Zagreb – 26 July 2012

T-Hrvatski Telekom
Results for the six months to 30 June 2012

Tougher economic climate, regulatory framework and competitive landscape drive revenue fall of 6.0%; lower costs protect margins; enhanced product range and innovative services build solid platform for future

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces unaudited results for the six months to 30 June 2012.

Group Highlights

- Revenues down 6.0% to HRK 3,649 million or EUR 484 million (H1 2011: HRK 3,883 million, EUR 525 million)
- Non voice revenues show continued growth
  - Fixed broadband ARPA up 4.9% to HRK 125
  - Mobile data subscribers up 11.9% to 728,557
  - Smartphone sales rose to 51% of total handsets sold
- EBITDA falls 2.9% to HRK 1,620 million (EUR 215 million), margin at 44.4% (H1 2011: HRK 1,669 million or EUR 226 million, 43.0%)
  - Continued impact from cost controls
  - Merchandise and telecommunication costs, along with other categories, lower against H1 2011
- Net profit down 2.5% at HRK 808 million (EUR 107 million)
- Operating cash flow up 15.9% to HRK 1,139 million (EUR 151 million)
- Capex down 31% to HRK 345 million
- 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 4.0% (up 1.8% on Q1 2012)
- 527,974 broadband retail access lines, down 2.0% (down 1.5% on Q1 2012), and 326,835 TV customers, up 7.5% (up 0.6% on Q1 2012)
- Revenues down 6.5%, due mainly to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,362 million, down 5.3%
- LTE network operational in March; promotions of 4G mobile internet tariffs in Q2

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers up 7.4% (down 1.1% on Q1 2012)
- 105,979 broadband retail access lines, down 1.6% (down 10.2% on Q1 2012) and 19,833 TV customers, up 7.5% (flat to Q1 2012)
- Revenues down 5.4%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,000 million, up 0.6%
- Further development of Cloud services

Ivica Mudrinić, President of the Management Board (CEO), *said: "T-HT has maintained its leading position in the Croatian telecommunications market, but has not been immune to the impact of both competitive pressures and the persistent economic slowdown in the Croatian economy, with no end to* *rising unemployment, wage deflation, lower investment and increasing payment arrears in the corporate sector. In light of these challenges, T-HT Group reported a decline in revenues but was nevertheless able to maintain cost discipline as result of effective management.*

"We continue to focus on innovation and the provision of premium quality services. To this end, we have further enhanced our product range to meet customers' ever evolving needs, most notably in the further development of 4G services following the launch earlier this year of the LTE mobile network, providing super-fast mobile broadband access.

"The outlook for the Croatian economy, however, remains downbeat. We expect the relevant Croatian authorities to take their lead from recent EU initiatives that focus on development of the fiber network and are designed to create a regulatory environment that will facilitate accelerated investment in this all important infrastructure, given the key role it plays in stimulating economic growth. With a suitable regulatory framework in place, T-HT would also be keen to invest in developing the fiber network and, by doing so, promote growth in the Croatian economy as a whole."

Contact details
T-Hrvatski Telekom Investor Relations

Erika Kašpar, Corporate Communications and Investor Relations	+ 385 1 4912 000
Elvis Knežević, Investor Relations	+ 385 1 4911 114
Anita Marić Šimek, Investor Relations	+ 385 1 4911 884
Email	ir@t.ht.hr

College Hill

Kay Larsen / Adrian Duffield	+44 207 457 2020

A conference call for analyst and investors will start at 14:00 UK time / 15:00 CET today. The dial-in details are as follows:

International Dial In	+44 (0) 1452 555 566
UK Free Call Dial In	0800 694 0257
Conference ID	12508004

A replay of the call will be available until Wednesday, 1 August 2012 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0800 953 1533
Replay Access Code	12508004#

A presentation covering results for the first six months of 2012 can downloaded from the T-HT website (www.t.ht.hr/eng/investors)

Results for the six months to 30 June 2012

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 30 June 2012, the Group served more than 1.2 million fixed-line retail customers, nearly 2.4 million mobile subscribers, 633,953 thousand broadband retail access lines and provided TV services to 346,668 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated solutions to Croatia's business market.

Market overview

Negative economic trends, regulatory tightening and increased competition are significantly impacting the Croatian telecommunications market. A key development was the launch of the LTE mobile network in March, followed by promotions of mobile internet tariffs based on the 4G network in the second quarter. March also saw the introduction of the prepaid mobile brand MultiPlus, a brand reseller concept with a major retail chain that is carried on the Group's network infrastructure. It launched with one simple tariff and in Q2 a mobile internet option was added.

T-HT launched integrated packages for business customers in May 2012 that include fixed, mobile and ICT services.

A key competitor has also launched its first integrated commercial offer for private and business customers, offering bundles of fixed voice, mobile voice, fixed broadband and mobile Internet services on one bill. One MVNO has been announced and this is expected to further intensify mobile competition and augment integrated fixed and mobile offers on the Croatian telecommunication market.

Fixed-line market

Fixed telephony remains highly competitive in Croatia with 9 active operators (according to the Cullen International report for 2011). Major market consolidation last year increased competition in bundled telecommunication offers. Nevertheless, T-HT successfully maintained its leading position reflecting the Group's continuing dedication to high-quality services and improved marketing, with offers tailored to suit the needs of specific customer segments.

According to the Croatian Central Bureau of Statistics, the number of fixed-line minutes of use (MOU) decreased by 9.6% in Q1 2012 over Q1 2011, following similar global trends.

Mobile telecommunications

In mobile, T-HT, through a range of brands, still maintains a leading market position in a saturated mobile market, which has been served by three operators since 2005. At the end of June 2012, mobile penetration in Croatia was estimated at 119%, with the Group's share of total mobile customers at 46%.

Despite an increase in mobile usage, mobile revenue remained on a declining trend due to lower mobile termination rates and intense pricing pressure. According to the Croatian Central Bureau of Statistics, total Croatian mobile market minutes of use (MOU) increased by 7.3% and the number of SMS sent increased by 3.2% in Q1 2012 compared with Q1 2011. Demand for mobile Internet continued to grow in first six months of 2012, with all three mobile operators promoting mobile broadband offers alongside an increasing range of smartphone offers.

In H1 2012, smartphones (e.g., iPhone) as a proportion of total handsets sold by T-HT amounted to 51%. At the end of June, 18% of total T-HT subscribers were smartphone users.

Internet

In Croatia, 869,596 fixed broadband connections were reported for Q1 2012 (according to the Croatian Post and Electronic Communications Agency), which represents an increase of 4.9% compared with Q1 2011. DSL is still a dominant technology.

At the end of H1 2012, T-HT's fixed broadband customer base increased to 652,462 broadband access lines. The Group's TV customers rose to 346,668 at the end of H1 2012, representing 53.1% of T-HT's total fixed broadband customer base.

The Croatian broadband market continues to represent a growth opportunity for T-HT, with 47% of Croatian households connected to fixed broadband compared to an average of more than 66% in Western Europe (as estimated by Analysys Mason).

The Croatian Pay TV market grew by 2.1% in Q1 2012 compared to Q1 2011, reaching 594,722 customers, according to the Croatian Post and Electronic Communications Agency. T-HT's IPTV and DTH satellite TV services were augmented by new and exclusive sports content, pay per view and new services such as MAXtv Recommender, a user-friendly service that enables customers to select content from the MAXtv Video Store.

Regulation was extended within the IPTV segment, making Croatia the only country in Europe with a regulated IPTV market.

Data (traditional)

T-HT maintained its leading position in a market that is migrating from traditional data services to more cost-effective IP-based services. Although the data market is relatively small, representing less than 1% of total telecommunication market revenues, 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 fixed line market liberalization, as a result of the introduction of Wholesale Line Rental (WLR) and naked bitstream services in 2011, demand for infrastructure services requested by alternative operators remains high.

The number of WLR customers reached 131,932 at end of Q2 2012. In addition, there is still significant demand for Unbundled Local Loop (ULL), and the number of customers increased to 160,693 at the end of Q2 2012 from 154,845 at the end of Q1 2012.

From 1 January 2012, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination.

Economic background

Croatia has not seen positive economic growth since 2009. In contrast to the Government's initial optimistic projections for GDP growth in 2012, market expectations average at -1.5% and first quarter indicators point to economic contraction with the negative trajectory becoming more marked in H1 2012.

Croatian GDP remained in negative territory in Q1 2012 (-1.3% from Q1 2011), industrial production fell by 3.8% in May 2012 against the previous year and unemployment reached 17.3% in June 2012 (compared with 16.9% in June 2011).

A VAT increase to 25% in March 2012 contributed to the stabilization of public finances and preservation of Croatia's credit rating, but undermined growth in private consumption and, as an indirect consequence, private investments, amid increased consumer pessimism. According to the Croatian Central Bureau of Statistics, average net earnings in April 2012 were in real terms 5.4% lower than in April 2011. Business payments arrears rose again to a new record level of around HRK 44.6 bn in May 2012, with 72,400 companies and businesses facing insolvency issues.

Update on 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 2011 was HRK 145 million (2010: HRK 163 million) and in H1 2012 it was HRK 53 million (H1 2011: HRK 71 million).

Treasury share buyback program

As announced on 2 May 2012, HT d.d. published a Treasury Share Buyback program.
The purpose of the Program is to realise the long-term incentive plans for senior management.
At present, it is applicable only to the President of the Management Board (CEO) and is described in the Group's 2011 Annual Report.

As announced on 4 May 2012, HT d.d. was notified that on 3 May 2012, Mr. Ivica Mudrinić, President of the Management Board of HT d.d., acquired 1,931 shares representing 0.002358% of the Company's issued share capital.

Mr. Mudrinić acquired the said shares as a personal investment, made within the long-term incentive plan for senior management. These shares are subject to four years lock-up, after which, for each share acquired as a part of the aforementioned personal investment, Mr. Mudrinić will be granted one additional HT share, free of charge.

For the purpose of fulfilling its obligations pursuant to the long-term incentive plan for senior management, HT d.d. has acquired at the Zagreb Stock Exchange 1,931 treasury shares. The shares were acquired on 3 May 2012 and 4 May 2012 and represent 0.002358% of the Company's issued share capital.

After this acquisition, Mr. Mudrinić holds in total 6,500 shares in the Company.
After this acquisition, HT d.d. holds in total 1,931 treasury shares.

Regulatory environment

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

In order to align the Croatian regulatory framework with EU framework amendments from 2009, the Croatian Parliament adopted amendments to the Law on Electronic Communications in July 2011 and these came into force in August 2011.

Croatian operators were given 90 days' notice to comply with the new provisions of the Law.

In line with the Croatian regulatory framework, and taking into account the latest EU recommendations, the Agency can impose regulatory remedies only after analysing the market and determining the existence of significant market power (SMP). According to market analysis conducted by the Agency in 2009, in 2011 and in 2012, T-HT holds an SMP position 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 services provided at a fixed location for residential customers
10. publicly available local and/or national telephone services 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 had been 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 fiber 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 to unreasonably bundle 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 on the Company and Iskon.

In March 2012, HAKOM 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 T-HT's retail broadband/IPTV business (cost orientation, notification of pricing 45 days in advance, regulation of promotional offers regulation, regulation of bundled offers).

Moreover, the Company retains SMP status defined under the previous legal framework (i.e. under the Law on Telecommunications that was replaced by the Law on Electronic Communications in 2008) on the following markets:

- retail leased lines market – market analysis started in 2010 and is expected to conclude in 2013 according to an announcement by the Agency
- wholesale network access markets for the purpose of providing value added services and for the purpose of providing narrowband Internet access – having conducted market analysis, the Agency proposed withdrawal of all regulatory obligations based on the conclusion that these markets are not susceptible to ex ante regulation.

In January 2011, the Agency imposed changes to the Company's Reference Unbundling Offer (RUO) incorporating almost 70 amendments, including the obligation to provide access to the network even where there is no existing access line available, the introduction of VDSL technology, a reduction in installation fees, and a reduction of monthly fees for second and third access lines to the same end user.

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 2011 from HRK 18.17 to HRK 16.92.

In May 2011, the Agency issued a non binding interpretation of the decision dated 6 April 2011 under which existing Carrier Pre-selection (CPS) customers shall be automatically migrated to WLR unless they make an objection within a reasonable period. In addition, on 8 June 2011, the Agency issued a decision imposing changes to the Company's General Terms and Conditions for provision of services to its subscribers such that in the case of migration to WLR, a subscriber contract signed between the Company and its subscriber shall be automatically terminated (without the explicit request of the subscriber in question). Subsequently, on 6 July 2011 and 8 July 2011 the Agency issued two decisions that amend the Company's reference interconnection offer and reference offer for WLR so that existing CPS customers (customers who have contracted CPS before the reference offer for WLR came into force) may be automatically migrated to WLR without any written request.

Decisions of this kind by the Agency represent a significant intervention in the contractual relationship between the Company and its subscribers. As such, they are contrary to the relevant regulations, including the general ordinance adopted by the Agency, and thereby discriminate against the Company in comparison to all other operators on which such obligations have not been imposed.

In addition, by these two decisions (dated 6 July and 8 July 2011) the Agency has prohibited the Company from charging operators activation costs for wholesale services it provides them, thus forcing the Company to provide certain services to operators free of charge, i.e. at its own cost, as well as prohibiting the Company from protecting its finances against debtors despite substantial undisputed debt on the part of the alternative operators to the Company. Such regulatory practice by Agency can be considered to have significant impact on the Company's business and related activities.

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 (fiber 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 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." Other tariffs, besides those mentioned above, are subject to ex-post review and are essentially unregulated.

Accounting separation (this applies only to the Company's fixed business): the cost accounting project, initiated at the end of 2008, is ongoing. In Q3 2011 the Agency started developing its own cost modelling for all regulated services.

The registration of pre-paid customers in mobile networks is underway.

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 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 quarter and 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 Wholesale Line Rentals 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.

Summary of key financial indicators

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Revenue	3,649	3,883	*-6.0%*
EBITDA before exceptional items (EI)	1,620	1,669	*-2.9%*
Exceptional items	0	0	-
EBITDA after exceptional items	1,620	1,669	*-2.9%*
EBIT (Operating profit)	965	1,004	*-3.9%*
Net profit after minority interest	808	828	*-2.5%*
EBITDA margin before exceptional items	44.4%	43.0%	*1.4 p.p.*
EBITDA margin after exceptional items	44.4%	43.0%	*1.4 p.p.*
EBIT margin	26.4%	25.8%	*0.6 p.p.*
Net profit margin	22.1%	21.3%	*0.8 p.p.*

in HRK million	At 30 Jun 2012	At 31 Dec 2011	*% of change A12/A11*
Cash and cash equivalents	2,199	3,704	*-40.6%*
Total assets	11,899	13,136	*-9.4%*
Total issued capital and reserves	10,014	11,019	*-9.1%*

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change A12/A11*
Net cash flow from operating activities	1,139	983	*15.9%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change A12/A11*
Revenue	2,028	2,170	*-6.5%*
Contribution to EBITDA before EI	1,362	1,438	*-5.3%*

BUSINESS SEGMENT

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change A12/A11*
Revenue	1,621	1,714	*-5.4%*
Contribution to EBITDA before EI	1,000	994	*0.6%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change A12/A11*
Contribution to EBITDA before EI	-743	-763	*2.7%*

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2011	7.39	7.37	5.27	5.13
Six months to 30 June 2012	7.54	7.51	5.81	5.97

Selected Operational Data

Key operational data	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Mobile subscibers in 000			
Number of subscribers [1]	2,378	2,424	*-1.9%*
- Residential	1,895	1,975	*-4.0%*
- Business	482	449	*7.4%*
Number of postpaid subscribers	1,025	1,038	*-1.3%*
Number of prepaid subscribers [1]	1,353	1,385	*-2.4%*
Minutes of use (MOU) per average subscriber [1]	137	125	*9.6%*
- Residential	110	92	*19.2%*
- Business	242	273	*-11.3%*
Blended ARPU (monthly average for the year in HRK) [1]	90	92	*-2.2%*
- Residential	72	71	*0.7%*
- Business	162	187	*-13.3%*
Blended non-voice ARPU (monthly average for the year in HRK) [1] [2]	26	25	*4.8%*
SAC per gross add in HRK	90	168	*-46.6%*
Churn rate (%) [1]	2.9	2.8	*0.1 p.p.*
Penetration (%) [1] [3]	118.7	119.0	*-0.3 p.p.*
Market share of subscribers (%) [1] [3]	46.4	46.0	*0.7 p.p.*
Data subscribers [4]	729	651	*11.9%*

[1] Number of customers and all related KPIs restated for 2011 due to change of definition of prepaid customers in September 2011

[2] 2011 restated due to change in reporting of bundle tarrifs

[3] Source: published VIPnet's quarterly report for 2Q 2011 and Tele2's quarterly report for 2Q 2011. Number of subscribers for VIPnet for 2Q 2012 are internally estimated

[4] Mobile data subscribers is based on all relevant mobile data tariffs and options. It consists of mobile broadband subscribers with internet tariffs and handset internet subscribers with data bundle tariffs/options with recurring payments on a fixed period contract of more than one month and with predefined data volumes

Key operational data	Jan-Jun 2012	Jan-Jun 2011	*% of change A12/A11*
Fixed mainlines in 000			
Fixed mainlines - retail [1]	1,210	1,405	*-13.9%*
- Residential	1,028	1,193	*-13.8%*
- Business	182	213	*-14.3%*
Fixed mainlines - wholesale (WLR)	132	0	-
- Residential	113	0	-
- Business	19	0	-
Total Traffic (mill. of minutes)	1,273	1,453	*-12.4%*
- Residential	970	1,080	-10.2%
- Business	303	373	-18.8%
ARPA voice per access (monthly average for the year in HRK) [2]	118	120	-2.3%
- Residential	98	99	-0.8%
- Business	225	240	-6.1%
IP mainlines/customers in 000			
Broadband access lines - retail [3]	634	647	-1.9%
- Residential	528	539	-2.0%
- Business	106	108	-1.6%
Broadband access lines - wholesale [4]	19	1	-
- Business	19	1	-
TV customers	347	322	7.5%
- Residential	327	304	7.5%
- Business	20	18	7.5%
thereof IPTV	323	312	3.5%
- Residential	304	294	3.3%
- Business	19	18	5.9%
thereof Cable TV	6	6	0.2%
- Residential	6	6	0.3%
- Business	0	0	-2.6%
thereof Satellite TV	17	4	320.7%
- Residential	17	4	326.6%
- Business	0	0	186.8%
Fixed-line customers	1	1	2.1%
VPN connection points	4	4	9.5%

Broadband retail ARPA [5] **(monthly average for the year in HRK)**	**125**	**119**	**4.9%**
- Residential	123	116	5.8%
- Business	134	132	1.1%
Data lines in 000			
Total data lines	**5**	**6**	**-2.9%**
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	51	218	-76.6%
NP (Number portability) users/number	592	494	19.8%
ULL (Unbundled Local Loop)	161	141	13.9%

[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

Revenues

in HRK million (IFRS)	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Voice revenue	1,914	2,167	*-11.7%*
Non voice revenue	1,347	1,275	*5.6%*
Other service revenue	233	260	*-10.5%*
Terminal equipment	94	113	*-16.3%*
Miscellaneous	60	68	*-11.6%*
Revenue	3,649	3,883	*-6.0%*

Group revenues continue to be affected by the recession, intense competitive pressure, regulatory initiatives and special taxation. Croatia's economic recovery has been slower than expected and one of the slowest in the region, with forecasts for 2012 GDP growth averaging at -1.5%.

In H1 2012, total revenues fell 6.0% to HRK 3,649 million (H1 2011: HRK 3,883 million) caused mainly by the fall in voice revenues, while non voice revenues showed robust growth.

Voice revenues fell by 11.7% as a result of lower voice revenues in both the Residential and Business segments, pricing pressures in both mobile and fixed markets, lower termination rates and lower wholesale revenues.

Non voice revenues rose by 5.6%, due to an increase in both the Residential and Business segments, while Other service revenue declined 10.5%.

Terminal equipment revenues fell 16.3%, mainly due to the absence of the mobile acquisition campaigns seen in H1 2011 in the Residential segment.

Miscellaneous revenue decreased by 11.6%, driven by a fall in business wholesale mobile miscellaneous revenue, due to lower national roaming (NR) prices and lower usage as well as the absence of one-off revenues from 2011 in the residential segment.

In H1 2012, the impact of the 6% mobile fee was HRK 53 million (H1 2011: HRK 71 million). As outlined above, in July 2012 the Croatian Parliament adopted the Government's proposal to terminate the fee, effective from 9 July 2012.

The H1 2012, the contribution by subsidiaries to Group revenue was as follows: Iskon HRK 148 million (H1 2011: HRK 118 million) and Combis HRK 151 million (H1 2011: HRK 161 million).

Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased by 8.8% to HRK 2,135 million in 2012 from HRK 2,342 million in 2011. This was mainly a result of a fall in material expenses.

Material expenses

Material expenses decreased to HRK 941 million in H1 2012 from HRK 1,112 million in H1 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 6.6% 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 expenses decreased by 1.7% to HRK 559 million in 2012 from HRK 569 million in 2011. This was the result of a 6.8% fall in the number of employees - the Group's (FTE) employees fell to 5,713 in June 2012 from 6,132 in June 2011 - and cost saving measures.

Other expenses

Other expenses decreased by 5.9% to HRK 611 million in 2012 from HRK 649 million in 2011 due primarily to lower maintenance costs, advertising expenses and postal charges. This decrease in costs is a result of reduced frequency of regular maintenance, reduced investment in media and sponsorships, improvements in billing procedures (single bill, e-bill) and cost reductions due to lower negotiated prices.

Write down of assets

Asset write-downs increased by 20.6% to HRK 53 million in 2012 from HRK 44 million in 2011 due to the higher value adjustment of inventories.

Depreciation and amortization

Depreciation and amortization was 1.5% lower than the same period last year (H1 2012: HRK 655 million; H1 2011: HRK 665 million) as a result of lower investment in the core network compared to the previous year.

T-HT Group profitability

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Revenue	3,649	3,883	*-6.0%*
EBITDA before exceptional items	1,620	1,669	*-2.9%*
Exceptional items	0	0	-
EBITDA after exceptional items	1,620	1,669	*-2.9%*
EBIT (Operating profit)	965	1,004	*-3.9%*
Net profit after minority interest	808	828	*-2.5%*
EBITDA margin before exceptional items	44.4%	43.0%	*1.4 p.p.*
EBITDA margin after exceptional items	44.4%	43.0%	*1.4 p.p.*
EBIT margin	26.4%	25.8%	*0.6 p.p.*
Net profit margin	22.1%	21.3%	*0.8 p.p.*

EBITDA fell 2.9% to HRK 1,620 million in H1 2012 (H1 2011: HRK 1,669 million), with the decline in revenue only partially offset by lower operating expenses.

Operating profit fell 3.9% to HRK 965 million and net profit fell 2.5% to HRK 808 million, with an improvement in net financial income.

Balance sheet

T-HT's balance sheet remains strong, with total assets of HRK 11,899 million on 30 June 2012 (31 December 2011: HRK 13,136 million). Cash and cash equivalents stood at HRK 2,199 million (31 December 2011: HRK 3,704 million) after a dividend payment totalling HRK 1,813 million was paid in H1 2012. Current financial assets at 30 June 2012 stood at HRK 879 million (31 December 2011: HRK 363 million).

Cash flow

Net cash flow from operating activities increased by 15.9% to HRK 1,139 million, mainly due to positive movements in provisions and working capital, especially in trade payables and inventory management.

Net cash flow from investing activities decreased as a result of the purchase of government bonds and treasury bills.

Capital expenditure

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Business	47	40	*18.5%*
Residential	135	189	*-28.4%*
Network and Support Functions	163	271	*-40.0%*
T-HT Group	**345**	**499**	***-31.0%***
Capex / Revenue ratio	9.4%	12.9%	*-3.4 p.p.*

Capital expenditure in the first half of 2012 has been lower than in 2011, mostly as a result of reprioritization and rescheduling strategic projects (PSTN migration, mobile broadband deployment).

The Residential segment experienced lower capital expenditure when compared to the same period in 2011, mostly due to postponed capital expenditure related to CPE, IT projects (Transformation program and IT enablers) and deferred investments in subsidiary Iskon's residential segment.

Business segment capital expenditure in the first half is higher than the same period in 2011, mainly due to increased investments into Network solutions.

Capital expenditure in the Network and Support Functions segment for the first half of 2012, which represents the cross-segment management and support functions, is lower mainly due to the deferral and slower realization of backbone and backhaul projects and PSTN migration.

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 4.0% (up 1.8% on Q1 2012)
- 527,974 broadband retail access lines, down 2.0% (down 1.5% on Q1 2012), and 326,835 TV customers, up 7.5% (up 0.6% on Q1 2012)
- Revenues down 6.5%, due mainly to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,362 million, down 5.3%
- LTE network operational in March; promotions of 4G mobile internet tariffs in Q2
- Further enhancement of postpaid and prepaid tariffs
- Launched MAX 2/3 and MAX Total bundle packages

Key operational data	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Mobile subscribers in 000			
Number of subscribers [1)]	1,895	1,975	-4.0%
Minutes of use (MOU) per average subscriber [1)]	110	92	19.2%
Blended ARPU (monthly average for the year in HRK) [1)]	72	71	0.7%
Fixed mainlines in 000			
Fixed mainlines - retail [2)]	1,028	1,193	-13.8%
Fixed mainlines - wholesale (WLR)	113	0	-
Total Traffic (mill. of minutes)	970	1,080	-10.2%
ARPA voice per access [3)] (monthly average for the year in HRK)	98	99	-0.8%
IP mainlines/customers in 000			
Broadband access lines - retail [4)]	528	539	-2.0%

TV customers	**327**	**304**	**7.5%**
thereof IPTV	304	294	3.3%
thereof Cable TV	6	6	0.3%
thereof Satellite TV	17	4	326.6%
Broadband retail ARPA [5] **(monthly average for the year in HRK)**	**123**	**116**	**5.8%**

[1] Number of subscribers and all related KPIs restated for 2011 due to change of definition of prepaid customers in September 2011

[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 Q2 2012, T-HT continued marketing activities that tap into the potential of its customer community. EXTRA total+ tariffs were introduced at the beginning of June, providing free, unlimited talk to all users on T-HT mobile and fixed networks without a call set up fee. In light of market trends in Q2, an additional FLAT option was introduced for EXTRA tariff users, unlimited talk minutes with users across all networks in Croatia and a simple opt-in method to access unlimited mobile internet.

The promotion of EXTRA total+ tariffs was accompanied by attractive handset offers on the latest smart phones, such as the iPhone and Samsung Galaxy SIII.

In May, a SIM-only offer was introduced in the postpaid segment that permits customers to sign up for a postpaid tariff without buying a handset, with the option to access the “Unlimited talk” package for free.

Within the prepaid segment, the potential of the T-HT customer community was tapped into further through the establishment of the “Talk” tariff, which offers unlimited calls to all T-HT fixed and mobile users regardless of the top up amount and this was promoted alongside attractive handset offers.

At the beginning of June 2012, Simpa launched its new communications platform along with the option of unlimited text messages, 1GB mobile internet and 1,000 minutes of cross-net calls at a highly affordable price point.

The prepaid segment also saw sales channel innovations in Q2 2012. T-HT and Simpa prepaid customers can now top up their accounts online shop and by SMS (via a postpaid account and via credit card) and via fixed line as well, and receive an additional 10% credit on top up amounts.

Bonbon continued its subscriber acquisition campaign, offering a 1,000 free on-net text messages per month for all new users until 2020. In addition, bonbon launched a new promotional offer for all new and existing bonbon users that doubles the minutes, SMS and data traffic available to customers of existing voice, text and data packages with no increase in price.

Following a successful campaigns last year, “all inclusive packages” for new visitors were launched in April offering a range of benefits including flat internet access to all users via T-HT Hot Spots at locations throughout the entire 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. Multiplus mobile is targeted at users who prefer simple and affordable mobile solutions. It started with just one simple tariff, affordable cross-net prices, no minimum top-up conditions and an option to collect points within the MultiPlus Card program. In Q2 2012 a mobile internet option was also introduced along with attractive handset offers.

Q2 2012 was also characterised by the promotion of mobile internet tariffs based on the 4G network. T-HT promoted these tariffs through the creation of the first live TV commercial in Croatia and in June promotional efforts were continued through the “Move on” international campaign, that enables movie enthusiasts to participate in the creative process of making a movie using the superfast 4G mobile internet.

In the fixed segment, T-HT launched its MAX 2/3 and MAX Total bundle packages offering its customers savings without having to compromise on the quality of service. The MAX Total bundle includes EXTRA total+ tariffs as well, offering customers the opportunity to combine fixed and mobile telephony in an affordable package and get discounts on devices. Additionally, acquisition and retention activities related to MAXadsl continued with attractive handset offer.

In May, a new promotional offer for MAXtv satellite TV was launched that gives customers the option of an offer with or without contract obligations and a number of other benefits.

In January, T-HT launched the MyT web portal with combined functionalities for both fixed and mobile services.

The mobile subscriber base decreased by 4.0% year on year to 1,895,208 subscribers in Q2 2012 (Q2 2011: 1,974,610), due to the decrease in customers with dual SIM cards as a result of favourable cross net offers.

Minutes of usage per average subscriber increased by 19.2%.

Blended ARPU increased by 0.7% at the end of Q2 2012 to HRK 72 compared to the same period last year, as a result of attractive offers and increased minutes of usage.

At the end of June 2012, total fixed access mainlines were 13.8% down on the same time last year at 1,027,724. This decline was exacerbated by the regulatory introduction of new wholesale products and is in line with the market trend of fixed to mobile and IP substitution.

Fixed telephony users generated 970 million minutes from January 2012 to June 2012, down 10.2% from the previous year. This market trend also demonstrates the shift from fixed traffic to mobile and IP traffic.

Fixed voice average revenue per access (ARPA) decreased 0.8% from the same period last year as a result of the market trends mentioned above.

At the end of June 2012, broadband retail accesses stood at 527,974, down 2.0% on the same period last year. At the same time, broadband retail ARPA increased 5.8% due to increased share of customers with higher traffic packages.

The TV customer base continues to grow. At the end of June, subscribers totalled 326,835, up 7.5% from the 30 June 2011.

Satellite TV, an extension of the IPTV service, continues to grow after its repositioning and re-pricing in 2011, and continues to contribute to the overall success of the Group's payTV services.

Residential Segment financial performance

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Voice revenue	1,154	1,303	*-11.4%*
Non voice revenue	783	749	*4.5%*
Other service revenue	17	26	*-32.9%*
Terminal equipment	69	82	*-16.7%*
Miscellaneous	6	10	*-44.2%*
Total revenues	**2,028**	**2,170**	***-6.5%***
Operating expenses	**666**	**732**	***-9.0%***
Contribution to EBITDA before EI	**1,362**	**1,438**	***-5.3%***

** 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 allocation of consolidation items on Group level between segments)*

Financial review

In the first half of 2012, total residential revenues fell 6.5% year on year to HRK 2,028 million. This decrease was due largely to lower voice revenues in the fixed and mobile network in conjunction with lower terminal equipment revenues.

This continues the negative trend seen the previous year (with H1 2011 net revenues falling 6.0% on H1 2010) and is largely due to the challenging macroeconomic environment, regulatory measures and intense competitive pressure.

Voice revenue

A decline in total revenues in Q2 2012 over the previous year was driven by a fall in voice revenues of HRK 149 million.

This was driven largely by the fixed network, which posted a 15.8% decrease due to a 13.8% drop in retail mainlines resulting in a 10.2% fall in the number of minutes.

The decline in retail mainlines was largely caused by the introduction of wholesale line rental service (WLR) by the regulator. At the end of June 2012, 113,174 lines had been reported as wholesale fixed mainlines. This means that revenue generated by these lines is now shown as wholesale revenue, while in the past it would be ascribed to retail customers. However, the resulting uplift in wholesale revenue does not fully offset the impact on retail revenue.

In mobile retail, a 15.5% fall in average revenue per usage (ARPU) has brought additional downward pressure on voice revenue. This development was particularly notable in the prepaid segment, where intense competition is putting consistent downward pressure on pricing. However, despite lower termination prices, wholesale revenues were stable, driven by a 23.4% increase in incoming traffic.

Non voice revenues

Non voice revenues increased by 4.5%, or HRK 34 million, over the previous year as a result of higher revenues from fixed services, whilst mobile services revenues slipped slightly.

Fixed IP revenues rose 6.6%, driven by higher broadband retail ARPA (H1 2012: HRK 123; H1 2011: HRK 116) and a higher number of TV subscribers in combination with higher ARPA. Over the past 12 months the TV customer base has increased by 7.5% to 23,000.

At the same time, mobile non voice revenues recorded modest 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 less use of traditional non voice services such as SMS.

Other service revenues

With an increase in subscribers in bundled tariffs, where revenue is recorded based on usage on voice and non voice revenues (not as subscription fees), other service revenues declined by HRK 8 million compared to the same period last year.

Terminal equipment

H1 2012 revenues from terminal equipment declined 16.7%, or HRK 14 million, on the previous year. This was caused primarily by lower revenues from the mobile business because there were no strong mobile promotion campaigns this year, as there had been in Q1 last year.

Contribution to EBITDA

In H1 2012, the Residential segment contribution to EBITDA totalled HRK 1,362 million, down 5.3% on H1 2011, as a 6.5% fall in revenue was not fully offset by lower expenses.

Business Segment highlights

- Substantial customer base across all segments and products
- Mobile subscribers up 7.4% (down 1.1% on Q1 2012)
- 105,979 broadband retail access lines, down 1.6% (down 10.2% on Q1 2012) and 19,833 TV customers, up 7.5% (flat to Q1 2012)
- Revenues down 5.4%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,000 million, up 0.6%
- Further development of Cloud services
- New Extra Biz mobile tariffs launched
- Max2 Biz packages introduced that integrate fixed voice and internet services for SMEs

Key operational data	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Mobile customers in 000			
Number of subscribers	482	449	7.4%
Minutes of use (MOU) per average subscriber	242	273	-11.3%
Blended ARPU (monthly average for the year in HRK)	162	187	-13.3%
Fixed mainlines in 000			
Fixed mainlines - retail [1)]	182	213	-14.3%
Fixed mainlines - wholesale (WLR)	19	0	-
Total Traffic (mill. of minutes)	303	373	-18.8%
ARPA voice per access (monthly average for the year in HRK)	225	240	-6.1%
IP mainlines/customers in 000			
Broadband access lines - retail [2)]	106	108	-1.6%
Broadband access lines - wholesale [3)]	19	1	-
TV customers	20	18	7.5%
thereof IPTV	19	18	5.9%
thereof Cable TV	0	0	-2.6%
thereof Satellite TV	0	0	186.8%

Fixed-line customers	1	1	2.1%
VPN connection points	4	4	9.5%
Broadband retail ARPA [4] (monthly average for the year in HRK)	134	132	1.1%
Data lines in 000			
Total data lines	5	6	-2.9%
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	51	218	-76.6%
NP (Number portability) users/number	592	494	19.8%
ULL (Unbundled Local Loop)	161	141	13.9%

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

Business review

The mobile customer base rose 7.4% on last year (due to a new customer base in the prepaid segment). The harsh economic environment meant that both minutes of use and ARPU have been subject to downward pressure. Minutes of use per average subscriber were 11.3% down on last year and blended ARPU was down 13.3%.

New Extra Biz tariffs within the “Talk”, “Mix” and “Total” tariffs were launched for existing and new business users. Extra Biz Total tariffs with offer unlimited calls to the T-Com and T-Mobile community, flat Internet and a range of attractive packages of messages and minutes across other networks. As of 1 June, the competitiveness of the Extra Biz Total+ tariff was boosted further.

Under the VPN Exclusive tariff, unlimited calls to the T-Mobile Croatia network and all Croatian fixed networks were introduced in March.

T-HT’s fixed retail customer base is developing in line with general trends in the telecommunications market, due to the shift from fixed to mobile services, IP substitution and regulatory factors. Customers have fallen 14.3% on the previous year to 182,056.

As result of a lower customer base, due to trends described above, total fixed traffic was 18.8% lower than last year. Fixed voice ARPA decreased 6.1% to HRK 225 compared to last year.

During May, business packages that include fixed, mobile and ICT services were also introduced.

The broadband retail subscriber base is 1.6% lower than last year at 105,975, whilst ARPA rose 1.1%.

At the beginning of March, Max2 Biz S, M and Flat packages were introduced as permanent offers.

The TV subscriber base has grown 7.5% to 19,833 customers compared to same period last year as result of continued improvements in service and program offers.

Until end of February 2012, promotional offers were available to new IPTV and DTH users. Customers willing to sign a 24 month contract during this campaign received 50% off the monthly fee for the first 12 months along with six months free access to one of the following packages: Sports plus and HBO (both IPTV and DTH) or Snimalica 10 (only for IPTV customers).

For existing IPTV customers, those signing up for 24 months to an IPTV contract were offered six months free access to one of the following packages: Sports plus, HBO or Snimalica 10.

The IP Fixed line customer base increased 2.1% compared to last year.

The VPN customer base increased 9.5% compared to last year. T-HT constantly promotes the migration of existing traditional data customers to IP-based products.

The number of data lines is down 2.9% compared to last year. Traditional data lines are decreasing, but the Metro Ethernet service is growing.

After initial successes with IaaS and SaaS services, the ICT business is further developing Cloud services.

T-portal

In Q1 2012 Tportal.hr maintained its ranking among top three web portals in Croatia according to reach, with more than 800,000 unique visitors per month according to Gemius, an independent Internet traffic research agency.

In addition, T-portal's Facebook page has acquired over 200,000 fans, which has firmly established the portal's positioning amongst social networks and further improved the click-through rate and other statistical parameters. In Q2 T-portal launched an upgraded version of its mobile edition enabling users to browse the mobile portal more efficiently, with photo galleries and video fully integrated.

Wholesale

The ULL market is still growing, with gross average adds totalling 20,000 new ULL lines in Q2 2012. At the end of Q2 2012 there 160,693 active ULL lines registered compared to 141,144 in Q2 2011. Operators are still very much focused on the fully unbundled local loop which provides (as infrastructure) the favourable option for broadband services, particularly as operators aim to make the fullest use possible of existing collocation rooms.

Wholesale bitstream on copper has also shown growth, and now totals 18,509 wholesale ADSL lines in Q2. The number of naked DSL lines is still not significant.

As a consequence of WLR, the number of "pure" CPS customers was reduced to 50,972 at the end of Q2 2012. New CPS activations are primarily connected with WLR activations.

At the end of Q2 2012, there were 591,609 ported numbers from T-HT's fixed network to other fixed networks, up 19.8% on 493,868 in Q2 2011.

Business Segment financial performance

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Voice revenue	760	864	*-12.0%*
Non voice revenue	564	526	*7.2%*
Other service revenue	215	234	*-8.1%*
Terminal equipment	26	31	*-15.3%*
Miscellaneous	55	58	*-6.0%*
Total revenues	**1,621**	**1,714**	***-5.4%***
Operating expenses	**621**	**720**	***-13.8%***
Contribution to EBITDA before EI	**1,000**	**994**	***0.6%***

* 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

Voice revenue

During H1 2012, voice revenue fell 12.0%, or HRK 104 million, on the same period last year. Downward pressure came primarily from fixed retail voice revenue, which decreased 20.3%. This fall was due to an 18.8% drop in total minutes, partially connected with a 14.3% decline in total mainlines and the migration to mobile voice. In wholesale voice revenues, the fixed segment was down 8.1%. In voice services, revenue from international operators was lower than last year due largely to lower usage from transit traffic.

Mobile voice revenues are HRK 35 million lower than last year. The fall in retail mobile voice revenue is mainly driven by a 13.3% fall in lower voice ARPU, on a 11.3% decline in average minutes per subscriber. A 7.4% increase in subscribers partially offset the above mentioned fall in revenue. Voice mobile termination revenue is lower due to lower termination prices introduced by the Agency.

Visitors voice revenue saw a decline of 28.7% owing to discounts (lower prices) as a result of new agreements with operators.

Non voice revenue

Compared to the same period last year, non voice revenue rose 7.2%, or HRK 38 million, with an increase in fixed non voice revenue, whilst retail declined and wholesale revenue increased.

In fixed retail, the decrease was driven by lower revenue from traditional data of HRK 9 million (due to the migration to IP data).

Within non voice fixed wholesale revenue, which rose 35.1%, the key driver of that increase was higher revenue from infrastructure due largely to WLR.

Non voice mobile revenue was HRK 3 million higher, with retail accounting for a HRK 6 million increase (driven by mobile data) whilst visitors revenue fell HRK 3 million as a result of lower usage.

Other service revenue

Other service revenue decreased by HRK 19 million on the previous year, driven by different mobile tariff structures and lower ICT revenue, due to a lower number of hardware sales and public sector projects as well as the seasonal nature of Combis' business.

Terminal equipment

Revenue from terminal equipment decreased by 15.3%, or HRK 5 million, year on year.

Miscellaneous revenue

Miscellaneous revenue decreased by 6.0% , or HRK 3 million, compared to the same period last year. The main driver of lower revenue was business wholesale mobile miscellaneous revenue, which decreased 8%, resulting from lower national roaming (NR) prices and lower usage.

Contribution to EBITDA

The contribution to EBITDA rose 0.6%, or HRK 6 million, over the previous year. This was due to lower costs, primarily lower merchandise costs and lower interconnection costs. Lower merchandise costs resulted from the fact there was no mobile promotional campaign as there had been in 2011.

Network and support functions financial performance

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Other Operating income	107	127	*-16.2%*
Operating expenses	849	890	*-4.6%*
Contribution to EBITDA before EI	-743	-763	*2.7%*

* 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)

The 16.2% decrease in other operating income compared with H1 2011 is mainly result of the one off impact of a reversal of provisions in 2011. This was partially offset by higher revenue from charges for dunning letters and higher revenue from a positive legal decision from 2009.

Operating expenses decreased by 4.6% on the previous year, mainly due to lower maintenance, postal charges, legal and audit and travel expenses. These cost decreases are a result of cost saving measures, the termination of some projects, as well as improved billing procedures, reduction of bills due to a lower number of customers and renegotiation of contracts.

As a result of the factors listed above, the negative contribution to EBITDA decreased by 2.7%.

Risk management

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2011 made public, there were no material changes to the Group's risk profile in the period under review.

T-HT Group Second Quarter 2012 Report

Summary of key financial indicators

in HRK million (IFRS)	Apr-Jun 2012	Apr-Jun 2011	*% of change 12/11*
Voice revenue	978	1,114	*-12.2%*
Non voice revenue	672	648	*3.6%*
Other service revenue	110	138	*-20.1%*
Terminal equipment	48	50	*-3.3%*
Miscellaneous	35	39	*-11.4%*
Revenue	**1,843**	**1,989**	***-7.4%***
EBITDA before exceptional items	858	902	*-4.8%*
EBITDA after exceptional items	858	902	*-4.8%*
EBIT	528	571	*-7.6%*
Net profit	443	477	*-7.0%*

* Revenue structure 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)

In the second quarter of 2012, revenues declined by 7.4% mainly due to a 12.2% fall in voice revenues. The key drivers of this decline were the tough economic environment, consistently decreasing prices and intense competitive pressures. Non voice revenues rose by 3.6%, largely as a result of an increase in residential fixed non voice revenues (connected with ADSL and IPTV services) and revenue from infrastructure due to Wholesale Line Rental.

A 20.2% decrease in other service revenue was driven by lower ICT revenue and postpaid subscriptions resulting from a higher number of customers subscribing to bundled services.

EBITDA fell 4.8% to HRK 902 million, with a 7.4% decrease in operating expenses only partially offsetting the revenue decline.

Following an improvement in net financial income and taxation charges, net profit fell 7.0%

Group 2012 outlook

Revenue

The Croatian economy continues to be sluggish with no signs of recovery since entering recession in 2009 and, according to recent forecasts, growth is still not expected to materialize in 2012. In this economic environment, with domestic regulatory pressures and progress towards alignment with EU regulation as well as intensifying competition, last year's trend in Group revenue decline is expected to continue.

EBITDA before exceptional items

The Group will continue its cost management program throughout the year. Nevertheless, due to continued severe economic and market conditions in Croatia, leading to lower expectations for revenue, the Group expects 2012 EBITDA to be somewhat lower than the 2011 level.

CAPEX

The current regulatory framework continues to deter investment in fiber infrastructure by the Group. However, T-HT will continue investment to transform its fixed core network and enhance its infrastructure to support further growth in fixed and mobile broadband demand. As a consequence, capex in 2012 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-Jun 2012	Jan-Jun 2011	*% of change 12/11*	Apr-Jun 2012	Apr-Jun 2011	*% of change 12/11*
Voice revenue	1,914	2,167	*-11.7%*	978	1,114	-12.2%
Non voice revenue	1,347	1,275	*5.6%*	672	648	3.6%
Other service revenue	233	260	*-10.5%*	110	138	-20.1%
Terminal equipment	94	113	*-16.3%*	48	50	-3.3%
Miscellaneous	60	68	*-11.6%*	35	39	-11.4%
Revenue	3,649	3,883	*-6.0%*	1,843	1,989	-7.4%
Other operating income	107	127	*-16.2%*	66	46	42.3%
Total operating revenue	**3,755**	**4,011**	***-6.4%***	1,909	2,036	-6.2%
Operating expenses	2,135	2,342	*-8.8%*	1,051	1,134	-7.3%
Material expenses	941	1,112	*-15.4%*	485	534	-9.3%
Merchandise, material and energy expenses	411	544	*-24.5%*	214	242	-11.4%
Services expenses	530	568	*-6.6%*	271	293	-7.5%
Employee benefits expenses	559	569	*-1.7%*	275	277	-0.8%
Other expenses	611	649	*-5.9%*	291	323	-10.1%
Work performed by the Group and capitalised	-29	-32	*10.7%*	-19	-20	-6.0%
Write down of assets	53	44	*20.6%*	19	19	1.0%
EBITDA	1,620	1,669	*-2.9%*	858	902	-4.8%
Depreciation and amortization	655	665	*-1.5%*	330	330	-0.1%
EBIT	965	1,004	*-3.9%*	528	571	-7.6%
Financial income	45	28	*63.3%*	11	13	-13.9%
Income/loss from investment in joint ventures	7	15	*-49.4%*	2	15	-69.3%
Financial expenses	20	25	*-20.3%*	1	19	-92.9%
Profit before taxes	998	1,022	*-2.3%*	541	581	-6.8%
Taxation	190	193	*-1.7%*	98	104	-5.8%
Net profit	808	828	*-2.5%*	443	477	-7.0%
Minority interest	0	0	*-39.1%*	0	0	-49.1%
Net profit after minority interest	808	828	*-2.5%*	443	477	-7.0%
Exceptional items	0	0	-	0	0	-
EBITDA before exceptional items	1,620	1,669	*-2.9%*	858	902	-4.8%

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

Consolidated Balance Sheet

in HRK million (IFRS)	At 30 Jun 2012	At 31 Dec 2011	*% of change 12/11*
Intangible assets	935	999	*-6.4%*
Property, plant and equipment	5,705	5,953	*-4.2%*
Non-current financial assets	444	435	*2.1%*
Receivables	22	23	*-4.8%*
Deferred tax asset	57	52	*9.3%*
Total non-current assets	**7,163**	**7,462**	***-4.0%***
Inventories	177	175	*0.7%*
Receivables	1,324	1,307	*1.3%*
Current financial assets	879	363	*141.8%*
Cash and cash equivalents	2,199	3,704	*-40.6%*
Prepayments and accrued income	158	125	*26.1%*
Total current assets	**4,736**	**5,675**	***-16.5%***
TOTAL ASSETS	11,899	13,136	*-9.4%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*-0.1%*
Revaluation reserves	-2	-3	*36.5%*
Retained earnings	610	612	*-0.3%*
Net profit for the period	808	1,811	*-55.4%*
Non-controlling interest	1	1	*11.6%*
Total issued capital and reserves	**10,014**	**11,019**	***-9.1%***
Provisions	275	271	*1.5%*
Non-current liabilities	29	32	*-8.6%*
Total non-current liabilities	**304**	**303**	***0.4%***
Current liabilities	1,321	1,492	*-11.5%*
Accrued expenses and deferred income	145	153	*-5.0%*
Provisions for redundancy	114	169	*-32.5%*
Total current liabilities	**1,580**	**1,814**	***-12.9%***
Total liabilities	**1,885**	**2,117**	***-11.0%***
TOTAL EQUITY AND LIABILITIES	11,899	13,136	*-9.4%*

Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Profit before tax	998	1,021	*-2.3%*
Depreciation and amortization	655	665	*-1.5%*
Increase of current liabilities	0	0	-
Decrease of current receivables	0	68	*-100.0%*
Decrease of inventories	0	0	-
Other cash flow increases	0	0	-
Total increase of cash flow from operating activities	**1,653**	**1,755**	***-5.8%***
Decrease of current liabilities	-179	-384	*53.4%*
Increase of current receivables	-50	0	-
Increase of inventories	-1	-39	*96.9%*
Other cash flow decreases	-284	-349	*18.8%*
Total decrease of cash flow from operating activities	**-514**	**-772**	***33.4%***
Net cash inflow/outflow from operating activities	**1,139**	**983**	***15.9%***
Proceeds from sale of non-current assets	2	9	*-73.2%*
Proceeds from sale of non-current financial assets	1	74	*-98.4%*
Proceeds from sale of current financial assets	0	0	-
Interest received	34	35	*-3.5%*
Dividend received	0	0	-
Other cash inflows from investing activities	590	369	*59.9%*
Total increase of cash flow from investing activities	**627**	**486**	***28.9%***
Purchase of non-current assets	-345	-499	*31.0%*
Purchase of non-current financial assets	0	0	-
Other cash outflows from investing activities	-1,106	-516	*-114.3%*
Total decrease of cash flow from investing activities	**-1,451**	**-1,016**	***-42.9%***
Net cash inflow/outflow from investing activities	**-824**	**-529**	***-55.7%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-3	-8	*63.1%*
Dividends paid	-1,813	-1,863	*2.7%*
Repayment of finance lease	-3	0	-
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	**-1,819**	**-1,871**	***2.8%***
Net cash inflow/outflow from financing activities	**-1,819**	**-1,871**	***2.8%***
Exchange gains on cash and cash equivalents	**-1**	**-4**	***64.6%***
Cash and cash equivalents at the beginning of period	3,704	3,282	*12.9%*
Net cash (outflow) / inflow	-1,505	-1,421	*-6.0%*
Cash and cash equivalents at the end of period	**2,199**	**1,861**	***18.1%***

Consolidated EBITDA reconciliation

in HRK million	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Segment Result (Contribution to EBITDA)			
Residential Segment	1,362	1,438	*-5.3%*
Business Segment	1,000	994	*0.6%*
Network and Support Functions	-743	-763	*2.7%*
Total Contribution to EBITDA before SI of the Segments	**1,620**	**1,669**	***-2.9%***
Special influences	0	0	-
Total EBITDA	**1,620**	**1,669**	***-2.9%***

Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Jun 2012	Jan-Jun 2011	*% of change 12/11*
Mobile [1)]	1,482	1,592	*-6.9%*
Fixed Telephony [2)]	846	1,030	*-17.9%*
Wholesale	318	283	*12.4%*
IP Revenue	767	728	*5.3%*
Data [2)]	59	68	*-13.8%*
ICT [1)]	172	179	*-3.9%*
Miscellaneous	5	3	*73.6%*
Revenue	3,649	3,883	*-6.0%*

[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 changes in Equity in HRK million

Position	31 December 2011	30 June 2012
1. Subscribed share capital	8,189	8,189
2. Reserves from profit	409	409
3. Retained earnings or loss carried forward	612	610
4.Net profit (loss) for the period	1,811	808
5. Revaluation of available for sale assets	-3	-2
6. Other changes in equity	0	0
7. Total increase or decrease of equity	11,018	10,014

Notes to the condensed consolidated financial statements
For period ended 30 June 2012

Basis of preparation

The condensed consolidated financial statements as of 30 June 2012 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, except for investments available-for-sale stated at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of HT's consolidated financial statements for the year ended 31 December 2011.

Dividends

Management Board and Supervisory Board of the Company proposed a dividend distribution for 2011 in amount of HRK 1,813 million (22.14 HRK per share).

On 27 February 2012 advance dividend payment in amount of HRK 906.5 millions was paid to the shareholders (HRK 11.07 per share). The remaining amount of HRK 906.5 (HRK 11.7 per share) was paid to the shareholders on 21 May 2012.

Segment information

In contrast to previous reporting period, business reporting format is determined to be Residential, Business and Network and Support Function segments as the Group's risks and rates of return are affected predominantly by differences in the market and customers. The segments are organised and managed separately according to the nature of the customers and markets that the services rendered, with each segment representing a strategic business unit that offers different products and services.

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

The Business Segment 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 performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The Network and Support Functions is included in segment information as a voluntary disclosure since it does meet the criteria for an operating segment.

Management Board as chief operating decision maker monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on contribution margin II (as calculated in the table below).

Fully owned subsidiaries Iskon Internet, Combis and KDS are consolidated within the respective operating segments.

Management of the Group does not monitor assets and liabilities by segments and therefore this information has not been disclosed.

The following tables present revenue and direct cost information regarding the Group's segments:

Period ended 30 June 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,169*	*1,714*	-	*3,883*
Service revenues	2,077	1,625	-	3,702
Terminal equipment	82	31	-	113
Other	10	58	-	68
Usage related direct costs	(162)	(253)	-	(415)
Income and losses on accounts receivable	(18)	(26)	-	(44)
Contribution margin I	1,989	1,435	-	3,424
Non-usage related direct costs	(346)	(256)	-	(602)
Segment result	1,643	1,179	-	2,822
Other income	-	-	127	127
Other operating expenses	(206)	(185)	(890)	(1,281)
Depreciation, amortisation and impairment of non-current assets	-	-	(665)	(665)
Operating profit	1,437	994	(1,428)	1,003
Capital expenditure	189	40	271	500

1 April 2011 to 30 June 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,099*	*889*	-	*1,988*
Service revenues	1,059	841	-	1,900
Terminal equipment	32	17	-	49
Other	8	31	-	39
Usage related direct costs	(81)	(127)	-	(208)
Income and losses on accounts receivable	(6)	(13)	-	(19)
Contribution margin I	1,012	749	-	1,761
Non-usage related direct costs	(132)	(133)	-	(265)
Segment result	880	616	-	1,496
Other income	-	-	46	46
Other operating expenses	(107)	(92)	(442)	(641)
Depreciation, amortisation and impairment of non-current assets	-	-	(330)	(330)
Operating profit	773	524	(726)	571
Capital expenditure	97	21	132	250

Period ended 30 June 2012	Residential	Business	Network & Support functions	Total
Segment revenue	*2,029*	*1,621*	-	*3,650*
Service revenues	1,954	1,540	-	3,494
Terminal equipment	69	26	-	95
Other	6	55	-	61
Usage related direct costs	(144)	(217)	-	(361)
Income and losses on accounts receivable	(9)	(28)	-	(37)
Contribution margin I	1,876	1,376	-	3,252
Non-usage related direct costs	(287)	(200)	-	(487)
Segment result	1,589	1,176	-	2,765
Other income	-	-	107	107
Other operating expenses	(226)	(176)	(849)	(1,251)
Depreciation, amortisation and impairment of non-current assets	-	-	(655)	(655)
Operating profit	1,363	1,000	(1,397)	966
Capital expenditure	135	47	163	345

1 April 2012 to 30 June 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,016*	*828*	-	*1,844*
Service revenues	978	783	-	1,761
Terminal equipment	35	13	-	48
Other	3	32	-	35
Usage related direct costs	(73)	(112)	-	(185)
Income and losses on accounts receivable	(3)	(16)	-	(19)
Contribution margin I	940	700	-	1,640
Non-usage related direct costs	(156)	(101)	-	(257)
Segment result	784	599	-	1,383
Other income	-	-	66	66
Other operating expenses	(112)	(80)	(398)	(590)
Depreciation, amortisation and impairment of non-current assets	-	-	(330)	(330)
Operating profit	672	519	(662)	529
Capital expenditure	96	29	118	243

Relations with the governing company and its affiliated companies

In the first six months of 2012 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

In the first six months of 2012 there were no changes in transactions among related parties which were specified in the annual financial report for 2011 and which had a significant impact on the financial position and operations of the Group in the first six months of 2012.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six months of 2012 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Group enters into transactions in the normal course of business on an arm’s length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first six months of 2012 the Group generated total revenue from related companies from international traffic to the amount of HRK 36 million (the first six months of 2011: HRK 48 million), while total costs of international traffic amounted to HRK 35 million (the first six months of 2011: HRK 43 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 5 million in the first six months of 2012 (the first six months of 2011: HRK 5 million).

Compensation of the Supervisory Board

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 of the average net salary of the employees of the Company paid in the preceding month. To the deputy chairman, the amount of 1.25 of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board who is in the same time the Chairman of the Audit Committee of the Supervisory Board in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month. To a member of the Supervisory Board who is in the same time a Member of the Audit Committee of the Supervisory Board in the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month. To a member of the Supervisory Board who is in the same time a Member of the Compensation and Nomination Committee of the Supervisory Board in the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first six months of 2012 the Company paid a total amount of HRK 0.3 million (the first six months of 2011: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2012 the total compensation paid to key management personnel of the Group amounted to HRK 26 million (first six months of 2011: HRK 25 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and its subsidiaries and the operating directors of the Company, who are employed by the Group.

Appendix:
HT d.d. Financial statements (TFI POD Form)

(Note: The Group's TFI POD Form is posted on the Company website www.t.ht.hr/eng/investors)

Income Statement

Position	Previous period	Previous period	Current period	Current period
	Cummulative	Quarter	Cummulative	Quarter
I. OPERATING INCOME (112 do 113)	3,759,051,494	1,894,494,044	3,486,172,605	1,771,628,157
1. Rendering of services	3,656,323,440	1,857,876,418	3,387,271,587	1,709,874,522
2. Other operating income	102,728,054	36,617,626	98,901,018	61,753,635
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	2,747,427,693	1,320,794,321	2,517,567,270	1,244,139,087
1. Change in inventories of work in progress				
2. Material expenses (117 do 119)	958,231,070	442,941,762	785,742,466	403,061,142
a) Costs of raw materials	78,504,708	39,385,070	78,258,016	34,927,684
b) Cost of goods sold	346,701,038	132,388,555	219,858,290	119,880,299
c) Other material expenses	533,025,324	271,168,137	487,626,160	248,253,159
3. Employee benefits expenses (121 do 123)	489,462,465	238,227,854	471,630,910	229,381,019
a) Net salaries	271,162,405	133,208,489	265,625,932	130,087,531
b) Tax and contributions from salary expenses	146,357,637	70,043,707	139,624,044	68,461,181
c) Contributions on salary	71,942,423	34,975,658	66,380,934	30,832,307
4. Depreciation and amortisation	636,091,609	316,275,510	611,091,675	301,736,466
5. Other expenses	602,354,926	296,280,206	570,691,402	284,278,795
6. Write down of assets (127+128)	42,250,169	17,446,710	62,954,891	30,270,394
a) non-current assets (except financial assets)	0	0	12,233,925	12,233,925
b) current assets (except financial assets)	42,250,169	17,446,710	50,720,966	18,036,469
7. Provisions	19,037,454	9,622,279	15,455,926	-4,588,729
8. Other operating costs	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	23,134,927	7,381,717	46,616,685	12,141,511
1. Interest, foreign exchange differences, dividens and similar income from related parties	5,268,938	1,949,798	3,679,032	1,857,212
2. Interest, foreign exchange differences, dividens and similar income from third parties	17,148,691	5,274,388	42,937,653	10,284,299
3. Income from investments in associates and	0	0	0	0

joint ventures				
4. Unrealised gains (income) from financial assets	0	0	0	0
5. Other financial income	717,298	157,531	0	0
IV. FINANCIAL EXPENSES (138 do 141)	16,543,507	5,160,987	17,655,033	-203,145
1. Interest, foreign exchange differences, dividens and similar income from related parties	0	0	0	0
2. Interest, foreign exchange differences, dividens and similar income from third parties	11,722,571	3,161,831	13,214,479	-2,020,358
3. Unrealised losses (expenses) from financial assets	0	0	216,000	216,000
4. Other financial expenses	4,820,936	1,999,156	4,224,554	1,601,213
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	0	0	0	0
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	0	0	0	0
IX. TOTAL INCOME (111+131+144)	3,782,186,421	1,901,875,761	3,532,789,290	1,783,769,668
X. TOTAL EXPENSES (114+137+143+145)	2,763,971,200	1,325,955,308	2,535,222,303	1,243,935,942
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	1,018,215,221	575,920,453	997,566,987	539,833,726
1. Profit before taxes (146-147)	1,018,215,221	575,920,453	997,566,987	539,833,726
2. Loss before taxes (147-146)	0	0	0	0
XII. TAXATION	190,679,614	101,908,763	189,274,512	97,110,161
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	827,535,607	474,011,690	808,292,475	442,723,565
1. Profit for the period (149-151)	827,535,607	474,011,690	808,292,475	442,723,565
2. Loss for the period (151-148)	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)				
XIV. PROFIT OR LOSS FOR THE PERIOD				
1. Attributable to majority owners	0	0	0	0
2. Attributable to minority interest	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)				
I. PROFIT OR LOSS FOR THE PERIOD (=152)	827,535,607	474,011,690	808,292,475	442,723,565
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	472,471	343,308	1,262,870	278,795
1. Exchange differences from international settlement	0	0	0	0
2. Changes in revaluation reserves of long-term tangible and intangible assets	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	472,471	343,308	1,262,870	278,795
4. Profit or loss from cash flow hedging	0	0	0	0
5. Profit or loss from hedging of foreign investments	0	0	0	0
6. Share of other comprehensive income/loss from associatied companies	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	472,471	343,308	1,262,870	278,795
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	828,008,078	474,354,998	809,555,345	443,002,360

Balance Sheet

Position	Previous period	Current period
ASSETS		
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	7,678,311,946	7,388,044,254
B) NON-CURRENT ASSETS (003+010+020+029+033)	772,477,082	717,422,902
I. INTANGIBLE ASSETS (004 do 009)	0	0
1. Expenditure for development	745,500,562	678,768,413
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	0	0
3. Goodwill	0	0
4. Advances for purchase of intangible assets	26,976,520	38,654,489
5. Intangible assets in progress	0	0
6. Other intangible assets	5,840,293,181	5,595,732,530
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	37,625,556	51,382,990
1. Land	3,627,222,554	3,499,684,725
2. Buildings	1,803,297,395	1,593,876,513
3. Plant and equipement	150,797,591	132,977,275
4. Tools, working inventory and transportation assets	0	0
5. Biological assets	1,844,274	1,360,920
6. Advances for purchase of tangible assets	214,454,335	311,711,118
7. Tangible assets in progress	5,051,476	4,738,989
8. Other tangible assets	0	0
9. Investment in real-estate	991,305,878	996,909,910
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	858,360,887	858,360,887
1. Share in related parties	93,779,919	97,458,951
2. Loans to related parties	0	0
3. Participating interests (shares)	0	0
4. Loans to companies with participating interest	32,828,797	34,753,797
5. Investments in securities	6,336,275	6,336,275
6. Loans, deposits, etc.	0	0
7. Other non-current financial assets	0	0
8. Equity-accounted investments	22,488,141	21,399,647
IV. RECEIVABLES (030 do 032)	0	0
1. Receivables from related parties	18,066,937	16,978,443
2. Receivables arising from sales on credit	4,421,204	4,421,204
3. Other receivables	51,747,664	56,579,265
V. DEFERRED TAX ASSET	5,325,732,075	4,390,466,688
C) CURRENT ASSETS (035+043+050+058)	154,128,220	156,806,885
I. INVENTORIES (036 do 042)	82,614,413	82,572,175
1. Raw materials and supplies	0	0
2. Production in progress	0	0
3. Finished products	71,460,832	74,223,677
4. Merchandise	52,975	11,033
5. Advances for inventories	0	0
6. Long term assets held for sale	0	0
7. Biological assets	1,165,669,717	1,228,406,754
II. RECEIVABLES (044 do 049)	21,867,473	42,647,988
1. Receivables from related parties	1,072,611,311	1,126,988,182
2. Receivables from end-customers	0	0
3. Receivables from participating parties	0	0
4. Receivables from employees and members of the company	3,325,289	3,555,055
5. Receivables from government and other institutions	67,865,644	55,215,529
6. Other receivables	341,306,626	865,317,076
III. CURRENT FINANCIAL ASSETS (051 do 057)	0	0

1. Share in related parties	0	0
2. Loans to related parties	0	0
3. Participating interests (shares)	0	0
4. Loans to companies with participating interest	341,306,626	527,268,596
5. Investments in securities	0	338,048,480
6. Loans, deposits, etc.	0	0
7. Other financial assets	3,664,627,512	2,139,935,973
IV. CASH AND CASH EQUIVALENTS	109,025,584	140,473,817
D) PREPAYMENTS AND ACCRUED INCOME	13,113,069,605	11,918,984,759
E) TOTAL ASSETS (001+002+034+059)		
F) OFF BALANCE SHEET ITEMS		
EQUITY AND LIABILITIES		
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	11,162,721,598	10,159,006,141
I. SUBSCRIBED SHARE CAPITAL	8,188,853,500	8,188,853,500
II. CAPITAL RESERVES	0	
III.RESERVES FROM PROFIT (066+067-068+069+070)	409,442,675	409,184,038
1. Legal reserves	409,442,675	409,442,675
2. Reserve for own shares	0	0
3. Treasury shares and shares (deductible items)	0	400,745
4. Statutory reserves	0	0
5. Other reserves	0	142,108
IV. REVALUATION RESERVES	-3,457,141	-2,194,271
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	754,587,377	754,870,399
1. Retained earnings	754,587,377	754,870,399
2. Loss carried forward	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	1,813,295,187	808,292,475
1. Net profit for the period	1,813,295,187	808,292,475
2. Net loss for the period	0	0
VII. MINORITY INTEREST	0	0
B) PROVISIONS (080 do 082)	440,098,767	388,941,272
1. Provisions for pensions, severance pay and similar libabilities	326,315,177	272,772,732
2. Provisions for tax liabilities	0	0
3. Other provisions	113,783,590	116,168,540
C) NON-CURRENT LIABILITIES (084 do 092)	23,844,264	22,125,346
1. Liabilites to related parties	0	0
2. Liabilities for loans, deposits, etc.	0	0
3. Liabilities to banks and other financial institutions	0	0
4. Liabilities for advances	0	0
5. Trade payables	0	0
6. Commitments on securities	0	0
7. Liabilities to companies with participating interest	0	0
8. Other non-current liabilities	23,844,264	22,125,346
9. Deferred tax liabilities	0	0
D) CURRENT LIABILITIES (094 do 105)	1,339,680,712	1,203,843,541
1. Liabilites to related parties	22,219,491	1,726,201
2. Liabilities for loans, deposits, etc.	238,736	265,176
3. Liabilities to banks and other financial institutions	0	0
4. Liabilities for advances	1,380,824	2,388,914
5. Trade payables	1,026,746,927	925,374,193
6. Commitments on securities	0	0
7. Liabilities to companies with participating interest	0	0
8. Liabilities to emloyees	178,908,738	145,503,096
9. Taxes, contributions and similar liabilities	73,552,516	88,233,759
10. Liabilities arising from share in the result	0	0
11. Liabilities arising from non-current assets held for sale	0	0
12. Other current liabilities	36,633,480	40,352,202
E) ACCRUED EXPENSES AND DEFERRED INCOME	146,724,264	145,068,459

F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	13,113,069,605	11,918,984,759
G) OFF BALANCE SHEET ITEMS	0	11,918,984,759

Cash Flow Statement

Position	Previous period	Current period
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	1,018,215,220	997,566,988
2. Depreciation and amortisation	636,091,609	623,325,600
3. Increase of current liabilities	0	0
4. Decrease of current receivables	70,288,788	0
5.Decrease of inventories	0	0
6. Other cash flow increases	0	0
I. Total increase of cash flow from operating activities	**1,724,595,617**	**1,620,892,588**
1. Decrease of current liabilities	380,164,517	137,492,976
2. Increase of current receivables	0	94,185,270
3. Increase of inventories	23,527,110	2,678,665
4. Other cash flow decreases	347,906,203	288,753,372
II. Total decrease of cash flow from operating activities	**751,597,830**	**523,110,283**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**972,997,787**	**1,097,782,305**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**0**	**0**
CASH FLOW FROM INVESTING ACTIVITIES		
1. Proceeds from sale of non-current assets	8,707,123	2,490,511
2. Proceeds from sale of non-current financial assets	73,951,800	1,107,963
3. Interest received	34,819,472	36,914,573
4. Dividend received	0	0
5. Other proceeds from investing activities	368,914,370	581,320,010
III. Total cash inflows from investing activities	**486,392,765**	**621,833,058**
1. Purchase of non-current assets	476,270,934	324,971,157
2. Purchase of non-current financial assets	0	0
3. Other cash outflows from investing activities	559,484,331	1,106,308,682
IV. Total cash outflows from investing activities	**1,035,755,265**	**1,431,279,839**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**0**	**0**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**549,362,500**	**809,446,781**
CASH FLOW FROM FINANCING ACTIVITIES		
1. Proceeds from issue of equity securities and debt securities	0	0
2. Proceeds from loans and borrowings	0	0
3. Other proceeds from financing activities	0	0
V. Total cash inflows from financing activities	**0**	**0**
1. Repayment of loans and bonds	645,849	0
2. Dividends paid	1,862,898,740	1,813,027,063
3. Repayment of finance lease	0	0
4. Purchase of treasury shares	0	0
5. Other cash outflows from financing activities	0	0
VI. Total cash outflows from financing activities	**1,863,544,588**	**1,813,027,063**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**0**	**0**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**1,863,544,588**	**1,813,027,063**
Total increases of cash flows	**0**	**0**
Total decreases of cash flows	**1,439,909,301**	**1,524,691,539**
Cash and cash equivalents at the beginning of period	3,245,292,373	3,664,596,307
Increase of cash and cash equivalents	**0**	**0**
Decrease of cash and cash equivalents	**1,439,909,301**	**1,524,691,539**
Cash and cash equivalents at the end of period	**1,805,383,072**	**2,139,904,768**

Statement of changes in Equity

Position	Previous year	Current year
1. Subscribed share capital	8,188,853,500	8,188,853,500
2. Capital reserves	0	0
3. Reserves from profit	409,442,675	409,184,038
4. Retained earnings or loss carried forward	754,587,377	754,870,399
5. Net profit or loss for the period	1,813,295,187	808,292,475
6. Revaluation of tangible assets	0	0
7. Revaluation of intangible assets	0	0
8. Revaluation of available for sale assets	-3,457,141	-2,194,271
9. Other revaliuation	0	0
10. Total equity and reserves (AOP 001 to 009)	11,162,721,598	10,159,006,141
11. Foreign exchange differences ffrom foreign investments	0	0
12. Current and deferred taxes	0	0
13. Cash flow hedge	0	0
14. Change of accounting policies	0	0
15. Correction of significant mistakes of prior period	0	0
16. Other changes	0	0
17.Total increase or decrease of equity (AOP 011 to 016)	0	0

Notes to the condensed financial statements
For period ended 30 June 2012

Basis of preparation

The condensed financial statements of 30 June 2012 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, except for investments available-for-sale stated at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2011.

Dividends

Management Board and Supervisory Board of the Company proposed a dividend distribution for 2011 in amount of HRK 1,813 million (22.14 HRK per share).

On 27 February 2012 advance dividend payment in amount of HRK 906.5 millions was paid to the shareholders (HRK 11.07 per share). The remaining amount of HRK 906.5 (HRK 11.7 per share) was paid to the shareholders on 21 May 2012.

Segment information

Business reporting format is determined to be Residential, Business and Network and Support Function segments as the Company's risks and rates of return are affected predominantly by differences in the market and customers. The segments are organised and managed separately according to the nature of the customers and markets that the services rendered, with each segment representing a strategic business unit that offers different products and services.

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

The Business Segment 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 performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The Network and Support Functions is included in segment information as a voluntary disclosure since it does meet the criteria for an operating segment.

Management Board as chief operating decision maker monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on contribution margin II (as calculated in the table below).

Management of the Company does not monitor assets and liabilities by segments and therefore this information has not been disclosed.

The following tables present revenue and direct cost information regarding the Company's segments:

Period ended 30 June 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,109*	*1,530*	-	*3,639*
Service revenues	2,020	1,441	-	3,461
Terminal equipment	82	31	-	113
Other	7	58	-	65
Usage related direct costs	(152)	(239)	-	(391)
Income and losses on accounts receivable	(17)	(25)	-	(42)
Contribution margin I	1,940	1,266	-	3,206
Non-usage related direct costs	(336)	(147)	-	(483)
Segment result	1,604	1,119	-	2,723
Other income	-	-	120	120
Other operating expenses	(189)	(136)	(871)	(1,196)
Depreciation, amortisation and impairment of non-current assets	-	-	(636)	(636)
Operating profit	1,415	983	(1,387)	1.011
Capital expenditure	173	35	268	476

1 April 2011 to 30 June 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,068*	*783*	-	*1,851*
Service revenues	1,030	735	-	1,765
Terminal equipment	32	17	-	49
Other	6	31	-	37
Usage related direct costs	(76)	(120)	-	(196)
Income and losses on accounts receivable	(5)	(11)	-	(16)
Contribution margin I	987	652	-	1,639
Non-usage related direct costs	(126)	(66)	-	(192)
Segment result	861	586	-	1,447
Other income	-	-	42	42
Other operating expenses	(99)	(68)	(433)	(600)
Depreciation, amortisation and impairment of non-current assets	-	-	(316)	(316)
Operating profit	762	518	(707)	573
Capital expenditure	84	17	131	232

Period ended 30 June 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,950*	*1,438*	-	*3,388*
Service revenues	1,877	1,357	-	3,234
Terminal equipment	69	26	-	95
Other	4	55	-	59
Usage related direct costs	(137)	(193)	-	(330)
Income and losses on accounts receivable	(8)	(27)	-	(35)
Contribution margin I	1,805	1,218	-	3,023
Non-usage related direct costs	(275)	(98)	-	(373)
Segment result	1.530	1,120	-	2,650
Other income	-	-	99	99
Other operating expenses	(210)	(122)	(839)	(1,171)
Depreciation, amortisation and impairment of non-current assets	-	-	(611)	(611)
Operating profit	1,320	998	(1.351)	967
Capital expenditure	125	44	156	325

1 April 2012 to 30 June 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*976*	*734*	-	*1,710*
Service revenues	939	689	-	1,628
Terminal equipment	35	13	-	48
Other	2	32	-	34
Usage related direct costs	(71)	(99)	-	(170)
Income and losses on accounts receivable	(3)	(15)	-	(18)
Contribution margin I	902	620	-	1,522
Non-usage related direct costs	(150)	(47)	-	(197)
Segment result	752	573	-	1,325
Other income	-	-	62	62
Other operating expenses	(104)	(55)	(400)	(559)
Depreciation, amortisation and impairment of non-current assets	-	-	(302)	(302)
Operating profit	648	518	(640)	526
Capital expenditure	87	27	113	227

Relations with the governing company and its affiliated companies

In the first six months of 2012 there were no transactions among related parties with a significant impact on the financial position and operations of the Company in the given period.

In the first six months of 2012 there were no changes in transactions among related parties which were specified in the annual financial report for 2011 and which had a significant impact on the financial position and operations of the Company in the first six months of 2012.

Business relations transacted between HT d.d. in the first six months of 2012 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Company enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first six months of 2012 the Company generated total revenue from related companies from international traffic to the amount of HRK 36 million (the six months of 2011: HRK 48 million), while total costs of international traffic amounted to HRK 35 million (the first six months of 2011: HRK 43 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 5 million in the first six months of 2012 (the first six months of 2011: HRK 5 million).

Compensation of the Supervisory Board

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 of the average net salary of the employees of the Company paid in the preceding month. To the deputy chairman, the amount of 1.25 of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board who is in the same time the Chairman of the Audit Committee of the Supervisory Board in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month. To a member of the Supervisory Board who is in the same time a Member of the Audit Committee of the Supervisory Board in the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month. To a member of the Supervisory Board who is in the same time a Member of the Compensation and Nomination Committee of the Supervisory Board in the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first six months of 2012, the Company paid a total amount of HRK 0.3 million (the first six months of 2011: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2012 the total compensation paid to key management personnel of the Company amounted to HRK 20.5 million (first six months of 2011: HRK 19 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and the operating directors of the Company, who are employed by the Company.

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

To the best of our knowledge, unaudited financial statements of the company Hrvatski Telekom d.d. (hereinafter: "Company") and unaudited 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 first half 2012 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. Ivica Mudrinić, President of the Management Board (CEO)

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

Mr. Johan Busé, Member of the Management Board and Chief Operating Officer Residential

Ms. Irena Jolić Šimović, Member of the Management Board and Chief Operating Officer Business

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

Ms. Branka Skaramuča, Member of the Management Board and Chief Human Resources Officer

Zagreb, 26 July 2012

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