-HT's mobile customers generated 12.5% more roaming voice traffic in foreign countries, 1.9% more SMS and 95.3% more data traffic compared to 2012.

Termination and transit of international voice traffic generated 42.7% of revenues in the international market with the remainder related to data and IP services. Total international voice traffic terminated into Croatian mobile networks increased in 2013 by 9.2% compared to 2012, mainly due to the growth of incoming traffic to foreign roamers in Croatia. On the cost side, international outbound voice traffic from the T-HT network increased by 7.4% in 2013 compared to 2012 (mainly driven by visitor traffic).

3.2.2 Business Segment financial performance

in HRK million	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Voice revenue ¹⁾	263	341	-23.1%	1,194	1,601	-25.4%
Non voice revenue ¹⁾	270	268	0.6%	1,107	1,124	-1.5%
Other service revenue	208	126	65.0%	549	455	20.6%
Terminal equipment	15	13	22.3%	55	49	14.2%
Miscellaneous ²⁾	63	72	-13.4%	145	167	-12.9%
Total Revenue	818	821	-0.3%	3,051	3,396	-10.2%
Operating expenses ³⁾	397	334	18.9%	1,363	1,282	6.4%
Contribution to EBITDA before EI	421	487	-13.4%	1,687	2,114	-20.2%

1) Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group interconnection revenue reclassified from non-voice to voice revenue).

2) Revenue from dunning letters and default interests in A 2013 presented in Revenue. Consequently, restatement from Other operating income to Miscellaneous (YE 2012 +38 HRK million) for A 2012 made.

3) Operating expenses per segment for 2012 changed in comparison to originally reported in 2012 due to organisational changes in 2013.

Financial review

In 2013, total business revenue recorded a year on year decline of 10.2% to HRK 3,051 million. The decline was largely driven by lower voice revenue in all segments, combined with lower fixed non voice retail and non-voice wholesale revenue and lower miscellaneous revenue. This decline was partially offset by an increase in other service revenues, driven by ICT and terminal equipment.

The continued decline from the previous year was again caused by the difficult macro-economic environment, the regulatory framework and intense competition.

In Q4 2013, revenue declined by HRK 2 million, down 0.3 %, as a result of lower voice and miscellaneous revenue. Other services revenue, driven mostly by ICT, recorded an increase compared over the same period in 2012 as did terminal equipment and non voice.

Voice revenue

In 2013, voice revenue was down 25.4%, or HRK 407 million, year on year.

Mobile voice revenue decreased by HRK 246 million. Mobile retail revenue was HRK 157 million lower, as a result of lower average prices for usage. Despite a stable customer base (showing a slight increase of 0.5%) and higher usage per average customer, up 2.1%, prices were lower amid fierce price competition in a saturated mobile market. In addition, EU regulation as of 1 July 2013 led to lower prices in roaming, while the tough macro-economic environment continued to put pressure on the mobile industry. Mobile termination revenue decreased by 26.6%, or HRK 23 million, as a result of falling national and international mobile termination rates (MTRs). These factors all led to a fall in ARPU.

Fixed voice revenue was down HRK 100 million, or 21.7%, from 2012. This was caused by a lower number of retail mainlines, down 8.7%, and the substitution of fixed services by mobile and internet services. Consequently, minutes of use decreased by 28.9%. In total, voice ARPA declined by 15.1% to HRK 184.

Fixed wholesale revenue decreased by HRK 61 million, or 18.8%. The fall was mostly driven by lower revenue from international voice services, which was down HRK 53 million, as international hubbing traffic declined due to increased competition. International termination revenue to other mobile networks is falling, following the lowering of international MTRs as of July 2013. National voice revenues decreased by HRK 9 million due to lower IC prices starting from January 2013, combined with lower traffic.

Total voice revenue in Q4 2013 decreased HRK 79 million, or 23.1%, year on year. Lower mobile revenue largely caused by lower price per usage accounted for a decline of HRK 42 million. Fixed voice revenue was down HRK 22 million, with a lower number of retail fixed mainlines, down 8.7%, resulting in a 34.2% decrease in minutes of usage. Wholesale fixed revenue declined by HRK 15 million as a result of lower international hubbing traffic and lower international termination revenues to other mobile networks as international MTR decreased as of July 2013.

Non voice revenue

Non-voice revenue decreased year on year by HRK 17 million, or 1.5%, as a result of lower fixed retail revenue, which fell by HRK 17 million, and lower wholesale revenue, which was HRK 11 million lower. This was partially offset by revenue growth of HRK 11 million in mobile.

In fixed retail, a fall in revenue was driven by lower revenue from data, which was down HRK 13 million. This resulted from lower revenue from Ethernet services, which contribute 75.5% of total data revenue, due to intense pricing competition on the Ethernet market and migration from traditional data to IP data services. Internet revenue was HRK 4 million lower.

Wholesale non voice revenue was down 3.6%, or HRK 11 million, primarily as a result of lower revenue from international global internet access due to market price reductions. Revenues from national data were also down on 2012 due to a decrease in capacity and lower prices. Number portability revenue also declined as a result of the abolition of charges at the end of 2012.

An increase in mobile revenue of HRK 11 million resulted from a HRK 19 million rise in postpaid retail revenue. Non-voice mobile revenue showed a shift toward data revenue.

The proportion of postpaid retail data revenue rose to 77.9% from 69.0% compared with 2012. This is in line with overall market trends, with increasing numbers of tariffs including data traffic in basic packages. It also reflects shifts in customer behaviour regarding usage of more advanced services such as data transmission and less usage of traditional non voice services such as SMS, which fell 24.1%. While postpaid non-voice revenue recorded growth, prepaid retail revenue fell HRK 7 million, mostly due to a 2.6% fall in prepaid business customers from 2012.

In Q4 2013, non-voice revenue slightly increased by 0.6%, or HRK 2 million, on the same period in 2012, on the overall positive impact of higher wholesale non-voice revenue - mostly due to higher revenues from infrastructure services resulting from a larger customer base. In addition, visitors revenue increased mainly due to significantly higher data and SMS traffic as a result of lower (regulated) visitors roaming prices (as of 1 July 2013). This increase was partially offset by declining trends in traditional data revenue, as well as in IP and Internet and mobile revenue.

Other service revenue

Other service revenue increased by HRK 94 million year on year. Higher ICT revenue, which rose by HRK 101 million, was partially offset by lower postpaid subscriptions, which were HRK 7 million lower.

ICT revenue growth of 25.5% was mainly driven by further development of T-HT's standard services portfolio (e.g. Cloud services, Market place, Fiscalization) and additionally driven by solutions delivered to key accounts (MS licences for Podravka, ERP UPD for HP, Valamar - Fidelio Hotel solution), which resulted in a HRK 62 million increase in T-HT ICT revenue. Combis made a positive contribution to growth, reporting a revenue increase of HRK 34 million, due to improvements in all its business segments, particularly Professional solutions, IT infrastructure, Network infrastructure and connectivity and IP communication. Iskon also made a positive contribution to growth, reporting a HRK 5 million increase due to improvement of solution for HT Mostar.

On the other hand, the postpaid basic subscription revenue was HRK 7 million lower due to an increased number of customers with bundle tariffs where revenue is reported based on voice and non-voice and not as a subscription fee.

Comparing Q4 2013 with the same period in 2012, revenue increased by HRK 82 million, driven by ICT revenue, up HRK 64 million, and an increase in postpaid basic subscriptions, which rose HRK 18 million.

Terminal equipment

In 2013, revenue from terminal equipment was 14.2% higher, up HRK 7 million year on year.

Year on year growth was driven by an increase in mobile terminal equipment revenue of 14.5%, or HRK 7 million. This was mainly caused by the impact of split contracts (entire handset revenue recognized at the moment of handset purchase) and higher number of retained and acquired customers.

Revenue in Q4 2013 rose HRK 3 million, or 22.3%, over Q4 2012, due to higher customer acquisition and retention activities. The introduction of split contracts positively contributed to the overall increase in Q4 2013.

Miscellaneous revenue

In 2013, miscellaneous revenue was down by HRK 22 million, or 12.9%, from 2012. This was driven by lower mobile wholesale revenue, down HRK 21 million, mostly as a result of lower national roaming prices.

Revenue in Q4 2013 fell by HRK 10 million from Q4 2012, owing to factors outlined above as well as a decline in bulk SMS traffic.

Contribution to EBITDA

The contribution to EBITDA in 2013 was HRK 427 million lower year on year, resulting from a fall in total revenue of HRK 345 million and an increase in total costs of HRK 82 million.

Costs were primarily impacted by higher merchandise costs, which rose by HRK 126 million, mainly due to merchandise cost related to higher ICT revenue. Sales commission costs rose by HRK 3 million due to stronger sales activities via indirect partners. Copyright fees rose by HRK 2 million.

Usage related direct costs fell by 22.0%, or HRK 101 million, mainly resulting from a fall in international telecommunication services costs of HRK 74 million. This was mostly driven by lower international hubbing traffic and declines in average roaming unit costs. Domestic telecommunication services costs were HRK 26 million lower, mainly due to lower FTR and MTR combined with a decrease in fixed to other mobile traffic. Losses on accounts receivables decline by 20.4%, or HRK 12 million, mainly due to declining revenue. Indirect costs increased by 18.6%, or HRK 64 million, mostly due to license costs, other expenses, advertising costs and expatriate costs.

In Q4 2013, the contribution to EBITDA was 13.4%, down HRK 65 million, on Q4 2012 due to a 0.3% fall in revenues of HRK 2 million and an 18.3% increase in costs of HRK 63 million. Other operating expenses rose due to the following: higher merchandise costs, owing to rising other service revenue and terminal equipment revenue, and higher indirect operational expenses, which were mainly driven by licence costs and other expenses.

3.3 t.portal

Reaching around 40% of Croatian internet users, tportal ranks among top five Croatian news portals, with around 1 million unique visitors per month according to Gemius, an independent Internet traffic research agency.

In 2013, t.portal launched a redesigned format optimized for desktop computers. The new layout offers more content on a single page, and initial analysis shows an improvement in the click-through rate.

Throughout 2013, t.portal undertook further redesign and content development, particularly in the sports section. The MAXtv Prva Liga and UEFA sections now offer LIVE goals and highlights of the most attractive football events. Furthermore, with the assistance of the MAXtv promotions team, the multimedia and editorial team have developed a new landing page for Instrukcije.tv, a new project offering elementary school pupils and high school students the opportunity to keep up with the school curriculum through video lessons.

In Q4 2013, t.portal initiated a revamp, in order to make the layout more contemporary and user-friendly. In the forthcoming year, the portal is to be divided into several sections and the first one was launched on the domain Vijest.hr.

t.portal also launched its mobile application, available for iPhone and Android users. Meanwhile, t.portal's Facebook page has reached over 325,000 followers, whilst almost 20,000 users follow tportal updates via Twitter.

3.4 Network and support functions financial performance

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Other Operating income ¹⁾	5	5	7.3%	137	160	-14.7%
Operating expenses ²⁾	330	391	-15.6%	1,552	1,649	-5.9%
Contribution to EBITDA before EI	-324	-386	15.9%	-1,416	-1,489	4.9%

1) Revenue from dunning letters and default interests in A 2013 presented in Revenue. Consequently, restatement for YE 2012 made (-99 HRK million).

2) Operating expenses per segment for 2012 changed in comparison to originally reported in 2012 due to organisational changes in 2013.

The contribution to EBITDA rose by HRK 73 million to HRK -1,416 million as a result of lower operating expenses, partially offset by lower other operating income.

Operating expenses excluding exceptional items decreased by 5.9% from the previous year. This decrease was mainly driven by lower indirect costs, down HRK 65 million, and lower employee benefits expenses, which fell by HRK 19 million, owing to a reduced number of FTE as a result of the headcount restructuring program implement in 2013. The fall was also due to a HRK 13 million increase in the value of work performed by the Group and capitalized. A decrease in indirect costs was driven by lower postal charges because of improvements in billing procedures (one bill, e-bill).

Other operating income decreased by 14.7% from 2012 mainly as a result of the resolution of factors related to property rights in 2012, fall in real estate sales revenue and lower rest of other operating income.

3.4.1 Network and Service Platforms

Network and service platforms form T-HT's core infrastructure and as such are subject to continuous upgrading and improvements. Consolidation of T-HT's operations has led to the convergence of the fixed and mobile networks on joint service platforms, thereby improving the availability of services and more cost effectiveness of the Group's operations.

In 2013, T-HT continued to focus on further development of the network infrastructure, increasing broadband access capacity and availability, enabling the IP transformation of the network and technology framework of the Company.

The access network is being transformed through the limited construction of a new optical access network and selective modernization of the copper access network.

In the mobile network, T-HT has continued its Mobile BroadBand (MBB) project. The project aims to improve data services coverage through both existing and newly deployed technologies such as UMTS900 and LTE800.

3.4.2 Network infrastructure

Electronic Communications Infrastructure (ECI) Documentation

Throughout 2013, geodetic surveying and cadastral elaborates were undertaken. Documentation was prepared for the migration into the DDS (Documentation & Design System).

Fiber optical infrastructure

T-HT is undertaking activities related to FTTC and FTTN options that will result in a shorter local loop and increase the availability and quality of broadband services.

Energy and cooling infrastructure

A new data center - Zagreb, Selska 122 - was put into commercial operation

Fixed access network

Access Nodes

T-HT continues to roll out MSAN (Multi Service Access Node) active access nodes to expand its customer base for broadband and narrowband-services based on VDSL2, ADSL2+ and IP POTS technology. Optimization of the access network and migration of customers to VDSL technology will enable replacement of obsolete technology nodes.

Mobile access network

Evolution and modernization of the 2G radio access network

In 2013, the process of exchanging the existing base transceiver stations with new technology continued, and by the end of 2013, 77% of total 2G sites were modernized.

3G radio access network enhancement

T-HT has continued to optimize the parameters of the radio access network and expand capacity. At the end of 2013, the 3G signal covered 77% of the population with available download data speeds of up to 42 Mbps.

LTE radio access network

In 2013, T-HT continued to develop the first commercial LTE (Long Term Evolution) network in Croatia on 1800 MHz and 800 MHz. At the end of 2013, LTE covered more than 23% of the population with available download data speeds of up to 75 Mbps.

Transport network layer

Migration to IP

Transmission migration to IP technology for 3G base stations continued throughout 2013.

DWDM network reconstruction

Metro DWDM (Dense Wavelength Division Multiplex) rings were built and provisioned and the most frequent city sites in traffic terms have been connected by high availability and capacity systems to provide a transport basis for the Ethernet aggregation network to be migrated to IP/MPLS.

Core network layer

PSTN migration

The first phase migration of customers to VoIP - HALO service through broadband access ports and MSAN POTS ports was completed in 2013.

At the end of 2013, 481,115 customers, or 38.5%, had been migrated and 11 local exchanges were shut down as well as 432 remote nodes.

Fixed core network optimization

Within the network optimization project, three transit exchanges were switched off from the network - TC5 Zagreb, TC2 Split and TC1 Rijeka.

IP/MPLS modernization of T-HT Metro Ethernet Network

In 2013 the MPLS migration project commenced on a new metro IP/MPLS technology and network architecture. This should enable the flexible introduction of new IP services and capacities and significantly increase the quality of broadband services.

Mobile core network modernization

Migration of the existing packet core (2G, 3G) to the new unique ePC network (evolved Packet Core) was completed in 2013. The process of simplification of the network architecture for storing user data also continued during the year, with the migration of user data from the CUR (Common User Repository) database to the central database CNTDB (Common Network Technology Database).

Pilot TeraStream project

The Group continued with implementation and improvements in innovative solutions such as 100 Gigabite coherent link interoperability, the introduction of IPv6 as the sole bearer of legacy IPv4 protocol and the development of OSS and BSS solutions able to support network function virtualization.

Service network layer

ISP platform

In 2013, the functionality of innovative services was implemented and enabled, including Fon, Deezer, a postpaid service within the Bonbon brand and a Parental Control service.

Portal services

T-HT launched a new residential self-assistance and web shop 2.0 portal (moj.hrvatskitelekom.hr) in 2013. A new My T-Business portal with bill-check functionality and a new bonbon portal were also launched.

New service platform for advanced voice services for business customers (BAS)

A new service platform BAS-Business Application Server for advanced voice services for Business customers was implemented during 2013.

Regulatory obligations on service platforms

EU Reg 2 obligations (Bill shock) and M2F/F2M Destination Recognition were implemented on all service platforms.

SMSC/OMG

T-HT upgraded the SMSC (Short Message Service Centre) and OMG (Open Messaging Gateway) Disaster Recovery to increase platform stability.

Media Box service for Montenegro Telecom

Media Box, a fully hosted and managed service for storing, browsing and sharing personal multimedia files, was developed for Montenegro Telecom during the year.

Payway

The Group undertook integration with the EBPP (Electronic Bill Present & Payment) platform and achieved connectivity with Erste, ZABA and HPB.

MPAS (Micro payment application server)

The new MPAS platform for SMS micropayment services was implemented during 2013.

Service and Network Operations**Technical services**

The Corporate Transformation Program launched the "Optimize Provisioning and Fault Repair process" project, aimed at significantly improving the quality and efficiency of customer service delivery.

3.4.3 Information Technology

The IT division's activities are focused on implementing the technology required to achieve the transformation of the Group to a 'digital company' with an 'on-line' business model, along with convergence of the business portfolio and consolidation of information systems and business support.

In the adoption and exploitation of new technologies, the Group focused on the further development and usage of cloud computing and virtualized IT infrastructure, as well as the development and introduction of new ICT services for the domestic and international markets.

3.4.4 Data and IT Security

To achieve an acceptable level of security T-HT implemented a PSA (Privacy & Security Assessment) process. Consequently T-HT has fulfilled the requirements and received a certificate of compliance with the Level 2 PCI DSS (Payment Card Industry Data Security Standard) standard system for processing credit card payments. Cooperation with the National CERT has been extended and the reporting process to HAKOM related to security incidents is being conducted under new regulations.

T-HT also received the new ISO/IEC 27001 certificate for Information Security Management System (ISMS) relating to the provision of services to customers.

4. Risk management

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2013 made public, there were no material changes to the Group's risk profile in the period under review.

5. Group 2014 outlook

Revenue

The Croatian economy remains sluggish, with no sign of recovery still since entering recession in 2009. Unemployment has remained at high levels, with many companies undertaking restructuring measures while both public debt and the budget deficit have increased. Current expectations are for relatively flat or only slight GDP growth in 2014.

Telecommunication spending in both the residential and corporate sectors has also tightened while competitive pressure and a stringent domestic and EU regulatory regime continue to exert pressure on the Group's business.

Despite this economic environment, with a stronger contribution from the Group's near core and new businesses and in the absence of major one off negative impact from roaming revenues as seen in previous year, the pace of decline in Group revenue is expected to slow.

EBITDA before exceptional items

The economic environment and revenue trends outlined above, along with changes in the revenue structure, will impact EBITDA accordingly. As a result, the Group expects a 2014 EBITDA margin of between 39% and 41%.

Investments

T-HT Group has identified the need for a significant strategic shift with respect to investment, aimed at halting the downward trend in the performance of the business. To implement this strategy, the T-HT Group will intensify and focus its investment on infrastructure, customer processes and services whilst monitoring business expansion opportunities in both domestic and regional markets. Consequently capex investment amounting to more than HRK 1 billion is again expected in 2014.

6. T-HT Group Financial statements

6.1 Consolidated Income Statement

in HRK million (IFRS HT accounting policies)	Q4 2013	Q4 2012	change	Jan-Dec 2013	Jan-Dec 2012	change
Voice revenue ¹⁾	754	929	-18.9%	3,273	3,954	-17.2%
Non voice revenue ¹⁾	705	682	3.4%	2,799	2,721	2.9%
Other service revenue	208	100	107.5%	551	453	21.6%
Terminal equipment	61	43	42.4%	213	183	16.4%
Miscellaneous ²⁾	109	141	-22.6%	207	245	-15.6%
Revenue	1,837	1,895	-3.1%	7,042	7,555	-6.8%
Other operating income ²⁾	5	5	7.3%	137	160	-14.7%
Total operating revenue	1,842	1,900	-3.0%	7,179	7,715	-7.0%
Operating expenses	992	1,190	-16.7%	4,181	4,339	-3.6%
Material expenses	484	513	-5.6%	1,898	1,914	-0.8%
Merchandise, material and energy expenses	305	237	28.6%	1,009	872	15.7%
Services expenses	179	276	-35.0%	890	1,042	-14.7%
Employee benefits expenses	243	368	-34.1%	1,114	1,208	-7.7%
Other expenses	314	332	-5.4%	1,205	1,213	-0.7%
Work undertaken by the Group and capitalised	-58	-29	-99.7%	-97	-84	-15.2%
Write down of assets	8	5	52.6%	61	89	-31.2%
EBITDA	850	710	19.8%	2,998	3,376	-11.2%
Depreciation and amortization	408	351	16.3%	1,366	1,326	3.0%
EBIT	443	359	23.3%	1,632	2,050	-20.4%
Financial income	10	14	-33.1%	48	77	-38.3%
Income/loss from investment in joint ventures	0	8	-96.5%	21	27	-23.5%
Financial expenses	29	11	158.4%	71	63	13.3%
Profit before taxes	424	370	14.5%	1,629	2,092	-22.1%
Taxation	-54	62	-186.2%	188	396	-52.7%
Net profit	478	308	55.3%	1,442	1,696	-15.0%
Minority interest	0	0	-	0	0	-
Net profit after minority interest	478	308	55.3%	1,442	1,696	-15.0%
Exceptional items	0	144	-100.0%	66	144	-53.9%
EBITDA before exceptional items	850	854	-0.4%	3,065	3,520	-12.9%

1) Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group interconnection revenues reclassified from non-voice to voice revenues)

2) Revenue from dunning letters and default interests in A 2013 presented in Revenue. Consequently, restatement from Other operating income to Miscellaneous (YE 2012 +99 HRK million) for A 2012 made.

6.2 Consolidated Balance Sheet

in HRK million (IFRS HT accounting policies)	At 31 Dec 2013	At 31 Dec 2012	change
Intangible assets	1,358	1,142	18.8%
Property, plant and equipment	5,570	5,734	-2.8%
Non-current financial assets	594	897	-33.7%
Receivables	126	21	499.9%
Deferred tax asset	60	65	-8.1%
Total non-current assets	7,708	7,858	-1.9%
Inventories	115	155	-26.0%
Receivables	1,457	1,219	19.5%
Current financial assets	1,352	586	130.9%
Cash and cash equivalents	2,039	3,146	-35.2%
Prepayments and accrued income	149	148	0.5%
Total current assets	5,112	5,254	-2.7%
TOTAL ASSETS	12,820	13,113	-2.2%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-1	-10.5%
Retained earnings	662	606	9.2%
Net profit for the period	1,442	1,696	-15.0%
Non-controlling interest			-
Total issued capital and reserves	10,700	10,899	-1.8%
Provisions	132	227	-41.6%
Non-current liabilities	142	52	171.3%
Deferred tax liability	2	0	-
Total non-current liabilities	276	279	-0.9%
Current liabilities	1,724	1,667	3.4%
Deferred income	120	122	-1.2%
Provisions for redundancy	0	146	-100.0%
Total current liabilities	1,844	1,935	-4.7%
Total liabilities	2,120	2,214	-4.2%
TOTAL EQUITY AND LIABILITIES	12,820	13,113	-2.2%

6.3 Consolidated Cash Flow Statement

in HRK million (IFRS HT accounting policies)	Jan-Dec 2013	Jan-Dec 2012	change
Profit before tax	1,629	2,092	-22.1%
Depreciation and amortization	1,366	1,326	3.0%
Increase / decrease of current liabilities	55	105	-47.5%
Increase / decrease of current receivables	-56	83	-167.7%
Increase / decrease of inventories	40	20	103.2%
Other cash flow increases/decreases	-687	-644	-6.7%
Net cash inflow/outflow from operating activities	2,348	2,982	-21.3%
Proceeds from sale of non-current assets	70	64	10.0%
Proceeds from sale of non-current financial assets	2	2	-9.9%
Interest received	26	48	-47.1%
Dividend received	20	25	-17.3%
Other cash inflows from investing activities	702	1,441	-51.3%
Total increase of cash flow from investing activities	821	1,581	-48.1%
Purchase of non-current assets	-1,426	-1,180	-20.8%
Purchase of non-current financial assets	-75	-451	83.4%
Other cash outflows from investing activities	-1,090	-1,667	34.6%
Total decrease of cash flow from investing activities	-2,591	-3,298	21.4%
Net cash inflow/outflow from investing activities	-1,771	-1,717	-3.1%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-2	-6	69.9%
Dividends paid	-1,679	-1,813	7.4%
Repayment of finance lease	-5	-7	21.6%
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	-1,686	-1,825	7.6%
Net cash inflow/outflow from financing activities	-1,686	-1,825	7.6%
Exchange gains/losses on cash and cash equivalents	2	3	-33.7%
Cash and cash equivalents at the beginning of period	3,146	3,704	-15.1%
Net cash (outflow) / inflow	-1,107	-558	-98.4%
Cash and cash equivalents at the end of period	2,039	3,146	-35.2%

6.4 Consolidated EBITDA reconciliation

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Segment Result (Contribution to EBITDA)						
Residential Segment	754	753	<i>0,1%</i>	2.793	2.895	<i>-3,5%</i>
Business Segment	421	487	<i>-13,4%</i>	1.687	2.114	<i>-20,2%</i>
Network and Support Functions	-324	-386	<i>15,9%</i>	-1.416	-1.489	<i>4,9%</i>
Total Contribution to EBITDA before SI of the Segments	850	854	<i>-0,4%</i>	3.065	3.520	<i>-12,9%</i>
Special influences	0	144	<i>-100,0%</i>	66	144	<i>-53,9%</i>
Total EBITDA	850	710	<i>19,8%</i>	2.998	3.376	<i>-11,2%</i>

6.5 Group's revenue breakdown under former reporting structure

in HRK million	Q4 2013	Q4 2012	<i>change</i>	Jan-Dec 2013	Jan-Dec 2012	<i>change</i>
Mobile ¹⁾	712	763	<i>-6.8%</i>	2,839	3,168	<i>-10.4%</i>
Fixed Telephony	336	391	<i>-14.2%</i>	1,431	1,649	<i>-13.2%</i>
Wholesale	140	148	<i>-5.4%</i>	567	639	<i>-11.3%</i>
IP Revenue	395	380	<i>3.9%</i>	1,565	1,527	<i>2.5%</i>
Data	24	27	<i>-13.5%</i>	101	114	<i>-11.6%</i>
ICT	195	131	<i>48.8%</i>	498	396	<i>25.5%</i>
Miscellaneous ¹⁾	36	53	<i>-33.1%</i>	43	62	<i>-30.9%</i>
Revenue	1,837	1,895	<i>-3.1%</i>	7,042	7,555	<i>-6.8%</i>

1) Revenue from dunning letters and default interests in A 2013 presented in Revenue. Consequently, restatement from Other operating income to Mobile revenue (YE 2012 +46 HRK million) and Miscellaneous (YE 2012 +53 HRK million) for A 2012 made.

7. Statement of the Management Board of Hrvatski Telekom d.d

To the best of our knowledge, audited financial statements of the company Hrvatski Telekom d.d. (hereinafter: "Company") and audited consolidated financial statements of the Company and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of both the Company and the Group.

The management report for the year 2013 contains a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Mr. Davor Tomašković, President of the Management Board (CEO)

Mr. Norbert Hentges, Member of the Management Board and Chief Operating Officer

Mr. Dino Ivan Dogan, Ph.D., Member of the Management Board and Chief Financial Officer

Ms. Irena Jolić Šimović, Member of the Management Board and Chief Human Resources Officer

Mr. Božidar Poldrugač, Member of the Management Board and Chief Technical and Information Officer

Ms. Nataša Rapaić, Member of the Management Board and Chief Operating Officer Residential

Mr. Jens Hartmann, Member of the Management Board and Chief Operating Officer Business

Zagreb, 14 February 2014

8. Presentation of information

Unless the context otherwise requires, references in this publication to “T-HT Group” or “the Group” or “T-HT” are to the Company Hrvatski Telekom d.d., together with its subsidiaries.

References to “HT” or the “Company” are to the Company Hrvatski Telekom d.d. Following the merger of T-Mobile d.o.o. with Hrvatski Telekom (HT d.d.), effective 1 January 2010, the Group is now organized into two business units: Business and Residential.

Therefore, references to “Business” are to business operations performed within the Company’s Business Segment.

References to “Residential” are to business operations performed within the Company’s Residential Segment.

References to “Iskon” are to the Company’s wholly-owned subsidiary, Iskon Internet d.d.

References to “Combis” are to the Company’s wholly-owned subsidiary, Combis d.o.o.

References to “KDS” are to the Company’s wholly-owned subsidiary, KDS d.o.o.

References to “E-tours” are to the Company’s wholly-owned subsidiary, E-tours d.o.o.

References in this publication to “Agency” are to the Croatian National Regulatory Authority, the Agency for Post and Electronic Communications.

9. Disclaimer

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional information concerning important factors that could cause actual results to differ materially is available in the Group’s reports which may be found at www.t.ht.hr