Hrvatski Telekom

Zagreb – 14 February 2013

T-Hrvatski Telekom
Results for the year ended 31 December 2012

Adverse economic climate, coupled with regulatory framework and intense competition, triggers revenue and EBITDA decline, with stable margins; Group maintains focus on developing leading edge technology and innovative products

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 2012.

Group Highlights

- Revenue down 7.6% to HRK 7,456 million or EUR 991 million (2011: HRK 8,067 million, EUR 1,086 million)
  - Underlying revenue down 7.8%
  - Non voice revenue grow 3.2%
    - Fixed broadband ARPA up 2.4% to HRK 126
    - Mobile data subscribers up 30.5% to 862,183
    - Smartphone sales at 52.0 % of total handsets sold
- EBITDA down 8.0% to HRK 3,376 million (EUR 449 million) and 45.3% margin (2011: HRK 3,670 million or EUR 494 million, 45.5%)
- EBITDA before exceptional items down 8.1% to HRK 3,520 million (EUR 468 million), margin at 47.2% (2011: HRK 3,832 million or EUR 516 million, 47.5%)
- Net profit down 6.4% at HRK 1,696 million (EUR 226 million), margin at 22.7%
- Operating cash flow down 2.2% to HRK 2,982 million (EUR 397 million)
- Capex up 25.8% to HRK 1,180 million
- Proposed dividend of HRK 20.51 per share; payout ratio equals 100% (2011: HRK 22.14 per share)
- 6% mobile fee abolished, effective 9 July 2012

Residential Segment

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 5.4% (down 5.5% on Q3 2012)
- 526,130 broadband retail access lines, down 2.4% (up 0.5% on Q3 2012), and 343,647 TV customers, up 7.0% (up 4.4% on Q3 2012)
- Revenue down 7.5%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,838 million, down 8.9%

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers up 2.9% (down 1.8% on Q3 2012)
- 106,864 broadband retail access lines, down 0.4% (up 1.8% on Q3 2012) and 20,677 TV customers, up 6.1% (up 3.4% to Q3 2012)
- Revenue down 7.6%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 2,068 million, down 9.7%

Ivica Mudrinić, President of the Management Board (CEO), *said: We witnessed a very challenging year in 2012, with the economic environment deteriorating more than previously anticipated; GDP for 2012 is expected to contract again, down 1.8%, whilst all major economic issues remained unresolved and no meaningful far-reaching structural reforms have been initiated. The residential and corporate sectors tightened spending still further and the public sector delayed investments in IT. All these factors are reflected in our financial performance; revenue is down 7.6% while EBITDA before exceptional items declined 8.1%. However, we have maintained our leading position in all segments, including ICT, and have managed to maintain healthy margins. I'm very glad to be able to announce a proposed dividend per share of HRK 20.51 to the General Assembly.*

"Operationally, we have recently outlined our Transformation Program, with the key themes of the e-transformation of the business and migration to an all-IP network. These initiatives also target an improvement in the cost structure across the Group. I am pleased to report that T-HT is one of the leading companies in the broader region with regard to the extent of its migration to all-IP networks. In addition, we have introduced a broad range of products for residential and corporate customers, including for example integrated telecommunications-IT offerings.

"With regard to innovation, alongside our achievements in developing new Cloud-based services, investment in LTE and our NFC-based mobile payments pilot, in December 2012 we presented the cutting edge TeraStream technology, which is currently being piloted. TeraStream, the network of the future, is an extremely simplified IP network concept that combines network technology, data center technology, and fiber infrastructure.

Looking ahead to 2013, we remain highly cautious and expect the difficult economic environment to continue, with the latest GDP 2013 growth forecasts now lowered from slightly positive to around -0.2%. We have set our 2013 outlook to reflect this sentiment and will focus on further cost discipline. In light of this, I'm very proud that we have recently agreed and signed a new collective agreement with trade unions, and this will remain in force until 30 June 2014."

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A conference call for analysts and investors will be held at 14.00 UK time / 15.00 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	97117745

A replay of the call will be available until Wednesday, 20 February 2013 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0845 245 5205
Replay Access Code	97117745#

Full audited accounts for T-HT Group and HT d.d., other prescribed documentation as well as a presentation covering results for the 2012 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).

Business and financial review

Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and the market leader in all segments in which it operates. At 31 December 2012, the Group served 1.3 million fixed-line customers, 2.3 million mobile subscribers, 657,572 broadband access lines and provided TV services to 364,324 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated solutions to Croatia's business market.

Group Strategy

T-HT Group Mission
Communication, Information & Entertainment, Always & Everywhere

T-HT Group Vision
T-HT – to be the online company and to power the online society and digital economy in Croatia and the Region

T-HT Group Strategy

Our strategy centres around three key pillars: **GROW - COMPETE – TRANSFORM**
GROW focuses on developing business opportunities around mobile and fixed Internet, online consumer services, ICT, media, advertising and innovative services arising from advances in technology and business.
COMPETE ensures the Group's continued focus on its existing fixed and mobile telecommunications business by enhancing our core offers and leveraging our high quality networks.
TRANSFORM refers to a radical process of e-transformation involving the shift to online of both internal and external business processes; the next phase of customer care, targeting customer satisfaction and organizational efficiency; network transformation through the migration to all-IP technology; and an improved cost structure across all core operations.

To further strengthen these transformational activities across the organisation, the position of Chief Operating Officer was introduced as of September 1 2012 to coordinate, manage and integrate these activities alongside key operational activities.

Market overview

Negative economic trends, regulatory measures and increased competition had put significant pressure on the Croatian telecommunications market.

Intense competition in the mobile market from flat rate tariffs and an increasing number of bundled voice, data and TV offers have been key drivers of competition in 2012. In Q4 2012 a new pay TV market player was launched, intensifying competition on the Croatian pay TV market.

In Q1 2012 a new concept of co-operation was launched for the first time in the market: a prepaid mobile brand offered by a leading retail chain in co-operation with T-HT.

Voice revenue continued to decline on lower usage, a fall in mobile termination rates and pricing competition. Major growth areas, however, include broadband, data traffic, TV, ICT solutions and integrated offers of telecommunication services.

T-HT launched its LTE network in March 2012, enhancing its mobile broadband offer with two new T-Mobile Extreme tariffs based on LTE technology. The commercial launch of LTE by the two dominant mobile operators in the Croatian market, along with an increase in smartphone and tablet penetration, boosted growth in mobile broadband.

The 6% fee imposed by the Croatian Government on revenues from mobile services was re-introduced at the end of January 2012 and abolished again at the beginning of July 2012.

On 14 September 2012, the Agency announced a public submission process for a 12-year wireless frequency license on the 790MHz-862MHz band. The Agency approved two licenses at the end of October 2012, granting one to T-HT.

Fixed-line market

Fixed telephony remains highly competitive in Croatia, with nine operators active in the market. In addition, market consolidation in 2012 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 whilst fixed broadband and mobile usage increased. The number of fixed-line minutes of use (MOU) decreased by 16% in the first nine months of 2012 compared with the same period in 2011.[1)]

The estimated fixed-line penetration rate for 2012 is 37% of the Croatian population.

Mobile telecommunications

Through a range of brands, the Group maintained a leading market position in a saturated mobile market, served by three operators since 2005. Mobile penetration is estimated to reach 116.7% and the Company's share of total mobile customers is estimated at 46.5% at the end of 2012
Despite increased mobile usage, mobile revenue continued on a declining trend due to lower mobile

termination rates and intense pricing pressure. Total Croatian mobile market MOU increased by 11% and the number of SMSs sent increased by 10.8% in first nine months of 2012 compared with the same period in 2011.

Demand for mobile Internet continued to grow in 2012, with all three mobile operators promoting mobile broadband offers alongside increasing smartphone and tablet offers. At the same time, an increasing range of mobile applications and mobile services are now available, including e-books and mobile TV.
In 2012, smartphones as a proportion of total handsets sold by T-HT amounted to 52%. At the end of 2012, 23% of total T-HT's mobile subscribers were smartphone users.

Internet

The Croatian fixed broadband market continued to grow in 2012, with 879,597 fixed broadband connections reported at the end of September 2012 [2)]. The market grew 4% compared with the end of September 2011 and DSL is still the dominant broadband technology. At the end of 2012, T-HT Group had 632,994 retail broadband access lines.

The Croatian broadband market still represents a growth opportunity for T-HT with an estimated 48.8% of Croatian households connected to fixed broadband network compared to an average of 66% in Western Europe [3)].

The Croatian pay TV market grew by 1% in first nine months of 2012, against the same period in 2011, reaching 603,240 customers [2)]. During that period, competition intensified with a new provider entering the pay TV service market in Q4 2012.

The Group reported 364,324 TV customers at the end of 2012, representing 57.6 % of T-HT's total fixed broadband customer base. During the period, T-HT enhanced its TV services with the introduction of MAXtv To Go – an innovative mobile television service for smartphones. In March 2012, regulation was extended within the IPTV segment, making Croatia the only country in Europe with a regulated IPTV market.

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.

The Group's main data service competitors continued to develop their own networks, targeting the corporate and government sectors.

Wholesale

Following liberalization of the fixed line market, demand for infrastructure services requested by alternative operators remained high in 2012 as a result of the introduction of Wholesale Line Rental (WLR) and naked bitstream services in 2011.

The number of broadband wholesale customers (BSA and Naked BSA) reached 24,578 at the end of 2012. In addition, significant demand for Unbundled Local Loop (ULL) continued, and the number of customers increased to 161,768 at the end of 2012.

As of 1 January 2012, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination as outlined on page 10.

IT market

The Croatian IT market demonstrated a negative trend in 2012 owing to economic pressures. Significant IT budgets cuts amid the current economic recession and a generally downbeat business outlook resulted in cautious spending plans by Croatian businesses, whilst a high level of unpaid bills put further downward pressure on IT consumption. The Croatian IT market is estimated to decline by 4.8% in 2012 [4)].

Combis, which is part of the T-HT Group, has maintained its leading position in the Croatian ICT services market [5)].

Economic background

Having experienced a significant decline at the end of 2011 and the beginning of 2012, economic activity in Croatia stagnated in the second half of 2012. Real GDP change is expected at around -1.8% for the whole 2012 due in large part to falling personal consumption and the absence of investment. Employment in Croatia also continued to fall in 2012 for the fourth consecutive year. As in previous years, a fall in the employment rate was experienced in the private sector, while public sector employment showed an increase. As a result, the average annual registered unemployment rate in 2012 is expected to reach 18.5%, an increase on the 18.0% in 2011 [1)]. The registered unemployment rate in December 2012 was at 21.1% (December 2011: 18.7%) [1)] The unemployment rate had a negative impact on personal consumption in 2012 and an upturn in the labor market is not expected in 2013.

Higher unemployment, a fall in real income (down 1.2% in real terms for the first nine months of 2012 against the same period in 2011), the associated fall in consumer confidence and Q4 2012 trends in retail sales figures indicate that personal consumption in Q4 2012 was also lower. Consequently, a significant decline in personal consumption is expected again for the whole of 2012 (-2.4% on an annual level), after stagnation in 2011 (0.2%). The decline in industrial output, unpaid bills at a record high of HRK 44.5bn and a total of 72,654 insolvent businesses in October 2012 put downward pressure on all sectors and on exports in 2012.[6)]

Inflation was significantly higher in 2012 as a result of an increase in VAT, dryness and energy price increases. The average annual inflation rate for 2012 reached 3.4% [1)].

Information about 6% fee on mobile network services

On 6 July 2012, the Croatian Parliament approved the Government's amended proposal of the *Act on the Termination of the Fee for the Provision of Services in Mobile Electronic Communications Networks Act and its amendments*. As a consequence, the 6% fee on revenues generated by mobile services, including SMS, MMS and voice, has been terminated with effect from 9 July 2012.

The 6% fee was originally introduced on 1 August 2009 as a crisis measure and was initially abolished with effect from 1 January 2012. Subsequently, the newly elected Government proposed and Parliament reinstated the fee with effect from 26 January 2012. This had been expected to remain in force until 30 June 2013, when Croatia is scheduled to accede to European Union.

The impact of the 6% tax in the whole of 2012 (applicable from 26 January 2012 to 9 July 2012) was HRK 56 million (2011: HRK 145 million).

1) Source: Croatian Bureau for Statistics
2) Source: Croatian Post and Electronic Communication Agency, December 2012
3) Source: Analysys Mason
4) Source: Updated forecast of Croatian IT market for 2012 (in USD), IDC Adriatics, December 2012
5) Source: „Croatia IT Services Market 2012-2016 Forecast and 2011 Vendor Shares", IDC Adriatics, Sept.2012
6) Source: „Information on Economic Trends and Forecasts", Croatian National Bank, December 2012, FINA

Supervisory Board Decisions

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 2012 financial year.

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

2) Dividend

Hrvatski Telekom d.d. realized a net profit (after taxation) of HRK 1,680,044,488.02 in the year ending 31 December 2012.

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have proposed a dividend distribution to shareholders of HRK 1,679,533,852.85 or HRK 20.51per share. The remaining amount of HRK 510,635.17 will be allocated to retained earnings.

The General Assembly will be convoked shortly, in acorrdance with legal deadlines.

3) Supervisory Board changes

The Supervisory Board of HT d.d. nominated Mark Nierwetberg and Ph.D. Elias Drakopoulos for the election as Supervisory Board Members (representatives of Deutsche Telekom), to be forwarded to the General Assembly.

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 New Regulatory Framework onto Croatia's electronic communications market and has since undergone two sets of amendments.

The first amendments to the Law on Electronic Communications were adopted by the 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. Croatian telecoms operators were provided a 90 day-period to consolidate their business operations within the new provisions of the Law.

The second amendments to the Law on Electronic Communications were 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.

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). According to the market analysis conducted by the Agency in July 2009, in 2011 and in 2012, 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, remedies that were in place before the market analysis ceased to apply and the following remedies were imposed:

- in markets 1 - 7: network access and use of special network facilities (this obligation is extended to Company's optical fibre access network), non-discrimination, transparency, price control and cost accounting, accounting separation (applies only to Company's fixed business)
- in market 8: network access and use of special network facilities (obligation to offer WLR), non-discrimination, transparency, price control and cost accounting (notification of retail prices 30 days in advance; prohibition to unreasonably bundle services - introduction of naked DSL, provision of "pure" network access) accounting separation; in line with these obligations, 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 Company and Iskon.

Moreover, 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) on the following market:

- Retail leased lines market – market analysis started in 2010 and is expected to conclude in 2013 according to an announcement by the Agency

In March 2011, the Agency reduced the Company's prices (monthly fees) charged for the wholesale unbundled local loop service (ULL) from HRK 52.14 to HRK 43.61. The Company's monthly fee for Shared ULL was reduced in October 2012 from HRK 16.92 to HRK 16.68.

Under a decision adopted in November 2011, the Agency increased the "x" percentage used to calculate the Company's prices for wholesale bitstream access on copper - IP level (retail minus methodology) from 40% to 60%.

In December 2011, the Agency adopted a decision on amendments of the Company's reference offer for wholesale bitstream access on copper and FttH (fibre to the home). This decision imposed more than 60 amendments and defined final concepts for the provision of wholesale bitstream access on copper and FttH.

In March 2012, the Agency adopted a decision on regulation of the retail broadband Internet access market and retail market for the transmission of TV programs with remuneration (IPTV market), thus imposing strict regulatory obligations upon the Company's retail broadband/IPTV business (cost orientation, notification of pricing 45 days in advance, regulation of promotional offers, regulation of bundled offers).

In July, 2012, the Agency initiated a second round of wholesale market analysis (ULL access, bitstream access, origination and termination in fixed network, termination in mobile network). Publication of the draft market analysis is expected in the first quarter of 2013. Final decisions are expected in 2013.

In September 2012 the Agency deregulated wholesale markets for network access for value-added service providers and network access for narrowband Internet access. Consequently, the Company does not hold SMP status in that market any longer.

As of October 2010, the Company was (re)designated as the universal service provider for the next five years for all services (except for the subscribers' directory, which the Company can continue to provide on a commercial basis). Tariffs for universal services must be set at an "affordable level."

In July 2012, the Croatian Parliament adopted the Government's proposal to abolish the 6% fee on revenues generated by mobile services, including SMS, MMS and voice, that had been payable by all mobile operators.

Accounting separation (this applies only to the Company's fixed business): the cost accounting project, initiated at the end of 2008, is ongoing. In the third quarter of 2011 the Agency started developing its own cost modelling for all regulated services.

On 29 October 2012 in the public assignment process for 12-year wireless frequency licenses on the 790MHz-862MHz band (the "digital dividend") the Company was granted the frequency block of 811-821/852-862 MHz for the period from 29 October 2012 to 18 October 2024 for a fixed one-off fee for the spectrum license of HRK 150 million, plus additional annual fees for the use of the frequencies.

A revision of fixed origination and termination fees and mobile termination fee was initiated in Q4 2012, to adjust these prices to the EU benchmark on an annual basis as prescribed by Agency decisions from 2009 (on SMP designation and imposition of remedies in fixed/mobile interconnection markets). As a consequence, T-HT's interconnection prices were amended as follows (new prices started to apply from 1 January 2013):

- Local origination fees in fixed (peak/off peak): 4.0 lp/min / 2.0 lp/min
- Local termination fees in fixed (peak/off peak): 3.7 lp/min / 1.85 lp/min
- Single tandem origination fees in fixed (peak/off peak): 5.8 lp/min / 2.9 lp/min
- Single tandem termination fees in fixed (peak/off peak): 5.5 lp/min / 2.75 lp/min
- Double tandem origination fee in fixed (peak/off peak): 11.1 lp/min / 5.55 lp/min
- Double tandem termination fee in fixed (peak/off peak): 10.7 lp/min / 5.35 lp/min
- Mobile termination fee: 19.5 lp/min

Prior to 1 January 2013, T-HT's interconnection prices were set at the following level:

- Local origination and termination fees in fixed (peak/off peak): 4.2 lp/min / 2.1 lp/min
- Single tandem origination fees in fixed (peak/off peak): 5.4 lp/min / 2.7 lp/min
- Single tandem termination fees in fixed (peak/off peak): 6.2 lp/min / 3.1lp/min
- Double tandem origination fee in fixed (peak/off peak): 10.3 lp/min / 5.15 lp/min
- Double tandem termination fee in fixed (peak/off peak): 12 lp/min / 6 lp/min
- Mobile termination fee: 30.1 lp/min.

Segmental reporting

On 1 January 2010, the former operating segments T-Com and T-Mobile, serving 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 Functions (NSF) performs cross-segment management and support functions, and includes the Technology department, Procurement, Accounting, Treasury, Legal and other central functions.

Fully owned subsidiaries Iskon Internet, Combis and KDS 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.

Change in useful life for data, IP and Ethernet terminal equipment

As of Q3 2012, the useful life calculation for data, IP and Ethernet terminal equipment was changed to seven years from three years. The introduction of high quality equipment that is less prone to damage has resulted in lower expectations with regard to requirements for replacement equipment.

With respect to the volume of replacement equipment in relation to the customer base with CPE, the expected lifetime is estimated at seven years. This change resulted in a HRK 59 million decrease in depreciation in 2012.

Change in reporting of fixed key operational data

As of Q2 2012, disclosure of key operational data for the fixed segment has been amended from the methodology employed the previous year. This amendment impacts the way the total number of fixed mainlines and broadband access lines (previously reported as ADSL mainlines) have been divided between retail and wholesale. As a consequence, the number of WLR is now reported under fixed mainlines - wholesale.

In addition, the definition for fixed mainlines retail has been amended to exclude public telephones from the total number of retail mainlines. As a consequence, the number of fixed lines retail and ARPA voice per access have been restated for all respective periods, in line with the new definition.

Change in recognition of content provider costs

The Group has changed the recognition of content provider costs to align its treatment with new industry practice. As a consequence, the Group has changed the accounting policy of content provider costs making reconciliation of the following positions in the financial statement for the year ended 31 December 2011: Material expenses (HRK -50 million), Depreciation and amortization (HRK +33 million), Financial expenses (HRK +17 million), Capital expenditure (HRK +61 million), Intangible assets (HRK +88 million), Non-current liabilities (HRK +17 million) and Current liabilities (HRK +71 million).

Reclassification of 2011 financial statements

In order to reconcile the presentation of comparable period data with data presented in 2012, the following positions in the financial statements for the year ended 31 December 2011 were also reclassified as follows: Other operating income (HRK -97 million), Material expenses (HRK -21 million), Employee benefits expenses (HRK -13 million), Other expenses (HRK -63 million), Non-current liabilities (HRK +2 million) and Accrued expenses and deferred income (HRK -2 million).

Summary of key financial indicators

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Revenue	7,456	8,067	*-7.6%*
EBITDA before exceptional items	3,520	3,832	*-8.1%*
Exceptional items	144	162	*-11.1%*
EBITDA	3,376	3,670	*-8.0%*
EBIT (Operating profit)	2,050	2,222	*-7.7%*
Net profit after minority interest	1,696	1,811	*-6.4%*
EBITDA margin before exceptional items	47.2%	47.5%	*-0.3 p.p.*
EBITDA margin	45.3%	45.5%	*-0.2 p.p.*
EBIT margin	27.5%	27.5%	*0.0 p.p.*
Net profit margin	22.7%	22.5%	*0.3 p.p.*
in HRK million	**At 31 Dec 2012**	**At 31 Dec 2011**	***% of change 12/11***
Cash and cash equivalents	3,146	3,704	*-15.1%*
Total assets	13,113	13,224	*-0.8%*
Total issued capital and reserves	10,899	11,019	*-1.1%*
in HRK million	**Jan-Dec 2012**	**Jan-Dec 2011**	***% of change 12/11***
Net cash flow from operating activities	2,982	3,050	*-2.2%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Revenue	4,099	4,433	*-7.5%*
Contribution to EBITDA before EI	2,838	3,115	*-8.9%*

BUSINESS SEGMENT

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Revenue	3,358	3,635	*-7.6%*
Contribution to EBITDA before EI	2,068	2,289	*-9.7%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Contribution to EBITDA before EI	-1,386	-1,572	*11.8%*

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Twelve months to 31 December 2011	7.43	7.53	5.35	5.82
Twelve months to 31 December 2012	7.52	7.55	5.85	5.73

Selected Operational Data

Key operational data	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Mobile subscribers in 000			
Number of subscribers	**2,326**	**2,418**	***-3.8%***
- Residential	1,859	1,964	*-5.4%*
- Business	467	454	*2.9%*
Number of postpaid subscribers	**1,011**	**1,035**	***-2.3%***
Number of prepaid subscribers	**1,315**	**1,383**	***-4.9%***
Minutes of use (MOU) per average subscriber [1)]	**146**	**128**	***13.7%***
- Residential	121	97	*25.5%*
- Business	244	271	*-9.8%*
Blended ARPU (monthly average for the year in HRK)	**91**	**94**	***-3.0%***
- Residential	74	74	*0.0%*
- Business	160	184	*-13.0%*
Blended non-voice ARPU (monthly average for the year in HRK) [2)]	**28**	**26**	***9.0%***
SAC per gross add in HRK	**80**	**122**	***-34.6%***
Churn rate (%)	3.2	2.7	*0.4 p.p.*
Penetration (%) [3)]	116.7	119.9	*-3.2 p.p.*
Market share of subscribers (%) [3)]	46.5	47.0	*-0.5 p.p.*
Data subscribers	**862**	**661**	***30.5%***

1) 2011 restated due to change in „one company view“ reporting (internal minutes between former segments T-Com and T-Mobile are excluded.

2) 2011 restated due to change in reporting of bundle tariffs
3) Source: published VIPnet's quarterly report for 4Q 2011 and Tele2's quarterly report for 4Q 2011. Number of subscribers for VIPnet and Tele2 for 4Q 2012 are internally estimated.
4) Number of subscriber using a smartphone handsets in total number of mobile subscribers.
5) Number of smartphones sold in total number of handsets sold (postpaid only).

Key operational data	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Fixed mainlines in 000			
Fixed mainlines - retail [1]	**1,208**	**1,260**	***-4.1%***
- Residential	1,032	1,068	*-3.3%*
- Business	176	193	*-8.7%*
Fixed mainlines - wholesale (WLR)	**104**	**124**	***-16.1%***
- Residential	85	109	*-21.4%*
- Business	19	15	*23.0%*
Total Traffic (mill. of minutes)	**2,405**	**2,790**	***-13.8%***
- Residential	1,851	2,083	-11.2%
- Business	554	706	-21.5%
ARPA voice per access (monthly average for the year in HRK) [2]	**115**	**121**	**-5.1%**
- Residential	97	100	-3.2%
- Business	216	238	-9.0%
IP mainlines/customers in 000			
Broadband access lines - retail [3]	**633**	**647**	**-2.1%**
- Residential	526	539	-2.4%
- Business	107	107	-0.4%
Broadband access lines - wholesale [4]	**25**	**4**	**485.2%**
- Business	25	4	485.2%
TV customers	**364**	**341**	**6.9%**
- Residential	344	321	7.0%
- Business	21	19	6.1%
thereof IPTV	**332**	**323**	**2.8%**
- Residential	312	304	2.8%
- Business	20	19	3.9%
thereof Cable TV	**6**	**6**	**0.1%**
- Residential	6	6	0.1%
- Business	0	0	-1.3%
thereof Satellite TV	**26**	**12**	**121.4%**
- Residential	26	12	121.1%
- Business	1	0	131.0%

Fixed-line customers	**1**	**1**	**3.2%**
VPN connection points	**4**	**4**	**1.4%**
Broadband retail ARPA [5] **(monthly average for the year in HRK)**	**126**	**123**	**2.4%**
- Residential	124	120	3.0%
- Business	134	134	0.0%
Data lines in 000			
Total data lines	**5**	**5**	**-3.0%**
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	32	96	-66.7%
NP (Number portability) users/number	646	514	25.7%
ULL (Unbundled Local Loop)	162	148	9.1%

[1] Includes POTS, FGSM, ISDN; 2011 restated according new definition = payphones excluded from total number of mainlines
[2] 2011 restated in line with 2012 reporting; payphones excluded
[3] Includes ADSL, FTTH and Naked DSL
[4] Includes Naked Bitstream + Bitstream
[5] 2011 restated due to subsequent split of revenues from internet bundle packages to ADSL and IPTV

Group financial performance

Revenue

in HRK million (IFRS HT accounting policies)	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Voice revenue	3,914	4,453	*-12.1%*
Non voice revenue	2,761	2,674	*3.2%*
Other service revenue	453	603	*-24.9%*
Terminal equipment	183	213	*-14.1%*
Miscellaneous	147	125	*17.2%*
Revenue	**7,456**	**8,067**	***-7.6%***

1) Revenue structure restated for 2011 results (allocation of mobile usage bundle revenue from other service revenue to voice and non voice revenue and miscellaneous to other service revenues)

Throughout 2012, Group revenue was again impacted by negative economic trends, regulatory measures and increased competition.

Total revenue fell 7.6% to HRK 7,456 million (2011: HRK 8,067 million) mainly due to the fall in voice revenue, while non voice revenue increased. Underlying revenue was down 7.8% excluding the positive one-off impact of change in useful life of customer relationship recognized in Q3 2011 and the impact of the 6% mobile fee applicable to the whole of 2011 and from 26 January to 9 July 2012.
Voice revenue declined by 12.1% as a result of lower voice revenue in both Residential and Business segments due to a highly competitive market, downward pressure on pricing and a harsh economic environment.

Non-voice revenue rose by 3.2% due to an increase in both Residential and Business segments while other service revenue decreased 24.9% due to the revenue decrease in the ICT segment and due to a higher number of subscribers in bundled tariffs and consequent revenue recognition in voice and non voice services.

Terminal equipment revenue fell 14.1%, mainly due to the absence of the mobile acquisition campaigns seen in first half of 2011 in the Residential segment.
Miscellaneous revenue increased by 17.2%, driven mainly by higher business wholesale mobile miscellaneous revenue.

In 2012, the impact of the 6% mobile fee amounted to HRK 56 million (2011: HRK 145 million). As outlined above, in July 2012 the Croatian Parliament adopted the Government's proposal to terminate the fee, effective from 9 July 2012.

In 2012, the contribution by subsidiaries to Group revenue was as follows: Iskon HRK 297 million (2011: HRK 252 million) and Combis HRK 351 million (2011: HRK 413 million).

Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased by 5.7% to HRK 4,339 million in 2012 from HRK 4,602 million in 2011 as a result of tight cost controls and lower costs related to telecommunication services.

Material expenses

Material expenses decreased to HRK 1,914 in 2012 from HRK 2,104 million in 2011. This decline was mainly due to lower merchandise costs compared to the first half of 2011 when mobile acquisition campaigns were underway, resulting in a different handset mix and smart pricing management to attract new customers.

Services expenses decreased 4.5% due to lower telecommunication costs (lower termination rates, lower roaming prices as well as lower traffic in fixed) while copyright fees were higher as a result of a larger TV customer base and an expanded range of exclusive content.

Employee benefits expenses

Total employee benefits decreased by 5.9% to HRK 1,208 million including lower redundancy provisions booked in 2012 (HRK 144 million vs HRK 162 million in 2011).
At the beginning of February 2013 T-HT announced that by the end of June 2013 403 employees will leave the Company following a special severance offer. The total cost of severance and other statutory obligations for these employees is HRK 201 million of which HRK 144 million was booked in the 2012 financial year.
Excluding redundancy costs, total employee costs fell by 5.2%, mainly due to a reduced number of employees resulting from the Group's ongoing program to rationalize business processes and drive efficiency improvements (FTE in 2012: 5,780 vs. 6,032 in 2011).

Other expenses

Other expenses fell by 1.4% to HRK 1,213 million, primarily due to lower advertising expenses, postal charges and maintenance cost.

Write down of assets

The write-down of assets increased by 33.4% to HRK 89 million, mainly driven by the increase in the write-down of inventories and write-down of receivables in the Business segment.

Depreciation and amortization

Depreciation and amortization decreased by 8.4% to HRK 1,326 million mainly due to the change of useful life time of terminal equipment.

T-HT Group profitability

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Revenue	7,456	8,067	*-7.6%*
EBITDA before exceptional items	3,520	3,832	*-8.1%*
Exceptional items [1)]	144	162	*-11.1%*
EBITDA	3,376	3,670	*-8.0%*
EBIT (Operating profit)	2,050	2,222	*-7.7%*
Net profit after minority interest	1,696	1,811	*-6.4%*
EBITDA margin before exceptional items	47.2%	47.5%	*-0.3 p.p.*
EBITDA margin	45.3%	45.5%	*-0.2 p.p.*
EBIT margin	27.5%	27.5%	*0.0 p.p.*
Net profit margin	22.7%	22.5%	*0.3 p.p.*

1) Exceptional items in 2012 refer to redundancy provisions totalling HRK 144 million. Exceptional items in 2011 refer to redundancy provisions totalling HRK 162 million

As a result of decreased revenue only partially offset by an increase in other operating income and lower operating expenses, EBITDA fell 8.0% to HRK 3,376 million in 2012 (2011: HRK 3,670 million) with a margin of 45.3% (2011: 45.5%).

EBITDA before exceptional items fell 8.1% to HRK 3.520 million in 2012 (2011: HRK 3,832 million) with a margin of 47.2% (2011: 47.5%).

Operating profit (EBIT) fell 7.7% to HRK 2,050 million (2011: HRK 2,222 million) as a result of lower EBITDA partially offset by decreased depreciation and amortization.

Net profit for 2012 was down 6.4% at HRK 1,696 million (2011: HRK 1,811 million), mainly as a result of decreased earnings before interest and tax (EBIT) combined with lower taxation.

Balance sheet

T-HT's balance sheet remains strong with total assets of HRK 13,113 million, down 0.8% (2011: HRK 13,224 million).

Total non-current assets increased by 4.1% to HRK 7,858 million at 31 December 2012 from HRK 7,549 million at 31 December 2011, mainly due to investments into foreign bonds.

A decrease in total current assets to HRK 5,254 million at 31 December 2012 from HRK 5,675 million at 31 December 2011, was mainly due to higher cash and cash equivalents invested into non-current foreign bonds.

At 31 December 2012, cash and cash equivalents stood at HRK 3,146 million, compared with HRK 3,704 million at 31 December 2011 after a dividend payment totalling HRK 1,813 million was paid in H1 2012.

Cash flow

Net cash flow from operating activities decreased by 2.2% to HRK 2,982 million (2011: HRK 3,050 million), mostly as a result of the impact on Group performance of improved working capital management.

Net cash flow from investing activities decreased by 126.7%, mainly as a result of higher investment into securities and capital expenditures.

Capital expenditure

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Business	141	91	*55.7%*
Residential	391	386	*1.2%*
Network and Support Functions	648	461	*40.6%*
T-HT Group	**1,180**	**938**	***25.8%***
Capex / Revenue ratio	15.8%	11.6%	*4.2 p.p.*

* Due to changed recognition of content provider costs, HRK 32 million recognized in Capex 2012, while Capex 2011 restated for HRK 61 million.

Capital expenditure increased by 25.8% in 2012 to HRK 1,180 million from HRK 938 million in 2011 (including capitalization of Rights to broadcast others content in 2012: HRK 32 million and in 2011: HRK 61 million), largely due to investment into the digital dividend - spectrum licenses.

The Residential segment reported higher capital expenditure compared to the same period in 2011, mostly due to higher investment in residential mobile broadband.

Business segment capital expenditure at the end 2012 rose from 2011, mainly due to increased investment in network platforms.

Capital expenditure in the Network and Support Functions segment at the end of 2012, which represents the cross-segment management and support functions, was higher than the previous year, mainly due to the digital dividend - spectrum license - recognized in October.

Analysis of segment results

Residential Segment highlights

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 5.4% (down 5.5% on Q3 2012)
- 526,130 broadband retail access lines, down 2.4% (up 0.5% on Q3 2012), and 343,647 TV customers, up 7.0% (up 4.4% on Q3 2012)
- Revenue down 7.5%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,838 million, down 8.9%
- LTE network operational in March; promotion of 4G services and first to expand 4G network beyond urban areas
- Further enhancement of postpaid and prepaid tariffs, including flat option, parental control feature, SIM only offer, handset insurance
- Further promotion of MAX3 bundle package
- MAXtv Satellite TV and MAXtv To Go continue to demonstrate strong growth

Key operational data	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Mobile subscribers in 000			
Number of subscribers	1,859	1,964	-5.4%
Minutes of use (MOU) per average subscriber 1)	121	97	25.5%
Blended ARPU (monthly average for the year in HRK))	74	74	0.0%
Fixed mainlines in 000			
Fixed mainlines - retail 2)	1,032	1,068	-3.3%
Fixed mainlines - wholesale (WLR)	85	109	-21.4%
Total Traffic (mill. of minutes)	1,851	2,083	-11.2%

ARPA voice per access [3] (monthly average for the year in HRK)	97	100	-3.2%
IP mainlines/customers in 000			
Broadband access lines - retail [4]	526	539	-2.4%
TV customers	344	321	7.0%
thereof IPTV	312	304	2.8%
thereof Cable TV	6	6	0.1%
thereof Satellite TV	26	12	121.1%
Broadband retail ARPA [5] (monthly average for the year in HRK)	124	120	3.0%

1) 2011 restated due to change in „one company view" reporting (internal minutes between former segments T-Com and T-Mobile are excluded)

2) Includes POTS, FGSM, ISDN, excluding payphones; 2011 restated according new definition = payphones excluded from total number of mainlines

3) 2011 restated in line with 2012 reporting; payphones excluded

4) Includes ADSL, FTTH and Naked DSL

5) 2011 restated due to subsequent split of revenues from internet bundle packages to ADSL and IPTV

Business review

In the mobile segment, 2012 was characterised by marketing activities that emphasized the potential of the Group's customer community. EXTRA total+ tariffs were introduced at the beginning of June enabling free, unlimited talk with all users using T-HT's mobile and fixed network without a call set up fee. The promotion of EXTRA total+ tariffs was accompanied by attractive handset offers with the latest smartphones, such as the iPhone and Samsung Galaxy S3.

Alongside the new EXTRA total+ tariffs, a campaign promoting EXTRA Obitelj+ tariff was also launched. The EXTRA Obitelj+ tariff offers unlimited data usage, unlimited calls within T-HT mobile and fixed networks without call set up fees and various additional benefits including Parental Control (a unique new feature that enables parents to monitor their children's mobile phone activities).

In addition, in 2012 a SIM-only offer in the postpaid segment was introduced. Under the offer, customers are able to sign a contract for a postpaid tariffs without buying a handset. The postpaid segment also ran promotional offers for younger people (18 to 28 year old), mobile number portability offers with a range of benefits and other options designed to provide value for money.

In December 2012, T-HT for the first time in the Croatian market offered a handset insurance scheme that enables customers to insure any cell phone or tablet purchased as a part of T-HT offer. The service is offered in partnership with Allianz.

Innovations in sales channels have been another feature of the prepaid segment in 2012 – with Simpa and T-prepaid customers now able to top up their accounts through a web shop (via credit card), SMS (via a postpaid account) and in fixed line with new service called Halo bon - and receive additional 10% credit.

Bonbon maintained its successful trajectory in 2012 with various acquisition campaigns and promotional offers for new and existing bonbon users. The unique bonbon tariff offer was also enhanced – voice, text and data packages, which are free for bonbon users to combine according to their particular needs, now include twice as many minutes, SMS and data traffic at the same price.

The tourist season in Croatia saw the success of T-HT's "All inclusive packages" offering visitors a range of benefits including flat internet access via T-HT Hot Spots on locations throughout the whole country.

In March, the prepaid mobile brand MultiPlus was introduced. MultiPlus is a brand reseller concept with a major retail chain that is carried on the Group's network infrastructure. During 2012, Multiplus mobile continued to make progress through the introduction of mobile internet option, attractive handset offers and special promotions.

Promotion of mobile internet tariffs based on the 4G network has continued since the successful unveiling of the first live commercial in Croatia and the "Move on" campaign, which enabled movie fans to participate in the creative process of making a film using various functionalities of superfast 4G mobile internet. In December 2012, T-HT was also first on the market expand the 4G network beyond major cities.

In the fixed segment, alongside promotions for new and existing T-HT customers, in 2012 T-HT launched its MAX 2/3 and MAX Total bundled packages offering customers savings without to compromising on the quality of service.

2012 also saw a number of promotional offers for MAXtv satellite TV and the successful roll out of MAXtv To GO services. In October 2012, a new service – live betting on MAXtv – was launched in partnership with SuperSport.

The mobile subscriber base decreased by 5.4%, to 1,858,708 subscribers at the end of 2012 from 1,964,359 subscribers at the end of 2011, largely owing to a fall in customers with double SIM cards due to favorable cross net offers. The decrease was driven primarily by a 7.4% decrease in prepaid subscribers, partly a result of migration to postpaid contracts.

MOU per average subscriber at the end of 2012 increased by 25.5% compared to the previous year due to the introduction of flat offers and bundles providing a large amount of minutes in postpaid and prepaid tariffs.

Blended ARPU remained at the same level in 2012 compared to 2011, as a result of attractive offers and increased MOU.

By the end of 2012, total fixed access mainlines of 1,032,262 were 3.3% lower than in 2011, with the extent of the decline restrained by successful winback activities. The decline was due to the regulatory introduction of new wholesale products and is in line with the telecommunication market trend of fixed to mobile and IP substitution. The Group also maintained its competitiveness with offers that emphasize the benefits of the T-HT fixed and mobile community as well as service excellence.

Fixed telephony users generated 1,851 million minutes in 2012, down 11.2% than the previous year. This market trend demonstrates the substitution of fixed traffic with mobile and IP traffic.

Fixed voice ARPA decreased 3.2% from 2011 year as a result of the prevailing market trends mentioned above.

By the end of 2012, the number of broadband retail accesses totalled 526,130, down 2.4% on the previous year. At the same time, broadband retail ARPA increased by 3.0% due to an increased share of customers with higher traffic packages.

The TV customer base is growing steadily and at the end of 2012, there were 343,647 customers, up 7.0% over 2011.

Satellite TV, an extension of classic IPTV services, continues to grow (customers in 2012 increased 121.1% over 2011), with continuously improved offers driving uptake of these services.

Residential Segment financial performance

in HRK million	Jan-Dec 2012	Jan-Dec 2 2011	*% of change 12/11*
Voice revenue	2,353	2,658	*-11.5%*
Non voice revenue	1,597	1,555	*2.7%*
Other service revenue	-3	51	*-105.1%*
Terminal equipment	134	153	*-12.3%*
Miscellaneous	18	16	*11.0%*
Total revenues	4,099	4,433	*-7.5%*
Operating expenses	1,261	1,318	*-4.4%*
Contribution to EBITDA before EI	2,838	3,115	*-8.9%*

* Revenue structure and Contribution to EBITDA restated for 2011 results to be in line with segment reporting in 2012 (mobile usage bundle allocation from other service revenue to voice and non voice revenue and allocation of consolidation items on Group level between segments)

Financial review

Total residential revenue in 2012 fell 7.5 % to HRK 4,099 million, mostly as a result of lower voice revenue both in mobile and fixed and partially as a result of lower other service and terminal equipment revenue.

This revenue trend has been driven by the slow economic recovery in Croatia, regulatory tightening and intensifying competition.

Voice revenue

Voice revenue in 2012 was down by 11.5% to HRK 2,353 million.

This was driven largely by the fixed network, which posted a 17.2% decrease due to the continuation of fixed to mobile substitution, fixed to internet substitution and stronger competition, leading to a fall in the total number of mainlines (retail and wholesale) and an 11.2% decline in MOU.

Retail mobile voice revenue fell as a result of a highly competitive market, downward pressure on pricing and the harsh economic environment. In addition, voice mobile termination revenue was higher by 14.9% due to attractive cross net/off net tariffs offered by all three mobile service providers in Croatia.

Mobile MOU per average subscriber rose 25.5% mainly due to flat tariffs, with the revenue decline resulting from lower price per minute of use amid a tough economic environment and competitive pressure.

Non voice revenue

Non voice revenue rose 2.7%, or HRK 42 million, over the previous year as a result of higher revenue from fixed and mobile services. Fixed IP revenues rose 1.7%, driven by higher broadband retail ARPA (2012: HRK 124; 2011: HRK 120) and a higher number of TV subscribers. Over the past 12 months, the TV customer base has increased by 7.0%, or 22.391 subscribers.

At the same time, mobile non voice revenue recorded 4.7% growth. The mobile business is experiencing a shift towards data revenues in line with global trends, as the average mobile user makes increasing use of advanced services such as data transmission and uses traditional non voice services such as SMS less.

Other service revenue

As a result of higher number of subscribers in bundle tariffs and revenue reposting from basic subscription to voice and non voice services based on usage (not as a subscription fee), other service revenues dropped by HRK 53 million compared to the same period last year.

Terminal equipment

A 12.3% fall to HRK 134 million in terminal equipment revenue was caused primarily by lower revenue in mobile because there was no strong mobile promotion campaign in 2012, as there had been in H1 2011.

Contribution to EBITDA

In 2012, the Residential segment contribution to EBITDA amounted to HRK 2,838 million, down 8.9% on 2011, with a 7.5% decrease in revenue only partly offset by 4.4% lower operating expenses.

Business Segment highlights

- Substantial customer base across all segments and products
- Mobile subscribers up 2.9% (down 1.8% on Q3 2012)
- 106,864 broadband retail access lines, down 0.4% (up 1.8% on Q3 2012) and 20,677 TV customers, up 6.1% (up 3.4% to Q3 2012)
- Revenue down 7.6%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 2,068 million, down 9.7%
- Further development of Cloud services and launch of ICT market place
- Additional Max2 Biz package offer introduced and new TV offers

Key operational data	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Mobile customers in 000			
Number of subscribers	467	454	2.9%
Minutes of use (MOU) per average subscriber [1)]	244	271	-9.8%
Blended ARPU (monthly average for the year in HRK)	160	184	-13.0%
Fixed mainlines in 000			
Fixed mainlines - retail [2)]	176	193	-8.7%
Fixed mainlines - wholesale (WLR)	19	15	23.0%
Total Traffic (mill. of minutes)	554	706	-21.5%
ARPA voice per access (monthly average for the year in HRK)	216	238	-9.0%
IP mainlines/customers in 000			
Broadband access lines - retail [3)]	107	107	-0.4%
Broadband access lines - wholesale [4)]	25	4	485.2%
TV customers	21	19	6.1%
thereof IPTV	20	19	3.9%
thereof Cable TV	0	0	-1.3%
thereof Satellite TV	1	0	131.0%

Fixed-line customers	1	1	3.2%
VPN connection points	4	4	1.4%
Broadband retail ARPA [5)] (monthly average for the year in HRK)	134	134	0.0%

Data lines in 000			
Total data lines	5	5	-3.0%

Wholesale customers in 000			
CPS (Carrier Pre-Selection)	32	96	-66.7%
NP (Number portability) users/number	646	514	25.7%
ULL (Unbundled Local Loop)	162	148	9.1%

1) 2011 restated due to change in „one company view“ reporting (internal minutes between former segments T-Com and T-Mobile are excluded)
2) Includes POTS, FGSM, ISDN;excluding payphones
3) Includes ADSL, FTTH and Naked DSL
4) Includes Naked Bitstream + Bitstream
5) 2011 restated due to subsequent split of revenues from internet bundle packages to ADSL and IPTV

Business Review

The mobile customer base was 2.9% higher than in 2011 (owing to a new customer base in the prepaid segment). Due to the ongoing economic downturn, both MOU and ARPU declined. MOU per average subscriber fell 9.8% on the previous year and blended ARPU was 13% lower.

From October, new and existing business customers signing up for the Extra Biz Total+ L, XL and XXL tariffs received 50% discount on the monthly fee (three months for a 12-month contract or 12 months for a 24-month contract). Customers transferring mobile number to T-HT from another network received 50% off the monthly fee (six months for a 12-month contract and 12 months for a 24-month contract).

At the end of October, the Option Flat was offered to business customers on Extra Biz Total+ tariffs for an HRK 50 monthly fee, enabling unlimited communication to all networks and unlimited SMS.

From September until the end of year, all new and existing business customers signing up for the Mobile net L or Mobile net XL tariff received a 50% discount on the monthly fee during for six months on a 12-month contract or 12 months on a 24-month contract.

All new and existing business customers from September to the end of year were offered the new Podijeli net service, which allows additional data subscribers to use data traffic as part of their existing monthly tariff for voice services.

In Q4, the Group launched retail professional SMS and USSD (Unstructured Supplementary Service Data) in the form of the Service Odlazni SMS Pro and package USSD Pro products.

In Q3, mobile payments based on NFC (Near Field Communication) technology were introduced in a test phase.

T-HT's fixed retail customer base performed in line with overall trends seen in the global telecommunications market, due to increasing fixed to mobile substitution, IP migration. At the same time, this part of the business has been hard hit by the challenging economy and rising unemployment and the number of line fell 8.7% to 175,818.

As a consequence, total fixed traffic was 21.5% down on the previous year and fixed voice ARPA decreased 9.0% to HRK 216.

In May, the Group introduced convergent offers - packages including fixed, mobile and ICT services. In Q3, the Net Phone Office, Data Office services were introduced in fixed telephony.

The broadband retail subscriber base was 0.4% lower than the previous year reaching to 106,864 due to market regulation, whilst ARPA remained flat to 2011.

At the beginning of March, Max2 Biz S, M and Flat packages were introduced on a permanent basis. The Group also launched special offers on flat packages with 4Mbps speeds and customers signing 12/24 month contracts were offered attractive prices on a range of devices.

In August, the Group introduced its NPP2 Flat packages (Mini2, Start2 and Plus2), comprising 2-8 phone lines, flat calls to T-Com and flat Internet. Special offers on MAX2 Biz packages, with attractive prices on a range of devices for customers signing 12/24 month contracts.

The TV subscriber base grew 6.1% to 20,677 subscribers compared with the previous year, as a result of continuous improvements in customer service and programming.

The Group ran promotional offers to new DTH (Direct-to-home satellite dish) users as well as for new and existing IPTV customers.

The IP Fixed line customer base increased by 3.2%.

VPN customer base increased by 1.4% compared to 2011. T-HT continues to promote the migration of existing traditional data customers to the IP-based products.

The number of data lines fell 3% on the previous year. Traditional data lines fell, but the Metro Ethernet service showed growth.

The ICT business launched a number of products in 2012 - Cloud Fleet Management, Hybrid Cloud, Fiscal Registers and a redesigned VPS - and the Group continues to develop its ICT portfolio. In addition, the Group launched its ICT market place – a new ICT distribution channel for all SaaS applications. The Group also delivered a range of customized ICT solutions targeting the enterprise segment in conjunction with Combis.

Wholesale

The ULL (Unbundled local loop) market in 2012 reported growth in active ULL lines to 161,768 from 148,305 in 2011.

Wholesale bitstream on copper has also demonstrated growth, and totalled 24,578 wholesale ADSL lines at 31 December 2012. The number of naked DSL lines is still not significant.

With the launch of WLR, the number of "pure" Carrier Pre-Selection (CPS) customers fell to 32,008 at the end of 2012 from 96,181 in 2011. New CPS activations were primarily connected with WLR activations and contribute to WLR gross additions (rather than to CPS gross additions). The number of WLR lines shrank to 103,912 at the end of 2012, owing to the migration of these customers to other services.

In light of the decreased number of WLR and CPS customers and the lower ARPU value of new CPS customers, originated minutes declined by 27% compared to the same period last year. On the other hand, the number of terminated minutes into the T-HT network remained flat to the previous year.

In 2012, the volume of Bulk SMS messages increased by 33% over the previous year, mainly due to the consolidation of the Bulk SMS market with integrators generating more than half of the Bulk SMS traffic.

In 2012, National Roaming voice traffic increased by 17%, data traffic was 5.5 times higher than previous year, while SMS stayed on the 2011 level.

Sales to international operators remained a significant part of total fixed wholesale revenue in 2012. The majority of international business is related to termination of international voice traffic into the Republic of Croatia and neighbouring countries. Although incoming traffic to Croatia remained at the same level as in 2011, traffic to the fixed network increased by 5% and traffic to Croatian mobile networks decreased by 6%. At the same time transit traffic to neighbouring countries declined by 17%.
Despite increased competition and price erosion in the international data and capacity market, due to the number of new contracts, new interconnections and upgrades of existing capacities, the international data and capacity business scored notable success with 162% growth of capacities sold to international operators, delivering stable revenue. Despite Telekom Slovenia starting operations of its physical PoP (point of presence) in Bosnia and Herzegovina (causing a fall in IP wholesale services prices of more than 70%), T-HT achieved 18% growth in sold IP capacities in neighbouring countries, which partly offset the revenue decrease in this segment.

On the cost side, the biggest success resulted from a strategic policy to force non-commercial international IP peering wherever possible and to reduce commercial IP upstream to appropriate levels. At the end of 2012, T-HT's share of free of charge IP peering in total IP upstream rose to 62% from 52% in previous year. Reduced costs further enhanced the competitiveness of the T-HT offer in the IP market.
Intensive activities related to the international network were key reason for an overall strong performance in the international business. Continuous upgrades of capacity and technologies at international points of presence and border crossings were carried out in 2012. A large number of border crossings (33) with international operators in neighbouring countries as well as a flexible low-cost interconnection at international points of presence (Frankfurt, Vienna and Sarajevo), resulted in 92 direct voice and data interconnections with global and regional operators in 2012. During 2012, 19

new international roaming partners were interconnected resulting in a total of 410 roaming partners worldwide. Overall, 81 new international roaming services (voice, GPRS, UMTS, Camel) were launched in 2012 with those partners.
International roaming traffic from visitors in Croatia grew in the SMS segment by 5%, in data by 101% and decreased in voice by 4%. At the same time, traffic generated by T-HT customers while roaming in foreign countries decreased in all traffic categories (data by 15%, voice by 22% and SMS by 24%). Improved steering capabilities, as well as the renegotiation of a number of international agreements, led to a significant decrease in total international roaming cost of 38% compared to 2011.

Business Segment financial performance

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Voice revenue	1,561	1,795	*-13.0%*
Non voice revenue	1,164	1,119	*4.0%*
Other service revenue	455	552	*-17.6%*
Terminal equipment	49	60	*-18.7%*
Miscellaneous	129	109	*18.1%*
Total revenues	3,358	3,635	*-7.6%*
Operating expenses	1,290	1,346	*-4.2%*
Contribution to EBITDA before EI	2,068	2,289	*-9.7%*

* Revenue structure and Contribution to EBITDA restated for 2011 results to be in line with segment reporting in 2012 (mobile usage bundle allocation from other service revenue to voice and non voice revenue and miscellaneous to other service revenues and allocation of consolidation items on Group level between segments)

Financial review

In 2012, total business revenue fell 7.6 % to HRK 3,358 million. This fall was largely the result of lower voice revenue in mobile and in the fixed network.

Voice revenue

Voice revenue fell 13.0% or HRK 234 million. The fall was largely driven by a 25.1% decline in fixed retail voice revenue, largely driven by a fall in total minutes (down 21.5%). This resulted in part from a decrease in total traditional voice mainlines (down 8.7%) and from the migration to mobile voice. Related to wholesale voice revenues, fixed decreased by 4.4% mainly due to price reductions following an NRA decision and a decline in usage, and lower revenue from international operators due to lower transit traffic.

Mobile voice revenue was 8.8% down from the previous year. The decrease in mobile voice revenue was mainly driven by lower voice ARPU (down 13.0%) and lower average minutes per subscriber (down 9.8%). A 2.9% increase in subscribers partially offset the revenue decline.

An 18.7% decline in visitor voice revenue was driven by lower prices.

Non voice revenue

Non voice revenue rose 4.0%, or HRK 45 million, over the previous year with an increase in fixed non voice revenue, whilst retail declined and wholesale revenue increased.

In fixed retail, the decrease was driven by an 8.8% fall in revenue from traditional data (due to the migration to IP data) and by a 3.5% fall in IP and Internet revenue.

Non voice fixed wholesale revenue rose 22.3%, driven primarily by higher revenue from infrastructure due largely to WLR.

Non voice mobile revenue was HRK 5 million higher, with visitor revenue falling HRK 18 million as a result of lower prices.

Other service revenue

Other service revenue decreased by 17.6% to HRK 455 million from 2011, driven by different mobile tariff structures and lower ICT revenue, due to the persistent recession in Croatia and to a reduction in government contracts.

Terminal equipment

Revenue from terminal equipment decreased by 18.7%, or HRK 11 million, on the previous year.

Miscellaneous revenue

Miscellaneous revenue increased by 18.1% , or HRK 20 million, from 2011. This increase was driven by business wholesale mobile miscellaneous revenue, which increased 17.6% as a result of higher national roaming and higher bulk SMS revenue.

Contribution to EBITDA

The contribution to EBITDA decreased 9.7%, or HRK 221 million, from the previous year. This was primarily due to a fall in total business revenue of HRK 277 million, of which the negative impact from voice revenue accounted for HRK 234 million. The revenue decrease was partly offset by lower expenses. Lower expenses resulted mostly from lower merchandise costs from the Combis ICT business and due to the absence of mobile promotion campaigns in 2012, as there had been in 2011, as well as from lower interconnection costs. Losses on account receivables grew by HRK 17 million due to the prolonged recession, illiquidity and large number of bankruptcy among business subjects.

t.portal

t.portal ranks among top five Croatian web portals, with more than 800,000 unique visitors per month, according to Gemius, an independent Internet traffic research agency. t.portal's penetration stands at around 40% of Croatian internet users.

In Q4 2012 t.portal completed preparations for the launch of a redesigned product optimized for desktop computers. The new layout offers more content on a single page, and should further improve click-through rates.

The number of t.portal's Facebook page followers showed continuous growth to more than 275,000, consolidating the portal's positioning in social networks and further improving its statistical metrics.

This content is available through PDAs, mobile devices, SMS information alerts and T-Mobile WAP portal, and on social networks like Facebook and Twitter. In addition, T-Mobile iPhone users can customize the t.portal interface.

Network and support functions financial performance

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Other Operating income	259	204	*26.7%*
Operating expenses	1,645	1,777	*-7.4%*
Contribution to EBITDA before EI	-1,386	-1,572	*11.8%*

* Contribution to EBITDA restated for 2011 results to be in line with segment reporting in 2012 (allocation of consolidation items on Group level between segments)

Other operating income rose by 26.7% to HRK 259 million, primarily driven by higher revenue from the sale of real estate, higher revenue from land registration and higher revenue from charging of dunning letters.

Operating expenses fell by 7.4% to HRK 1,645 million, from HRK 1,777 million, mainly as a result of lower postal charges, maintenance costs and services costs. This fall in expenses is a result of cost saving measures, as well as the introduction of e-billing and the renegotiation of contracts.

As a result of the factors listed above, the negative contribution to EBITDA decreased by 11.8%.

In 2012, T-HT focused on further developing the network infrastructure, increasing broadband access capacity, and modernizing the transport/core network and service platforms, along with the migration of PSTN (public switched telephone network) services and customers.

In the fixed network, T-HT's strategy is focused on providing all services via one common broadband port. The Group's access network has been transformed by the construction of a new optical access network that includes an optical access platform (GPON) alongside selective modernization of the copper access network. Furthermore, the Group has continued to upgrade the existing service platform to enable VoIP telephony provision on the broadband port.

In the mobile network, the Mobile BroadBand (MBB) project targets radio access and core network transformation, to enable the development and rapid implementation of innovative and cost effective technologies (e.g. HSPA, LTE), whilst ensuring maximum utilization of existing infrastructure and frequency resources. The project aims at improving data services coverage through both existing and newly deployed technologies such as UMTS900. The Group continued expansion of the network infrastructure and network capacity expansion to support a strong increase in data traffic.

In IP transformation T-HT achieved almost 30% retail customer migration by the end of 2012. The migration process is fully automated and includes advanced methods that speed up the process while simultaneously achieving savings: automigration (through IVR), e-migration, 2in1 migration. The IP transformation initiative aims to achieve a simplified, standardized and more efficient network. Alongside these technical and economic goals, it will also facilitate the introduction of new IP-oriented and fixed-mobile convergent services.

In December 2012, T-HT launched TeraStream pilot, an innovative concept that simplifies IP networks through Cloud-enabled IPv6 architecture. It combines network technology, data center technology, and fiber infrastructure and enables simple implementation and integration of advanced next-generation services.

TeraStream raises access network speeds by around 50 times the current rate, providing users with speed of 1 Gbit/s. The new technology significantly reduces the unit cost of data transmission and allows the proliferation of optical accesses. T-HT is the first Company in the DT Group to pilot the use this innovative technology in order to test the concept and improve its functionalities.

In 2012, the Group developed a commercial LTE (Long Term Evolution, or 4G) network on the 1800 MHz frequency band. T-HT was also in November granted use of the digital dividend (800 MHz frequency band) by the Agency, which will enable national coverage of the LTE network. By the end of 2012, an LTE signal with download data speeds of up to 75 Mb/s was available to 13% of the Croatian population.

Risk management

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2012 made public, there were no material changes to the Group's risk profile in the period under review.

T-HT Group Fourth Quarter 2012 Report

Summary of key financial indicators

in HRK million (IFRS)	Oct-Dec 2012	Oct-Dec 2011	*% of change 12/11*
Voice revenue	919	1,037	-11.4%
Non voice revenue	692	676	2.4%
Other service revenue	100	183	-45.3%
Terminal equipment	43	51	-16.3%
Miscellaneous	42	27	53.5%
Revenue	**1,796**	**1,975**	**-9.1%**
EBITDA before exceptional items 1)	909	1,032	-11.9%
EBITDA	765	870	-12.1%
EBIT	376	428	-12.1%
Net profit	308	329	-6.3%

* Revenue structure and Contribution to EBITDA restated for 2011 results to be in line with segment reporting in 2012 (mobile usage bundle allocation from other service revenue to voice and non voice revenue and miscellaneous to other service revenues and allocation of consolidation items on Group level between segments)
1) Exceptional items in 2012 refer to redundancy provision totalling HRK 144 million. Exceptional items in 2011 totalled HRK 162 million referring to redundancy provision.

In the fourth quarter of 2012, revenue declined by 9.1% mainly due to an 11.4% fall in voice revenue and to a 45.3% fall in other service revenue.

The key drivers of the voice revenue decline were the tough economic environment, consistently decreasing prices (including decrease of roaming prices impacting visitor revenue) and intense competitive pressures.

Other service revenue declined mainly due to lower revenue from basic subscriptions as a result of higher number of subscribers in usage bundle tariffs and the consequent revenue recognition in voice and non voice services and due to lower ICT revenue.

Miscellaneous revenue increased, largely as a result of higher national roaming revenue.

Following a 9.1% fall in revenue EBITDA fell 12.1% to HRK 765 million. Excluding the impact of redundancy provisions, EBITDA before exceptional items decreased 11.9%. Net profit fell 6.3%

Group 2013 outlook

Revenue

Last year brought no recovery in the national economy; the recession persisted with GDP forecasts for 2012 at -1.8% and for 2013 at -0.2%. Unemployment and business payment arrears remained at high levels, public debt increased and industrial production declined further. Telecommunication spending in the residential and corporate sector has also tightened.

Competitive pressure and a stringent regulatory regime continue to exert pressure on the Group's business, whilst Croatia's entry to the European Union on 1 July 2013 is expected to have an additional negative impact on revenue.

In light of this tough economic environment, the Group's revenue will decline further in 2013. However, we expect our efforts to capitalise on certain areas of growth will help to slow the decline in Group revenue seen last year.

EBITDA before exceptional items

The economic environment and revenue trend outlined above will impact EBITDA accordingly. However, the EBITDA margin for 2013 is anticipated to remain robust at between 43% and 45%, supported by continuing cost management initiatives.

CAPEX

T-HT will focus its investment in 2013 on new service concepts, IP transformation and the development of mobile broadband, whilst the regulatory framework for planned fiber investments remains unfavourable. Excluding investment in the spectrum licence in 2012, capex in 2013 is expected to be higher than the previous year.

Regional expansion

The Group continues to monitor and evaluate expansion opportunities to increase shareholder value.

T-HT Group Financial statements

Consolidated Income Statement

in HRK million (IFRS)	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*	Oct-Dec 2012	Oct-Dec 2011	*% of change 12/11*
Voice revenue [1]	3,914	4,453	*-12.1%*	919	1,037	-11.4%
Non voice revenue[1]	2,761	2,674	*3.2%*	692	676	2.4%
Other service revenue[1]	453	603	*-24.9%*	100	183	-45.3%
Terminal equipment	183	213	*-14.1%*	43	51	-16.3%
Miscellaneous[1]	147	125	*17.2%*	42	27	53.5%
Revenue	7,456	8,067	*-7.6%*	1,796	1,975	-9.1%
Other operating income [2]	259	204	*26.7%*	104	19	436.3%
Total operating revenue	**7,715**	**8,272**	***-6.7%***	**1,900**	**1,994**	-4.8%
Operating expenses	4,339	4,602	*-5.7%*	1,135	1,124	0.9%
Material expenses [2)3)]	1,914	2,104	*-9.0%*	457	460	-0.6%
Merchandise, material and energy expenses	872	1,013	*-13.9%*	237	234	1.1%
Services expenses	1,042	1,091	*-4.5%*	220	225	-2.2%
Employee benefits expenses [2]	1,208	1,283	*-5.9%*	368	423	-12.9%
Other expenses[2]	1,213	1,229	*-1.4%*	332	255	30.4%
Work performed by the Group and capitalised	-84	-82	*-3.3%*	-29	-32	10.4%
Write down of assets	89	67	*33.4%*	5	19	-70.8%
EBITDA	3,376	3,670	*-8.0%*	765	870	-12.1%
Depreciation and amortization [3]	1,326	1,448	*-8.4%*	389	442	-12.0%
EBIT	2,050	2,222	*-7.7%*	376	428	-12.1%
Financial income	77	83	*-6.3%*	14	26	-45.1%
Income/loss from investment in joint ventures	27	15	*73.7%*	8	-6	-235.0%
Financial expenses [3]	63	65	*-3.6%*	28	35	-20.7%
Profit before taxes	2,092	2,255	*-7.2%*	370	413	-10.4%
Taxation	396	444	*-10.7%*	62	85	-26.2%
Net profit	1,696	1,811	*-6.4%*	308	329	-6.4%
Minority interest	0	0	-	0	0	-
Net profit after minority interest	1,696	1,811	*-6.4%*	308	329	-6.3%
Exceptional items	144	162	*-11.1%*	144	162	-11.1%
EBITDA before exceptional items	3,520	3,832	*-8.1%*	909	1,032	-11.9%

1) Revenue structure restated for 2011 results (allocation of mobile usage bundle revenue from other service revenue to voice and non voice revenue and miscellaneous to other service revenues)

2) Other operating income, Material expenses, Employee benefits expenses and Other expenses restated for 2011 in order to reconcile the presentation to 2012
3) Material expenses, Depreciation and amortization, as well as Financial expenses restated in 2011 due to change of accounting policy of content provider costs, influencing Group result

Consolidated Balance Sheet

in HRK million (IFRS)	At 31 Dec 2012	At 31 Dec 2011	*% of change 12/11*
Intangible assets [1]	1,142	1,087	*5.1%*
Property, plant and equipment	5,734	5,953	*-3.7%*
Non-current financial assets	897	435	*106.2%*
Receivables	21	23	*-8.8%*
Deferred tax asset	65	52	*25.3%*
Total non-current assets	7,858	7,549	*4.1%*
Inventories	155	175	*-11.3%*
Receivables	1,219	1,307	*-6.7%*
Current financial assets	586	363	*61.1%*
Cash and cash equivalents	3,146	3,704	*-15.1%*
Prepayments and accrued income	148	125	*18.5%*
Total current assets	5,254	5,675	*-7.4%*
TOTAL ASSETS	13,113	13,224	*-0.8%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*-0.1%*
Revaluation reserves	-1	-3	*69.8%*
Retained earnings	606	612	*-0.9%*
Net profit for the period	1,696	1,811	*-6.4%*
Non-controlling interest	0	1	*-100.0%*
Total issued capital and reserves	10,899	11,019	*-1.1%*
Provisions	227	271	*-16.4%*
Non-current liabilities [1)2)]	52	51	*1.6%*
Total non-current liabilities	279	322	*-13.5%*
Current liabilities [1]	1,667	1,563	*6.7%*
Accrued expenses and deferred income [2]	122	151	*-19.3%*
Provisions for redundancy	146	169	*-13.7%*
Total current liabilities	1,935	1,883	*2.8%*
Total liabilities	2,214	2,205	*0.4%*
TOTAL EQUITY AND LIABILITIES	13,113	13,224	*-0.8%*

1) Due to change in accounting policy of content provider costs restated in 2011 made for Intangible assets, Non-current liabilities and Current liabilities
2) Non-current liabilities and Accrued expenses and deferred income restated for 2011 in order to reconcile the presentation to 2012

Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Profit before tax	2,092	2,255	*-7.2%*
Depreciation and amortization	1,326	1,448	*-8.4%*
Increase / decrease of current liabilities	105	-347	*130.2%*
Increase / decrease of current receivables	83	65	*27.9%*
Increase / decrease of inventories	20	41	*-51.5%*
Other cash flow decreases	-644	-412	*-56.2%*
Net cash inflow/outflow from operating activities	**2,982**	**3,050**	***-2.2%***
Proceeds from sale of non-current assets	64	3	
Proceeds from sale of non-current financial assets	2	74	*-97.2%*
Interest received	48	57	*-15.9%*
Dividend received	25	0	-
Other cash inflows from investing activities	1,441	990	*45.6%*
Total increase of cash flow from investing activities	**1,581**	**1,125**	***40.6%***
Purchase of non-current assets	-1,180	-938	*-25.8%*
Purchase of non-current financial assets	-451	0	-
Other cash outflows from investing activities	-1,667	-944	*-76.5%*
Total decrease of cash flow from investing activities	**-3,298**	**-1,882**	*-75.2%*
Net cash inflow/outflow from investing activities	**-1,717**	**-758**	***-126.7%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-6	-11	***49.9%***
Dividends paid	-1,813	-1,863	*2.7%*
Repayment of finance lease	-7	0	-
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	**-1,825**	**-1,874**	***2.6%***
Net cash inflow/outflow from financing activities	**-1,825**	**-1,874**	***2.6%***
Exchange gains/losses on cash and cash equivalents	3	4	*-23.7%*
Cash and cash equivalents at the beginning of period	3,704	3,282	*12.9%*
Net cash (outflow) / inflow	-558	422	*-232.1%*
Cash and cash equivalents at the end of period	**3,146**	**3,704**	***-15.1%***

Hrvatski Telekom

Consolidated EBITDA reconciliation

in HRK million	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Segment Result (Contribution to EBITDA)			
Residential Segment	2,838	3,115	*-8.9%*
Business Segment	2,068	2,289	*-9.7%*
Network and Support Functions	-1,386	-1,572	*11.8%*
Total Contribution to EBITDA before SI of the Segments	**3,520**	**3,832**	***-8.1%***
Special influences	144	162	*-11.1%*
Total EBITDA	3,376	3,670	*-8.0%*

Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Dec 2012	Jan-Dec 2011	*% of change 12/11*
Mobile [1]	3,122	3,328	*-6.2%*
Fixed Telephony [2]	1,649	2,061	*-20.0%*
Wholesale	639	588	*8.7%*
IP Revenue	1,527	1,513	*0.9%*
Data [2]	114	126	*-9.4%*
ICT [1]	396	447	*-11.3%*
Miscellaneous	9	6	*65.2%*
Revenue	7,456	8,067	*-7.6%*

[1] Due to change in reporting to one-company view ICT revenue previously shown in mobile revenue is now reclasified to ICT revenue for all respective periods

[2] Due to change in methodology of reporting, terminal equipment for data services is reclasified from fixed telephony to data for all respective periods

Statement of the Management Board of Hrvatski Telekom d.d

To the best of our knowledge, 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 2012 together with other documents made public contain 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. Ivica Mudrinić, 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

Zagreb, 14 February 2013

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

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