Zagreb – 28 April 2011

T-Hrvatski Telekom

Results for the three months to 31 March 2011

Recession and special taxes continue to affect business but contribution of Combis and good growth in internet reduce revenue decline to 2.5%; strong growth in mobile subscribers, ADSL and IPTV build solid platform for recovery

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces unaudited results for the three months to 31 March 2011.

Group Highlights

- Revenue down 2.5% to HRK 1,894 million or EUR 256 million (Q1 2010: HRK 1,943 million, EUR 263 million)
  - Combis contributes HRK 68 million (EUR 9 million) in Q1 2011 (consolidated from May 2010)
  - Underlying revenue down 6.0% excluding Combis contribution
- Cost control initiatives continue
- EBITDA down 6.4% at HRK 767 million (EUR 104 million) and 40.5% margin (Q1 2010: HRK 819 million or EUR 111 million, 42.2%)
- Net profit 8.5% down at HRK 351 million (EUR 47 million)
- Operating cash flow fell 13.0% to HRK 471 million (EUR 64 million)
- General Assembly to vote on proposed dividend of HRK 22.76 per share on 4 May 2011
- New Residential and Business reporting structure implemented

Residential Segment

- T-HT maintains leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers up 7.9% (up 4.2% on Q4 2010)
- 535,000 ADSL mainlines up 13.2% (up 2.1% on Q4 2010) and 299,000 TV customers up 23.4% (up 6.8% on Q4 2010)
- Revenue down 5.1% due to falling voice revenue
- Contribution to EBITDA of HRK 659 million (EUR 89 million), down 8.5%

Business Segment

- Stable customer base across all segments and products/tariffs
- Mobile subscribers up 4.5% (up 0.5% on Q4 2010)
- 107,000 ADSL mainlines up 6.2% (up 1.9% on Q4 2010) and 18,000 TV customers up 24.4% (up 5.8% on Q4 2010)
- Revenue up 1.0%; excluding Combis contribution of HRK 68 million, revenue down 7.5%
- Contribution to EBITDA of HRK 493 million (EUR 67 million), down 6.4%

Ivica Mudrinić, President of the Management Board and CEO, said:

"In the first quarter, the Croatian economy continued to be depressed with unemployment increasing and falling disposable income. The anticipated recovery has yet to materialise. Consequently, our revenue fell 2.5%, although our growing IP revenue and the acquisition of Combis last year made increasing contributions. Despite the unfavourable operating environment, we have maintained our leading position in all segments and have further increased our mobile subscriber base. We believe these will bear fruit once the economic situation improves.

"Looking ahead, the strength of the coming tourist season as well as the anticipated recovery in the national economy will have a considerable impact on our performance. However, the current regulatory environment and tax imposed on the telecommunications sector continue to hold back our investments in the modern communications infrastructure that we believe would positively support the development of the Croatian economy."

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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	**61072912**

A replay of the call will be available until Wednesday, 4 May 2011 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	**61072912#**

A presentation covering results for the first three months of 2011 can downloaded from the T-HT website (www.t.ht.hr/eng/investors)

About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving more than 1.4 million fixed lines, 3.0 million mobile subscribers and 642,000 broadband connections through its Residential and Business divisions.

Since its initial public offering in October 2007, T-HT shares have traded on the Zagreb Stock Exchange, with global depositary receipts trading on the London Stock Exchange. Deutsche Telekom AG owns 51% of T-HT's shares, with the War Veterans' Fund owning 7%. The remaining free float is in the hands of private and institutional investors.

Results for the three months to 31 March 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 March 2011, the Group served 1.4 million fixed-line customers, 3.0 million mobile subscribers, 642,000 broadband connections and provided IPTV services to more than 317,000 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated business solutions to Croatia's business market. In September 2010, as part of its expansion strategy, T-HT applied for pre qualification in the privatization of Post and Telecommunications of Kosovo J.S.C. (PTK).

Market overview

During first three months of 2011, the Croatian telecommunication market recorded growth in broadband and TV, while usage of fixed telephony continued to decline in line with expectations and world-wide trends. The Croatian mobile market also declined throughout 2011 burdened by market saturation and recessionary impacts (reduced consumer purchasing power and the 6% tax on mobile services imposed in August 2009.). Demand for smartphones and mobile broadband devices boosted mobile broadband usage, however.

Fixed telephony remains highly competitive in Croatia, with 10 operators active but no new entrants in Q1 2011. T-HT continues to maintain its market position as market leader in all segments. This 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 0.4% in 2010. Fixed-line penetration remained stable during 2010 at 44.2% of the population, according to the National Regulatory Agency.

T-HT remained the leader in a saturated mobile market, with penetration of an estimated 145.4% in the first quarter of 2011 served by three operators since 2005. According to the Croatian Central Bureau of Statistics, total Croatian mobile MOU decreased by 0.2% in 2010 owing to the impact of the economic downturn and usage reduction. Demand for mobile Internet continued to grow, with all three mobile operators promoting mobile broadband offerings.

T-HT remained the largest provider of broadband services in Croatia, continuing to expand the roll out of its high-speed MAXadsl offering and augmenting it with premium services such as MAXtv – the Group's TV service. During 2010, T-HT continued to improve its TV offer, adding new channels and launching a Sports package that includes pre-eminent international sports channels and exclusive sporting content.

Despite the strong increase in subscribers, Croatia's broadband market remains a significant growth opportunity for T-HT, with approximately 44% of Croatian households connected via broadband compared to an average of above 55% in Western Europe.

Economic background

According to the Croatian Central Bureau of Statistics, Croatian GDP has decreased for two consecutive years: down 6% in 2009 and down a further 1.2% in 2010, returning the economy to 2006 GDP levels. The anticipated economic recovery in 2011 has been delayed so far due to a lack of public sector reforms and investments.

Household expenditure, the largest component of GDP, decreased by 0.9% in 2010. Industrial production also recorded negative growth for the second consecutive year, falling 9.2% in 2009 and a further 1.4% in 2010. This continued to impact business. Increased illiquidity, with outstanding unpaid obligations reaching HRK 36 billion in January 2011, and a lack of investment remain major issues in 2011.

Unemployment in Croatia rose to a record high level in 2010, with registered unemployment at 18.8% in December 2010. In March 2011, it was up further at 19.3%. In 2010, average monthly net earnings decreased in real terms by 0.5% compared to 2009. This negative trend has continued into 2011 with a 2.6% decline in January average monthly net compared with December 2010. Average inflation for 2010 rose 1.1% on 2009. Inflation continued to rise in the first three months of 2011 to hit an annualised 2.6% in March 2011.

Regulatory environment

The new Law on Electronic Communications, which replaced the previous Law on Telecommunications, has been in force since 1 July, 2008. The new Croatian regulatory regime transposed the 2002 EU New Regulatory Framework onto Croatia's electronic communications market. Further changes are expected in Q2 2011 with the aim of aligning the Croatian regulatory framework with EU framework amendments from 2009. The draft amendments to the Law have been made available for public consultation until 20 May 2011.

In Q4 2010, the Croatian Post and Electronic Communications Agency (hereinafter: Agency) revised the fixed origination and termination fee and the mobile termination fee, to adjust these prices to the EU benchmark on an annual basis, as prescribed by the Agency's decisions from 2009 on designation of an operator with significant market power (SMP) and imposition of remedies in fixed/mobile interconnection markets. As a consequence, HT's interconnection prices were decreased and 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

The new prices were applied from 1 January 2011.

Prior to 1 January 2011, HT's interconnection prices in fixed were set at the following level: local origination and termination fees (peak/off peak): 4.8 lp/min / 2.4 lp/min; single tandem origination fee (peak/off peak): 6.8 lp/min / 3.4 lp/min; single tandem termination fee (peak/off peak): 6.7 lp/min / 3.335 lp/min; double tandem origination and termination fees (peak/off peak): 13 lp/min / 6.5 lp/min. Mobile termination fee was set at 56 lp/min.

In September 2010, the Company delivered to the Agency audited Regulatory financial reports for the financial year ended on 31 December 2009 based on HCA/FAC methodology, with a detailed document on allocation methodology. After the delivery of these documents the Company published final and audited Regulatory financial reports. Results under CCA/LRIC methodology that were recently delivered to the Agency show increase of unit cost for ULL services. HT will be implementing accounting separation on CCA/LRIC basis over next years (2011/2012)

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

In March 2011, the Agency adopted amendments of its analysis of the wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location, thereby reducing the Company's monthly fee for ULL from HRK 52.14 to HRK 43.61. The Company's monthly fee for Shared ULL was reduced in October 2010 from HRK 21.46 to HRK 18.17 .

In April 2011, the Agency finalized its analysis of retail market Access to the Public Communications Network at a Fixed Location for residential and non-residential customers and designated the Company and its subsidiary Iskon as operators with significant market power. The following remedies were imposed upon the Company:

- Network access and use of special network facilities (obligation to introduce wholesale line rental)
- Non-discrimination
- Transparency
- Price control and cost accounting (notification of retail prices 30 days in advance; prohibited from unreasonably bundling services – obligation to offer Naked DSL solution, provision of "pure" network access)
- Accounting separation and cost accounting (cost accounting project, initiated at end- 2008, is ongoing)

Price control obligations for retail access services imposed on Iskon Internet.

In March 2011, the Agency finalized its public consultation on the "three criteria test" for publicly available telephone services markets. Subject to public consultation, the Agency proposed the deregulation of international voice markets, while national voice markets would remain regulated and thus subject to the market analysis and SMP designation. A final decision on the "three criteria test" is expected in Q2 2011, as well as public consultations on market analysis for national voice markets.

Mandatory registration of pre-paid customers on mobile networks will be implemented for new customers on 1 September 2011 and for existing customers on 1 March, 2012.

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, new segment reporting based on this customer segmentation has been 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 business 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 expense 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.

Summary of key financial indicators

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Revenue	1,894	1,943	*-2.5%*
EBITDA before exceptional items	767	819	*-6.4%*
EBITDA after exceptional items	767	819	*-6.4%*
EBIT (Operating profit)	432	485	*-10.9%*
Net profit after minority interest	351	384	*-8.5%*
EBITDA margin before exceptional items	40.5%	42.2%	*-1.7 p.p.*
EBITDA margin after exceptional items	40.5%	42.2%	*-1.7 p.p.*
EBIT margin	22.8%	25.0%	*-2.1 p.p.*
Net profit margin	18.5%	19.7%	*-1.2 p.p.*

In HRK million	At 31 Mar 2011	At 31 Dec 2010	*% of change A11/A10*
Cash and cash equivalents	3,464	3,282	*5.5%*
Total assets	13,727	13,585	*1.0%*
Total issued capital and reserves	11,410	11,054	*3.2%*

In HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change A11/A10*
Net cash flow from operating activities	471	542	*-13.0%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Revenue	1,069	1,127	*-5.1%*
Contribution to EBITDA before exceptional items	659	721	*-8.5%*

BUSINESS SEGMENT

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Revenue	824	817	*1.0%*
Contribution to EBITDA before exceptional items	493	527	*-6.4%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Contribution to EBITDA before exceptional items	-385	-428	*-10.0%*

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Three months to 31 March 2010	7.28	7.26	5.26	5.39
Three months to 31 March 2011	7.40	7.38	5.41	5.24

Selected Operational Data

Key operational data	Jan-Mar 2011	Jan-Mar 2010	*% of change A11/A10*
Mobile subscribers in 000			
Number of subscribers	3,006	2,798	*7.4%*
- Residential	2,569	2,380	*7.9%*
- Business	437	418	*4.5%*
Number of postpaid subscribers	1,023	944	*8.4%*
Number of prepaid subscribers	1,982	1,854	*6.9%*
Minutes of use (MOU) per average subscriber	103	104	*-0.8%*
- Residential	72	72	*-0.1%*
- Business	281	286	*-2.0%*
Blended ARPU (monthly average for the year in HRK)[2]	74	84	*-12.0%*
- Residential	54	63	*-15.0%*
- Business	188	201	*-6.6%*
Blended non-voice ARPU (monthly average for the year in HRK)[2]	19	21	*-7.0%*
SAC per gross add in HRK	188	206	*-8.5%*
Churn rate (%)	1.2	2.4	*-1.2 p.p.*
Penetration (%) [1]	145.4	136.4	*9.0 p.p.*
Market share of subscribers (%)[1]	46.7	46.2	*0.5 p.p.*

[1] Source: published VIPnet's and Tele2's quarterly report for 1Q 2010, published Tele2's quarterly report for 1Q 2011 . Number of subscribers for VIPnet and Tele2 for 1Q 2011 is internally estimated.

[2] Due to the 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

Key operational data	Jan-Mar 2011	Jan-Mar 2010	*% of change A11/A10*
Fixed mainlines in 000			
Total mainlines [1)]	**1,425**	**1,470**	***-3.1%***
- Residential	1,210	1,246	*-2.9%*
- Business	215	224	*-4.2%*
Total Traffic (mill. of minutes)	**754**	**844**	***-10.6%***
- Residential	562	610	*-8.0%*
- Business	193	234	*-17.4%*
ARPA voice per access (monthly average for the year in HRK)	**121**	**132**	***-8.3%***
- Residential	99	107	*-7.2%*
- Business	242	268	*-9.7%*
IP mainlines/customers in 000			
ADSL mainlines	**642**	**573**	***11.9%***
- Residential	535	473	*13.2%*
- Business	107	100	*6.2%*
TV customers [2)]	**317**	**257**	***23.4%***
- Residential	299	242	*23.4%*
- Business	18	15	*24.4%*
Fixed-line customers	**1**	**1**	***7.1%***
VPN connection points	**4**	**4**	***8.3%***
ADSL mainlines ARPA (monthly average for the year in HRK)	**119**	**129**	***-7.9%***
- Residential	116	127	*-8.2%*
- Business	132	141	*-6.3%*
Data lines in 000			
Total data lines	**6**	**6**	***-6.1%***
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	219	226	*-3.1%*
NP (Number portability) users/number	416	365	*14.1%*
ULL (Unbundled Local Loop) [3)]	138	122	*12.6%*

1) Includes POTS+FGSM+ ISDN+Payphones

2) Includes IPTV, DTH and Cable TV customers

3) As of Q2 2010 ULL reporting methodology changed to active vs. previously used realized lines. Q1 2010 numbers were restated

Group financial performance

Revenue

in HRK million (IFRS HT accounting policies)	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Voice revenue	1,042	1,180	*-11.7%*
Non voice revenue	614	619	*-0.7%*
Other service revenue	145	45	*224.9%*
Terminal equipment	63	57	*10.0%*
Miscellaneous	29	43	*-31.8%*
Revenue	1,894	1,943	*-2.5%*

Group revenue continues 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 estimated GDP growth in 2011 in the range of 1.0% -1.5%.

The Group benefited from a contribution of HRK 68 million from Combis, but total revenue fell 2.5% to HRK 1,894 million (Q1 2010: HRK 1,943 million). Excluding the contribution of Combis, Group revenue was down 6.0%.

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

Other service revenue rose by 225%, largely due to the consolidation of Combis.

Iskon contributed HRK 38 million to Group consolidated revenue (Q1 2010: HRK 38 million).

Mobile telephony revenue has again been 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 the first quarter of 2011 was HRK 34 million (Q1 2010: HRK 36 million).

Operating expenses

Total consolidated operating expenses before depreciation and amortization increased by 4.1% to HRK 1,208 million in 2011 from HRK 1,160 million in 2010. This was primarily due to consolidation of Combis and an increase in material expenses.

Material expenses increased 8.3% to HRK 578 million in 2011 from HRK 533 million in 2010. This increase was mainly due to higher merchandise costs as a result of mobile promotions at the beginning of the year and higher copyright fees payable as the Group's IPTV subscriber base expands. The change in accounting treatment of Consumer Premises Equipment (CPE) from 1 September 2010 resulted in a fall in merchandise costs in Q1 2011 of HRK 46 million. That was offset by costs related to the consolidation of Combis.

Total employee benefit expenses increased by 2.8% to HRK 292 million in Q1 2011 from HRK 284 million in Q1 2010. This resulted from the Combis consolidation in May 2010, which added 284 (FTE) employees as at March 2011. The Group's (FTE) employee numbers rose to 6,267 in March 2011 from 5,982 in March 2010.

Other expenses increased by 2.1% to HRK 326 million (Q1 2010: HRK 319 million). This rise is due primarily to higher rental and leasing expenses, postal charges and license costs.

Asset write-downs decreased by 21.5% to HRK 25 million (Q1 2010: HRK 32 million) due to the lower write-down of receivables.

Depreciation and amortization remained stable at HRK 335 million (Q1 2010: HRK 334 million).

T-HT Group profitability

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Revenue	1,894	1,943	*-2.5%*
EBITDA before exceptional items	767	819	*-6.4%*
EBITDA after exceptional items	767	819	*-6.4%*
EBIT (Operating profit)	432	485	*-10.9%*
Net profit after minority interest	351	384	*-8.5%*
EBITDA margin before exceptional items	40.5%	42.2%	*-1.7 p.p.*
EBITDA margin after exceptional items	40.5%	42.2%	*-1.7 p.p.*
EBIT margin	22.8%	25.0%	*-2.1 p.p.*
Net profit margin	18.5%	19.7%	*-1.2 p.p.*

Profitability fell as a result of lower revenues and higher merchandise costs, as outlined above, with EBITDA down 6.4% to HRK 767 million at a margin of 40.5% (Q1 2010: HRK 819 million, 42.2%).

As a consequence, operating profit (EBIT) fell 10.9% to HRK 432 million (Q1 2010: HRK 485 million).

However with net financial income higher than last year and lower taxation, net profit for Q1 2011 declined less than EBIT, down 8.5% to HRK 351 million (Q1 2010: HRK 384 million).

Balance sheet

T-HT's balance sheet remains strong, with total assets of HRK 13,727 million. At 31 March 2011, cash and cash equivalents stood at HRK 3,464 million, compared with HRK 3,282 million at 31 December 2010. Inventories were 26.7% higher due to building mobile handset stock required for promotional campaigns.

Cash flow

As a result of 9.3% lower profit before tax and increased inventories (mobile handsets) net cash flow from operating activities fell 13.0%.

Capital Expenditure

in HRK millions	Jan-Mar 2011	Jan-Mar 2010	*% of change A11/A10*
Residential	92	41	*125.7%*
Business	19	15	*26.1%*
Network and Support Functions	139	34	*304.9%*
T-HT Group	**250**	**91**	***176.5%***

Capital expenditure was significantly higher than in the first quarter of 2010. The merger of T-HT with T-Mobile Croatia along with efforts to maximize internal synergy potential between the fixed and mobile business areas meant that several major projects were rescheduled or postponed in 2010. The shift of Consumer Premises Equipment (CPE) from OPEX to CAPEX as of 1 September 2010 also resulted in an HRK 46 million increase, compared to Q1 2010.

The Residential Segment experienced substantially higher capital expenditure, mostly due to the change in accounting treatment of network CPE and increased capital expenditure related to IT.

Business Segment capital expenditure was 26.1% higher, mainly due to increased investment in business-related IT solutions as well as change in accounting treatment of CPE equipment.

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)
- Strong mobile acquisition and retention campaigns
- Mobile subscribers up 7.9% (up 4.2% on Q4 2010)
- 535,000 ADSL mainlines up 13.2% (up 2.1% on Q4 2010) and 299,000TV customers up 23.4% (up 6.8% on Q4 2010)
- Revenues down 5.1% due to falling voice revenues
- Contribution to EBITDA of HRK 659 million, down 8.5%

Key operational data	Mar 2011	Mar 2010	*% of change 11/10*
Mobile			
Number of subscribers in 000	2,569	2,380	*7.9%*
Minutes of use (MOU) per average subscriber	72	72	*-0.1%*
Blended ARPU [3] (monthly average for the year in HRK)	54	63	*-15.0%*
Fixed			
Total mainlines [1] in 000	1,210	1,246	*-2.9%*
Total Traffic (mill. of minutes)	562	610	*-8.0%*
ARPA voice per access (monthly average for the year in HRK)	99	107	*-7.2%*
IP			
ADSL mainlines in 000	535	473	*13.2%*
TV customers[2] in 000	299	242	*23.4%*
ADSL mainlines ARPA (monthly average for the year in HRK)	116	127	*-8.2%*

1) Includes POTS+FGSM+ ISDN+Payphones

2) Includes IPTV, DTH and Cable TV customers

3) Due to the 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

In the first six weeks of 2011, T-HT launched a strong mobile acquisition and retention campaign for new and existing customers signing 24-month contracts. In March, the Group introduced new postpaid tariffs with a strong focus on mobile broadband. Mobile broadband was also a key element of prepaid marketing initiatives.

The mobile subscriber base increased by 7.9%, to 2,569,000 subscribers (Q1 2010: 2,380,000), up 4.2% on the fourth quarter of 2010.

Minutes of usage per average subscriber stabilised at 72.

Blended average revenue per user (ARPU) decreased by 15.0% mainly as a result of the tough economic environment.

At the end of March 2011, total fixed access mainlines were down 2.9% at 1,210 million. This decline is in line with the telecommunications market trend of fixed to mobile and IP substitution, although it is developing more slowly than expected due to the overall Croatian macroeconomic situation. Additionally, T-HT maintains a strong competitive position through attractive promotional offers and excellent customer service.

Fixed telephony total traffic fell 8% to 562 million minutes, due to the substitution of fixed traffic with mobile and IP traffic.

Fixed voice average revenue per access (ARPA) fell 7.2% as a result of the general market trends mentioned above.

Supported by strong marketing initiatives, at the end of March 2011, ADSL mainlines had risen 13.2% to 535,000 (up 2.1% on Q4 2010). ADSL mainline average revenue per access (ARPA) decreased by 8.2%.

The Group's TV customer base is showing strong growth helped in part by the launch of MAXtv on satellite at the end of 2010. At the end of March, subscribers were 23.4% higher, at 299,000 (up 6.8% on to Q4 2010).

Residential Segment financial performance

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Voice revenue	631	723	*-12.7%*
Non voice revenue	360	342	*5.0%*
Other service revenue	27	14	*95.2%*
Terminal equipment	50	43	*14.0%*
Miscellaneous	2	4	*-44.8%*
Total revenues	1,069	1,127	*-5.1%*
Operating expenses	410	406	*1.0%*
Contribution to EBITDA before exceptional items	659	721	*-8.5%*

Revenue

Total residential revenues fell 5.1 %, to HRK 1,069 million (Q1 2010: HRK 1,127 million). Lower revenues were mainly driven by lower voice revenues in mobile and fixed network.

As previously noted the decline can be attributed in large part to the current challenging macro-economic environment along with strong competitive pressure.

Voice revenue

The 12.7% fall in voice revenues (to HRK 631 million vs.Q1 2010: HRK 723 million) was largely driven by a decline in mobile revenues. This decline was partially offset by increased revenues from non voice services, other service revenues and terminal equipment revenues.

The fall in mobile voice revenues resulted from a highly competitive market, with prices showing a consistently downward trend, and a tough economic environment.

Mobile minutes of use (MOU) per average subscriber remained at the same level as Q1 2010, which means that the revenue decline was due to lower average revenue per usage as a direct consequence of the reasons mentioned above.

Fixed telephony revenues fell due to the continuation of fixed to mobile substitution, which resulted in a 2.9% fall in the number of mainlines and by an 8.0% decrease in minutes of use. As a result of lower minutes spent and downward pricing pressure, voice average revenue per access (ARPA) declined by 7.2%.

Non voice revenues

Non voice revenues rose 5.0% to HRK 360 million (Q1 2010: HRK 342 million), as a result of higher revenues from fixed services, whilst mobile services revenues slipped slightly.

In mobile business is visible redistribution of non voice revenues in terms that revenues from traditional non voice services, such as SMS had negative trend, while data revenues had positive trend. This was strongly supported by marketing initiatives focusing on data usage.,

Higher fixed non voice (IP) revenues were result of a 13.2% increase in ADSL mainlines and a 23.4% rise in TV subscribers. ADSL ARPA decreased by 8.2%, mostly due to stronger marketing and related promotional offers for ADSL access and usage.

Other service revenues

Other service revenues were up HRK 13 million, as a result of a different tariff structure in mobile business.

Terminal equipment

Revenues from terminal equipment rose 14.0% to HRK 50 million (Q1 2010: HRK 43 million) as a result of a promotional campaigns for mobile customer acquisition and retention. The mobile initiatives resulted in a 47.9% increase in customers acquired and a 29.9% uplift in the number of retained customers compared to the same period last year.

Contribution to EBITDA

Operating expenses of HRK 410 million were only slightly up on the previous year, (with HRK 4 million due to increased merchandise costs), indicating that the 8.5% fall in the contribution to EBITDA to HRK 659 million (Q1 2010: HRK 721 million) was due primarily to lower revenues.

Business Segment highlights

- Stable customer base across all segments and products/tariffs
- Mobile subscribers up 4.5% (up 0.5% on Q4 2010)
- 107,000 ADSL mainlines up 6.2% (up 1.9% on Q4 2010) and 18,000 TV customers up 24.4% (up 5.8% on Q4 2010)
- Revenues up 1.0%; excluding Combis contribution of HRK 68 million, revenues down 7.5%
- Contribution to EBITDA of HRK 493 million, down 6.4%

Key operational data	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Mobile			
Number of subscribers in 000	437	418	*4.5%*
Minutes of use (MOU) per average subscriber	281	286	*-2.0%*
Blended ARPU (monthly average for the year in HRK)	188	201	*-6.6%*
Fixed mainlines			
Total mainlines [1] in 000	215	224	*-4.2%*
Total Traffic (mill. of minutes)	193	234	*-17.4%*
ARPA voice per access (monthly average for the year in HRK)	242	268	*-9.7%*
IP			
ADSL mainlines in 000	107	100	*6.2%*
TV customers in 000	18	15	*24.4%*
Fixed-line customers in 000	1	1	*7.1%*
VPN connection points in 000	4	4	*8.3%*
ADSL mainlines ARPA (monthly average for the year in HRK)	132	141	*-6.3%*

Data			
Total data lines in 000	6	6	*-6.1%*

Wholesale customers			
CPS (Carrier Pre-Selection) in 000	219	226	*-3.1%*
NP (Number portability) users/number in 000	416	365	*14.1%*
ULL (Unbundled Local Loop) [2] in 000	138	122	*12.6%*

1) Includes POTS+FGSM+ ISDN+Payphones

2) As of Q2 2010 ULL reporting methodology changed to active vs. previously used realized lines. Q1 2010 numbers were restated

3) Due to T-Mobile and T-Com merger and within new segmental reporting explained above, as of Q1 2011 calculation of ARPU was changed to show consolidated mobile revenues rather than unconsolidated mobile revenues

In the first six weeks of 2011, T-HT launched a mobile acquisition and retention marketing campaign for new and existing customers.

In March, the Group launched new tariffs designed to suit customers' varying needs: e.g. occasional Internet users, heavy Internet users. T-HT also offered promotional deals on existing tariffs.

As a result, mobile business customers grew 4.5% (up 0.5% on Q4 2010).

MOU per average subscriber fell 2.0% while blended ARPU decreased by 6.6%, as a result of the tough economic environment and the promotional campaigns.

Fixed mainlines fell 4.2% to 215,000 at the end of March, in line with the trend of fixed to mobile and IP substitution.

Fixed telephony business total minutes fell 17.4% to 193 million. Fixed voice ARPA decreased 9.7% to HRK 242.

The Business Segment's ADSL subscriber base maintained constant growth, ADSL mainlines rose 6.2% to 107,000 (up 1.9% on Q4 2010). This resulted from attractive retention and acquisition offers. ADSL ARPA decreased 6.3% to HRK 132.

Subscribers to TV services grew 24.4% to 18,000 (up 5.8% on Q4 2010) as result of continuous service improvements, the introduction of new program packages and promotional offers. A hotel TV service was launched in March.

The VPN customer base increased 8.3%. T-HT constantly promotes the migration of existing traditional data customers to IP-based products.

Data lines fell 6.1%. Whilst traditional data lines decreased, however, new Metro Ethernet services increased 33.3% to 4,000 from 3,000 a year earlier.

In Q1 2011 tportal.hr continuously ranked among top three web portals in Croatia by reach, with more than 800,000 unique visitors per month according to Gemius, an independent Internet traffic research agency.

At the end of March 2011 there were 416,000 ported numbers and 219,000 active Carrier Pre-Selection (CPS) customers. CPS activations barely offset CPS deactivations due to ULL migration and line disconnection. As a consequence of stagnation in the number of CPS customers and the lower ARPU value of new CPS customers, originated minutes declined by 7%. The number of terminated minutes into the T- HT network remained stable, however.

Business Segment financial performance

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Voice revenue	410	457	*-10.1%*
Non voice revenue	255	276	*-7.8%*
Other service revenue	119	31	*282.3%*
Terminal equipment	14	14	*-2.5%*
Miscellaneous	27	39	*-30.5%*
Total revenues	824	817	*1.0%*
Operating expenses	332	290	*14.3%*
Contribution to EBITDA before exceptional items	493	527	*-6.4%*

Revenue

Voice revenue

Voice revenue fell by 10.1% to HRK 410 million (Q1 2010: HRK 457 million). In fixed voice, this was largely due to a decline in fixed retail voice along with fixed wholesale.

In mobile voice revenue, a declining trend was due primarily to retail voice, followed by wholesale voice. The fall in mobile retail voice revenue was mainly driven by lower voice ARPU connected with lower average minutes per subscriber. This was partially offset by an increase in subscribers. In addition, voice mobile termination revenue was lower following reductions in termination rates.

Non voice revenue

Non-voice revenue fell 7.8% to HRK 255 million (Q1 2010: HRK 276 million), due primarily to lower fixed non-voice revenues, both retail and wholesale.

Non-voice fixed wholesale revenue declined on lower revenue from national leased lines, the migration to new commercial models and decreased capacity. Furthermore, national IP service revenue declined on a marked fall in dial-up traffic.

Other service revenue

Other service revenue rose significantly to HRK 119 million (Q1 2010: HRK 31 million) exclusively due to growth in ICT services following the acquisition of Combis (consolidated as of May 2010) which added HRK 68 million to Groups consolidated Other service revenue.

Terminal equipment

Revenue from terminal equipment fell 2.5% to HRK 14 million. Lower in fixed terminal equipment revenue was offset by higher revenue from mobile terminal equipment (as a result of marketing campaigns to attract mobile customers at the beginning of 2011).

Miscellaneous revenue

Miscellaneous revenue decreased by 30.5% to HRK 27 million (Q1 2010: HRK 39 million) as a result of lower mobile wholesale miscellaneous revenue, due to lower national roaming (NR) usage and disconnection fee revenue (which is reported as Other service revenue as of beginning of the year).

Contribution to EBITDA

The Business Segment's contribution to EBITDA was down 6.4% at HRK 493 million (Q1 2010: HRK 527 million). Increased costs were driven by higher merchandise costs connected with the mobile promotional campaign and merchandise costs from the Combis ICT business. In addition, indirect costs arose mostly due to the Combis contribution and copyright fees.

Network and support functions financial performance

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Other Operating income	81	35	*133.4%*
Operating expenses	466	462	*0.8%*
Contribution to EBITDA before exceptional items	-385	-428	*-10.0%*

An increase in other operating income resulted from the one-off effect of reversal of provisions and higher discounts granted by suppliers, while operating expenses remained at the same level. This resulted in a lower negative Contribution to EBITDA.

Iskon Internet – increase in share capital by contribution in cash

At the Group's wholly owned subsidiary Iskon Internet d.d. (Iskon) General Assembly held on 6 April 2011, the decision was reached that Iskon will increase its registered share capital from HRK 42,876,600 to HRK 272,902,200, an increase of HRK 230,025,600. The share capital will be increased by the issue of 2,300,256 new shares of HRK 100 each to Iskon's sole shareholder Hrvatski Telekom d.d. HT d.d. can subscribe the new shares within the period of 30 days after the General Assembly's decision.

Risk management

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

Group 2011 outlook

Revenue

The overall Croatian economic recovery has been slower than anticipated with the unfavourable development of key indicators that impact demand for the Group's services - high unemployment and falling disposable income.

Subject to a strong tourist season in Croatia and recovery in the national economy, the Group expects to maintain 2011 revenue at the 2010 level through a combination of its focus on exploiting new growth opportunities and maximising existing ones.

EBITDA before exceptional items

As a result of the revenue strategies outlined above, efficiencies gained from the successful restructuring in 2010 and continuing strong cost controls, the Group expects that - subject to recovery in the national economy - 2011 EBITDA for the year as a whole should be above the 2010 level.

CAPEX

While the current regulatory regime remains a disincentive to T-HT's potential investment in fiber infrastructure, the Group expects 2011 capital expenditure to be lower than 2010. However, T-HT will continue to invest in its fixed core network transformation and service platforms development, as well as in infrastructure necessary to support the growing demand for mobile broadband.

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 HT accounting policies)	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Voice revenue	1,042	1,180	*-11.7%*
Non voice revenue	614	619	*-0.7%*
Other service revenue	145	45	*224.9%*
Terminal equipment	63	57	*10.0%*
Miscellaneous	29	43	*-31.8%*
Revenue	1,894	1,943	*-2.5%*
Other operating income	81	36	*124.3%*
Total operating revenue	**1,975**	**1,979**	***-0.2%***
Operating expenses	1,208	1,160	*4.1%*
Material expenses	578	533	*8.3%*
Merchandise, material and energy expenses	302	238	*27.2%*
Services expenses	275	296	*-6.8%*
Employee benefits expenses	292	284	*2.8%*
Other expenses	326	319	*2.1%*
Work performed by the Group and capitalised	-12	-7	*-65.7%*
Write down of assets	25	32	*-21.5%*
EBITDA	767	819	*-6.4%*
Depreciation and amortization	335	334	*0.2%*
EBIT	432	485	*-10.9%*
Financial income	15	33	*-55.4%*
Income/loss from investment in joint ventures	0	-1	-
Financial expenses	6	32	*-80.5%*
Profit before taxes	441	486	*-9.3%*
Taxation	90	102	*-12.1%*
Net profit	351	384	*-8.5%*
Minority interest	0	0	*-21.6%*
Net profit after minority interest	351	384	*-8.5%*
Exceptional items	0	0	-
EBITDA before exceptional items	767	819	*-6.4%*

Consolidated Balance Sheet

in HRK million (IFRS HT accounting policies)	At 31 Mar 2011	At 31 Dec 2010	*% of change 11/10*
Intangible assets	1,099	1,162	*-5.5%*
Property, plant and equipment	6,314	6,336	*-0.4%*
Non-current financial assets	429	422	*1.6%*
Receivables	32	31	*1.9%*
Deferred tax asset	50	57	*-11.7%*
Total non-current assets	**7,923**	**8,008**	***-1.1%***
Inventories	274	216	*26.7%*
Receivables	1,428	1,504	*-5.0%*
Current financial assets	527	465	*13.3%*
Cash and cash equivalents	3,464	3,282	*5.5%*
Prepayments and accrued income	111	110	*1.3%*
Total current assets	**5,804**	**5,577**	***4.1%***
TOTAL ASSETS	13,727	13,585	*1.0%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.1%*
Revaluation reserves	-2	-1	*-90.0%*
Retained earnings	2,461	626	*293.2%*
Net profit for the period	351	1,831	*-80.8%*
Minority interest	1	0	
Total issued capital and reserves	**11,410**	**11,054**	***3.2%***
Provisions	401	293	*36.7%*
Non-current liabilities	40	117	*-65.7%*
Total non-current liabilities	**441**	**410**	***7.5%***
Current liabilities	1,555	1,871	*-16.9%*
Accrued expenses and deferred income	321	250	*28.6%*
Total current liabilities	**1,877**	**2,121**	***-11.5%***
Total liabilities	**2,317**	**2,531**	***-8.4%***
TOTAL EQUITY AND LIABILITIES	13,727	13,585	*1.0%*

Consolidated Cash Flow Statement

in HRK million (IFRS HT accounting policies)	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Profit before tax	441	486	*-9.3%*
Depreciation and amortization	335	334	*0.2%*
Increase of current liabilities	123	122	*0.5%*
Decrease of inventories	0	0	
Other cash flow increases	0	25	-
Total increase of cash flow from operating activities	**899**	**966**	***-7.0%***
Decrease of current liabilities	-206	-290	*29.0%*
Increase of current receivables	0	0	
Increase of inventories	-57	-20	*189.0%*
Other cash flow decreases	-164	-116	*42.2%*
Total decrease of cash flow from operating activities	**-428**	**-425**	***0.5%***
Net cash inflow/outflow from operating activities	**471**	**542**	***-13.0%***
Proceeds from sale of non-current assets	4	5	*-14.1%*
Proceeds from sale of non-current financial assets	74	0	
Proceeds from sale of current financial assets	0	0	-
Interest received	28	18	*59.8%*
Dividend received	0	0	-
Other cash inflows from investing activities	63	95	-
Total increase of cash flow from investing activities	**169**	**117**	*44.3%*
Purchase of non-current assets	-250	-91	*176.5%*
Purchase of non-current financial assets	0	0	-
Other cash outflows from investing activities	-201	0	-
Total decrease of cash flow from investing activities	**-451**	**-91**	***398.5%***
Net cash inflow/outflow from investing activities	**-282**	**27**	***-1160.0%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-7	0	-
Dividends paid	0	0	-
Repayment of finance lease	0	-1	*-100.0%*
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	**-7**	**-1**	***589.0%***
Net cash inflow/outflow from financing activities	**-7**	**-1**	***589.0%***
Total increase of cash flow	471	542	*-13.0%*
Total decrease of cash flow	-289	26	-
Cash and cash equivalents at the beginning of period	3,282	4,195	*-21.8%*
Net cash (outflow) / inflow	182	567	*-67.9%*
Cash and cash equivalents at the end of period	**3,464**	**4,762**	***-27.3%***

Consolidated EBITDA reconciliation

in HRK million	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Segment Result (Contribution to EBITDA)			
Residential Segment	659	721	*-8.5%*
Business Segment	493	527	*-6.4%*
Network and Support Functions	-385	-428	*-10.0%*
Total Contribution to EBITDA before exceptionals of the Segments	**767**	**819**	***-6.4%***
Exceptional items	0	0	
Total EBITDA	**767**	**819**	***-6.4%***

Group's Revenue breakdown under former reporting structure

in HRK million (IFRS HT accounting policies)	Jan-Mar 2011	Jan-Mar 2010	*% of change 11/10*
Mobile	755	827	*-8.7%*
Fixed Telephony	523	587	*-10.9%*
Wholesale	143	160	*-10.5%*
IP Revenue	357	328	*8.9%*
Data	36	41	*-12.3%*
ICT	79	0	-
Miscellaneous	1	1	*54.6%*
Revenue	**1,894**	**1,943**	***-2.5%***

Statement of changes in Equity

in HRK million

Position	31 December 2010	31 March 2011
1. Subscribed share capital	8,189	8,189
2. Net income reserves	409	409
3. Retained earnings or loss carried forward	740	2,604
4.Net profit (loss) for the period	1,864	354
5. Revaluation of available for sale financial assets	-2	-2
6. Other changes in equity	0	0
7. Total increase or decrease of equity	11,200	11,554

Notes to the condensed consolidated financial statements
For period ended 31 March 2011

Basis of preparation

The condensed consolidated financial statements of 31 March 2011 and for the three 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 2010.

Segment information

On 1 January 2010, the old divisions of T-Com and T-Mobile, serving fixed and mobile markets respectively, were replaced by a new structure based upon Residential and Business segments. Starting from first quarter of 2011, new segment reporting following this structure is introduced.

The group's operating segments are Residential Segment, Business Segment and Network and Support functions.

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

The Business Segment (BS) includes marketing, sales and customer care activities, focused on providing mobile and fixed line telecommunications, system integration services to corporate customers, small and medium business, and public sector. Also BS is responsible for wholesale business for both, fixed and mobile services.

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

Business segments

The following tables present revenue and profit and certain assets information regarding the HT's business segments:

January-March 2011

in HRK million	**Residential Segment**	**Business Segment**	**Network and support functions**
Voice revenue	631	410	0
Non voice revenue	360	255	0

Other service revenue	27	119	0
Terminal equipment	50	14	0
Miscellaneous	2	27	0
Total revenues	**1,069**	**824**	**0**
Other operating income	**0**	**0**	**81**
Operating expenses	**410**	**332**	**466**
Contribution to EBITDA before exceptionals	**659**	**493**	**-385**

January-March 2010

in HRK million	**Residential Segment**	**Business Segment**	**Network and support functions**
Voice revenue	723	457	0
Non voice revenue	342	276	0
Other service revenue	14	31	0
Terminal equipment	43	14	0
Miscellaneous	4	39	0
Total revenues	**1,127**	**817**	**0**
Other operating income	**0**	**0**	**35**
Operating expenses	**406**	**290**	**462**
Contribution to EBITDA before exceptionals	**721**	**527**	**-428**

Relations with the governing company and its affiliated companies

In the first three months of 2011 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 three months of 2011 there were no changes in transactions among related parties which were specified in the annual financial report for 2010 and which had a significant impact on the financial position and operations of the Group in the first three months of 2011.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first three months of 2011 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 three months of 2011 the Group generated total revenue from related companies from international traffic to the amount of HRK 19 million (the first three months of 2010: HRK 21 million), while total costs of international traffic amounted to HRK 48 million (the first three months of 2010: HRK 40 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 3 million in the first three months of 2011 (the first three months of 2010: HRK 2 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 three months of 2011, the Company paid a total amount of HRK 0.2 million (the first three months of 2010: HRK 0.2 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 three months of 2011 the total compensation paid to key management personnel of the Group amounted to HRK 8 million (first three months of 2010: HRK 7 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and its subsidiaries and the operating directors of the Company, who are employed by the Group.

Appendix:

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

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

Income Statement

Position	Previous period	Previous period	Current period	Current period
	Cummulative	Quarter	Cummulative	Quarter
I. OPERATING INCOME (112 do 113)	1,938,318,477	1,938,318,477	1,864,557,449	1,864,557,449
1. Rendering of services	1,903,917,848	1,903,917,848	1,798,447,022	1,798,447,022
2. Other operating income	34,400,629	34,400,629	66,110,427	66,110,427
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	1,448,362,450	1,448,362,450	1,426,633,371	1,426,633,372
1. Change in inventories of work in progress				
2. Material expenses (117 do 119)	514,794,130	514,794,130	515,289,307	515,289,307
a) Costs of raw materials	30,110,946	30,110,946	39,119,638	39,119,638
b) Cost of goods sold	206,912,607	206,912,607	214,312,482	214,312,482
c) Other material expenses	277,770,577	277,770,577	261,857,187	261,857,187
3. Employee benefits expenses (121 do 123)	259,850,031	259,850,031	251,234,611	251,234,611
a) Net salaries	135,579,124	135,579,124	137,953,916	137,953,916
b) Tax and contributions from salary expenses	86,440,163	86,440,163	76,313,930	76,313,930
c) Contributions on salary	37,830,744	37,830,744	36,966,765	36,966,765
4. Depreciation and amortisation	326,472,387	326,472,387	319,816,100	319,816,100
5. Other expenses	303,989,285	303,989,285	306,074,720	306,074,721
6. Write down of assets (127+128)	31,536,215	31,536,215	24,803,458	24,803,458
a) non-current assets (except financial assets)	0	0	0	0
b) current assets (except financial assets)	31,536,215	31,536,215	24,803,458	24,803,458
7. Provisions	11,720,402	11,720,402	9,415,175	9,415,175
8. Other operating costs	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	21,240,993	21,240,993	15,753,209	15,753,209
1. Interest, foreign exchange differences, dividens and similar income from related parties	2,644,914	2,644,914	3,319,139	3,319,139
2. Interest, foreign exchange differences, dividens and similar income from third parties	18,577,170	18,577,170	11,874,303	11,874,303
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	18,909	18,909	559,767	559,767
IV. FINANCIAL EXPENSES (138 do 141)	17,472,021	17,472,021	11,382,520	11,382,520
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	15,644,425	15,644,425	8,560,740	8,560,740
3. Unrealised losses (expenses) from financial assets	0	0	0	0
4. Other financial expenses	1,827,596	1,827,596	2,821,780	2,821,780
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)	1,959,559,470	1,959,559,470	1,880,310,658	1,880,310,658
X. TOTAL EXPENSES (114+137+143+145)	1,465,834,471	1,465,834,471	1,438,015,891	1,438,015,892
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	493,724,999	493,724,999	442,294,767	442,294,766
1. Profit before taxes (146-147)	493,724,999	493,724,999	442,294,767	442,294,766
2. Loss before taxes (147-146)	0	0	0	0
XII. TAXATION	99,822,746	99,822,746	88,770,851	88,770,851
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	393,902,253	393,902,253	353,523,916	353,523,915
1. Profit for the period (149-151)	393,902,253	393,902,253	353,523,916	353,523,915
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)	0	0	0	0
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	1,759,103	1,759,103	129,163	129,163
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	1,759,103	1,759,103	129,163	129,163
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)	1,759,103	1,759,103	129,163	129,163
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	1,759,103	1,759,103	129,163	129,163
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)				
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD				
1. Attributable to majority owners	0	0	0	0
2. Attributable to minority interest	0	0	0	0

Balance Sheet

Position	Previous period	Current period
ASSETS		
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	8,195,308,051	8,124,350,917
I. INTANGIBLE ASSETS (004 do 009)	923,900,981	865,051,905
1. Expenditure for development	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	855,692,772	815,428,348
3. Goodwill	0	0
4. Advances for purchase of intangible assets	0	0
5. Intangible assets in progress	68,208,209	49,623,557
6. Other intangible assets	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	6,236,109,440	6,216,727,888
1. Land	37,668,031	37,668,190
2. Buildings	3,717,506,842	3,702,064,709
3. Plant and equipement	1,903,615,166	1,905,123,166
4. Tools, working inventory and transportation assets	187,018,678	189,163,803
5. Biological assets	0	0
6. Advances for purchase of tangible assets	4,171,262	4,949,629
7. Tangible assets in progress	379,933,479	372,524,818
8. Other tangible assets	6,195,982	5,233,573
9. Investment in real-estate	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	946,901,017	961,175,883
1. Share in related parties	628,335,287	628,335,287
2. Loans to related parties	276,989,280	290,319,146
3. Participating interests (shares)	1,161,000	1,161,000
4. Loans to companies with participating interest	0	0
5. Investments in securities	34,079,175	35,024,175
6. Loans, deposits, etc.	6,336,275	6,336,275
7. Other non-current financial assets	0	0
8. Equity-accounted investments	0	0
IV. RECEIVABLES (030 do 032)	31,464,799	24,211,873
1. Receivables from related parties	0	0
2. Receivables arising from sales on credit	19,868,966	19,485,640
3. Other receivables	11,595,833	4,726,233
V. DEFERRED TAX ASSET	56,931,814	57,183,368
C) CURRENT ASSETS (035+043+050+058)	5,300,304,601	5,546,820,229
I. INVENTORIES (036 do 042)	203,034,434	250,551,787
1. Raw materials and supplies	101,783,434	104,947,900
2. Production in progress	0	0
3. Finished products	0	0
4. Merchandise	101,132,488	145,434,164
5. Advances for inventories	118,512	169,723
6. Long term assets held for sale	0	0
7. Biological assets	0	0
II. RECEIVABLES (044 do 049)	1,406,832,050	1,338,142,989

1. Receivables from related parties	21,681,008	24,147,645
2. Receivables from end-customers	1,306,799,641	1,214,651,504
3. Receivables from participating parties	0	0
4. Receivables from employees and members of the company	93,298	82,683
5. Receivables from government and other institutions	28,861,872	73,139,877
6. Other receivables	49,396,231	26,121,280
III. CURRENT FINANCIAL ASSETS (051 do 057)	445,145,744	519,889,795
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	445,145,744	519,889,795
6. Loans, deposits, etc.		
7. Other financial assets		
IV. CASH AND CASH EQUIVALENTS	3,245,292,373	3,438,235,658
D) PREPAYMENTS AND ACCRUED INCOME	97,006,334	96,631,147
E) TOTAL ASSETS (001+002+034+059)	13,592,618,986	13,767,802,293
F) OFF BALANCE SHEET ITEMS		
EQUITY AND LIABILITIES		
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	11,200,479,437	11,554,132,515
I. SUBSCRIBED SHARE CAPITAL	8,188,853,500	8,188,853,500
II. CAPITAL RESERVES	0	0
III.RESERVES FROM PROFIT (066+067-068+069+070)	409,442,675	409,442,675
1. Legal reserves	409,442,675	409,442,675
2. Reserve for own shares	0	0
3. Treasury shares and shares (deductible items)	0	0
4. Statutory reserves	0	0
5. Other reserves	0	0
IV. REVALUATION RESERVES	-2,029,572	-1,900,409
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	740,180,617	2,604,212,834
1. Retained earnings	740,180,617	2,604,212,834
2. Loss carried forward	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	1,864,032,217	353,523,915
1. Net profit for the period	1,864,032,217	353,523,915
2. Net loss for the period	0	0
VII. MINORITY INTEREST	0	0
B) PROVISIONS (080 do 082)	426,453,758	385,898,978
1. Provisions for pensions, severance pay and similar libabilities	325,366,358	299,137,527
2. Provisions for tax liabilities		
3. Other provisions	101,087,400	86,761,451
C) NON-CURRENT LIABILITIES (084 do 092)	29,833,741	37,591,475
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	29,833,741	37,591,475
9. Deferred tax liabilities	0	0

D) CURRENT LIABILITIES (094 do 105)	1,616,644,053	1,498,752,481
1. Liabilites to related parties	19,719,378	1,147,597
2. Liabilities for loans, deposits, etc.	181,503	211,583
3. Liabilities to banks and other financial institutions	0	0
4. Liabilities for advances	1,343,302	2,441,522
5. Trade payables	1,267,662,718	1,117,526,146
6. Commitments on securities	0	0
7. Liabilities to companies with participating interest	0	0
8. Liabilities to emloyees	201,496,193	223,637,064
9. Taxes, contributions and similar liabilities	36,296,148	75,798,881
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	89,944,811	77,989,688
E) ACCRUED EXPENSES AND DEFERRED INCOME	319,207,996	291,426,844
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	13,592,618,985	13,767,802,293
G) OFF BALANCE SHEET ITEMS		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)		
ISSUED CAPITAL AND RESERVES		
1. Attributable to majority owners		
2. Attributable to minority interest		

Cash Flow Statement

Position	Previous period	Current period
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	493,724,998	442,294,766
2. Depreciation and amortisation	326,472,387	319,816,100
3. Increase of current liabilities		
4. Decrease of current receivables	122,444,308	113,604,732
5.Decrease of inventories		
6. Other cash flow increases		
I. Total increase of cash flow from operating activities	942,641,693	875,715,598
1. Decrease of current liabilities	284,556,057	182,878,908
2. Increase of current receivables		
3. Increase of inventories	19,681,507	47,517,353
4. Other cash flow decreases	91,825,895	163,195,165
II. Total decrease of cash flow from operating activities	396,063,458	393,591,426
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**546,578,234**	**482,124,172**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	0	0
CASH FLOW FROM INVESTING ACTIVITIES		
1. Proceeds from sale of non-current assets	4,632,067	3,969,936
2. Proceeds from sale of non-current financial assets	139,171	73,951,800
3. Interest received	17,513,111	27,722,331
4. Dividend received		
5. Other proceeds from investing activities	94,858,883	63,125,762
III. Total cash inflows from investing activities	117,143,232	168,769,828
1. Purchase of non-current assets	84,979,296	243,579,656
2. Purchase of non-current financial assets		

3. Other cash outflows from investing activities	17,626,219	214,371,059
IV. Total cash outflows from investing activities	102,605,515	457,950,715
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**14,537,718**	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	0	**289,180,887**
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	46,426	0
2. Dividends paid	0	0
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	**46,426**	0
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	46,426	0
Total increases of cash flows	561,069,526.42	192,943,284.91
Total decreases of cash flows	0	0
Cash and cash equivalents at the beginning of period	4,175,892,949	3,245,292,373
Increase of cash and cash equivalents	561,069,526	192,943,285
Decrease of cash and cash equivalents	0	0
Cash and cash equivalents at the end of period	4,736,962,475	3,438,235,658

Statement of changes in Equity

Position	Previous year	Current year
1. Subscribed share capital	8,188,853,500	8,188,853,500
2. Capital reserves	0	0
3. Reserves from profit	409,442,675	409,442,675
4. Retained earnings or loss carried forward	740,180,617	2,604,212,834
5. Net profit or loss for the period	1,864,032,217	353,523,915
6. Revaluation of tangible assets	0	0
7. Revaluation of intangible assets	0	0
8. Revaluation of available for sale assets	-2,029,572	-1,900,409
9. Other revaliuation	0	0
10. Total equity and reserves (AOP 001 to 009)	11,200,479,437	11,554,132,515
11. Foreign exchenge differences ffrom foreign investments		
12. Current and deferred taxes		
13. Cash flow hedge		
14. Change of accounting policies		
15. Correction of significant mistakes of prior period		
16. Other changes		
17.Total increase or decrease of equity (AOP 011 to 016)	0	0
17 a. Attributable to majority owners		
17 b. Attributable to minority interest		

Notes to the condensed financial statements
For the three months ended 31 March 2011

Basis of preparation

The condensed financial statements of 31 March 2011 and for the three 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 2010.

Segment information

On 1 January 2010, the old divisions of T-Com and T-Mobile, serving fixed and mobile markets respectively, were replaced by a new structure based upon Residential and Business segments. Starting from first quarter of 2011, new segment reporting following this structure is introduced.

The Company's operating segments are Residential Segment, Business Segment and Network and Support functions.

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

The Business Segment includes marketing, sales and customer care activities, focused on providing mobile and fixed line telecommunications to corporate customers, small and medium business, and public sector. Also Business Segment is responsible for wholesale business for both, fixed and mobile services.

The Network and Support functions perform cross-segment management and support functions, including Technology department, Procurement, Accounting, Treasury, Legal and other central functions.

Business segments

The following tables present revenue and profit and certain assets information regarding the HT's business segments:

January-March 2011

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenue	624	406	0
Non voice revenue	339	249	0

Other service revenue	27	50	0
Terminal equipment	50	14	0
Miscellaneous	1	27	0
Total revenues	**1,040**	**746**	**0**
Other operating income	**0**	**0**	**78**
Operating expenses	**378**	**287**	**441**
Contribution to EBITDA before exceptionals	**663**	**459**	**-363**

January-March 2010

in HRK million	**Residential Segment**	**Business Segment**	**Network and support functions**
Voice revenue	718	455	0
Non voice revenue	328	258	0
Other service revenue	14	31	0
Terminal equipment	43	14	0
Miscellaneous	3	39	0
Total revenues	**1,107**	**797**	**0**
Other operating income	**0**	**0**	**34**
Operating expenses	**393**	**265**	**445**
Contribution to EBITDA before exceptionals	**714**	**532**	**-412**

Relations with the governing company and its affiliated companies

In the first three months of 2011 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 three months of 2011 there were no changes in transactions among related parties which were specified in the annual financial report for 2010 and which had a significant impact on the financial position and operations of the Company in the first three months of 2011.

Business relations transacted between HT d.d. in the first three months of 2011 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 three months of 2011 the Company generated total revenue from related companies frointernational traffic to the amount of HRK 19 million (the three months of 2010: HRK 21 million), while total costs of international traffic amounted to HRK 48 million (the first three months of 2010: HRK 40 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 3 million in the first three months of 2011 (the first three months of 2010: HRK 2 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 three months of 2011, the Company paid a total amount of HRK 0.2 million (the first three months of 2010: HRK 0.2 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 three months of 2011 the total compensation paid to key management personnel of the Company amounted to HRK 5 million (first three months of 2010: HRK 6 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Board 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, financial statements of the company Hrvatski Telekom d.d. (hereinafter: "Company") and 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 quarter 2011 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

Mr. Dino Dogan, 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, 28 April 2011

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