Zagreb – 30 October 2012

T-Hrvatski Telekom
Results for the nine months to 30 September 2012

Worsening economic environment, increased competitive pressure and regulatory environment result in 7.1% revenue decline, but margins remain stable and innovation in products and services continues

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

Group Highlights

- Revenue down 7.1% to HRK 5,660 million or EUR 753 million (Jan-Sep 2011: HRK 6,092 million, EUR 822 million)
  - Underlying revenue down 6.8%,
    - excludes positive one-off impact of change in useful life of customer relationship recognized in Q3 2011
    - excludes impact of 6% mobile fee applicable to entire period Jan-Sep 2011 and Jan 26 to July 9 2012
- Non voice revenues show continued growth
  - Fixed broadband ARPA up 3.9% to HRK 125
  - Mobile data subscribers up 25.1% to 819,978
  - Smartphone sales at 51.0 % of total handsets sold
- EBITDA falls 6.7% to HRK 2,611 million (EUR 347 million), margin at 46.1% (Jan-Sep 2011: HRK 2,799 million or EUR 378 million, 46.0%)
  - Continued impact from cost controls
  - Merchandise and telecommunication costs, along with other categories, lower against Jan-Sep 2011
- Net profit down 6.4% at HRK 1,388 million (EUR 185 million)
- Operating cash flow up 0.9% to HRK 1,910 million (EUR 254 million)
- Capex down 8.3% to HRK 581 million
- T-HT granted the preferred block of 811-821/852-862 MHz in public submission process for wireless frequency licence on 790MHz-862 MHz band
- 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 3.2% (up 3.8% on Q2 2012)
- 523,669 broadband retail access lines, down 2.7% (down 0.8% on Q2 2012), and 329,290 TV customers, up 3.6% (up 0.8% on Q2 2012)
- Revenue down 7.3%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,075 million, down 8.4%
- LTE network operational in March; continued promotions of 4G mobile internet tariffs in Q3

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers up 4.8% (down 1.4% on Q2 2012)
- 104,935 broadband retail access lines, down 2.6% (down 1.0% on Q2 2012) and 19,992 TV customers, up 5.7% (0.8% to Q2 2012)
- Revenue down 6.9%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,618 million, down 3.7%
- Further development of Cloud services

Ivica Mudrinić, President of the Management Board (CEO), *said: "The economic environment in Croatia remains sluggish and is experiencing a further contraction in 2012 GDP, increasing unemployment and higher inflation. Rising energy and food prices continue to put pressure on disposable income, whilst the corporate sector continues to be hit by insolvencies. At the same time, competition remains intense and the regulatory regime remains tight. Against this backdrop, T-HT reported lower revenue and EBITDA but was nevertheless able to implement cost discipline and maintain margins. The combined impact of the factors outlined above has led the Group to somewhat decrease its financial expectations for the full year.*

"Along with delivering a solid financial performance, we continue to implement a strategic vision that will position the Group for future growth. We have maintained our leading market position through a continued focus on innovative products to improve the services we provide our customers. These include new Cloud-based services and Croatia's first NFC mobile payments pilot. We are also investing in leading edge technologies such as next-generation 4G networks in mobile and the migration of our fixed-line offering on the IP network."

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A conference call for analysts and investors will be held at 14.00 UK time / 15.00 CET on the same day.

The conference call dial in details are as follows:

International Dial In	+44 (0) 1452 555 566
UK Free Call Dial In	0800 694 0257
Conference ID	47413203

A replay of the call will be available until Monday, 5 November 2012 using the following details:

International Dial In	+44 (0) 1452 550 000
Replay Access Code	47413203

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

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 September 2012, the Group served 1.2 million fixed-line retail customers, more than 2.4 million mobile subscribers, 628,604 thousand broadband retail access lines and provided TV services to 349,282 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated solutions to Croatia's business market.

Strategy and Transformation

Following the introduction of the position of Chief Operating Officer as of 1 September 2012, with responsibilities including the coordination, management and integration of transformational activities across the organisation, T-HT has updated its strategic vision to incorporate the Group's objectives in this regard.
T-HT's strategic vision and overarching objectives are to shift all its activities to online platforms and to drive the spread of the digital society and digital economy in Croatia and the region as the leading digital solutions provider.
T-HT's strategic objectives are centred on three key pillars: GROW - COMPETE – TRANSFORM.
GROW: focus on developing and expanding growth areas by leveraging consumer and technology trends around mobile and fixed Internet, online activities, ICT, media, advertising and other new services and businesses.
COMPETE: maintain the leading competitive position of the Group's traditional fixed and mobile business by enhancing its core offers and leveraging its top quality networks.
TRANSFORM: facilitate radical e-transformation through a vigorous shift to online activities (including e-commerce, e-care, e-bill, e-payment, online advertising); implement the next phase of customer care by focusing on reducing waste contact and complaints; transform the network through migration to an all-IP technology; and transform cost structures in all core operations.

Market overview

Negative economic trends, regulatory tightening and increased competition continue to significantly impact the Croatian telecommunications market.

The competitive environment intensified with the launch of prepaid mobile brand MultiPlus, a brand reseller concept with a major retail chain that is carried on the Group's network infrastructure. In addition, the forthcoming launch of a competing MVNO is expected to further intensify mobile competition and also enhance integrated fixed and mobile offers available on the Croatian telecommunications market.

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

The special 6% fee imposed by the government on revenues from mobile services, was re-introduced by a new Croatian government in the end of January 2012 and then abolished at the beginning of July 2012.

On 14 September 2012, the Agency announced a public submission process for 12-year wireless frequency license on the 790MHz-862MHz band. T-HT and one other mobile player in the Croatian market have applied for the licenses.

Fixed-line market

Fixed telephony remains highly competitive in Croatia, with nine active operators. Major market consolidation last year increased competition in bundled telecommunication offers. In spite of increasing competitive offers, 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 13.1% in Q2 2012 vs Q2 2011, following similar global trends.

Mobile telecommunications

T-HT, through a range of brands, has maintained a leading market position in a saturated mobile market, served by three operators since 2005. Mobile penetration rate is estimated to have reached 123% and the Company's share of total mobile customers is estimated at 46% at the end of September 2012.

Despite an increase in mobile usage, mobile revenue continues 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 9.6% and the number of SMSs sent increased by 14.8% in Q2 2012 vs Q2 2011. Demand for mobile Internet continued to grow in first nine months of 2012, with all three mobile operators promoting their mobile broadband offers together with increasing smartphone offers.

In the first nine months of 2012, smartphones as a proportion of total handsets sold by T-HT amounted to 51%. At the end of September, 21% of total T-HT's mobile subscribers were smartphone users.

Internet

In Croatia, 876,163 fixed broadband connections were reported for Q2 2012 (according to the Croatian Post and Electronic Communications Agency), which represents an increase of 4.6% compared with Q2 2011. DSL is still the dominant broadband technology.

At the end of Q3 2012, T-HT Group had 651,741 broadband access lines. The Group achieved 349,282 TV customers at the end of Q3 2012, representing 53.6 % of T-HT's total fixed broadband customer base.

The Croatian broadband market still represents a growth opportunity for T-HT, with 47% of Croatian households connected to fixed broadband compared to an average of more than 65% in Western Europe (*source: Analysys Mason*).

The Croatian Pay TV market grew by 5.9% in Q2 2012 compared to Q2 2011, reaching 595,763 customers according to the Croatian Post and Electronic Communications Agency. T-HT has enhanced its TV services with the introduction of MAXtv To Go - innovative mobile television services for smartphones.

In March 2012, regulation was extended within the IPTV segment, making Croatia the only country in Europe with a regulated IPTV market.

Data (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 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 broadband wholesale customers (BSA and Naked BSA) reached 23,137 at the end of Q3 2012. In addition, there is still significant demand for Unbundled Local Loop (ULL), so the number of customers increased to 164,154 at the end of Q3 2012 from 160,693 at the end of Q2 2012. Starting from 1 January, 2012, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination.

Economic background

The Croatian economy experienced cumulative negative GDP growth of -9% between 2009 and 2012, and faces the toughest environment when compared to countries within the EU as the recession continues to intensify. Croatian GDP continued to show negative growth in Q2 2012 (-2.2% vs Q2 2011), industrial production fell by 8.3% in first eight months of 2012 and unemployment remained high at 18.3% in September 2012 (compared with 16.8% in September 2011). Increases in VAT, energy prices and retail prices have kept inflation high, whilst personal consumption has contracted.

According to the Croatian Central Bureau of Statistics, average net earnings in August 2012 were in real terms 3.5% lower than in August 2011. The industrial downturn - with illiquidity still extremely high at HRK 44.0 bn in August (peaked at HRK 44.6 bn in May 2012) and more than 74,000 insolvent business entities - has affected all sectors and export industries. For 2012, the average estimate for Croatia's GDP stands at -1.8%.

However, Fitch Ratings has revised Croatia's Outlook to Stable from Negative and affirmed its long-term foreign and local currency Issuer Default Ratings (IDR) at 'BBB-' and 'BBB' respectively, based on the Government's progress in developing a medium-term plan to address the country's fiscal challenges.

In the coming months, Croatia's economic policymakers will be faced with two main issues: implementing a credible fiscal policy (consolidating budgetary expenditures) and introducing structural changes to promote economic growth, which are unlikely to materialise before H2 2013.

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). In the first nine months to 30 September 2012 it was HRK 56 million (Jan-Sep 2011: HRK 113 million).

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.

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 market:

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

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

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 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 of bundled offers).

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

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

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.

In July 2012 Croatian Parliament approved the Government's proposal to abolish the 6% fee on revenues generated by mobile services, incl. SMS, MMS and voice, that was payable by all mobile operators. Although 6% fee was reintroduced in January 2012 with aim to have the fee applicable until Croatian accession in the EU, the fee was finally abolished by Croatian Parliament on July 6th, 2012, with the effect as from July 9th, 2012.

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.

On 14 September 2012, the Agency announced a public submission process for 12-year wireless frequency licenses on the 790MHz-862MHz band ("digital dividend"). T-HT has applied for one frequency block of 2x10 MHz for a fixed one-off fee for the spectrum licence of HRK 150 million, plus additional annual fees for the use of frequencies set around the level of other current mobile frequencies and licenses.
On 29 October 2012, HAKOM unveiled its decision on the assignment of the digital dividend license to T-HT. T-HT has been granted a preferred block of 811-821/852-862 MHz for the 12-year period from 29 October 2012 to 18 October 2024.The license will be issued after payment of the frequency fees to the total amount of HRK 169.6 million, with payment due on 17 November 2012.

Segmental reporting

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

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

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

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

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

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

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

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

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

With respect to the volume of replacement equipment in relation to the customer base with CPE, the expected lifetime is estimated at seven years. This change has been recognized in Q3 2012 and resulted a HRK 36 million decrease in depreciation.

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-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Revenue	5,660	6,092	*-7.1%*
EBITDA before exceptional items	2,611	2,799	*-6.7%*
Exceptional items	0	0	-
EBITDA after exceptional items	2,611	2,799	*-6.7%*
EBIT (Operating profit)	1,674	1,794	*-6.7%*
Net profit after minority interest	1,388	1,483	*-6.4%*
EBITDA margin before exceptional items	46.1%	46.0%	*0.2 p.p.*
EBITDA margin after exceptional items	46.1%	46.0%	*0.2 p.p.*
EBIT margin	29.6%	29.5%	*0.1 p.p.*
Net profit margin	24.5%	24.3%	*0.2 p.p.*

in HRK million	At 30 Sep 2012	At 31 Dec 2011	*% of change A12/A11*
Cash and cash equivalents	2,181	3,704	*-41.1%*
Total assets	12,386	13,136	*-5.7%*
Total issued capital and reserves	10,596	11,019	*-3.8%*

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Net cash flow from operating activities	1,910	1,892	*0.9%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Revenue	3,085	3,327	*-7.3%*
Contribution to EBITDA before EI	2,075	2,266	*-8.4%*

BUSINESS SEGMENT

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Revenue	2,575	2,765	*-6.9%*
Contribution to EBITDA before EI	1,618	1,680	*-3.7%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Contribution to EBITDA before EI	-1,082	-1,146	*5.5%*

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Nine months to 30 September 2011	7.41	7.49	5.27	5.49
Nine months to 30 September 2012	7.52	7.45	5.87	5.76

Selected Operational Data

Key operational data	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Mobile subscibers in 000			
Number of subscribers [1]	**2,443**	**2,485**	***-1.7%***
- Residential	1,967	2,031	*-3.2%*
- Business	476	454	*4.8%*
Number of postpaid subscribers	**1,020**	**1,037**	***-1.7%***
Number of prepaid subscribers [1]	**1,423**	**1,448**	***-1.7%***
Minutes of use (MOU) per average subscriber [1) 2)]	**143**	**128**	***11.2%***
- Residential	117	96	*21.9%*
- Business	244	273	*-10.8%*
Blended ARPU (monthly average for the year in HRK) [1]	**92**	**94**	***-1.6%***
- Residential	74	73	*0.6%*
- Business	164	184	*-11.0%*
Blended non-voice ARPU (monthly average for the year in HRK) [1) 2)]	**27**	**26**	***4.7%***
SAC per gross add in HRK	**78**	**135**	***-42.5%***
Churn rate (%) [1]	2.8	2.5	*0.3 p.p.*
Penetration (%) [1) 3)]	123.4	127.9	*-3.9 p.p.*
Market share of subscribers (%) [1) 3)]	46.1	45.3	*0.6 p.p.*
Data subscribers [4]	**820**	**655**	***25.1%***

[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 tariffs
[3] Source: Source: published VIPnet's quarterly report for 3Q 2011 and Tele2's quarterly report for 3Q 2011 and 3Q 2012. Number of subscribers for VIPnet for 3Q 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-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Fixed mainlines in 000			
Fixed mainlines - retail [1]	**1,206**	**1,315**	***-8.3%***
- Residential	1,028	1,116	*-7.9%*
- Business	178	199	*-10.4%*
Fixed mainlines - wholesale (WLR)	**116**	**78**	**-**
- Residential	97	0	-
- Business	19	0	-
Total Traffic (mill. of minutes)	**1,826**	**2,097**	***-12.9%***
- Residential	1,396	1,558	-10.4%
- Business	430	538	-20.0%
ARPA voice per access (monthly average for the year in HRK) [2]	**116**	**120**	**-2.9%**
- Residential	98	99	-1.1%
- Business	221	238	-7.1%
IP mainlines/customers in 000			
Broadband access lines - retail [3]	**629**	**646**	**-2.7%**
- Residential	524	538	-2.7%
- Business	105	108	-2.6%
Broadband access lines - wholesale [4]	**23**	**2**	**-**
- Business	23	2	-
TV customers	**349**	**337**	**3.7%**
- Residential	329	318	3.6%
- Business	20	19	5.7%
thereof IPTV	**322**	**325**	**-0.9%**
- Residential	303	306	-1.2%
- Business	19	19	3.8%
thereof Cable TV	**6**	**6**	**0.2%**
- Residential	6	6	0.2%
- Business	0	0	-1.3%
thereof Satellite TV	**22**	**6**	**249.3%**
- Residential	21	6	252.8%
- Business	1	0	159.9%
Fixed-line customers	**1**	**1**	**2.1%**
VPN connection points	**4**	**4**	**5.4%**

Broadband retail ARPA [5)] (monthly average for the year in HRK)	**125**	**121**	**3.9%**
- Residential	125	118	5.4%
- Business	134	133	1.0%
Data lines in 000			
Total data lines	**5**	**6**	**-3.0%**
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	34	137	-75.4%
NP (Number portability) users/number	585	535	9.4%
ULL (Unbundled Local Loop)	164	144	14.0%

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

Group financial performance

Revenue

in HRK million (IFRS HT accounting policies)	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Voice revenue	2,995	3,416	*-12.3%*
Non voice revenue	2,069	1,998	*3.5%*
Other service revenue	352	420	*-16.0%*
Terminal equipment	140	161	*-13.4%*
Miscellaneous	105	98	*7.1%*
Revenue	5,660	6,092	*-7.1%*

Group revenue continues to be affected by the recession, intense competitive pressure and regulatory initiatives. Croatia's economic recovery has been slower than expected and one of the slowest in the region, with average forecasts for 2012 GDP growth of around -1.8%.

In first nine months of 2012, total revenue fell 7.1% to HRK 5,660 million (Jan-Sep 2011: HRK 6,092 million) caused mainly by the fall in voice revenues, while non voice revenues showed growth.

Voice revenue fell by 12.3% as a result of lower revenue in both the Residential and Business segments, pricing pressures in both mobile and fixed markets, lower termination rates and lower wholesale revenues.

Non voice revenue rose by 3.5%, due to an increase in both the Residential and Business segments, while Other service revenue declined 16.0%.

Terminal equipment revenue fell 13.4%, mainly due to the absence of the mobile acquisition campaigns seen in first half of 2011 in the Residential segment.

Miscellaneous revenue increased by 7.1%, driven mainly by higher business wholesale mobile miscellaneous revenue.

In first nine months of 2012, the impact of the 6% mobile fee was HRK 56 million (Jan-Sep 2011: HRK 113 million). As outlined above, in July 2012 the Croatian Parliament adopted the Government's proposal to terminate the fee, effective from 9 July 2012.

In the first nine months of 2012, the contribution by subsidiaries to Group revenue was as follows: Iskon HRK 221 million (Jan-Sep 2011: HRK 179 million) and Combis HRK 234 million (Jan-Sep 2011: HRK 281 million).

Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased by 7.9% to HRK 3,205 million in 2012 from HRK 3,478 million in 2011. This was mainly a result of a fall in material expenses.

Material expenses

Material expenses decreased to HRK 1,457 million in Jan-Sep 2012 from HRK 1,645 million in Jan-Sep 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 5.1% 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 2.5% to HRK 839 million in 2012 from HRK 860 million in 2011. This was the result of a 5.6% fall in the number of employees - the Group's (FTE) employees fell to 5,725 in September 2012 from 6,066 in September 2011 - and saving measures.

Other expenses

Other expenses decreased by 9.7% to HRK 881 million in 2012 from HRK 975 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 74.1% to HRK 84 million in 2012 from HRK 48 million in 2011 due to the higher value adjustment of inventories and higher value adjusted receivables due to the economic recession.

Depreciation and amortization

Depreciation and amortization was 6.8% lower than the same period last year (Jan-Sep 2012: HRK 937 million; Jan-Sep 2011: HRK 1,005 million) as a result of lower investment in the core network compared to the previous year and change in useful life for data, IP and Ethernet terminal equipment to seven years from three years.

T-HT Group profitability

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Revenue	5,660	6,092	*-7.1%*
EBITDA before exceptional items	2,611	2,799	*-6.7%*
Exceptional items	0	0	-
EBITDA after exceptional items	2,611	2,799	*-6.7%*
EBIT (Operating profit)	1,674	1,794	*-6.7%*
Net profit after minority interest	1,388	1,483	*-6.4%*
EBITDA margin before exceptional items	46.1%	46.0%	*0.2 p.p.*
EBITDA margin after exceptional items	46.1%	46.0%	*0.2 p.p.*
EBIT margin	29.6%	29.5%	*0.1 p.p.*
Net profit margin	24.5%	24.3%	*0.2 p.p.*

EBITDA fell 6.7% to HRK 2,611 million in Jan-Sep 2012 (Jan-Sep 2011: HRK 2,799 million), with the decline in revenue only partially offset by lower operating expenses.

Operating profit fell 6.7% to HRK 1,674 million and net profit fell 6.4% to HRK 1,388 million.

Balance sheet

T-HT's balance sheet remains strong, with total assets of HRK 12,386 million on 30 September 2012 (31 December 2011: HRK 13,136 million). Cash and cash equivalents stood at HRK 2,181 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 September 2012 stood at HRK 1,210 million (31 December 2011: HRK 363 million).

Cash flow

Net cash flow from operating activities increased by 0.9% to HRK 1,910 million, mainly due to improved working capital management.

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

Capital expenditure

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Business	78	61	*27.5%*
Residential	233	252	*-7.6%*
Network and Support Functions	270	320	*-15.6%*
T-HT Group	**581**	**633**	***-8.3%***
Capex / Revenue ratio	10.3%	10.4%	*-0.1 p.p.*

Capital expenditure in Jan-Sep 2012 was 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 nine months was higher than in the same period in 2011, mainly due to increased investments into network products and solutions and CPE.

Capital expenditure in the Network and Support Functions segment, which represents the cross-segment management and support functions, was lower for the first nine months of 2012 mainly due to the postponement 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 3.2% (up 3.8% on Q2 2012)
- 523,669 broadband retail access lines, down 2.7% (down 0.8% on Q2 2012), and 329,290 TV customers, up 3.6% (up 0.8% on Q2 2012)
- Revenue down 7.3%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,075 million, down 8.4%
- LTE network operational in March; continued promotions of 4G mobile internet tariffs in Q3

- Further enhancement of postpaid and prepaid tariffs
- Further promotion of MAX3 bundle package

Key operational data	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Mobile subscribers in 000			
Number of subscribers [1]	1,967	2,031	-3.2%
Minutes of use (MOU) per average subscriber [1]	117	96	21.9%
Blended ARPU (monthly average for the year in HRK) [1]	74	73	0.6%
Fixed mainlines in 000			
Fixed mainlines - retail [2]	1,028	1,116	-7.9%
Fixed mainlines - wholesale (WLR)	97		-
Total Traffic (mill. of minutes)	1,396	1,558	-10.4%
ARPA voice per access [3] (monthly average for the year in HRK)	98	99	-1.1%
IP mainlines/customers in 000			
Broadband access lines - retail [4]	524	538	-2.7%
TV customers	329	318	3.6%
thereof IPTV	303	306	-1.2%
thereof Cable TV	6	6	0.2%
thereof Satellite TV	21	6	252.8%
Broadband retail ARPA [5] (monthly average for the year in HRK)	125	118	5.4%

[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 Q3 2012, T-HT continued marketing activities that tap into the potential of its customer community. Promotion of EXTRA total+ tariffs introduced at the beginning of June and accompanied by attractive handset offers on the latest smart phones continued, with attractive mobile number portability offers and special handset discounts introduced in Q3.

Additionally, innovations in sales channels have characterised the prepaid segment in Q3 2012. Since July, users of T-HT fixed services have been able to top-up T-prepaid accounts through the fixed line with a new service called Halo bon and receive an additional 10% credit. The promotion also offers the opportunity take part in a game and win prizes.

Bonbon maintained its successful performance in Q3 with a new promotion on all new and existing bonbon users – existing voice, text and data packages, which bonbon users may combine according to their specific needs, include twice as many minutes, SMS and data traffic at the same price.

In addition, bonbon launched its new website with enhanced functionalities.

In Q3 2012, T-HT introduced new visitor “All inclusive package” offers to coincide with the height of the Croatian tourist season. These deals offered visitors a range of benefits including flat internet access via HT Hot Spots on locations throughout the entire country.

Promotion of mobile internet tariffs based on the 4G network continued after the successful unveiling of the first live commercial in Croatia and the “Move on” campaign, which enabled movie fans to participate in the creative process of making a film using various functionalities of superfast 4G mobile internet. In Q3 2012 , T-HT offered a special discount for young people (aged 18 to 28) on Extreme Mobile net tariffs.

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. In Q2 and Q3 2012, Multiplus mobile developed further through the introduction of a mobile internet option, attractive handset offers and special promotions.

In the fixed segment, a new campaign was launched in Q3 promoting the MAX 3 bundle package which offers savings for customers without having to compromise on the quality of service. The MAX3 promotion was accompanied by six months free access to the Sports plus package.

The mobile subscriber base decreased by 3.2% year on year to 1,967,186 subscribers in Q3 2012 (Q3 2011: 2,031,437), 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 21.9%.

Blended ARPU increased by 0.6% at the end of Q3 2012 to HRK 74 compared to the same period last year, as a result of attractive offers and increased minutes of usage.

At the end of September 2012, total fixed access mainlines were 7.9% down on the same time last year at 1,028,267. 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 1,396 million minutes from January 2012 to September 2012, down 10.4% 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 1.1% from the same period last year as a result of the market trends mentioned above.

At the end of September 2012, broadband retail accesses stood at 523,669, down 2.7% on the same period last year. At the same time, broadband retail ARPA increased 5.4% due to increased share of customers with higher traffic packages.

The TV customer base continues to grow. At the end of September, subscribers totalled 329,290, up 3.6% from the 30 September 2011.

Satellite TV, an extension of the IPTV service, continues to grow and to contribute to the overall success of the Group's payTV services.

Residential Segment financial performance

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Voice revenue	1,765	2,011	*-12.2%*
Non voice revenue	1,183	1,153	*2.6%*
Other service revenue	23	35	*-34.6%*
Terminal equipment	104	115	*-9.7%*
Miscellaneous	10	13	*-20.0%*
Total revenues	3,085	3,327	*-7.3%*
Operating expenses	1,010	1,062	*-4.8%*
Contribution to EBITDA before EI	2,075	2,266	*-8.4%*

** 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 nine months to September 2012, total residential revenue fell 7.3% year on year to HRK 3,085 million. This decrease was due largely to lower voice revenue in the fixed and mobile network in conjunction with lower other service revenue and terminal equipment revenue.

This revenue development continues to be largely due to the challenging macroeconomic environment, regulatory measures and intense competitive pressure.

Voice revenue

A decline in total revenue at the end of Q3 2012 over the previous year was driven mainly by a fall in voice revenues of HRK 246 million.

This was driven largely by the fixed network, which posted an 18.0% decrease due to a 7.9% drop in retail mainlines resulting in a 10.4% 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 September 2012, 96,869 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 17.2% 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 increased, driven by a 35.2% increase in incoming traffic.

Non voice revenue

Non voice revenue increased by 2.6%, or HRK 30 million over the previous year, as a result of higher revenue from fixed services.

Fixed IP revenues rose 3.7%, driven by higher broadband retail ARPA (Jan-Sep 2012: HRK 125; Jan-Sep 2011: HRK 118) and a higher number of TV subscribers in combination with higher ARPA. Over the past 12 months, the TV customer base has increased by 3.6%, or 11,443.

At the same time, mobile non voice revenue 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 uses traditional non voice services such as SMS less.

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 12 million compared to the same period last year.

Terminal equipment

In the nine months to the end of September 2012, revenues from terminal equipment declined 9.7%, or HRK 11 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 H1 last year.

Contribution to EBITDA

In first nine months 2012, the Residential segment contribution to EBITDA totalled HRK 2,075 million, down 8.4% on Jan-Sep 2011, with a 7.3% fall in revenue only partly offset by lower expenses.

Business Segment highlights

- Substantial customer base across all segments and products
- Mobile subscribers up 4.8% (down 1.4% on Q2 2012)
- 104,935 broadband retail access lines, down 2.6% (down 1.0% on Q2 2012) and 19,992 TV customers, up 5.7% (0.8% to Q2 2012)
- Revenue down 6.9%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 1,618 million, down 3.7%
- Further development of Cloud services
- Additional Max2 Biz package offer introduced

Key operational data	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Mobile customers in 000			
Number of subscribers	476	454	4.8%
Minutes of use (MOU) per average subscriber	244	273	-10.8%
Blended ARPU (monthly average for the year in HRK)	164	184	-11.0%
Fixed mainlines in 000			
Fixed mainlines - retail [1)]	178	199	-10.4%
Fixed mainlines - wholesale (WLR)	19		-
Total Traffic (mill. of minutes)	430	538	-20.0%

ARPA voice per access (monthly average for the year in HRK)	221	238	-7.1%
IP mainlines/customers in 000			
Broadband access lines - retail [2)]	105	108	-2.6%
Broadband access lines - wholesale [3)]	23	2	-
TV customers	20	19	5.7%
thereof IPTV	19	19	3.8%
thereof Cable TV	0	0	-1.3%
thereof Satellite TV	1	0	159.9%
Fixed-line customers	1	1	2.1%
VPN connection points	4	4	5.4%
Broadband retail ARPA [4)] (monthly average for the year in HRK)	134	133	1.0%
Data lines in 000			
Total data lines	5	6	-3.0%
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	34	137	-75.4%
NP (Number portability) users/number	585	535	9.4%
ULL (Unbundled Local Loop)	164	144	14.0%

[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 4.8% 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 10.8% down on last year and blended ARPU was down 11.0%.

In July and August new and existing business customers who signed up for the Mobile Internet L or Mobile Internet XL tariffs received 50% discount on monthly fees for six months, with a minimum contract of 12 months, or for 12 months with a minimum contract of 24 months.
At the end of September, all new and existing business customers were offered access to a new service called Podijeli net. Using an additional data SIM card, the service allows additional data subscriber s to use data traffic on a smartphone, laptop or tablet as part of a single voice tariff.

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 10.4% on the previous year to 177,957.

As result of a lower customer base, due to the trends described above, total fixed traffic was 20.0% lower than last year. Fixed voice ARPA decreased 7.1% to HRK 221 compared to last year.

In Q3, the Group launched the Net Phone Office and Data Office services in fixed telephony.
Net Phone Office includes a company's accounts, on an IP platform, phone numbers and other requisite equipment, whilst the Data Office service includes data VPN and Internet access. These services guarantee service quality and optimization of equipment use appropriate to the number of personnel using them.

At the end of September 2012, the broadband retail subscriber base was 2.6% lower than the previous year at 104,935, whilst ARPA rose 1.0%.

At the beginning of March, the Group introduced the Max2 Biz S, M and Flat packages as permanent offers. In August, new NPP2 Flat packages (Mini2, Start2 and Plus2), consisting of two to eight phone lines, flat-rate calls to T-Com and flat-rate Internet were also introduced.

The Group also launched a special offer on MAX2 Biz packages in Q3 that enabled users to buy attractive gadgets at affordable prices by signing a 12/24 month contract.

The TV subscriber base has grown 5.7% to 19,992 customers compared to the same period last year as result of continued improvements in services and program offers.

In August, new and current users were offered promotions on Snimalica 10 or Snimalica 30 – one month free without any obligation to sign a contract.

New DTH new customers willing to sign up or 24 months during the promotion received 50% off on the monthly fee for the first six months and free access to the Sports plus package for six months.

The IP Fixed line customer base increased 2.1% as of 30 September 2012, over the previous year.

At the end of Q3, the VPN customer base increased 5.4% over the previous year. T-HT constantly promotes the migration of existing traditional data customers to IP-based products.

The number of data lines is down 3.0% 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.

In Q3, mobile payments based on NFC (Near Field Communication) technology were introduced in a test phase. This technology allows cashless payment of smaller amounts via mobile phones (i.e. micropayments). In this test phase, NFC-based mobile payment capabilities have been enabled for some 200 employees of Hrvatski Telekom, who are able to make payments at selected points of sale by means of NFC-enabled mobile phones.

In September, T-HT entered into a strategic agreement with Google to become a Google AdWords Premier Partner in Croatia. This is the first agreement signed by Google in the region with a telecoms operator, offering the Google's AdWord advertising platform to small and medium size businesses.

Wholesale

The ULL market is still growing, with gross adds totalling 10,000 new ULL lines in Q3 2012. At the end of Q3 2012 there were 164,154 active ULL lines registered, compared to 144,016 in Q3 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 23,137 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 33,586 at the end of Q3 2012. New CPS activations are primarily connected with WLR activations.

At the end of Q3 2012, there were 585,194 ported numbers from T-HT's fixed network to other fixed networks, up 9.4% on 534,809 in Q3 2011.

Business Segment financial performance

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Voice revenue	1,230	1,404	*-12.4%*
Non voice revenue	886	845	*4.8%*
Other service revenue	329	384	*-14.3%*
Terminal equipment	36	46	*-22.5%*
Miscellaneous	94	85	*11.2%*
Total revenues	**2,575**	**2,765**	***-6.9%***
Operating expenses	**957**	**1,085**	***-11.9%***
Contribution to EBITDA before EI	**1.618**	**1.680**	***-3.7%***

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

Financial review

Voice revenue

During first nine months 2012, voice revenue fell 12.4%, or HRK 175 million, on the same period last year. Downward pressure came primarily from fixed retail voice revenue, which decreased 26.1%. This fall was due to a 20.0% drop in total minutes, partially connected with a 10.4% decline in total mainlines and the migration to mobile voice.

In wholesale voice revenue, the fixed segment was down 6.3%. In voice services, revenue from international operators was lower than last year due largely to lower usage from transit traffic.

Mobile voice revenue were HRK 40 million lower than the previous year. The fall in retail mobile voice revenue was mainly driven by an 11.0% drop in lower voice ARPU, on a 10.8% decline in average minutes per subscriber. A 4.8% increase in subscribers partially offset the above mentioned fall in revenue.

Visitors voice revenue saw a decline of 12.8% owing to discounts (lower prices) as a result of new agreements with operators.

Non voice revenue

Non voice revenue rose 4.8%, or HRK 41 million, over the previous year with an increase in fixed non voice revenue, whilst retail declined and wholesale revenue increased.

In fixed retail, the decrease was driven by lower revenue from traditional data of HRK 9 million (due to the migration to IP data) and by IP and Internet revenue (also HRK 9 million; due to the worsening economic situation).

Non voice fixed wholesale revenue rose 33.6%, driven primarily by higher revenue from infrastructure due largely to WLR.

Non voice mobile revenue was HRK 10 million lower, with visitors revenue falling HRK 21 million as a result of lower prices.

Other service revenue

Other service revenue decreased by HRK 55 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 22.5%, or HRK 10 million, year on year.

Miscellaneous revenue

Miscellaneous revenue increased by 11.2% , or HRK 9 million, compared to the same period the previous year. This increase was driven by business wholesale mobile miscellaneous revenue which increased 9.0%, resulting from higher bulk SMS usage.

Contribution to EBITDA

The contribution to EBITDA decreased 3.7%, or HRK 61 million, from the previous year. This was primarily due to a fall in total business revenues of HRK 190 million, of which the negative impact from voice revenue accounted for HRK 175 million. The revenue decrease was partly partly offset by lower expenses. Lower expenses resulted from the absence of the mobile promotion campaigns that ran in 2011 and from lower interconnection costs.

t.portal

Reaching around 40% of Croatian internet users, t.portal ranks among top five Croatian web portals, with more than 800,000 unique visitors per month according to Gemius, an independent Internet traffic research agency.

In Q3 t.portal has launched the upgraded version of its mobile edition enabling users to browse the mobile portal more efficiently, with photo galleries and video fully integrated.

t.portal's Facebook page has acquired over 250,000 fans, which stabilized the portal's positioning in social networks and further improved the click-through rate and other statistical parameters.

t.portal's editorial, design and development team has continuously improved the presentation of its services on various platforms.

Network and support functions financial performance

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change A12/A11*
Other Operating income	156	185	*-16.0%*
Operating expenses	1,238	1,331	*-7.0%*
Contribution to EBITDA before EI	-1,082	-1,146	*5.5%*

* 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 16.0% decrease in other operating income compared with first nine months of 2011 is mainly the 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 7.0% on the previous year, mainly due to lower maintenance, postal charges, services costs and travel expenses. This decline in costs is a result of cost saving measures, as well as the introduction of e-bill and the renegotiation of contracts.

As a result of the factors listed above, the negative contribution to EBITDA decreased by 5.5%.

Hrvatski Telekom is a pioneer in IP transformation and plans to achieve around 30% retail customer migration by the end of 2012, from the current 20%.

The migration process is fully automated and includes advanced methods that speed up the process while simultaneously achieving savings: automigration (through IVR), e-migration, 2in1 migration.

The IP Transformation initiative aims to achieve a simplified, standardized and more efficient network. Alongside these technical and economic goals, it will also facilitate the introduction of new IP-oriented and fixed-mobile convergent services.

Risk management

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2011 made public, the Group also reports the following change to its risk profile in the period under review:
Concerning the proceedings initiated by the Croatian Competition Agency (CCA) in 2011 against all three mobile operators (including the Company) for alleged concerted practice prohibited by the Competition Act when billing units were changed in October 2009, the Company received the decision from the CCA on 24 October 2012 in which it is stated that there is no evidence of concerted practice between operators and therefore no violation of the Competition Act.

T-HT Group Third Quarter 2012 Report

Summary of key financial indicators

in HRK million (IFRS)	Jul-Sep 2012	Jul-Sep 2011	*% of change 12/11*
Voice revenue	1,081	1,249	*-13.5%*
Non voice revenue	722	723	*-0.1%*
Other service revenue	120	160	*-25.0%*
Terminal equipment	45	48	*-6.6%*
Miscellaneous	44	30	*50.3%*
Revenue	**2,012**	**2,209**	***-8.9%***
EBITDA before exceptional items	991	1,130	*-12.3%*
EBITDA after exceptional items	991	1,130	*-12.3%*
EBIT	709	790	*-10.3%*
Net profit	580	655	*-11.4%*

* 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 third quarter of 2012, revenue declined by 8.9% mainly due to a 13.5% fall in voice revenues. The key drivers of this decline were the tough economic environment, consistently decreasing prices and intense competitive pressures.

Non voice revenue was impacted by lower revenue from visitors, due to decreased prices following new agreements with operators. However, in the first nine months of 2011 voice revenue was supported by the change in revenue recognition resulting from the amended definition of useful life of a customer relationship in Q3 2011. A 25.0% 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. Miscellaneous revenue increased, largely as a result of higher national roaming revenue.

EBITDA fell 12.3% to HRK 991 million, with a 5.9% decrease in operating expenses only partially offsetting the revenue decline. Net profit fell 11.4%

Group 2012 outlook

Revenue

Croatia is experiencing a protracted recession, with GDP forecast to shrink 1.8% in 2012. Added to this, fiscal tightening, a two percentage point increase in VAT, rising unemployment and increasing energy and food prices have put further pressure on disposable income. At the same time, the corporate sector faces further insolvencies and restructurings. Competition and a stringent regulatory regime continue to exert pressure on the Group's business. In light of the factors outlined above, the Group now expects a greater than anticipated reduction in revenue, indicating a mid single-digit percentage decline compared to 2011.

EBITDA before exceptional items

The economic environment and revenue development explained above will impact EBITDA accordingly. However, due to continuing cost management initiatives, the Group expects to maintain a high EBITDA margin in 2012.

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, excluding investment in the spectrum licence, 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-Sep 2012	Jan-Sep 2011	*% of change A12/A11*	Jul-Sep 2012	Jul-Sep 2011	*% of change 12/11*
Voice revenue	2,995	3,416	*-12.3%*	1,081	1,249	-13.5
Non voice revenue	2,069	1,998	*3.5%*	722	723	-0.1
Other service revenue	352	420	*-16.0%*	120	160	-25.0
Terminal equipment	140	161	*-13.4%*	45	48	-6.6
Miscellaneous	105	98	*7.1%*	44	30	50.3
Revenue	5,660	6,092	*-7.1%*	2,012	2,209	-8.9
Other operating income	156	185	*-16.0%*	49	58	-15.6
Total operating revenue	**5,816**	**6,278**	***-7.4%***	2,060	2,267	-9.1
Operating expenses	3,205	3,478	*-7.9%*	1,069	1,136	-5.9
Material expenses	1,457	1,645	*-11.4%*	516	533	-3.1
Merchandise, material and energy expenses	635	779	*-18.5%*	224	235	-4.4
Services expenses	822	866	*-5.1%*	292	298	-2.1
Employee benefits expenses	839	860	*-2.5%*	280	291	-4.0
Other expenses	881	975	*-9.7%*	270	326	-17.1
Work performed by the Group and capitalised	-56	-49	*-12.2%*	-27	-17	55.5
Write down of assets	84	48	*74.1%*	30	4	705.8
EBITDA	2,611	2,799	*-6.7%*	991	1,130	-12.3
Depreciation and amortization	937	1,005	*-6.8%*	282	340	-17.2
EBIT	1,674	1,794	*-6.7%*	709	790	-10.3
Financial income	63	56	*11.8%*	18	29	-38.3
Income/loss from investment in joint ventures	19	21	*-8.9%*	12	6	85.1
Financial expenses	35	30	*16.4%*	15	5	196.1
Profit before taxes	1,722	1,842	*-6.5%*	724	820	-11.8
Taxation	334	359	–7.1%	144	166	-13.4
Net profit	1,388	1,483	*-6.4%*	580	655	-11.4
Minority interest	0	0	–9.5%	0	0	-74.9
Net profit after minority interest	1,388	1,483	*-6.4%*	580	655	-11.4
Exceptional items	0	0		0	0	
EBITDA before exceptional items	2,611	2,799	*-6.7%*	*991*	*1,130*	*-12.3*

* 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 Sep 2012	At 31 Dec 2011	*% of change 12/11*
Intangible assets	935	999	*-6.4%*
Property, plant and equipment	5,659	5,953	*-4.9%*
Non-current financial assets	683	435	*57.1%*
Receivables	21	23	*-6.9%*
Deferred tax asset	57	52	*9.7%*
Total non-current assets	**7,355**	**7,462**	***-1.4%***
Inventories	158	175	*-9.9%*
Receivables	1,299	1,307	*-0.6%*
Current financial assets	1,210	363	*232.8%*
Cash and cash equivalents	2,181	3,704	*-41.1%*
Prepayments and accrued income	184	125	*47.1%*
Total current assets	**5,031**	**5,675**	***-11.3%***
TOTAL ASSETS	12,386	13,136	*-5.7%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*-0.1%*
Revaluation reserves	-1	-3	*76.6%*
Retained earnings	610	612	*-0.3%*
Net profit for the period	1,388	1,811	*-23.4%*
Non-controlling interest	1	1	*9.4%*
Total issued capital and reserves	**10,596**	**11,019**	***-3.8%***
Provisions	256	271	*-5.4%*
Non-current liabilities	28	32	*-13.7%*
Total non-current liabilities	**284**	**303**	***-6.3%***
Current liabilities	1,362	1,492	*-8.7%*
Accrued expenses and deferred income	128	153	*-15.8%*
Provisions for redundancy	16	169	*-90.5%*
Total current liabilities	**1,506**	**1,814**	***-17.0%***
Total liabilities	**1,790**	**2,117**	***-15.4%***
TOTAL EQUITY AND LIABILITIES	12,386	13,136	*-5.7%*

Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Sep 2012	Jan-Sep 2011	*% of change 12/11*
Profit before tax	1,722	1,842	*-6.5%*
Depreciation and amortization	937	1,005	*-6.8%*
Increase / decrease of current liabilities	-155	-503	*69.2%*
Increase / decrease of current receivables	-51	50	*-202.6%*
Increase / decrease of inventories	17	28	*-36.8%*
Other cash flow decreases	-561	-529	*-6.0%*
Net cash inflow/outflow from operating activities	**1,910**	**1,892**	***0.9%***
Proceeds from sale of non-current assets	3	11	*-75.2%*
Proceeds from sale of non-current financial assets	2	74	*-97.8%*
Interest received	41	44	*-6.3%*
Dividend received	0	0	*n/a*
Other cash inflows from investing activities	818	518	*57.8%*
Total increase of cash flow from investing activities	**863**	**647**	***33.5%***
Purchase of non-current assets	-581	-634	*8.3%*
Purchase of non-current financial assets	-225	0	*n/a*
Other cash outflows from investing activities	-1,666	-840	*-98.4%*
Total decrease of cash flow from investing activities	**-2,472**	**-1,473**	*-67.8%*
Net cash inflow/outflow from investing activities	**-1,609**	**-826**	***-94.7%***
Total increase of cash flow from financing activities	**0**	**0**	*n/a*
Repayment of loans and bonds	-4	-9	***54.4%***
Dividends paid	-1,813	-1,863	*2.7%*
Repayment of finance lease	-5	0	-
Other cash outflows from financing activities	0	0	*n/a*
Total decrease in cash flow from financing activities	**-1,823**	**-1,872**	***2.6%***
Net cash inflow/outflow from financing activities	**-1,823**	**-1,872**	***2.6%***
Exchange gains/losses on cash and cash equivalents	-2	2	*-188.9%*
Cash and cash equivalents at the beginning of period	3,704	3,282	*12.9%*
Net cash (outflow) / inflow	-1,523	-804	*-89.4%*
Cash and cash equivalents at the end of period	**2,181**	**2,478**	***-12.0%***

Consolidated EBITDA reconciliation

in HRK million	Jan-Sep 2012	Jan-Sep 2011	*% of change 12/11*
Segment Result (Contribution to EBITDA)			
Residential Segment	2,075	2,266	*-8.4%*
Business Segment	1,618	1,680	*-3.7%*
Network and Support Functions	-1,082	-1,146	*5.5%*
Total Contribution to EBITDA before SI of the Segments	**2,611**	**2,799**	***-6.7%***
Special influences	0	0	-
Total EBITDA	**2,611**	**2,799**	***-6.7%***

Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Sep 2012	Jan-Sep 2011	*% of change 12/11*
Mobile [1)]	2,405	2,541	*-5.4%*
Fixed Telephony [2)]	1,257	1,590	*-20.9%*
Wholesale	491	438	*12.2%*
IP Revenue	1,147	1,116	*2.7%*
Data [2)]	86	96	*-10.2%*
ICT [1)]	266	306	*-13.2%*
Miscellaneous	9	4	*98.6%*
Revenue	**5,660**	**6,092**	***-7.1%***

[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 September 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	1,388
5. Revaluation of available for sale assets	-3	-1
6. Other changes in equity	0	0
7. Total increase or decrease of equity	11,018	10,595

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

Basis of preparation

The condensed consolidated financial statements as of 30 September 2012 and for the nine 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 September 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*3,327*	*2,765*	-	*6,092*
Service revenues	3,199	2,634	-	5,833
Terminal equipment	115	46	-	161
Other	13	85	-	98
Usage related direct costs	(247)	(393)	-	(640)
Income and losses on accounts receivable	(16)	(32)	-	(48)
Contribution margin I	3,064	2,340	-	5,404
Non-usage related direct costs	(484)	(392)	-	(876)
Segment result	2,580	1,948	-	4,528
Other income	-	-	185	185
Other operating expenses	(314)	(268)	(1,331)	(1,913)
Depreciation, amortisation and impairment of non-current assets	-	-	(1,006)	(1,006)
Operating profit	2,266	1,680	(2,152)	1,794
Capital expenditure	252	61	320	633

1 July 2011 to 30 September 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,158*	*1,051*	-	*2,209*
Service revenues	1,122	1,009	-	2,131
Terminal equipment	33	15	-	48
Other	3	27	-	30
Usage related direct costs	(85)	(140)	-	(225)
Income and losses on accounts receivable	2	(6)	-	(4)
Contribution margin I	1,075	905	-	1,980
Non-usage related direct costs	(138)	(136)	-	(274)
Segment result	937	769	-	1,706
Other income	-	-	58	58
Other operating expenses	(108)	(83)	(441)	(632)
Depreciation, amortisation and impairment of non-current assets	-	-	(341)	(341)

Operating profit	829	686	(724)	791
Capital expenditure	63	21	49	133

Period ended 30 September 2012	Residential	Business	Network & Support functions	Total
Segment revenue	*3,085*	*2,575*	-	*5,660*
Service revenues	2,971	2,445	-	5,416
Terminal equipment	104	36	-	140
Other	10	94	-	104
Usage related direct costs	(229)	(348)	-	(577)
Income and losses on accounts receivable	(10)	(56)	-	(66)
Contribution margin I	2,846	2,171	-	5,017
Non-usage related direct costs	(453)	(297)	-	(750)
Segment result	2,393	1,874	-	4,267
Other income	-	-	156	156
Other operating expenses	(318)	(256)	(1,238)	(1,812)
Depreciation, amortisation and impairment of non-current assets	-	-	(937)	(937)
Operating profit	2,075	1,618	(2,019)	1,674
Capital expenditure	233	78	270	581

1 July 2012 to 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,056*	*954*	-	*2,010*
Service revenues	1,017	905	-	1,922
Terminal equipment	35	10	-	45
Other	4	39	-	43
Usage related direct costs	(85)	(131)	-	(216)
Income and losses on accounts receivable	(1)	(28)	-	(29)
Contribution margin I	970	795	-	1,765
Non-usage related direct costs	(166)	(97)	-	(263)
Segment result	804	698	-	1,502
Other income	-	-	49	49
Other operating expenses	(92)	(80)	(389)	(561)
Depreciation, amortisation and impairment of non-current assets	-	-	(282)	(282)
Operating profit	712	618	(622)	708
Capital expenditure	98	31	107	236

Relations with the governing company and its affiliated companies

In the first nine 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 nine 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 nine months of 2012.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first nine 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 nine months of 2012 the Group generated total revenue from related companies from international traffic to the amount of HRK 95 million (the first nine months of 2011: HRK 115 million), while total costs of international traffic amounted to HRK 52 million (the first nine months of 2011: HRK 72 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 8 million in the first nine months of 2012 (the first nine months of 2011: HRK 7 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 nine months of 2012 the Company paid a total amount of HRK 0.5 million (the first nine months of 2011: HRK 0.5 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 nine months of 2012 the total compensation paid to key management personnel of the Group amounted to HRK 35 million (first nine months of 2011: HRK 35 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
1	3	4	5	6
I. OPERATING INCOME (112 do 113)	5,861,346,809	2,102,295,315	5,402,658,638	1,916,486,034
1. Rendering of services	5,711,224,394	2,054,900,954	5,259,638,781	1,872,367,194
2. Other operating income	150,122,415	47,394,361	143,019,857	44,118,840
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	4,063,830,124	1,316,402,432	3,730,120,155	1,212,552,883
1. Change in inventories of work in progress				
2. Material expenses (117 do 119)	1,382,544,479	424,313,410	1,219,264,766	433,522,299
a) Costs of raw materials	114,483,818	35,979,110	116,812,520	38,554,504
b) Cost of goods sold	450,000,654	103,299,617	345,457,228	125,598,937
c) Other material expenses	818,060,007	285,034,683	756,995,018	269,368,858
3. Employee benefits expenses (121 do 123)	739,661,876	250,199,411	708,467,082	236,836,171
a) Net salaries	408,750,020	137,587,615	399,658,790	134,032,857
b) Tax and contributions from salary expenses	222,135,408	75,777,771	210,973,393	71,349,349
c) Contributions on salary	108,776,448	36,834,025	97,834,899	31,453,965
4. Depreciation and amortisation	961,347,180	325,255,571	876,712,601	265,620,925
5. Other expenses	910,430,499	308,075,573	814,481,944	243,790,543
6. Write down of assets (127+128)	45,970,033	3,719,864	92,292,801	29,337,909
a) non-current assets (except financial assets)	0	0	12,233,925	0
b) current assets (except financial assets)	45,970,033	3,719,864	80,058,876	29,337,909
7. Provisions	23,876,057	4,838,603	18,900,961	3,445,036
8. Other operating costs	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	44,606,393	21,471,466	64,664,007	18,047,321
1. Interest, foreign exchange differences, dividens and similar income from related parties	7,021,985	1,753,047	5,572,323	1,893,291
2. Interest, foreign exchange differences, dividens and similar income from third parties	36,861,533	19,712,842	57,771,684	14,834,030

3. Income from investments in associates and joint ventures	0	0	0	0
4. Unrealised gains (income) from financial assets	0	0	0	0
5. Other financial income	722,875	5,577	1,320,000	1,320,000
IV. FINANCIAL EXPENSES (138 do 141)	11,659,783	-4,883,724	31,280,958	13,625,926
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	5,555,661	-6,166,910	26,154,784	12,940,306
3. Unrealised losses (expenses) from financial assets	0	0	0	-216,000
4. Other financial expenses	6,104,122	1,283,186	5,126,174	901,620
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)	5,905,953,202	2,123,766,781	5,467,322,645	1,934,533,355
X. TOTAL EXPENSES (114+137+143+145)	4,075,489,907	1,311,518,708	3,761,401,113	1,226,178,809
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	1,830,463,295	812,248,073	1,705,921,532	708,354,546
1. Profit before taxes (146-147)	1,830,463,295	812,248,073	1,705,921,532	708,354,546
2. Loss before taxes (147-146)	0	0	0	0
XII. TAXATION	354,796,013	164,116,399	331,498,883	142,224,371
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	1,475,667,282	648,131,674	1,374,422,649	566,130,175
1. Profit for the period (149-151)	1,475,667,282	648,131,674	1,374,422,649	566,130,175
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)	1,475,667,282	648,131,674	1,374,422,649	566,130,175
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	-672,931	-1,145,402	2,647,481	1,384,611
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	-672,931	-1,145,402	2,647,481	1,384,611
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)	-672,931	-1,145,402	2,647,481	1,384,611
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	1,474,994,351	646,986,272	1,377,070,130	567,514,786

Balance Sheet

Position	Previous period	Current period
1	3	4
ASSETS		
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	7,678,311,946	7,571,164,768
B) NON-CURRENT ASSETS (003+010+020+029+033)	772,477,082	720,066,087
I. INTANGIBLE ASSETS (004 do 009)	0	0
1. Expenditure for development	745,500,562	664,158,984
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	55,907,103
5. Intangible assets in progress	0	0
6. Other intangible assets	5,840,293,181	5,547,395,404
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	37,625,556	51,441,241
1. Land	3,627,222,554	3,440,225,882
2. Buildings	1,803,297,395	1,609,907,441
3. Plant and equipement	150,797,591	127,250,512
4. Tools, working inventory and transportation assets	0	0
5. Biological assets	1,844,274	1,711,530
6. Advances for purchase of tangible assets	214,454,335	312,173,070
7. Tangible assets in progress	5,051,476	4,685,728
8. Other tangible assets	0	0
9. Investment in real-estate	991,305,878	1,225,896,895
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	858,360,887	858,360,887
1. Share in related parties	93,779,919	99,352,242
2. Loans to related parties	0	0
3. Participating interests (shares)	0	0
4. Loans to companies with participating interest	32,828,797	261,847,491
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	21,016,747
IV. RECEIVABLES (030 do 032)	0	0
1. Receivables from related parties	18,066,937	16,595,543
2. Receivables arising from sales on credit	4,421,204	4,421,204
3. Other receivables	51,747,664	56,789,635
V. DEFERRED TAX ASSET	5,325,732,075	4,687,730,448
C) CURRENT ASSETS (035+043+050+058)	154,128,220	144,738,313
I. INVENTORIES (036 do 042)	82,614,413	81,017,544
1. Raw materials and supplies	0	0
2. Production in progress	0	0
3. Finished products	71,460,832	63,689,160
4. Merchandise	52,975	31,609
5. Advances for inventories	0	0

6. Long term assets held for sale	0	0
7. Biological assets	1,165,669,717	1,214,378,762
II. RECEIVABLES (044 do 049)	21,867,473	32,511,406
1. Receivables from related parties	1,072,611,311	1,126,087,165
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	2,861,447
5. Receivables from government and other institutions	67,865,644	52,918,744
6. Other receivables	341,306,626	1,196,138,171
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	0	0
5. Investments in securities	341,306,626	298,879,371
6. Loans, deposits, etc.	0	897,258,800
7. Other financial assets	0	820000
IV. CASH AND CASH EQUIVALENTS	3,664,627,512	2,132,475,202
D) PREPAYMENTS AND ACCRUED INCOME	109,025,584	162,065,850
E) TOTAL ASSETS (001+002+034+059)	13,113,069,605	12,420,961,066
F) OFF BALANCE SHEET ITEMS		
EQUITY AND LIABILITIES		
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	11,162,721,598	10,726,520,926
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	-809,660
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	1,374,422,649
1. Net profit for the period	1,813,295,187	1,374,422,649
2. Net loss for the period	0	0
VII. MINORITY INTEREST	0	0
B) PROVISIONS (080 do 082)	440,098,767	272,064,570
1. Provisions for pensions, severance pay and similar libabilities	326,315,177	174,920,037
2. Provisions for tax liabilities	0	0
3. Other provisions	113,783,590	97,144,533
C) NON-CURRENT LIABILITIES (084 do 092)	23,844,264	21,895,797
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	21,895,797
9. Deferred tax liabilities	0	0
D) CURRENT LIABILITIES (094 do 105)	1,339,680,712	1,273,285,906
1. Liabilites to related parties	22,219,491	1,747,327
2. Liabilities for loans, deposits, etc.	238,736	301,106
3. Liabilities to banks and other financial institutions	0	0
4. Liabilities for advances	1,380,824	1,263,471
5. Trade payables	1,026,746,927	967,804,028
6. Commitments on securities	0	0
7. Liabilities to companies with participating interest	0	0
8. Liabilities to emloyees	178,908,738	159,102,174
9. Taxes, contributions and similar liabilities	73,552,516	89,079,727
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	53,988,073
E) ACCRUED EXPENSES AND DEFERRED INCOME	146,724,264	128,013,867
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	13,113,069,605	12,421,781,066
G) OFF BALANCE SHEET ITEMS	0	

Cash Flow Statement

Position	**Previous period**	**Current period**
1	**3**	**4**
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	1,830,463,294	1,705,921,532
2. Depreciation, amortisation and write down	961,347,180	888,946,526
3. Increase of current liabilities	0	0
4. Decrease of current receivables	72,208,643	0
5.Decrease of inventories	38,191,010	9,389,907
6. Other cash flow increases	0	0
I. Total increase of cash flow from operating activities	**2,902,210,127**	**2,604,257,965**
1. Decrease of current liabilities	506,238,923	83,311,898
2. Increase of current receivables	0	101,749,310
3. Increase of inventories	0	0
4. Other cash flow decreases	505,550,212	555,212,580
II. Total decrease of cash flow from operating activities	**1,011,789,135**	**740,273,788**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**1,890,420,992**	**1,863,984,177**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**0**	**0**
CASH FLOW FROM INVESTING ACTIVITIES		
1. Proceeds from sale of non-current assets	10,684,892	2,806,780
2. Proceeds from sale of non-current financial assets	73,951,800	1,586,491
3. Interest received	43,568,530	40,641,562
4. Dividend received	0	0
5. Other proceeds from investing activities	516,787,487	808,485,483
III. Total cash inflows from investing activities	**644,992,709**	**853,520,316**
1. Purchase of non-current assets	598,953,508	545,269,963
2. Purchase of non-current financial assets	0	225,125,125
3. Other cash outflows from investing activities	884,678,607	1,666,194,135

IV. Total cash outflows from investing activities	**1,483,632,116**	**2,436,589,223**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**0**	**0**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**838,639,406**	**1,583,068,907**
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	9,164,246	0
2. Dividends paid	1,862,898,740	1,813,036,375
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	**1,872,062,986**	**1,813,036,375**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**0**	**0**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**1,872,062,986**	**1,813,036,375**
Total increases of cash flows	**0**	**0**
Total decreases of cash flows	**820,281,400**	**1,532,121,105**
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	**820,281,400**	**1,532,121,105**
Cash and cash equivalents at the end of period	**2,425,010,973**	**2,132,475,202**

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

Basis of preparation

The condensed financial statements of 30 September 2012 and for the nine 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 September 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*3,234*	*2,454*	-	*5,688*
Service revenues	3,110	2,323	-	5,433
Terminal equipment	115	46	-	161
Other	9	85	-	94
Usage related direct costs	(233)	(374)	-	(607)
Income and losses on accounts receivable	(15)	(31)	-	(46)
Contribution margin I	2,986	2,049	-	5,035
Non-usage related direct costs	(469)	(192)	-	(661)
Segment result	2,517	1,857	-	4,374
Other income	-	-	174	174

Other operating expenses	(292)	(197)	(1,300)	(1,789)
Depreciation, amortisation and impairment of non-current assets	-	-	(961)	(961)
Operating profit	2,225	1,660	(2,087)	1,798
Capital expenditure	233	53	313	599

1 July 2011 to 30 September 2011	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,125*	*924*	-	*2,049*
Service revenues	1,090	882	-	1,972
Terminal equipment	33	15	-	48
Other	2	27	-	29
Usage related direct costs	(81)	(135)	-	(216)
Income and losses on accounts receivable	2	(6)	-	(4)
Contribution margin I	1,046	783	-	1,829
Non-usage related direct costs	(133)	(45)	-	(178)
Segment result	913	738	-	1,651
Other income	-	-	54	54
Other operating expenses	(103)	(61)	(429)	(593)
Depreciation, amortisation and impairment of non-current assets	-	-	(325)	(325)
Operating profit	810	677	(700)	787
Capital expenditure	60	18	45	123

Period ended 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,966*	*2,294*	-	*5,260*
Service revenues	2,854	2,164	-	5,018
Terminal equipment	104	36	-	140
Other	8	94	-	102
Usage related direct costs	(219)	(311)	-	(530)
Income and losses on accounts receivable	(8)	(55)	-	(63)
Contribution margin I	2,739	1,928	-	4,667
Non-usage related direct costs	(436)	(139)	-	(575)
Segment result	2,303	1,789	-	4,092
Other income	-	-	143	143
Other operating expenses	(298)	(176)	(1,201)	(1,675)
Depreciation, amortisation and impairment of non-current assets	-	-	(888)	(888)
Operating profit	2,005	1,613	(1,946)	1,672

Capital expenditure	214	73	258	545

1 July2012 to 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,016*	*856*	-	*1,872*
Service revenues	977	807	-	1,784
Terminal equipment	35	10	-	45
Other	4	39	-	43
Usage related direct costs	(82)	(118)	-	(200)
Income and losses on accounts receivable	-	(28)	-	(28)
Contribution margin I	934	710	-	1,644
Non-usage related direct costs	(161)	(41)	-	(202)
Segment result	773	669	-	1,442
Other income	-	-	44	44
Other operating expenses	(88)	(54)	(362)	(504)
Depreciation, amortisation and impairment of non-current assets	-	-	(277)	(277)
Operating profit	685	615	(595)	705
Capital expenditure	89	29	102	220

Relations with the governing company and its affiliated companies

In the first nine 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 nine 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 nine months of 2012.

Business relations transacted between HT d.d. in the first nine 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 nine months of 2012 the Company generated total revenue from related companies from international traffic to the amount of HRK 95 million (the nine months of 2011: HRK 115 million), while total costs of international traffic amounted to HRK 52 million (the first nine months of 2011: HRK 72 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 8 million in the first nine months of 2012 (the first nine months of 2011: HRK 7 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 nine months of 2012, the Company paid a total amount of HRK 0.5 million (the first nine months of 2011: HRK 0.5 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 nine months of 2012 the total compensation paid to key management personnel of the Company amounted to HRK 27 million (first nine months of 2011: HRK 26 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. Norbert Hentges; Member of the Management Board and Chief Operating Officer

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

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

Zagreb, 30 October 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