Zagreb – 14 February 2012

T-Hrvatski Telekom
Results for the year ended 31 December 2011

Deep recession, regulatory tightening and special tax continue to impact business; revenue fall of 3.6%, limited by Combis contribution and strong IP revenue growth; solid margins on effective cost management

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces audited results for the year ended 31 December 2011.

Group Highlights

- Revenues down 3.6% to HRK 8,067 million or EUR 1,086 million (2010: HRK 8,372 million, EUR 1,148 million)
  - Combis contributes HRK 413 million or EUR 56 million (2010: HRK 232 million, EUR 32 million. Consolidated from May 2010)
  - Underlying revenues down 6.9%, excluding both Combis contribution and revenue recognition after change in useful life of customer relationship as outlined on page 9
- IP and ICT revenues show continued growth
- Number of cost control initiatives across the Group continue to protect margins
- EBITDA slightly below 2010 level at HRK 3,619 million (EUR 487 million) and 44.9% margin (2010: HRK 3,662 million or EUR 502 million, 43.7%)
- EBITDA before exceptional items of HRK 3,782 million (EUR 509 million) at 46.9% margin (2010: HRK 3,694 million or EUR 507 million, 44.1%)
- Net profit 1.1% down at HRK 1,811 million (EUR 244 million)
- Operating cash flow down 8.5% to HRK 2,988 million (EUR 402 million)
- Proposed dividend of HRK 22.14 per share; payout ratio equals 100% (2010: HRK 22.76 per share)
- Privatization of PTK terminated by the Government of Kosovo
- Croatian Parliament adopted recently elected Government's proposal to reinstate 6% fee on revenues generated by mobile services

Residential Segment

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 1.9% (down 3.3% on Q3 2011)
- 539,172 ADSL mainlines, up 2.9% (up 0.1% to Q3 2011), and 321,256 TV customers, up 12.3% (up 1.1% on Q3 2011)
- Revenues down 4.4%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 3,025 million, up 1.0%

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers up 4.4% (flat on Q3 2011)
- 111,541 ADSL mainlines, up 6.0% (up 2.0% on Q3 2011) and 19,487 TV customers, up 12.4% (up 3.0% on Q3 2011)
- Revenues down 2.7%, due largely to lower voice revenues in mobile and fixed
  - IP and ICT revenues showing further growth with new ICT services launched
- Contribution to EBITDA of HRK 2,287 million, down 5.8%

__Ivica Mudrinić, President of the Management Board (CEO),__ said: "T-HT has again delivered a solid performance in the face of an increasingly challenging economic environment. Throughout 2011, Croatia saw a continued rise in unemployment, with consumption falling further while business payment arrears continued to rise. Competition within the telecoms sector also intensified further. At the same time, a raft of new domestic regulatory measures and progress toward regulatory alignment with the EU put further pressure on the Group. As a result, T-HT Group reported a fall in revenue for the year, offset to a degree by one-off items. However, the Group continued to successfully implement cost reduction measures and remains robust in severe market conditions.

"Despite the harsh economy, T-HT continued to expand its activities across all areas of the business, with the development and launch of innovative products such as cloud-based ICT services. As a result, the Group maintains its leading position in the Croatian telecoms markets.

"The regulatory regime still remains a deterrent to communications infrastructure investment – a key element to economic growth. Whilst there is very little expectation of improvement in the current economic situation, the Group will however innovate and develop its business further throughout 2012."

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

International Dial In	+44 (0) 1452 555 566
UK Free Call Dial In	0800 694 0257
Conference ID	50527643

A replay of the call will be available until Monday, 20 February 2012 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0800 953 1533
Replay Access Code	50527643#

Full audited accounts for T-HT Group and HT d.d., other prescribed documentation as well as a presentation covering results for the 2011 financial year, can be downloaded from the T-HT web site. (www.t.ht.hr/eng/investors/) and are fully available in the Official Register of Prescribed Information (SRPI).

Results for the year ended 31 December 2011

Business and financial review

Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and the market leader in all segments in which it operates. At 31 December 2011, the Group served nearly 1.3 million fixed-line customers, 2.4 million mobile subscribers, 650,713 broadband connections and provided TV services to 340,743 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated solutions to Croatia's business market.

Market overview

Negative economic trends, new regulatory measures and growing competition significantly impacted the Croatian telecommunications market in 2011. In June, the Croatian telecommunications market saw further consolidation with VIPnet's acquisition of B.net, which resulted in increasing competition in bundled telecommunications offers. In addition, regulation affecting Wholesale Line Rental (WLR) and naked bit-stream, which came into force in July 2011, means all operators are gaining full country-wide reach.

T-HT's revenues from voice services declined, on the back of decreased usage, reductions in the mobile termination rate and competitively priced offers from rival operators.
The key growth areas are broadband, data traffic and TV. During 2011, all major Croatian operators launched pay-TV and broadband offers, both mobile and fixed, in order to increase market share. Mobile broadband is also experiencing significant growth, driven by continuously rising penetration of smartphones and other mobile broadband devices such as tablet computers. According to some industry estimates, more than half a million smartphones and several hundred mobile applications for business, entertainment and information purposes were used in Croatia by the end of 2011. In the past year, the number of tablet computers increased from around 5,000 to almost 30,000. All three mobile operators in Croatia offer mobile TV services and around 1.4 million Croatian citizens use social networks for communication, networking and sharing information/content.

Fixed-line market

Fixed telephony remained highly competitive in Croatia with 10 active operators, including T-HT Group. VIPnet's acquisition of B.net is likely to increase the competition in bundled telecommunication offers. T-HT successfully maintained its market leading position, which reflects the Group's continuing dedication to high-quality services and improved marketing with offers tailored to suit the needs of specific customer segments.

According to the Croatian Central Bureau of Statistics, the number of fixed-line minutes of use (MOU) decreased by 9% during the first nine months of 2011, following similar global trends. According to the Cullen International report for 2011, fixed-line penetration is estimated at 39% of the Croatian population.

Mobile telecommunications

T-HT, through its T-Mobile brand, remained the leader in a saturated mobile market, served by three operators since 2005. Mobile penetration rate was estimated to reach 120% (*please see the note on page 10 outlining Change in definition of Prepaid Subscribers)* and the Company's share of total mobile customers was estimated at 47% at the end of 2011.

Mobile voice revenue declined in 2011 due to lower mobile termination rates and intense pricing competition. According to the Croatian Central Bureau of Statistics, total Croatian mobile market minutes of use (MOU) increased by 4.8%, but SMS traffic declined by 4.5% during the first nine months of 2011 compared with the same period of 2010 as users switched to social networks as a channel of communication. Demand for mobile Internet continued to grow in 2011, with all three mobile operators promoting mobile broadband offers together with increasing smartphone and tablet computer offers. At the same time, hundreds of smartphone applications and new mobile services were introduced in 2011, such as e-books and mobile TV.

Internet

T-HT's IPTV and DTH satellite TV services were enhanced by new and exclusive sports content, and pay per view and "try and buy" offers. Satellite TV became an increasingly important element of the Group's TV offer.

At the end of 2011, the Group had 650,713 ADSL subscribers, compared with 629,228 users at the end of 2010. The number of IPTV customers at the end of 2011 was 340,743, representing 52.4 % of T-HT's total ADSL customer base.

Despite the strong increase in broadband subscribers, the Croatian broadband market remains a significant growth opportunity for T-HT, with only 45% of Croatian households connected to fixed broadband compared to an average of more than 62% in Western Europe.

Data

T-HT maintained its leading position in a market that is migrating from traditional unmanaged data services to more cost-effective, IP-based services. Although the data market is relatively small, representing less than 1% of total telecommunication market revenues, it represents an important service for business customers.

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

Wholesale

Liberalization of the fixed line market continued in 2011, with the introduction of Wholesale Line Rental (WLR) and naked bitstream services. WLR customers totalled 123,819 at the end of 2011.
As market liberalization continued in 2011, the number of Unbundled Local Loop (ULL) customers increased to 148,305, from 132,821 at the end of 2010.

To summarise, in 2011 wholesale prices were amended for the following regulated services: bitstream access, call origination, call termination, cable ducts rental and unbundled local loop.

Economic background

Amid a lack of public sector reform and investment to stimulate growth, the Croatian economy stagnated in 2011. According to the Croatian Central Bureau of Statistics, Croatian GDP showed modest growth of 0.7% in the first nine months of the year. Croatia's GDP growth for the whole of 2011 is expected to be around 0%.
At the same time, further negative factors are emerging from the Eurozone: increasing cost of capital; declining demand for Croatian exports; and continued lack of investment.

In 2011, unemployment in Croatia still very high: 18.7% in December 2011 (compared with 18.8% in December 2010). Given the high levels of household debt (above the regional average) and stagnation of real income (0.3% lower in real terms for the first 10 months of 2011 against the same period of 2010), personal consumption growth has been minimal. Illiquidity rose again to HRK 40bn in October 2011. More than 76% of businesses have had their accounts blocked for longer than a year, and account for 83% of the total amount of overdue payments (or HRK 33.5bn).

Privatisation of Post and Telecommunications of Kosovo J.S.C. (PTK)

In November 2011 T-HT received formal notification from the Government of Kosovo that it had terminated the process of privatization of PTK and will announce a new pre-qualification round as part of a new procedure at a later point in time.

As announced in early June 2011, T-HT had fulfilled the pre-qualification requirements in relation to the privatisation of PTK and had been confirmed as one of the Pre-Qualified Applicants.

PTK provides fixed-line, mobile and postal services through its brands Telecom of Kosovo, Vala and Post of Kosovo.

Update on 6% fee on mobile network services

As announced in January 2012, the Croatian Parliament adopted the recently elected Government's proposal to reinstate the 6% fee on revenues generated by mobile services, including SMS, MMS and voice, to be payable by the operator.

The Fee for the Provision of Services in Mobile Electronic Communications Networks Act was adopted on 20 January 2012 and came into force as of 26 January 2012, the date it was published in the Official Gazette. It will remain in place until 30 June 2013, when Croatia is expected to accede to the European Union.

The impact of the 6% tax in 2011 was HRK 145 million (2010: HRK 163 million).

Supervisory Board Decisions

1) Financial statements

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have adopted the Annual Financial Statements of the Company and the Consolidated Financial Statements of T-HT Group, with the auditor's report, for the 2011 financial year.

The Annual Financial Statements will be forwarded to the General Assembly, which is planned for 25 April 2012.

2) Dividend

Hrvatski Telekom d.d. realized a net profit (after taxation) of HRK 1,813,295,187.26 in the year ending 31 December 2011.

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have proposed a dividend distribution to shareholders of HRK 1,813,012,164.90 or HRK 22.14 per share. The remaining amount of HRK 283,022.36 will be allocated to retained earnings.

The Supervisory Board gave its consent to the Management Board to pay to the shareholders an advance dividend of HRK 11.07 per share or HRK 906,506,082.45 in total. The advance dividend will be paid to shareholders registered at the Central Depository & Clearing Company (SKDD) on 20 February 2012. The due date for the advance dividend payment is 27 February 2012.

According to the proposal, the residual amount of HRK 11.07 per share will be paid to shareholders registered at the Central Depository & Clearing Company on the day of the General Assembly session, planned for 25 April 2012. The due date for the residual dividend payment is 21 May 2012.

Regulatory environment

The Croatian Law on Electronic Communications, which replaced the previous Law on Telecommunications, has been in force since 1 July 2008. This Law transposed the 2002 EU New Regulatory Framework onto Croatia’s electronic communications market. The latest amendments to the Law on Electronic Communications were adopted by Croatian Parliament in July 2011 and entered into force in August 2011. The purpose of these amendments was to transpose the EU Regulatory Framework from 2009 onto Croatia’s electronic communications market. Croatian operators were provided with a 90 days-period to consolidate their business operations with new provisions of the Law.

In line with 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 the market analysis conducted by the Agency in July 2009, and market analysis conducted in 2011, Company holds SMP position in the following markets:

1. call origination in fixed network
2. call termination in fixed network
3. wholesale (physical) network infrastructure access (including shared or fully unbundled access)
4. wholesale broadband access
5. call termination in mobile network

6. retail access to the public communications network at a fixed location
7. publicly available local and/or national telephone service provided at a fixed location for residential customers
8. publicly available local and/or national telephone service provided at a fixed location for non-residential customers

In these markets, remedies that were in place before the market analysis ceased to apply and the following remedies were imposed:

- in markets 1 - 5: 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 Company's fixed business)
- in market 6: 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 7 and 8: price control obligations/regulation of promotional offers were imposed on the Company and Iskon.

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

In March 2011, the Agency reduced Company's prices (monthly fees) charged for the wholesale unbundled local loop service (ULL) from HRK 52.14 to HRK 43.61. The Company's monthly fee for Shared ULL was reduced in October 2011 from HRK 18.17 to HRK 16.92

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

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

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

In October 2011, the Agency determined that the "three criteria test" for retail broadband Internet access had been fulfilled, which qualified this market as susceptible to *ex ante* regulation. Finalization of market analysis and imposition of regulatory remedies is expected in Q1 2012. Proposed regulatory obligations relate to price control/promo offers regulation.

In addition, also in October 2011 the Agency proposed to designate Company and Iskon as operators with SMP in the retail market for transmission of TV programs with remuneration, whereby rather strict regulatory remedies would apply both to the Company's and Iskon's retail IPTV services. This procedure is pending, with expected finalization in Q1 of 2012.

In December 2011 the Agency adopted decision designating the Company as an SMP operator on the terminating leased lines segments as well as on wholesale transport segments (non competitive relations).

By its decision adopted in November 2011, the Agency increased the "x" percentage that is used for calculation of Company's prices for wholesale *bitstream access* (WBA) on copper - IP level (retail minus methodology), from 40% to 60%.

In December 2011, the Agency adopted a decision on amendments to the Company's Reference offer for wholesale bitstream access on copper and FTTH. This decision imposed more than 60 amendments and defined final concepts for the provision of WBA on copper and limited WBA offer on FTTH (only for the speeds of 20 Mbit/s and above).

In October 2010, the Company was (re)designated as the universal service provider for the next five years for all universal 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.

With regard to accounting separation (applies only to the Company's fixed business) a cost accounting project, initiated at the end of 2008, continues. In Q3 2011 the Agency started developing its own cost modelling for all regulated services.

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

In the fourth quarter 2011, the Agency adopted the Ordinance on Certificate and Fee for the Right of Way and the Ordinance on Manner and Conditions for Provision of Electronic Communications Networks and Services.

A revision of fixed origination and termination fees and mobile termination fee was initiated in Q4 2011, to adjust these prices to the EU benchmark on an annual basis as prescribed by Agency decisions from 2009 (on SMP designation and imposition of remedies in fixed/mobile interconnection markets). As a consequence, T-HT's interconnection prices were amended as follows (new prices started to apply from 1 January 2012):

- Local origination and termination fees in fixed (peak/off peak): 4.2 lp/min / 2.1 lp/min
- Single tandem origination fees in fixed (peak/off peak): 5.4 lp/min / 2.7 lp/min
- Single tandem termination fees in fixed (peak/off peak): 6.2 lp/min / 3.1lp/min

- Double tandem origination fee in fixed (peak/off peak): 10.3 lp/min / 5.15 lp/min
- Double tandem termination fee in fixed (peak/off peak): 12 lp/min / 6 lp/min
- Mobile termination fee: 30.1 lp/min

Prior to 1 January 2012, HT's interconnection prices were set at the following level:

- Local origination and termination fees in fixed (peak/off peak): 3.9 lp/min / 1.95 lp/min,
- Single tandem origination and termination fees in fixed (peak/off peak): 5.9 lp/min / 2.95 lp/min
- Double tandem origination fee in fixed (peak/off-peak): 11.3 lp/min / 5.65 lp/min and double tandem termination fee in fixed (peak/off-peak): 11.4 lp/min / 5.7 lp/min
- Mobile termination fee: 39.6 lp/min.

Segmental reporting

On 1 January 2010, the old 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 of customer relationship

Under Group accounting policies, revenue from connection fees should be recognized over the estimated useful life of a customer relationship. To date, the lifetime of a customer relationship in the fixed telephony segment was estimated at 10 years.

Due to changed market conditions, the period that constitutes useful life has been re-evaluated and is now calculated at three years, with effect from 1 January 2011. This change was recognized in Q3 2011 and has had a positive impact on revenue of HRK 73 million.

Change in definition of Prepaid Subscribers

From Q1 2011, the regulator (HAKOM) amended the definition of the total prepaid subscriber base so that only SIMs showing traffic or voucher recharges in the previous 90 days should be considered as subscribers.

Previously, T-HT had been using a definition of its subscriber base that included all connected SIMs in the subscriber base. In Q3 2011 T-HT aligned the number of prepaid subscribers with the new HAKOM definition and all related KPIs. Data for comparable periods in this report are restated in line with the new definition.

Summary of key financial indicators

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Revenue	8,067	8,372	*-3.6%*
EBITDA before exceptional items (EI)[1)	3,782	3,694	*2.4%*
Exceptional items	162	32	*412.0%*
EBITDA	3,619	3,662	*-1.2%*
EBIT (Operating profit)	2,205	2,246	*-1.8%*
Net profit after minority interest	1,811	1,831	*-1.1%*
EBITDA margin before exceptional items[1)	46.9%	44.1%	*2.8 p.p.*
EBITDA margin	44.9%	43.7%	*1.1 p.p.*
EBIT margin	27.3%	26.8%	*0.5 p.p.*
Net profit margin	22.4%	21.9%	*0.6 p.p.*
in HRK million	**At 31 Dec 2011**	**At 31 Dec 2010**	***% of change A11/A10***
Cash and cash equivalents	3,704	3,282	*12.9%*
Total assets	13,136	13,529	*-2.9%*
Total issued capital and reserves	11,019	11,054	*-0.3%*
in HRK million	**Jan-Dec 2011**	**Jan-Dec 2010**	***% of change A11/A10***
Net cash flow from operating activities	2,988	3,266	*-8.5%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change A11/A10*

Revenue	4,433	4,638	*-4.4%*
Contribution to EBITDA before EI	3,025	2,996	*1.0%*

BUSINESS SEGMENT

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change A11/A10*
Revenue	3,635	3,734	*-2.7%*
Contribution to EBITDA before EI	2,287	2,428	*-5.8%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change A11/A10*
Contribution to EBITDA before EI	-1,530	-1,730	*11.6%*

[1] Exceptional items in 2011 refer to redundancy provisions totalling HRK 162 million. Exceptional items in 2010 totalled HRK 32 million, of which HRK 31 million related to redundancy provisions and HRK 1 million related to reorganisation costs.

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Twelve months to 31 December 2010	7.29	7.39	5.50	5.57
Twelve months to 31 December 2011	7.43	7.53	5.35	5.82

Selected Operational Data

Key operational data	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Mobile subscibers in 000			
Number of subscribers [3]	2,418	2,437	*-0.8%*
- Residential	1,964	2,003	*-1.9%*
- Business	454	435	*4.4%*
Number of postpaid subscribers	1,035	1,003	*3.2%*
Number of prepaid subscribers [3]	1,383	1,434	*-3.6%*
Minutes of use (MOU) per average subscriber[3]	134	136	*-1.2%*
- Residential	100	100	*0.7%*
- Business	285	300	*-5.0%*
Blended ARPU (monthly average for the year in HRK)[2] [3]	94	104	*-10.0%*
- Residential	74	83	*-11.0%*
- Business	184	202	*-8.9%*

Blended non-voice ARPU (monthly average for the year in HRK)[2) 3)]	23	25	*-7.3%*
SAC per gross add in HRK	122	160	*-23.7%*
Churn rate (%)[3)]	2.7	2.5	*0.2 p.p.*
Penetration (%) [1) 3)]	119.9	117.8	*2.1 p.p.*
Market share of subscribers (%)[1) 3)]	47.0	46.7	*0.3 p.p.*

[1)] Source: VIPnet and Tele2 reports for Q3 2011 and Tele2 Q4 2011 and Q4 2010. Subscriber numbers for VIPnet in Q4 2011 are internally estimated
[2)] Due to T-Mobile and T-Com merger and within the new segmental reporting explained above, as of Q1 2011 calculation of ARPU was changed to show consolidated mobile revenues rather than unconsolidated mobile revenues
[3)] In September 2011 definition of prepaid subscribers was changed in order to be aligned with HAKOM definition. According to new definition, only SIMs showing traffic or voucher recharges in the last 90 days should be considered as subscribers. Number of subscribers in 2010 and all related KPIs were restated accordingly

Key operational data	Jan-Dec 2011	Jan-Dec 2010	*% of change A11/A10*
Fixed mainlines in 000			
Total mainlines [1)]	1,267	1,438	*-11.9%*
- Residential	1,074	1,220	*-12.0%*
- Business	193	217	*-11.4%*
Total Traffic (mill. of minutes)	2,790	3,177	*-12.2%*
- Residential	2,083	2,320	*-10.2%*
- Business	706	856	*-17.5%*
ARPA voice per access (monthly average for the year in HRK)	121	131	*-7.3%*
- Residential	101	107	*-5.7%*
- Business	238	264	*-10.0%*
IP mainlines/customers in 000			
ADSL mainlines	651	629	*3.4%*
- Residential	539	524	*2.9%*
- Business	112	105	*6.0%*
TV customers [2)]	341	303	*12.3%*
- Residential	321	286	*12.3%*
- Business	19	17	*12.4%*
Fixed-line customers	1	1	*5.1%*
VPN connection points	4	4	*10.0%*
ADSL ARPA (monthly average for the year in HRK)	123	127	*-3.1%*
- Residential	120	124	*-3.1%*
- Business	134	138	*-2.5%*
Data lines in 000			
Total data lines	5	6	*-6.7%*
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	96	221	*-56.5%*

NP (Number portability) users/number	514	416	*23.5%*
ULL (Unbundled Local Loop)	148	133	*11.7%*
WLR (Wholesale Line Rental)[3]	124	0	-

1) Includes POTS+FGSM+ ISDN+Payphones

2) Includes IPTV, DTH and Cable TV customers

3) On July 1st HT published new WLR (Wholesale Line Rental) offer according to HAKOM regulation

Group financial performance

Revenues

in HRK million (IFRS)	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Voice revenue	4,345	4,963	*-12.5%*
Non voice revenue	2,595	2,539	*2.2%*
Other service revenue	788	439	*79.5%*
Terminal equipment	213	253	*-16.1%*
Miscellaneous	126	177	*-28.8%*
Revenue	8,067	8,372	*-3.6%*

Group revenues continue to be affected by the recession and special taxation measures designed to improve Government finances. Croatia's economic recovery has been slower than expected and one of the slowest in the region with GDP growth in 2011 forecast at around 0%.

The Group benefited from a contribution of HRK 413 million from Combis (eight months contribution in 2010: HRK 232 million), but total revenues fell 3.6% to HRK 8,067 million (2010: HRK 8,372 million).

Voice revenues fell by 12.5% as a result of lower voice revenues in both the Residential and Business segments, pricing pressures in both mobile and fixed markets, lower termination rates and fixed wholesale revenues.

Non voice revenues rose by 2.2%, due to an increase in residential fixed non voice revenues connected with ADSL and IPTV services.

Other service revenues rose by 79.5%, largely due to the consolidation of Combis.

Iskon contributed HRK 252 million to Group consolidated revenues (2010: HRK 192 million), mostly due to growth in its broadband and IPTV subscriber base.

Mobile telephony revenues were again hit by the government's 6% tax on mobile services imposed in August 2009, which is deducted directly from revenue. The impact of the 6% tax in 2011 was HRK 145 million (2010: HRK 163 million). As outlined above, in January 2012 Croatian Parliament adopted recently elected Government's proposal to reinstate the 6% fee from 26 January 2012 after it had been cancelled for a brief period.

Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased 4.1% to HRK 4,749 million in 2011 (2010: HRK 4,950 million). Lower operating expenses achieved mainly through the execution of a number of cost control initiatives, falling telecommunications services costs and decreased asset write downs, more than offset the consolidation of Combis' expenses for the full year 2011 and an increase in copyright fees.

Material expenses were down 6.4% at HRK 2,175 million (2010: HRK 2,325 million) mostly due to lower telecommunications services costs related to lower traffic and decreased IC prices, tight cost controls as well as smart handsets mix and pricing management in mobile. The change in business model/accounting treatment of Consumer Premises Equipment (CPE) from 1 September 2010 resulted in a fall in merchandise costs in 2011 of HRK 136 million (2010: HRK 75 million). This more than offset the consolidation of Combis expenses for the full year 2011 and increased copyright fees related to Group's pay TV service, after growth in customers and the addition of new content.

Total employee benefits increased by 8.2% to HRK 1,296 million as a result of higher redundancy provisions booked in 2011 (HRK 162 million vs HRK 31 million in 2010). Excluding redundancy costs, total employee costs fell by 2.9% despite consolidation of Combis' expenses for the full year, owing to cost optimisation measures and a lower number of employees. The Group's (FTE) employee numbers fell to 6,032 in December 2011 from 6,322 in December 2010 mainly as a result of a continuing program to rationalize business processes and drive efficiency improvements.

Other expenses decreased by 8.9% to HRK 1,292 million (2010: HRK 1,419 million) primarily due to lower maintenance and advertising, alongside other items such as lower postal expenses and other taxes.

Asset write-downs decreased by 41.4% to HRK 67 million (2010: HRK 114 million) after improvements made in the collection of written off receivables and in dunning procedures.

Depreciation, amortization and impairment of non-current assets were stable at HRK 1,414 million, down 0.1% (2010: HRK 1,415 million).

T-HT Group profitability

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Revenue	8,067	8,372	*-3.6%*
EBITDA before exceptional items[1)]	3,782	3,694	*2.4%*
Exceptional items[1)]	162	32	*412.0%*
EBITDA	3,619	3,662	*-1.2%*
EBIT (Operating profit)	2,205	2,246	*-1.8%*
Net profit after minority interest	1,811	1,831	*-1.1%*
EBITDA margin before exceptional items[1)]	46.9%	44.1%	*2.8 p.p.*
EBITDA margin	44.9%	43.7%	*1.1 p.p.*
EBIT margin	27.3%	26.8%	*0.5 p.p.*
Net profit margin	22.4%	21.9%	*0.6 p.p.*

[1)] Exceptional items in 2011 refer to redundancy provisions totalling HRK 162 million. Exceptional items in 2010 totalled HRK 32 million, of which HRK 31 million related to redundancy provisions and HRK 1 million related to reorganisation costs.

EBITDA decreased by 1.2% to HRK 3,619 million (2010: HRK 3,662 million) with a margin of 44.9% (2010: 43.7%).

EBITDA before exceptional items of HRK 162 million (2010: HRK 32 million) increased by 2.4% to HRK 3,782 million (2010: HRK 3,694 million) with a margin of 46.9% (2010: 44.1%).

Operating profit (EBIT) fell 1.8% to HRK 2,205 million (2010: HRK 2,246 million).

As a result of EBIT development and slightly higher net financial income, net profit was down by 1.1% at HRK 1,811 million (2010: 1,831 million).

Balance sheet

T-HT's balance sheet remains strong, with total assets of HRK 13,136 million (31 December 2010: HRK 13,529 million). At 31 December 2011, cash and cash equivalents stood at HRK 3,704 million, compared with HRK 3,282 million at 31 December 2010. A dividend totalling HRK 1,863 million was paid in May 2011.

Cash flow

Following a decrease in current liabilities and higher redundancy payments, net cash flow from operating activities in 2011 fell 8.5% to HRK 2,988 million (2010: 3,266 million).

Capital expenditure

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Business	86	69	*24.3%*
Residential	330	258	*27.7%*
Network and Support Functions	461	825	*-44.1%*
T-HT Group	**877**	**1,153**	***-23.9%***
Capex / Revenue ratio	10.9%	13.8%	*-2.9 p.p.*

Capital expenditure in 2011 was down on 2010 by 23.9% at HRK 877 million, largely due to the slower realization of backbone and backhaul projects. The shift of Consumer Premises Equipment (CPE) from OPEX to CAPEX as of 1 September 2010 also resulted in an HRK 136 million increase in 2011 (2010: HRK 75 million).

The Residential segment saw slightly higher capital expenditure in 2011, primarily as a result of the change in treatment of Consumer Premises Equipment (CPE) from OPEX to CAPEX in the second half of 2010, and as a result of increased capital expenditure related to IT.

Business segment capital expenditure rose in 2011, due in large part to increased investments in business-related IT solutions as well as a change in the treatment of CPE equipment and increased investment in Group subsidiaries.

In the absence of clarity on the issue of fiber access, the Group has continued with its modernisation of the current fixed core and aggregation network, while in the mobile network it continues to invest in radio access and core network transformation in order to improve mobile broadband access.

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 1.9% (down 3.3% on Q3 2011)
- 539,172 ADSL mainlines, up 2.9% (up 0.1% on Q3 2011), and 321,256 TV customers, up 12.3% (up 1.1% on Q3 2011)
- Revenues down 4.4%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 3,025 million, up 1.0%
- Simpa prepaid brand reintroduced
- Group conducted ongoing retention initiatives in postpaid and prepaid segments
- T-HT successfully defended fixed voice customer base
- Group increasing coverage with Direct to Home satellite TV service
- Exlusive TV content on MAXtv – Croatia's Premier Football League, Formula 1
- Launched MAXtv To Go – a TV service for smartphones, tablets, laptops and PCs

Key operational data	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Mobile subscribers in 000			
Number of subscribers [3]	1,964	2,003	*-1.9%*
Minutes of use (MOU) per average subscriber[3]	100	100	*0.7%*
Blended ARPU (monthly average for the year in HRK) [3]	74	83	*-11.0%*
Fixed mainlines in 000			
Total mainlines[1]	1,074	1,220	*-12.0%*
Total Traffic (mill. of minutes)	2,083	2,320	*-10.2%*
ARPA voice per access (monthly average for the year in HRK)	101	107	*-5.7%*
IP mainlines/customers in 000			
ADSL mainlines	539	524	*2.9%*
TV customers[2]	321	286	*12.3%*
ADSL ARPA (monthly average for the year in HRK)	120	124	*-3.1%*

[1] Includes POTS+FGSM+ ISDN+Payphones

[2] Includes IPTV, DTH and Cable TV customers

[3] In September 2011 definition of prepaid subscribers was changed in order to be aligned with HAKOM definition. According to new definition, only SIMs showing traffic or voucher recharges in the last 90 days should be considered as subscribers. Number of subscribers in 2010 and all related KPIs were restated accordingly

T-HT launched mobile acquisition and retention campaign for all new and existing customers signing 24-month contracts during the first six weeks of the year. The strong focus on mobile broadband was further emphasized by the launch of new postpaid tariffs in March and new mobile Internet tariffs in May. Additionally, new Extra family tariffs were launched offering benefits for up to seven family members and including unlimited calls on the T network. Extra tariffs also included a special offer targeting young people.

A refresh of the Maraton tariff also reflected the focus on mobile broadband. The launch of the Daily option in May further added to the success of prepaid Internet. During the year, customers could choose from a range of special offers including Simpa Noć and the Summer & MNP (mobile number portability) offers. In addition, a special offer to visitors with the international promotion of prepaid packages was launched in summer. In October, the Simpa prepaid brand was re-launched, with attractive cross-network pricing, and a mobile number porting offer.

Fixed and mobile products were bundled in ADSL customer acquisition campaigns promoting bundled packages.

In TV, customer acquisition campaigns were offered in both IPTV and DTH satellite TV service. IPTV offers were focused on expanding sports content and the introduction of new pay-per-view services. Market leadership was reinforced through exclusive content such as MAXtv, Croatian Premier League football and Formula 1.

The MAX3 triple play was launched with specially designed packages combining voice, ADSL and IPTV services with attractive pricing.

The launch of MAXtv To Go, a service for smartphones, tablets, laptops and PCs will make TV available everywhere and on all platforms.

The mobile subscriber base decreased by 1.9%, from 2,002,523 subscribers in 2010 to 1,964,359 subscribers in 2011.

Minutes of usage per average subscriber in 2011 increased by 0.7% due to new, improved tariffs provided mainly in the prepaid segment.

Blended ARPU decreased by 11.0% in 2011, as a result of the economic situation and a highly competitive market, but showed some improvement in Q4 2011.

By the end of 2011, total fixed access mainlines were 12.0% lower at 1,073,935. The decline was accelerated by the regulatory introduction of new wholesale products and was in line with the market trend of fixed to mobile and IP substitution. However, the Group maintained its competitiveness with attractive promotional offers and excellent service.

Fixed telephony users generated 2,083 million minutes in 2011. That was 10.2% lower than the previous year and reflects the impact of fixed substitution by mobile and IP traffic.

Fixed voice ARPA decreased by 5.7%, as a result of general market trends outlined above.

By the end of 2011, the number of ADSL mainlines increased to 539,172 up 2.9%. At the same time, ADSL ARPU fell 3.1%.

The TV customer base showed strong growth. By the end of 2011, T-HT had 321,256 TV customers, an increase of 12.3%.

Satellite TV, an extension of the IPTV service, continues to grow, offering more value for the customers and expected to contribute significantly to the overall TV success.

Residential Segment financial performance

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Voice revenue	2,582	2,955	*-12.6%*
Non voice revenue	1,500	1,414	*6.1%*
Other service revenue	182	63	*189.7%*
Terminal equipment	153	189	*-19.3%*
Miscellaneous	16	17	*-2.9%*
Total revenues	4,433	4,638	*-4.4%*
Operating expenses	1,407	1,642	*-14.3%*
Contribution to EBITDA before EI	3,025	2,996	*1.0%*

Total residential revenue in 2011 fell 4.4 % to HRK 4,433 million, largely on lower voice revenue both in mobile and fixed.

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

Voice revenue

Voice revenue at the end of 2011 was down 12.6% at HRK 2,582 million.

Retail mobile voice revenue fell as a result of a highly competitive market, downward pressure on pricing and a harsh economic environment. In addition, voice mobile termination revenue was lower following reductions in termination rates.

Mobile minutes of use (MOU) per average subscriber remained largely flat, so the revenue decline was the result of lower average revenue per usage (ARPU) arising from the tough economic environment and intensified competition.

Fixed telephony revenue fell due to the continuation of fixed to mobile substitution, fixed to internet substitution, stronger competition and new regulation (such as WLR and naked ADSL regulation), leading to a 12.0% fall in the number of mainlines and a 10.2% decline in minutes of use. As a result of lower minutes spent and downward pricing pressure, voice average revenue per access (ARPA) declined by 5.7%.

Non voice revenue

Non voice revenue rose 6.1%, to HRK 1,500 million as a result of higher revenue from fixed services.

Mobile services fell 7.2% to HRK 461 million mainly in the prepaid segment, affected by the economic downturn and competitive pressures that resulted in lower pricing. A fall in revenue generated by SMS was not fully offset by growth in data revenue.

Fixed non voice (IP) revenue was boosted by a 2.9% increase in ADSL mainlines and a 12.3% rise in TV subscribers. ADSL ARPA fell 3.1%, mostly due to stronger marketing and promotional offers for ADSL access and usage.

Other service revenue

Other service revenue rose 189.7% to HRK 182 million as a result of higher revenue from usage bundle tariffs.

Terminal equipment

A decline of 19.3% to HRK 153 million in terminal equipment revenue was caused primarily by the prepaid segment, as investments in prepaid customers were reduced in 2011 through offering a more affordable range of handsets.

Contribution to EBITDA

In 2011, the Residential segment contribution to EBITDA totalled HRK 3,025 million, up 1.0%, on the back of 14.3% decrease in operating expenses.

Business Segment highlights

- Substantial customer base across all segments and products
- Mobile subscribers up 4.4% (flat on Q3 2011)
- 111,541 ADSL mainlines up 6.0% (up 2.0% on Q3 2011) and 19,487 TV customers, up 12.4% (up 3.0% on Q3 2011)
- Revenues down 2.7%, due largely to lower voice revenues in mobile and fixed
    - IP and ICT revenues showing further growth with new ICT services launched: tCloud Virtual Desktops, tCloud Human Resources, tCloud ERP, tCloud Virtual Private Servers and eBook store – Planet9
- Contribution to EBITDA of HRK 2,287 million, down 5.8%
- New services Internet for Team and VPN Private Bill introduced to boost mobile customers
- Active customer retention efforts in both fixed and mobile
- HotHot – geo-marketing solution for business customers launched

Key operational data	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Mobile customers in 000			
Number of subscribers	454	435	*4.4%*
Minutes of use (MOU) per average subscriber	285	300	*-5.0%*
Blended ARPU (monthly average for the year in HRK)	184	202	*-8.9%*
Fixed mainlines in 000			
Total mainlines[1)]	193	217	*-11.4%*
Total Traffic (mill. of minutes)	706	856	*-17.5%*
ARPA voice per access (monthly average for the year in HRK)	238	264	*-10.0%*
IP mainlines/customers in 000			
ADSL mainlines	112	105	*6.0%*
TV customers	19	17	*12.4%*
Fixed-line customers	1	1	*5.1%*
VPN connection points	4	4	*10.0%*
ADSL ARPA (monthly average for the year in HRK)	134	138	*-2.5%*
Data lines in 000			
Total data lines	5	6	*-6.7%*
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	96	221	*-56.5%*
NP (Number portability) users/number	514	416	*23.5%*
ULL (Unbundled Local Loop)	148	133	*11.7%*
WLR (Wholesale Line Rental)[2)]	124	0	-

[1] Includes POTS+FGSM+ ISDN+Payphones

[2] On July 1st HT published new WLR (Wholesale Line Rental) offer according to HAKOM regulation

T-HT had 453,923 mobile business subscribers by the end of 2011, marking a 4.4% increase in the customer base. Minutes of use (MOU) per average subscriber were down 5.0%, as a result of the economic downturn. That pushed blended ARPU down 8.9% compared with 2010. Mobile data grew in line with general mobile market trends.

At the beginning of 2011, T-HT launched a mobile acquisition and retention campaign for all new and existing customers signing 24 months contracts.

In March, new tariffs were launched, grouped according to customers' needs: customers who only make only calls; customers who make calls and occasionally use the Internet; and customers who make calls and are heavy Internet users.

T-HT's business fixed line customers declined 11.4% due to fixed to mobile and IP substitution, regulatory decisions, increased competition and economic recession.

Fixed telephony business users consumed 706 million minutes, down 17.5% on the previous year. As result of lower usage, ARPA decreased 10.0% to HRK 238.

The ADSL subscriber base is growing as a result of attractive ongoing retention and acquisition campaigns, reaching 111,541 business users, an increase of 6.0%. ARPA decreased 2.5% to HRK 134. Customers signing up for a 24 month contract during September received five months for HRK 0.50.

The TV subscriber base has grown 12.4% to 19,487 customers as a result of continuous improvements in services and programming. A range of promotional offers were available to both new and existing TV users. Customers signing up for a 24 month contract during September received the basic package for 1.00 HRK the first five months, plus one free month of Sports plus, Snimalica 10 and HBO Cinema.

The Hotel TV service was launched in March. Offers around Christmas gave 50% off the monthly subscription fee for 12 months along with a free package of the subscriber's choice (Sportski paket plus, HBO or Snimalica 10) for six months when signing up for 24 months.

The IP fixed line customer base increased 5.1%.

The VPN customer base increased 10.0%. T-HT constantly promotes the migration of existing traditional data customers to IP-based products.

The number of data lines fell 6.7% with traditional data lines decreasing, whilst Metro Ethernet service is growing.

Beside regular telecommunications services, T-HT built an ICT portfolio in 2011. At the start of the year, a Virtual Private Server service was launched and the Desktop Management product followed shortly after. In July, Virtual Desktops – tCloud and the eBook platform Planet9 were launched and at the end of September, the first two modules of Software as a Service products were introduced – tCloud Human Resources and tCloud ERP. The Group also launched the HotHot geo-marketing application.

tportal.hr

In 2011, tportal.hr continuously ranked among the top three web portals in Croatia according to reach, with more than 800,000 unique visitors per month according to Gemius, an independent internet traffic research agency.

Wholesale

During 2011, the ULL market continued to grow with the gross additions of 15,500 new ULL lines. Operators remained highly focused on a fully unbundled local loop which provides a more attractive broadband services option, while the number of shared accesses is declining and is expected to disappear.

Based on a decision by the Agency, T-HT has updated and published its wholesale bitstream offer providing two additional products: naked bitstream on copper and FTTH bitstream. Nine operators signed contracts in 2011 for the wholesale bitstream service and eight had started commercial operations by early 2012 (in accordance with the standard wholesale bitstream offer). These are focused on bitstream services on copper, which rose to prominence in 2011 and numbered 4,200 ADSL lines.

T-HT also published a new WLR (Wholesale Line Rental) offer. The new WLR product created a large amount of interest from CPS operators, resulting in rapid migration of existing CPS customers to the WLR service.

In 2011, four operators signed WLR contracts and there were 123,819 active WLRs. Subsequently, the number of pure CPS customers was reduced to a large extent. At the end of the year, 96,181 pure CPS active customers were reported, and there is a trend towards further reduction in the first six to eight months of 2012 due to the fact that majority of existing CPS customers will be migrated to WLR. New CPS activations were primarily connected with WLR activations and contributed to WLR gross additions.

A decrease in the number of customers generating origination traffic and the lower ARPU generated by these customers, meant that originated minutes fell by 9% in 2011. On the other hand, the number of terminated minutes into the T-HT network remained stable.

The public consultation regarding the Wholesale Leased Line offer was finalised at the end of 2011. The Agency published its decision and specified changes required. The most important change is a new distance oriented pricing structure applicable for all technologies.

In the broader market, the acquisition of B.net by VIPnet was completed. In addition, the ownership structure of telecom company Novi Net altered due to foreign investment.

Sales to international operators remained a significant part of total fixed wholesale revenue in 2011. The majority of international business is related to termination of international voice traffic into the Republic of Croatia and neighboring countries. Incoming traffic to Croatia decreased by 14% and transit traffic to neighboring countries declined 30%.

However, due to favorable bilateral agreements and pricing in the international market, the total impact from international voice operations was less significant than the previous year.

Despite massive competition and price erosion in the international data and capacity market, due to the number of new contracts and interconnections and the growth in capacity sold, total business remained flat to the previous year. The IP business scored notable success with 125% growth of capacity sold to neighboring countries, which boosted revenues.

On the cost side, the biggest success resulted from a strategic policy to force non-commercial international IP peering wherever possible, and reduce commercial IP upstream to appropriate levels. In 2011, T-HT's share of free of charge IP peering in total IP upstream rose to 52% from 13%. Reduced costs further enhanced the competitiveness of the T-HT offer in the IP market and, alongside intensified sales activities, was the main driver of revenue growth.

Intensive activity on the international network was key to strong business results. Continuous upgrades of capacity and technologies at international points of presence (Frankfurt, Vienna) and existing border crossings were carried out in 2011, and three new border crossings toward neighbouring countries were built, increasing the total number of border crossings to 32. A flexible and low-cost interconnection policy, enabled mostly through international points of presence, resulted in an increase in the number of international voice and data interconnections with global and regional operators: from 70 in 2010 to 92 in 2011.

In the visitor roaming market, as Croatia reached the final stages of EU accession, there was strong pressure from EU-based operators to increase discounts to levels close to EU benchmarks. This is the main driver for reductions in visitor roaming revenues. A successful tourist season resulted in higher traffic volumes that partly offset the loss of revenue caused by the drop in prices.

During 2011, 31 new roaming partners were connected, increasing the total number to 391 roaming partners worldwide.

Business Segment financial performance

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Voice revenue	1,763	2,008	*-12.2%*
Non voice revenue	1,095	1,125	*-2.6%*
Other service revenue	606	376	*61.1%*
Terminal equipment	60	64	*-6.6%*
Miscellaneous	110	161	*-31.5%*
Total revenues	3,635	3,734	*-2.7%*
Operating expenses	1,348	1,306	*3.2%*
Contribution to EBITDA before EI	2,287	2,428	*-5.8%*

Revenues

In 2011, total business revenue fell 2.7 % to HRK 3,635 million. This fall was largely the result of lower voice revenue in mobile and in the fixed network.

Voice revenue

Voice revenue fell 12.2%, to HRK 1,763 million. The fall was largely driven by a 10.0% decline in fixed retail voice revenue (HRK 75 million), largely due to a fall in total minutes in traditional voice (-17.5%). This resulted in part from a decrease in total traditional voice mainlines (-11.4%) and from the migration to mobile voice.

Fixed wholesale voice revenues fell 16.9% (HRK 61 million), due to intervention by the Agency in the form of lower interconnection prices from 1 January 2011. Voice services revenues from international operators fell by HRK 29 million, primarily as a result of lower traffic.

Mobile voice revenues were 12.2%, or HRK 110 million, down at HRK 789 million, with retail accounting for a HRK 75 million fall and wholesale for a HRK 35 million decline. The HRK 48 million mobile voice revenue fall was mainly driven by lower voice ARPU (-8.9%) and lower average minutes per subscriber (-5.0%).

Non voice revenue

Non voice revenue fell 2.6%, to HRK 1,095. Fixed non voice revenue was 2.0% lower at HRK 787 million, as a result of a fall in retail revenue of 5.1%, which was partially offset by an increase in wholesale of 3.8%.

Fixed retail revenue decreased, on lower revenue from traditional data, which declined 17.8% owing to the migration to IP data, while the IP revenues remained flat.

Non voice fixed wholesale revenue rose 3.8%, or HRK 11 million, to HRK 289 million. This was boosted by higher revenue from infrastructure, mostly because of WLR (Wholesale Line Rental) activations and international GIA (Global Internet Access). National leased lines revenue was lower, however, due to migration to new commercial models and cancelation of capacities.

Non voice mobile revenue fell 4.1%, or HRK 13 million, to HRK 308 million. Retail accounted for HRK 213 million of the total, driven by mobile data.

Other service revenue

Other service revenue rose 61.6%, or HRK 230 million, to HRK 606 million. This was primarily due to growth in the ICT segment following the acquisition of Combis (consolidated as of May 2010), and more proactive efforts to win ICT business.

Terminal equipment

Revenue from terminal equipment was down 6.6% to HRK 60 million, with fixed falling 57.9%, or HRK 4 million, to HRK 3 million, while mobile was flat to the previous year.

Miscellaneous revenue

Miscellaneous revenue decreased by 31.5% or HRK 51 million, to HRK 110 million. The decline was driven in large part by mobile. In retail, disconnection fee revenue was reclassified as service revenue from the start of 2011, decreasing revenue by HRK 15 million. Mobile wholesale miscellaneous revenue decreased by 25.6%, or HRK 37 million, to HRK 107 million, due to lower national roaming (NR) prices and lower usage.

Contribution to EBITDA

The Business Segment contribution to EBITDA fell 5.8%, to HRK 2,287 million driven by revenue decline.

Network and support functions financial performance

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Other Operating income	301	240	*25.3%*
Operating expenses	1,831	1,970	*-7.0%*
Contribution to EBITDA before EI	-1,530	-1,730	*11.6%*

In Network and support functions, a 25.3% increase in Other Operating income mainly resulted from the one-off impact of a reversal of provisions, increased revenue from dunning letters and subsequently approved volume discounts from suppliers. Operating expenses were 7.0% lower due to lower maintenance expenses and service costs. Overall this resulted in a lower negative contribution to EBITDA in 2011 of -HRK 1,530 million (2010: -HRK 1,730 million).

Network and Service Platforms

Network and Service Platforms are T-HT's core infrastructure and as such are continuously upgraded and improved in line with Group strategy. With the consolidation of T-HT's business operations, the Group started to converge the functionalities of its resources in both fixed and mobile networks on joint service platforms, thus achieving improved service availability and greater cost efficiencies. In 2011, T-HT has been working on the further development of its network infrastructure, increasing broadband access capacity and establishing a common, fixed and mobile, transport and core network.

In fixed networks, T-HT has adopted a strategy of providing all services via one common MSAN port, triggering the transformation of its access network by the construction of a new optical access network, including an optical access platform (GPON) and selective modernization of the copper access network. Furthermore, the Group continues functional upgrades of the existing PSTN network to enable VoIP telephony provision on broadband.

In mobile networks, continuous radio access and core network transformation will support the development and rapid implementation of new, economically optimized technologies (e.g. HSPA, LTE), while taking into account maximum utilization of existing infrastructure and frequency resources. Mobile BroadBand (MBB) access was strongly in the focus of development, through existing and newly deployed technologies such as UMTS900, in order to improve data services coverage. Expansion of the network by building new infrastructural points has continued, along with capacity expansion to support strong data traffic increase.

Risk management

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

T-HT Group Fourth Quarter 2011 Report

in HRK million (IFRS)	Oct-Dec 2011	Oct-Dec 2010	*% of change 11/10*
Voice revenue	993	1,143	-13.1%
Non voice revenue	649	609	6.5%
Other service revenue	253	180	40.7%
Terminal equipment	51	74	-30.9%
Miscellaneous	28	45	-37.4%
Revenue	**1,975**	**2,051**	**-3.7%**
EBITDA	820	804	1.9%
EBITDA before exceptional items [1)]	982	836	17.5%
EBIT	411	376	9.3%
Net profit	328	346	-5.1%

[1)] Exceptional items in 2011 refer to redundancy provisions totalling HRK 162 million. Exceptional items in 2010 totalled HRK 32 million, of which HRK 31 million related to redundancy provisions and HRK 1 million related to reorganisation costs.

In the fourth quarter of 2011, revenues declined 3.7%, due primarily to a 13.1% fall in voice revenues. This was the result of a tough economic environment, a consistent decline in prices (including interconnection prices) and intense competitive pressure. Non voice revenues rose by 6.5%, due to an increase in residential fixed non voice revenues connected with ADSL and IPTV services.

Other service revenues rose 40.7% due to the implementation of different tariff structures in mobile and a slightly improved contribution from Combis.

Following an 8.1% decrease in operating expenses, EBITDA rose by 1.9% to HRK 820 million. Excluding the impact of redundancy provisions, EBITDA before exceptional items rose by 17.5% to HRK 982 million.

Net profit fell 5.1% due to lower net financial income and higher taxation.

Group 2012 outlook

Revenue

The Croatian economy has shown no sign of recovery since entering recession in 2009 and, according to recent forecasts, growth is still not expected to emerge in 2012. In a business environment characterised by a protracted economic recession, domestic regulatory tightening and progress towards alignment with EU telecoms regulation as well as intensifying competition, last year's trend in Group revenue decline is expected to continue. This will be additionally impacted by the recently introduced increase in the VAT rate and the reinstatement of the 6% fee on mobile services.

EBITDA before exceptional items

The Group will continue its transformation program measures throughout the year. Nevertheless, due to continued severe economic and market conditions in Croatia, leading to lower expectations for revenue, combined with the absence of one-off items reported the previous year, the Group expects 2012 EBITDA to be somewhat below the 2011 level.

CAPEX

The current regulatory regime 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 mobile broadband demand. As a consequence, capex in 2012 is expected to be higher than the previous year.

Regional Expansion

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

T-HT Group Financial statements

Consolidated Income Statement

in HRK million (IFRS)	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*	Oct-Dec 2011	Oct-Dec 2010	*% of change 11/10*
Voice revenue	4,345	4,963	*-12.5%*	993	1,143	-13.1%
Non voice revenue	2,595	2,539	*2.2%*	649	609	6.5%
Other service revenue	788	439	*79.5%*	253	180	40.7%
Terminal equipment	213	253	*-16.1%*	51	74	-30.9%
Miscellaneous	126	177	*-28.8%*	28	45	-37.4%
Revenue	**8,067**	**8,372**	***-3.6%***	**1,975**	**2,051**	**-3.7%**
Other operating income	301	240	*25.3%*	116	136	-15.0%
Total operating revenue	8,369	8,612	*-2.8%*	2,091	2,188	-4.4%
Operating expenses	**4,749**	**4,950**	***-4.1%***	**1,271**	**1,384**	**-8.1%**
Material expenses	2,175	2,325	*-6.4%*	531	696	-23.8%
Merchandise, material and energy expenses	1,034	1,044	*-0.9%*	256	319	-20.0%
Services expenses	1,141	1,281	*-10.9%*	275	377	-27.0%
Employee benefits expenses	1,296	1,198	*8.2%*	435	322	35.1%
Other expenses	1,292	1,419	*-8.9%*	318	391	-18.7%
Work performed by the Group and capitalised	-81	-105	*23.0%*	-31	-50	-37.7%
Write down of assets	67	114	*-41.4%*	19	24	-23.2%
EBITDA	**3,619**	**3,662**	***-1.2%***	**820**	**804**	**1.9%**
Depreciation, amortization and impairment of non-current assets	1,414	1,415	*-0.1%*	408	427	-4.3%
EBIT	**2,205**	**2,246**	***-1.8%***	**411**	**376**	**9.3%**
Financial income	83	71	*15.9%*	26	29	-8.6%
Income/loss from investment in joint ventures	15	11	*40.4%*	-6	5	-207.8%
Income from investment in associates	0	2	*-100.0%*	0	2	-100.0%
Financial expenses	48	55	*-13.0%*	18	-8	-322.3%
Profit before taxes	**2,255**	**2,275**	***-0.9%***	**413**	**420**	**-1.7%**
Taxation	444	444	*-0.1%*	85	74	14.4%
Net profit	**1,811**	**1,831**	***-1.1%***	**328**	**346**	**-5.1%**
Minority interest	0	0	*-809.2%*	0	0	-105.9%
Net profit after minority interest	**1,811**	**1,831**	***-1.1%***	**328**	**346**	**-5.2%**
Exceptional items [1]	162	32	*412.0%*	162	32	412.0%
EBITDA before exceptional items	**3,782**	**3,694**	***2.4%***	**982**	**836**	**17.5%**

[1] Exceptional items in 2011 refer to redundancy provisions totalling HRK 162 million. Exceptional items in 2010 totalled HRK 32 million, of which HRK 31 million related to redundancy provisions and HRK 1 million related to reorganisation costs.

Consolidated Balance Sheet

in HRK million (IFRS)	At 31 Dec 2011	At 31 Dec 2010	*% of change 11/10*
Intangible assets	999	1,162	*-14.0%*
Property, plant and equipment	5,953	6,336	*-6.0%*
Non-current financial assets	435	422	*3.1%*
Receivables	23	24	*-5.3%*
Deferred tax asset	52	64	*-18.9%*
Total non-current assets	**7,461**	**8,008**	***-6.8%***
Inventories	175	216	*-19.0%*
Receivables	1,307	1,448	*-9.8%*
Current financial assets	363	465	*-21.9%*
Cash and cash equivalents	3,704	3,282	*12.9%*
Prepayments and accrued income	126	110	*14.9%*
Total current assets	**5,675**	**5,521**	***2.8%***
TOTAL ASSETS	13,136	13,529	*-2.9%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.0%*
Revaluation reserves	-3	-1	*-235.8%*
Retained earnings	612	626	*-2.2%*
Net profit for the period	1,811	1,831	*-1.1%*
Minority interest	1	0	-
Total issued capital and reserves	**11,019**	**11,054**	***-0.3%***
Provisions	271	293	*-7.5%*
Non-current liabilities	32	43	*-24.9%*
Total non-current liabilities	**303**	**336**	***-9.2%***
Current liabilities	1,492	1,682	*-11.3%*
Accrued expenses and deferred income	153	324	*-52.9%*
Provisions for redundancy	169	133	*27.1%*
Total current liabilities	**1,814**	**2,139**	***-15.2%***
Total liabilities	**2,117**	**2,475**	***-14.5%***
TOTAL EQUITY AND LIABILITIES	13,136	13,529	*-2.9%*

Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Profit before tax	2,255	2,275	*-0.9%*
Depreciation, amortization and impairment of non-current assets	1,414	1,415	*-01%*
Increase of current liabilities	0	73	*-100.0%*
Decrease of current receivables	65	0	-
Decrease of inventories	41	40	*3.7%*
Total increase of cash flow from operating activities	**3,776**	**3,804**	***-0.7%***
Decrease of current liabilities	-375	0	-
Increase of current receivables	0	-48	*100.0%*
Other cash flow decreases	-413	-489	*15.6%*
Total decrease of cash flow from operating activities	**-788**	**-537**	***-46.6%***
Net cash inflow/outflow from operating activities	**2,988**	**3,266**	***-8.5%***
Proceeds from sale of non-current assets	3	13	*-73.8%*
Proceeds from sale of non-current financial assets	74	473	*-84.4%*
Interest received	57	31	*84.1%*
Dividend received	0	6	*-100.0%*
Other cash inflows from investing activities	990	224	*341.6%*
Total increase of cash flow from investing activities	**1,125**	**747**	***50.5%***
Purchase of non-current assets	-877	-1,153	*23.9%*
Purchase of non-current financial assets	0	-290	*100.0%*
Other cash outflows from investing activities	-944	-694	*-36.1%*
Total decrease of cash flow from investing activities	**-1,821**	**-2,136**	***14.7%***
Net cash inflow/outflow from investing activities	**-696**	**-1,389**	***49.8%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-11	-4	*-165.2%*
Dividends paid	-1,863	-2,788	*33.2%*
Total decrease in cash flow from financing activities	**-1,874**	**-2,792**	***32.9%***
Net cash inflow/outflow from financing activities	**-1,874**	**-2,792**	***32.9%***
Exchange gains on cash and cash equivalents	**4**	**2**	***100.0%***
Total increase of cash flow	2,992	3,269	*-8.5%*
Total decrease of cash flow	-2,570	-4,181	*38.5%*
Cash and cash equivalents at the beginning of period	3,282	4,195	*-21.8%*
Net cash (outflow) / inflow	422	-912	*146.2%*
Cash and cash equivalents at the end of period	**3,704**	**3,282**	***12.9%***

Consolidated EBITDA reconciliation

in HRK million	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Segment Result (Contribution to EBITDA)			
Residential Segment	3,025	2,996	*1.0%*
Business Segment	2,287	2,428	*-5.8%*
Network and Support Functions	-1,530	-1,730	*11.6%*
Total Contribution to EBITDA before EI of the Segments	**3,782**	**3,694**	***2.4%***
Exceptional items	162	32	*412.0%*
EBITDA	3,619	3,662	*-1.2%*

Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Dec 2011	Jan-Dec 2010	*% of change 11/10*
Mobile	3,329	3,680	*-9.5%*
Fixed Telephony	2,062	2,290	*-9.9%*
Wholesale	588	639	*-8.0%*
IP Revenue	1,513	1,368	*10.5%*
Data	124	150	*-17.8%*
ICT	446	240	*85.5%*
Miscellaneous	6	3	*66.7%*
Revenue	8,067	8,372	*-3.6%*

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

To the best of our knowledge, audited financial statements of the company Hrvatski Telekom d.d. (hereinafter: “Company”) and audited consolidated financial statements of the Company and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of both the Company and the Group.
The management report for the year 2011 together with other documents made public contain a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Mr. Ivica Mudrinić, President of the Management Board (CEO)

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

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

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

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

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

Zagreb, 14 February 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