Zagreb – 14 February 2011

T-Hrvatski Telekom

Results for the year ended 31 December 2010

Recession and special taxes continue to affect business, succesful cost controls preserve solid EBITDA* margin of 44.1%, mobile customers growing and decline in mobile revenue easing in Q4

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 2010.

Group Highlights

- Revenue down 1.7% to HRK 8,375 million or EUR 1,149 million (2009: HRK 8,517 million, EUR 1,160 million)
    - Combis contributes HRK 232 million (EUR 32 million) since May
    - Underlying revenues down 3.2% excluding impact of 6% tax and Combis
- Cost controls continue to protect margins
- Reported EBITDA slightly below 2009 level at HRK 3,662 million (EUR 502 million) and 43.7% margin (2009: HRK 3,695 million or EUR 503 million, 43.4%)
- EBITDA before exceptional items of HRK 3,694 million (EUR 507 million) at 44.1% margin (2009: HRK 3,859 million or EUR 526 million, 45.3%)
- Net profit 9.5% down at HRK 1,831 million (EUR 251 million) owing mostly to lower financial income
- Operating cash flow increases strongly, up 19.3% to HRK 3,268 million (EUR 448 million)
- Proposed dividend of HRK 22.76 per share; payout ratio equals 100% of net profits of Hrvatski Telekom d.d.
- Launch of prepaid brand bonbon on 1 October
- Successful LTE trials demonstrating high-speed mobile internet

T-Mobile

- Revenue down 9.1% to HRK 3,807 million or EUR 522 million (2009: HRK 4,189 million or EUR 571 million)
- Total subscribers up 1.5% to 2.9million
- Postpaid subscribers break through 1 million, up 9.0% on 2009
- Prepaid subscribers down 2.1% on year, but rising strongly in Q4, up 6.0%

T-Com

- Continuing strong growth in internet and IPTV
- Internet revenue up 19.1% to HRK 1,368 million or EUR 188 million (2009: HRK 1,149 million or EUR 156 million)
- ADSL lines up 13.4% to 629,228
- IPTV subscribers up 26.1% to 297,496

* before exceptional items

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

"The recession in Croatia continued into 2010 impacting consumer spending and business sector revenues. Our strategy which we have been pursuing for a number of years has helped us to remain competitive and protect margins. Our performance is very creditable, given the poor economic climate, reduced spending and increased competition.

"The acquisition of Combis has strengthened our position in IT services complementing our leadership in communications. The reorganisation of T-HT has created a more efficient and more customer-focused organisation, our internet business continues to grow strongly and we are optimistic that mobile revenues will improve as the country comes out of recession.

"With signs of economic improvement emerging, we believe that Croatia's fragile recovery will be hampered if regulatory and tax burdens unfairly penalise our investment in the modern communications infrastructure that Croatia needs for its future prosperity."

Contact details

T-Hrvatski Telekom Investor Relations

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

College Hill

Carl Franklin / Adrian Duffield	+44 207 457 2020

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

Dial In	+44 (0) 1452 555 566
Conference ID	41052817

A replay of the call will be available until Sunday, 20 February 2011 using the following details:

Dial In	+44 (0) 1452 550 000
Replay Access Code	41052817#

Full audited accounts for T-HT Group and HT d.d., other prescribed documentation as well as a presentation covering results for the 2010 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).

About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving nearly 1.4 million fixed lines, more than 2.9 million mobile subscribers and almost 630,000 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.

Summary of key financial indicators

in HRK million	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Revenue [1]	8,375	8,517	*-1.7%*
EBITDA before exceptional items	3,694	3,859	*-4.3%*
EBITDA after exceptional items [2]	3,662	3,695	*-0.9%*
EBIT (Operating profit)	2,247	2,294	*-2.0%*
Net profit after minority interest	1,831	2,023	*-9.5%*
EBITDA margin before exceptional items	44.1%	45.3%	*-1.2 p.p.*
EBITDA margin after exceptional items	43.7%	43.4%	*0.3 p.p.*
EBIT margin	26.8%	26.9%	*-0.1 p.p.*
Net profit margin	21.9%	23.8%	*-1.9 p.p.*
in HRK million	At 31 Dec 2010	At 31 Dec 2009	% change 10/09
Cash equivalents and time deposits	3,282	4,195	*-21.8%*
Total assets	13,585	14,472	*-6.1%*
Total issued capital and reserves	11,054	12,012	*-8.0%*
in HRK million	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Net cash flow from operating activities	3,268	2,738	*19.3%*

1) Excluding other operating income

2) Exceptional items in 2010 totalled HRK 31.6 million, of which HRK 30.6 million related to redundancy provisions and HRK 1.0 million related to consultancy costs. Exceptional items in 2009 totalled HRK 163 million, of which HRK 152 million related to redundancy provisions and HRK 11 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 31December 2009	7.34	7.31	5.28	5.09
Twelve months to 31December 2010	7.29	7.39	5.50	5.57

Summary of key performance indicators

T-Mobile	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Subscribers	2,901,222	2,858,858	*1.5%*
Minutes of Use (MOU) per average subscriber	115	112	*2.3%*
Blended ARPU	90.6	98.0	*-7.6%*
Churn rate (%)	2.3	1.9	*0.4 p.p.*
Market share of subscribers (%)	45.5	47.2	*-1.7 p.p.*
Market share by revenue (%)[1]	47.0	48.8	*-1.8 p.p.*
T-Com	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Total (POTS+FGSM+ISDN) mainlines	1,430,813	1,483,588	*-3.6%*
Total traffic (thousands of minutes)	3,176,743	3,464,391	*-8.3%*
ADSL mainlines	629,228	554,995	*13.4%*
ADSL mainlines ARPA	127	125	*1.7%*
IPTV customers	297,496	235,980	*26.1%*
ULL (Unbundled Local Loop) [2]	132,821	116,828	*13.7%*

[1] Mobile telephony revenue has been affected by the government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)
[2] As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Dec 2010: 174,486 and Dec 2009: 123,054.

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 2010 financial year.

The Annual Financial Statements will be forwarded to the General Assembly, which is planned for 4 May 2010.

2) Dividend

Hrvatski Telekom d.d. realized a net profit (after taxation) of HRK 1,864,032,217.09 in the year ending 31 December 2010.

The Management Board and Supervisory Board of Hrvatski Telekom d.d. have proposed a dividend distribution to shareholders in the amount of HRK 1,863,783,056.60 or HRK 22.76 per share. The remaining amount of HRK 249,160.49 will be allocated to retained earnings.

The dividend will be paid to shareholders registered at the Central Clearing Depository Association (SKDD) on the day of the General Assembly, planned for 4 May 2011. The dividend will be paid on 23 May 2011.

In 2010 the Government abolished the special tax on salaries, pensions and other receipts it imposed in August 2009. As a consequence, this year's dividends are not taxable.

Results for the year ended 31 December 2010

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 2010, the Group served nearly 1.4 million fixed-line customers, 2.9 million mobile subscribers, nearly 630,000 broadband connections and provided IPTV services to nearly 300,000 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). On 1 October, T-HT launched a new prepaid phone brand, bonbon.

New corporate structure

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 units. However, the results for the year ended 31 December 2010 are presented so as to show segmental information based upon the previous structures of T-Com and T-Mobile.

Change of the Company's registered name entered into the court register

Pursuant to the decision of the General Assembly dated 21 April 2010, on 20 May 2010 the change of the Company's registered name was entered into the court register of the Zagreb Commercial Court, by which the name was officially changed from HT – Hrvatske telekomunikacije d.d. to Hrvatski Telekom d.d. The abbreviated name of the Company – HT d.d. – as well as the name of the Company in English – Croatian Telecom Inc. – remain unchanged.

Market overview

During 2010, the Croatian telecommunications market recorded solid growth in broadband services and IPTV. Mobile broadband grew strongly as a result of an increasing number of smartphones and other mobile broadband devices such as tablet computers.

As with previous years, fixed telephony continued to decline in line with Group expectations and world-wide trends. The Croatian mobile market also declined in 2010, burdened by market saturation and recessionary impacts including reduced spending and the imposition of a 6% tax on mobile services. There is as yet no indication of when or if this tax will be abolished.

Fixed telephony remains highly competitive in Croatia, with nine operators active but no new entrants in 2010. According to the Croatian Central Bureau of Statistics, total fixed-line minutes of use (MOU) decreased by 0.8% during the first nine months of 2010, with mobile MOU falling 1.6% in the same period – the latest for which statistics have been collated. T-HT, through its T-Mobile brand, remained the leader in a saturated market, with mobile penetration of an estimated 143.9% served by three operators since 2005. Demand for mobile Internet grew steadily with all three mobile operators promoting their 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 IPTV service. Despite the strong increase in T-HT's broadband subscriber base over recent years, the broadband market remains a significant growth opportunity, given that only 43% of Croatian households have broadband connections, compared to an average of more than 55% in Western Europe.

T-HT maintained its leadership of a data 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 2% of total telecom 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.

Economic background

According to the Croatian Central Bureau of Statistics, the recession continued to affect the economy well into 2010, with GDP falling 2.5% in the first six months of the year. Only in Q3 did GDP finally achieve modest growth of 0.2%, supported by tourism and a slight increase in personal consumption following a rise in seasonal employment and the abolition in July of part of the crisis tax on personal income. Recent estimates for the whole of 2010 forecast a fall in GDP of about 1.5 %. The reduction in consumption was accompanied by an increasing in savings throughout 2010 as Croatians put away money, perhaps fearing the impact of the recession.

Unemployment in Croatia remained high during 2010 with registered unemployment at 18.8% in December 2010 (December 2009: 16.7%), the highest unemployment rate for five years. Naturally, such high unemployment had a strongly negative impact on personal consumption, which represents the major part of the country's GDP.

As for the impact on business, illiquidity rose with outstanding unpaid obligations increasing by 37% in the first three quarters of 2010 to EUR 4.4 billion. In the same period, the number of insolvent companies rose by 30% to 31,000.

Regulatory environment

In Q4 2010 the Agency initiated the revision procedure for the fixed origination and termination fee and the mobile termination fee, to adjust these prices to the EU benchmark on annual basis, as prescribed by the Agency decisions from 2009 (on SMP designation 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: 0.396 kn/min

New prices start to apply from January 1st, 2011.

In September 2010 the Company delivered to the Agency audited Regulatory financial reports for the financial year ended on December 31st 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.

In addition, by its decision adopted in March 2010 the Agency determined that the "X" percentage, which should be used to calculate the Company's prices for wholesale bitstream access service on copper network – IP level (retail minus methodology), should be 40%. Further price reduction of the wholesale bitstream access service was adopted by the Agency in September 2010 (price reduction for virtual private channels for voice and IPTV services).

Also, according to the Agency's decision on SMP designation and imposition of remedies in the wholesale broadband access market, the Company is obliged to have a "reference offer for the wholesale bitstream access over the Company's fibre optics access network" published as from January 1st, 2010. The procedure regarding the Company's proposal of prices for the wholesale bitstream access over Company's fibre optics access network is currently ongoing before the Agency.

The existing SMP status of the Company in the market for leased electronic communications lines, and the joint SMP status of the Company and Iskon in markets for public voice and data transmission in fixed network, as determined by the Agency in 2007, remains. According to existing remedies in these markets, prices for retail public voice in the fixed network and leased lines are subject to cost-orientation and ex-ante approval by the Agency.

However, in line with the above mentioned new regulatory framework, and taking into account the latest EU recommendations, in February and March 2010 the Agency initiated a new round of market analyses for the following leased lines/public voice markets:
Leased lines markets:

- Wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity
- Wholesale trunk segments of leased lines
- Market for the minimum set of leased lines

Access to the fixed network and public voice markets:

- Access to the public communications network at a fixed location for residential and non-residential customers
- Publicly available local and/or national telephone services provided at a fixed location for residential customers
- Publicly available international telephone services provided at a fixed location for residential customers
- Publicly available local and/or national telephone services provided at a fixed location for non-residential customers
- Publicly available international telephone services provided at a fixed location for non-residential customers

In January 2011 Agency finalized public consultations on analysis of a retail market of *Access to the Public Communications Network at a Fixed Location* and announced public consultations on Analyses of *Four Retail Markets of Publicly Available Telephone Services Provided at a Fixed Location* (national/international voice for residential/business customers). Following the market analysis current remedies will cease to apply, whereas new remedies will be imposed by the Agency's decisions:

- *Analysis of Retail Market Access to the Public Communications Network at a Fixed Location*: final decision on SMP designation could be expected by the end of Q1 2011; the following new regulatory remedies could be expected: wholesale line rental, naked DSL, provision of "pure" network access (without additional services included, e.g. POTS).
- *Analysis of Four Retail Markets of Publicly Available Telephone Services Provided at a Fixed Location*: public consultation announced 27th January, 2011; final decision could be expected by the end of Q1/ beginning of Q2 2011

In January 2011the Agency opened a public consultation on amendments to the *Analysis of Wholesale (physical) Network Infrastructure Access (including shared or fully unbundled access) at a Fixed Location*. The public consultation ends on February 21st, 2011.
In October 2010 the Company was (re)designated as the universal service provider for 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.

The Operational-technical Centre for Surveillance of Electronic Communications (OTC) adopted a Temporary Protocol regulating the issue of registration of pre-paid customers in mobile networks. T-HT filed a complaint against the Protocol, challenging its legality. OTC and the Agency performed expert supervision on the implementation of the secret surveillance obligation and the immediate identification of users. In December 2010 the Expert Supervisor of the Agency passed a decision in which it determined a breach of Article 108/4 of the Electronic Communications Act by the Company, for not enabling immediate identification of all users to the relevant competent bodies and imposed on the Company an obligation to take all necessary actions in order to remove all deficiencies and enable the competent bodies immediate identification of all new users by March 1st 2011 and all existing users by September 1st 2011. In February 2011 the Agency extended deadlines for obligatory registration until September 1, 2011 for all new pre-paid users and until March 1, 2012 for all existing pre-paid users.

A new Croatian Law on Electronic Communications is being drafted. The Company is participating in this process via industry associations. The purpose of this new law is to transpose EU regulatory framework from 2009 into the Croatian legal system. It is expected that the new law will enter into force in Q2 2011.
In January 2011 HAKOM imposed changes to Reference Unbundling Offer (RUO) of the Company with almost 70 amendments, including: obligation to give access to network even in cases where there is no existing access line available; introduction of VDSL technology; reduction of installation fees; and lower monthly fees for the second and third access line to the same end-user.

Risk management

Besides the business and regulatory developments detailed above and elsewhere 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.

Approval of Combis acquisition

On 14 May 2010 the Croatian Competition Agency approved HT's acquisition of the IT services company Combis d.o.o, announced on 26 March.

The acquisition is part of T-HT's strategy to become a significant provider of information and communications technology and services to Croatia's business sector. Although Combis will continue to trade as a separate business entity, the alignment of certain functions is well underway to achieving synergies and Combis and HT are working closely together on new business opportunities.

Combis was formally consolidated into the Group's accounts in May 2010 and its eight-month contribution to revenue in 2010 was HRK 232 million.

Application for pre-qualification in the sale of PTK

On 27 September 2010 T-HT applied for pre qualification in the privatisation of Post and Telecommunications of Kosovo J.S.C. (PTK).

PTK provides fixed-line, mobile and postal services through its brands Telecom of Kosovo, Vala and Post of Kosovo respectively. PTK has more than 1.2m mobile subscribers and serves around 84,000 fixed lines. In 2009, PTK reported revenues of €145m and net profit of €44m.

Following its application, T-HT awaits a response from the Government of the Republic of Kosovo.

Group financial performance

Revenue

in HRK million	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Mobile telephony	3,691	3,969	*-7.0%*
Fixed telephony	2,290	2,505	*-8.6%*
Wholesale services	639	696	*-8.2%*
Internet services	1,368	1,145	*19.5%*
Data services	150	183	*-17.7%*
Miscellaneous	236	19	*1142.8%*
Revenue	8,375	8,517	*-1.7%*

Throughout 2010, Group revenue continued to be affected by the recession and the special taxation measures adopted in response. Some recessionary effects that were first apparent in 2009 have taken time to impact the Group's business – for example, an increase tendency towards saving and an increased tightening of consumer spending. Although the Group benefited from a eight-month contribution of HRK 232 million from Combis (classed as Miscellaneous), total revenue fell 1.7% to HRK 8,375 million (2009: HRK 8,517 million).

Excluding the contribution of Combis and the impact of the 6% tax on mobile services, Group revenue would have fallen by 3.2%. This is a creditable result, given estimates of a 1.5% fall in GDP across the whole of 2010, the lagging effects mentioned above and intensified competition in the industry.

T-Com unconsolidated revenue fell by 1.2% or HRK 63 million to HRK 4,981 million (2009: HRK 5,044 million), including the first-time contribution of HRK 232 million from Combis. As with previous periods, the decline expected in fixed telephony, down 8.4% to HRK 2,296 million, was to some extent offset by a strong increase in revenue from internet services, up 19.1% to HRK 1,368 million.

At T-Mobile, unconsolidated revenue fell 9.1% to HRK 3,807 (2009: HRK 4,189 million), with the special tax on mobile services a significant drain on revenue, to the amount of HRK 163.5 million in 2010 (Aug-Dec 2009: HRK 67.5 million).

Operating expenses

Overall operating expenses fell by 2.9% or HRK 150 million to HRK 5,054 million (2009: HRK 5,204 million) even after consolidation of Combis' expenses, as a result of tight cost control following the reorganisation of the Group, as well as decreased costs related to lower usage and reduced interconnection fees.

In addition, effective 1 September 2010, the Company changed the accounting treatment of Customer Premises Equipment (CPE), namely IAD modems, set-top boxes and other fixed-line terminal equipment, such that this equipment is now treated as being owned by the Company. Previously, this equipment was treated as merchandise that was owned by customers.

The reason for this change is to increase operational efficiency by enabling higher rates of reuse of CPE, where appropriate, and to enable more efficient upgrades of customer equipment. Customers will benefit from having ownership and responsibility for maintenance of their equipment taken on by T-HT.

The accounting impact of this development is to change from reporting those costs as operating expenses (costs of merchandise) to recognising them as capital expenditures, with corresponding additions to fixed assets. The amount capitalized in the period from 1 September 2010 to 31 December 2010 was approximately HRK 75 million.

Material expenses increased by just 0.3% to HRK 2,327 million, with a slight decrease in Merchandise costs, down 0.8% to HRK 1,046 million, being offset by an increase in Services, up 1.2% to HRK 1,281 million, mostly as a result of higher copyright fees payable as the Group's IPTV subscriber base expands.

The acquisition of Combis added 284 employees as at December 2010, with the Group's year-end (FTE) employee numbers rising from 6,044 in December 2009 to 6,322 in December 2010. Despite this increase in staff numbers, total employee benefits fell by 8.0% to HRK 1,198 million as a result of lower redundancy provisions being booked in 2010 (HRK 31 million vs HRK 152 million in 2009). Excluding redundancy costs, total employee costs rose by 1.5%. (fall of 2.3% excluding Combis).

The write-down of assets increased by 3.4% to HRK 114 million, while depreciation and amortisation increased by 1.0% to HRK 1,415 million, mainly as a result of a HRK 65 million impairment of non-current assets.

T-HT Group profitability

in HRK million	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
Revenue [1)]	8,375	8,517	*-1.7%*
EBITDA before exceptional items	3,694	3,859	*-4.3%*
EBITDA after exceptional items [2)]	3,662	3,695	*-0.9%*
EBIT (Operating profit)	2,247	2,294	*-2.0%*
Net profit after minority interest	1,831	2,023	*-9.5%*
EBITDA margin before exceptional items	44.1%	45.3%	*-1.2 p.p.*
EBITDA margin after exceptional items	43.7%	43.4%	*0.3 p.p.*
EBIT margin	26.8%	26.9%	*-0.1 p.p.*
Net profit margin	21.9%	23.8%	*-1.9 p.p.*

1) Excluding other operating income

2) Exceptional items in 2010 totalled HRK 31.6 million, of which HRK 30.6 million related to redundancy provisions and HRK 1.0 million related to consultancy costs. Exceptional items in 2009 totalled HRK 163 million, of which HRK 152 million related to redundancy provisions and HRK 11 million related to reorganisation costs.

As a result of falling revenue and the increases in some expenses as explained above, EBITDA before exceptional items of HRK 32 million fell by 4.3% to HRK 3,694 million at a margin of 44.1% (2009: HRK 3,859 million, 45.3%). Operating profit (EBIT) fell by 2.0% to HRK 2,247 million (2009: HRK 2,294 million).

Net profit for 2010 was 9.5% lower at HRK 1,831 million (2009: HRK 2,023 million), mainly as a result of EBIT development and significantly lower net financial income caused by lower interest rates.

Balance sheet

T-HT's balance sheet remains strong with total assets of HRK 13,585 million down 6.1%, mainly as a result of a generous dividend payment in May 2010 totalling HRK 2,788 million.

Total non-current assets decreased from HRK 8,175 million at 31 December 2009 to HRK 8,088 million at 31 December 2010 due to the decreased investment in broadband access and the core infrastructure.

The decrease in total current assets from HRK 6,297 million at 31 December 2009 to HRK 5,577 million at 31 December 2010, is mostly related to the dividend payment. The decrease included lower inventories of HRK 216 million (2009: HRK 255 million) resulting from improved inventory management, the write off of obsolete equipment and the new accounting treatment of CPE equipment.

Total issued capital and reserves decreased to HRK 11,054 million (2009: HRK 12,012 million), because the dividend payment in May 2010 exceeded the net profit achieved in 2010.

At 31 December 2010, cash and cash equivalents stood at HRK 3,282 million, compared with HRK 4,195 million at 31 December 2009.

Cash flow

Cash flow from operating activities is T-HT's principal source of funds, enabling the Group to finance capital investments and dividend distributions. Despite lower profitability, cash flow from operations increased by 19.3% to HRK 3,268 million (2009: HRK 2,738 million), mostly as a result of positive movements in working capital achieved through strong financial management, as well as the absence of a one-time negative effect in 2009 related to a change in billing method for fixed voice on December bills.

Capital expenditure

in HRK million	Jan-Dec 2010	Jan-Dec 2009	% change 10/09
T-Com	864	1,083	-20.2%
T-Mobile	289	470	-38.5%
Total Capital Expenditure	1,153	1,553	-25.8%

Capital expenditure was down 25.8% to HRK 1,153 million (2009: HRK 1,553 million). As previously stated, the Group is delaying investments in modern fiber infrastructure until the regulatory agency HAKOM develops a regulatory and pricing regime that the Group considers satisfactory and fair.

In the absence of clarity on the issue of fiber access, the Group has continued with modernisation of the current fixed core and aggregation network, while in the mobile network it is continuing with investments in radio access and core network transformation in order to improve mobile broadband access. Cable infrastructure deployments were lower than anticipated owing to delays in obtaining local permits, while some cellular base station deployments were also delayed.

Following the merger of T-Com and T-Mobile, the Group has reviewed and optimised the scope of major IT projects in order to achieve the most cost-effective benefits going forward.

Analysis of segment results

As previously indicated, T-HT will present its 2010 financial results to reflect its previous structure comprising two distinct businesses segments:

- T-Mobile, which provided mobile telephony services including wholesale, Internet and mobile data services.
- T-Com, which provided fixed telephony, wholesale services, Internet and data services. It encompasses Hrvatski Telekom d.d., Iskon Internet d.o.o., acquired in May 2006 and Combis d.o.o. acquired in March 2010.

Since 1 January 2010, T-HT Group has been organised along Residential and Business lines with separate divisions for each.

Because of inter-segment transactions, the sum of the financial results of the two individual segments does not equal the Group's financial results in total.

T-Mobile highlights

T-Mobile remains the leading mobile operator in the Croatian market, where mobile penetration increased to 143.9% in 2010. Demand for mobile internet continues to increase with new laptop/netbook devices in high demand, as well as an increase in handsets and tablet computers offering access to the internet through a wide variety of applications.

The mobile market in Croatia continues to be affected by the recession and special taxes imposed on mobile services, as well as competitive pressures and regulatory impositions such as lower termination rates (as discussed earlier in the Regulatory section).

- Revenue down 9.1% to HRK 3,807 (2009: HRK 4,189 million)
- Total subscribers up 1.5% to 2,901,222 (2009: 2,858,858)
    - Strong subscriber recovery in Q4 2010,
- Postpaid subscribers break through 1 million, up 9.0% on 2009 and 2.0% on Q3 2010
- Prepaid subscribers down 2.1% (up 6.0% on Q3 2010)
- Launch of bonbon pre-paid brand to reach younger consumers

T-Mobile subscriber numbers increased sharply in Q4 2010, helped by an increase in prepaid customers following the successful launch of the new bonbon prepaid brand. T-Mobile ended the year with more than 2.9 million subscribers, up 1.5% on 2009 and representing a market share of about 45.5% by SIM.

T-Mobile continued its success in increasing postpaid accounts, with special and targeted offers helping to increase postpaid subscriber numbers through the million mark to 1,003,052. Postpaid now makes up 34.6% of T-Mobile's accounts, up from 32.2% at the end of 2009.

Across the whole of 2010, prepaid numbers fell 2.1% to 1.9 million, mostly because of reduced consumer spending and lower duplication of personal handsets. However, the launch of the bonbon brand in October and successful customer acquisition campaigns elsewhere in the market drove a 6%

increase in prepaid accounts in Q4. The brand will operate independently and focus on the younger professional market.

Postpaid churn increased from 0.8% in 2009 to 1.0% in 2010, while prepaid churn increased from 2.3% to 3.0%, reflecting the decrease in SIM-only promotions, increased competition and recessionary pressures driving some users to abandon prepaid phones altogether. SAC per gross add decreased by 19.6% to HRK 159.9 because of improved efficiency in handset sales.

Minutes of Use (MOU) increased by 2.3% to 115 minutes (2009: 112 minutes). Compared to the 103.8 minutes recorded in Q1 2010, MOU recovered well in the rest of the year as a result of attractive new promotions and the successful introduction of new tariffs.

T-Mobile

in HRK million	Jan-Dec 2010	%	Jan-Dec 2009	%	% change 10/09
Revenue from Postpaid services [1]	2,300	60.4%	2,470	59.0%	*-6.9%*
Revenue from Prepaid services	1,093	28.7%	1,232	29.4%	*-11.3%*
Other mobile revenue	414	10.9%	488	11.6%	*-15.1%*
Revenue [2]	3,807	100.0%	4,189	100.0%	*-9.1%*
Income from usage of own products, merchandise and services	5		0		-
Other operating income	121		127		*-4.8%*
Operating expenses	2,326		2,481		*-6.3%*
EBITDA before exceptional items	1,610	42.3%	1,840	43.9%	*-12.5%*
Exceptional items [3]	2		4		*-47.5%*
EBITDA after exceptional items	1,608	42.2%	1,835	43.8%	*-12.4%*
Depreciation and amortization	464		494		*-6.0%*
EBIT	1,143	30.0%	1,341	32.0%	*-14.8%*

1) Including visitor revenue.

2) Unconsolidated figures, excluding other operating income. Mobile telephony revenue has been affected by the government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)

3) Exceptional items in 2010 totalled HRK 2.2 million, of which HRK 2.0 million related to redundancy provisions and HRK 0.2 million related to consultancy costs. Exceptional items in 2009 totalled HRK 4 million related to redundancy provisions.

Revenue

The recession and its associated taxation measures affected T-Mobile throughout 2010, with revenue falling 9.1% to HRK 3,807 million (2009: HRK 4,189 million). Of this decline, HRK 163.5 million can be attributed to the 6% tax on mobile services, which was deducted directly from revenue across the whole of 2010 (Aug-Dec 2009: HRK 67.5 million). Competitive pressures and a cut in mobile termination rates at the end of 2009 also contributed to the decline.

Postpaid revenue fell by 6.9% to HRK 2,300 million (2009: HRK 2,470 million), while prepaid revenue fell by 11.3% to HRK 1,093 million (2009: HRK 1,232 million). Other mobile revenue decreased by 15.1% to HRK 414 million mainly due to decreased national roaming revenue.

Profitability

T-Mobile operating expenses fell by 6.3% to HRK 2,326 million, mostly as a consequence of lower service costs including lower domestic interconnection rates resulting from the reduction in termination prices. In addition, T-Mobile had lower mobile merchandise costs following the integration of T-Com and T-Mobile.

EBITDA (before HRK 2 million of exceptional items) fell by 12.5% to HRK 1,610 million (2009: HRK 1,840 million), with EBIT falling 14.8% to HRK 1,143 million (2009: HRK 1,341 million).

Capital expenditure

T-Mobile's capital expenditure fell by 38.5% to HRK 289 million (2009: HRK 470 million) for the reasons outlined earlier, notably the delay of internal IT projects and delays in obtaining permits for base station deployments. The capex to revenue ratio fell from 11.2% to 7.6%.

T-Com highlights

T-Com remains the leader in all segments, with broadband and IPTV growing strongly and fixed-line telephony declining at a fairly predictable rate.

- 1.44 million mainlines served, down 3.6%
- ADSL lines up 13.4% to 629,228 (up 4.8% on Q3 2010)
- Internet revenue up 19.1% to HRK 1,368 million
- IPTV customers up 26.1% to 297,496 (up 9.6% or 26,114 subscribers since Q3 2010)
- MAXtv launched on satellite in December
- New interconnect charges as of 1 Jan 2011 (as discussed earlier in the Regulatory section)

T-Com

in HRK million	Jan-Dec 2010	%	Jan-Dec 2009	%	% change 10/09
Fixed telephony	2,296	46.1%	2,506	49.7%	*-8.4%*
Wholesale services	931	18.7%	1,049	20.8%	*-11.2%*
Internet services	1,368	27.5%	1,149	22.8%	*19.1%*
Data services	150	3.0%	183	3.6%	*-17.7%*
Miscellaneous	236	4.7%	158	3.1%	*49.7%*
Revenue [1]	**4,981**	**100.0%**	**5,044**	**100.0%**	***-1.2%***
Income from usage of own products, merchandise and services	100		147		*-32.2%*
Other operating income	198		177		*11.7%*
Operating expenses	3,225		3,509		*-8.1%*
EBITDA before exceptional items	**2,084**	41.8%	**2,019**	40.0%	***3.2%***
Exceptional items [2]	*29*		*159*		*-81.5%*
EBITDA after exceptional items	**2,055**	41.2%	**1,860**	36.9%	***10.5%***
Depreciation and amortization	951		908		*4.8%*
EBIT	**1,103**	22.2%	**952**	18.9%	***15.9%***

1) Unconsolidated figures; excluding other income

2) Exceptional items in 2010 totalled HRK 29.4 million, of which HRK 28.6 million related to redundancy provisions and HRK 0.8 million related to consultancy costs. Exceptional items in 2009 totalled HRK 159 million, of which HRK 148 million related to redundancy provisions and HRK 11 million related to reorganisation costs.

Revenue

Overall, T-Com revenue fell by 1.2% to HRK 4,981 million (2009: HRK 5,044 million), with a HRK 232 million contribution from Combis and a 19.1% growth in internet revenue helping to offset revenue falls of 8.4% in fixed-line telephony, 11.2% in wholesale and 17.7% in data services.

Fixed-line telephony

The decline in fixed-line telephony remains steady, with 3.6% fewer lines served at the end of 2010 and total mainlines connected of 1,437,579 (2009: 1,491,622). Revenue from fixed-line telephony fell by 8.4% to HRK 2,296 million (2009: HRK 2,506 million) and the contribution of fixed telephony has fallen to 46.1% of T-Com revenue, against 49.7% last year. As with previous periods, the decline is the result of increased competition and fixed-to-mobile substitution.

Internet

Internet revenue continues to grow strongly, up 19.1% to HRK 1,368 million (2009: HRK 1,149 million) of which Iskon contributed HRK 165 million (2009: HRK 123 million). Internet revenue now contributes 27.5% of T-Com revenue, compared with 22.8% in last year. The continuing increase reflects the rising use of broadband and the growth of new services such as IPTV.

ADSL mainlines increased by 13.4% to 629,228, with more than 29,000 new subscribers in Q4 2010. The increase was driven by new promotions encouraging customers to sign 12 or 24-month contracts and incentivising them to recommend friends and family. ADSL ARPA rose 1.7% to HRK 127 (2009: HRK 125), mostly because of higher number of flat-traffic subscriptions and the expiration of promotional activities.

Growth in IPTV subscribers (including MAXtv and Iskon's own IPTV service) remained strong, up 26.1% to 297,496 (2009: 235,980), driven by continuing promotions and attractive content packages including new films and HBO programming. In December, MAXtv was launched on satellite, making it available to any home with a satellite receiver.

During 2010, T-HT continued to improve its IPTV service by adding new channels and launching a Sports package with the most popular international sport channels and exclusive sporting content.

Wholesale

Wholesale revenue fell by 11.2% to HRK 931 million and now makes up 18.7% of T-Com revenue (2009: HRK 1,049 million, 20.8%). The decline resulted from lower international traffic to mobiles and national hubbing services, as well as a cut in termination, origination and DTI revenue following regulatory decisions. However, there was higher revenue from providing infrastructure services for other fixed operators, international GIA service and international hubbing traffic.

Data

Data revenue fell 17.7% to HRK 150 million and represents just 3.0% of T-Com revenue (2009: HRK 183 million, 3.6%). The fall was in line with T-HT's migration of data customers to new IP-based services.

Miscellaneous

For the first time, revenue from Combis contributed to T-Com's performance and has been classified under Miscellaneous revenue. The eight-month contribution of HRK 232 million offset the loss of revenue and commissions normally booked under Miscellaneous revenue that resulted from the reorganisation of T-Com and T-Mobile's retail sales outlets.

Profitability

The fall in T-Com revenue was offset to some degree by a 8.1% reduction in operating expenses. EBITDA before exceptional items increased by 3.2% to HRK 2,084 million (2009: HRK 2,019 million). EBIT increased 15.9% to HRK 1,103 million due to significantly lower exceptional items (HRK 29 million 2010, compared with HRK 159 million in 2009).

Capital expenditure

Capital expenditure fell by 20.2% to HRK 864 million, for the reasons already outlined above. T-Com's capex/revenue ratio stood at 17.3%, compared with 21.5% in 2009.

T-HT Group Fourth Quarter 2010 Report

Summary of key financial indicators

in HRK million	Oct-Dec 2010	Oct-Dec 2009	% change 10/09
Mobile telephony	853	867	-1.6%
Fixed telephony	550	591	-6.9%
Wholesale services	151	185	-18.4%
Internet services	353	301	17.4%
Data services	36	44	-18.2%
Miscellaneous	113	4	-
Revenue [1]	2,056	1,992	3.2%
EBITDA before exceptional items [2]	836	806	*3.7%*
EBITDA after exceptional items	804	679	*18.4%*
EBIT (Operating profit)	377	325	*15.8%*
Net profit	346	277	*25.3%*

1) Excluding other operating income
2) Exceptional items in Q4 2010 totalled HRK 31.6 million, of which HRK 30.6 million related to redundancy provisions and HRK 1.0 million related to consultancy costs. Exceptional items in Q4 2009 totalled HRK 127 million, of which HRK 120 million related to redundancy provision and HRK 7 million related to reorganisation costs.

In the fourth quarter of 2010, revenue rose by 3.2%, mainly because of a HRK 122 million contribution from Combis, but helped by an easing in mobile revenue decline to 1.6%, compared with the 8.5% fall in the first nine months of the year.

EBITDA rose by 18.4% to HRK 804 million, helped by the improvement in revenue and significantly lower exceptional items, mostly related to redundancy costs (Q4 2009 included redundancy costs of HRK 120 million, while Q4 2010 only 30.6 million). Excluding these exceptional items, EBITDA rose by 3.7% to HRK 836 million.

Net profit rose by 25.3% to HRK 346 million, after higher depreciation and lower financial income and taxation. In addition, in Q4 2010 the Group reversed a one-time negative impact of HRK 31 million related to its involvement in HT Mostar. In the Q4 accounts it is presented as negative Financial Expenses in the Profit & Loss Account.

Group 2011 outlook

Revenue

Although Croatia continues to face a slow economic recovery, high unemployment and falling disposable income, the Group believes that its strategy of exploiting new growth opportunities and maximising existing ones will help to maintain 2011 revenue at the 2010 level.

EBITDA before exceptional items

In light of the revenue strategies outlined above, efficiencies gained from the successful restructuring already achieved and continuing strong cost controls, the Group anticipates 2011 EBITDA being moderately higher than in 2010.

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; audited)	Jan-Dec 2010	Jan-Dec 2009	% of change 10/09	Oct-Dec 2010	Oct-Dec 2009	% of change 10/09
Mobile telephony	3,691	3,969	-7.0%	853	867	-1.6%
Fixed telephony	2,290	2,505	-8.6%	550	591	-6.9%
Wholesale services	639	696	-8.2%	151	185	-18.4%
Internet services	1,368	1,145	19.5%	353	301	17.4%
Data services	150	183	-17.7%	36	44	-18.2%
Miscellaneous	236	19	-	113	4	-
Revenue	8,375	8,517	-1.7%	2,056	1,992	3.2%
Income from usage of own products, merchandise and services	105	169	-38.2%	50	81	-37.9%
Other operating income	236	213	10.9%	131	64	104.5%
Total operating revenue	8,716	8,899	-2.1%	2,237	2,136	4.7%
Operating expenses	5,054	5,204	-2.9%	1,433	1,457	-1.7%
Material expenses	2,327	2,320	0.3%	698	611	14.2%
Employee benefit expenses	1,198	1,302	-8.0%	322	396	-18.7%
Other expenses	1,416	1,472	-3.8%	388	434	-10.7%
Write down of asset	114	110	3.4%	24	15	61.8%
EBITDA	3,662	3,695	-0.9%	804	679	18.4%
Depreciation and amortization	1,415	1,402	1.0%	427	354	20.7%
EBIT	2,247	2,294	-2.0%	377	325	15.8%
Financial income	71	301	-76.3%	29	51	-43.5%
Income/loss from investment in joint ventures	2	12	-82.8%	-4	-3	42.3%
Financial expenses	45	41	11.2%	-18	13	-242.4%
Profit before taxes	2,275	2,566	-11.3%	420	361	16.4%
Taxation	444	542	-18.0%	74	84	-12.3%
Net profit	1,831	2,024	-9.5%	346	277	25.1%
Minority interest	0	0	-105.0%	0	0	-287.8%
Net profit after minority interest	1,831	2,023	-9.5%	346	277	25.3%
Exceptional items	32	163	-80.6%	32	127	-75.0%
EBITDA before exceptional items	3,694	3,859	-4.3%	836	806	3.7%

Consolidated Balance Sheet

in HRK million (IFRS; audited)	At 31 Dec 2010	At 31 Dec 2009	% of change 10/09
Intangible assets	1,162	1,099	*5.8%*
Property, plant and equipment	6,336	6,507	*-2.6%*
Non-current financial assets	422	490	*-13.9%*
Receivables	31	33	*-4.7%*
Deferred tax asset	57	46	*23.3%*
Total non-current assets	8,008	8,175	*-2.0%*
Inventories	216	255	*-15.2%*
Receivables	1,504	1,505	*-0.1%*
Current financial assets	465	259	*79.5%*
Cash and cash equivalents	3,282	4,195	*-21.8%*
Prepayments and accrued income	110	84	*30.9%*
Total current assets	5,577	6,297	*-11.4%*
TOTAL ASSETS	13,585	14,472	*-6.1%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*-0.1%*
Revaluation reserves	-1	-4	*-72.3%*
Retained earnings	626	1,393	*-55.1%*
Net profit for the period	1,831	2,023	*-9.5%*
Minority interest	0	1	*-100.0%*
Total issued capital and reserves	11,054	12,012	*-8.0%*
Provisions	293	428	*-31.5%*
Non-current liabilities	117	128	*-8.8%*
Total non-current liabilities	410	556	*-26.3%*
Current liabilities	1,871	1,643	*13.9%*
Accrued expenses and deferred income	250	261	*-4.2%*
Total current liabilities	2,121	1,904	*11.4%*
Total liabilities	2,531	2,460	*2.9%*
TOTAL EQUITY AND LIABILITIES	13,585	14,472	*-6.1%*

Consolidated Cash Flow Statement

in HRK million (IFRS; audited)	Jan-Dec 2010	Jan-Dec 2009	% of change 10/09
Profit before tax	2,275	2,566	*-11.3%*
Depreciation and amortization	1,415	1,402	*1.0%*
Decrease of current receivables	15	0	-
Decrease of inventories	39	59	*-34.1%*
Other cash flow increases	0	0	-
Total increase of cash flow from operating activities	3,745	4,026	*-7.0%*
Decrease of current liabilities	-30	-149	*-79.5%*
Increase of current receivables	0	-205	*-100.0%*
Increase of inventories	0	0	-
Other cash flow decreases	-446	-935	*-52.3%*
Total decrease of cash flow from operating activities	-477	-1,288	*-63.0%*
Net cash inflow/outflow from operating activities	3,268	2,738	*19.3%*
Proceeds from sale of non-current assets	12	25	*-52.5%*
Proceeds from sale of non-current financial assets	0	2	*-100.0%*
Proceeds from sale of current financial assets	0	0	-
Interest received	31	278	*-88.7%*
Dividend received	0	4	*-100.0%*
Other cash inflows from investing activities	0	11	*-100.0%*
Total increase of cash flow from investing activities	43	320	*-86.5%*
Purchase of non-current asset	-1,153	-1,553	*-25.8%*
Purchase of non-current financial asset	0	-75	*-100.0%*
Other cash outflows from investing activities	-280	0	-
Total decrease of cash flow from investing activities	-1,432	-1,628	*-12.0%*
Net cash inflow/outflow from investing activities	-1,389	-1,309	*6.2%*
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-4	0	-
Dividends paid	-2,788	-2,456	*13.5%*
Repayment of finance lease	0	-2	*-100.0%*
Other cash outflows from financing activities	0	0	-
Total decrease of cash flow from financing activities	-2,792	-2,458	*13.6%*
Net cash inflow/outflow from financing activities	-2,792	-2,458	*13.6%*
Total increase of cash flow	3,268	2,738	*19.3%*
Total decrease of cash flow	-4,181	-3,767	*11.0%*
Cash and cash equivalents at the beginning of period	4,195	5,223	*-19.7%*
Net cash (outflow) / inflow	-913	-1,028	*-11.2%*
Cash and cash equivalents at the end of period	3,282	4,195	*-21.8%*

Selected Operational Data[1]

T-MOBILE SEGMENT

Key operational data	Jan-Dec 2010	Jan-Dec 2009	% of change 10/09
Subscribers			
No. of prepaid subscribers	1,898,170	1,938,867	*-2.1%*
No. of postpaid subscribers	1,003,052	919,991	*9.0%*
Total T-Mobile subscribers	2,901,222	2,858,858	*1.5%*
% of postpaid subscribers	34.6	32.2	*2.4 p.p.*
Minutes of use (MOU)			
MOU per average subscriber	115	112	*2.3%*
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) [3]	90.6	98.0	*-7.6%*
Blended non-voice ARPU (monthly average for the period in HRK)	21.0	23.1	*-9.2%*
SAC per gross add [2]	159.9	198.7	*-19.6%*
Churn rate (%)			
Churn rate total	2.3	1.9	*0.4 p.p.*
Churn rate postpaid	1.0	0.8	*0.2 p.p.*
Churn rate prepaid	3.0	2.3	*0.6 p.p.*
Penetration (%)	143.9	136.5	*7.5 p.p.*
Market share of subscribers (%) [4]	45.5	47.2	*-1.7 p.p.*
Market share by revenue (%) [5]	47.0	48.8	*-1.8 p.p.*

T-COM SEGMENT

Key operational data	Jan-Dec 2010	Jan-Dec 2009	% of change 10/09
Fixed telephony			
Total POTS and FGSM mainlines	1,349,860	1,390,568	*-2.9%*
Total ISDN mainlines	80,953	93,020	*-13.0%*
Total (POTS+FGSM+ISDN)	1,430,813	1,483,588	*-3.6%*
Payphones	6,766	8,034	*-15.8%*
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,437,579	1,491,622	*-3.6%*
Total Traffic (thousands of minutes)	3,176,743	3,464,391	*-8.3%*
To national fixed network	2,698,497	2,926,481	*-7.8%*
To national mobile network	272,521	310,937	*-12.4%*
To VAS	61,157	65,346	*-6.4%*
To international networks	108,070	119,445	*-9.5%*
Remaining traffic[6]	36,498	42,182	*-13.5%*
Average monthly voice revenue per voice access (ARPA) (HRK)	131	138	*-5.2%*

Key operational data	Jan-Dec 2010	Jan-Dec 2009	% of change 10/09
Internet services			
Dial-up users	907,964	766,429	*18.5%*
Active dial - up users	18,094	41,983	*-56.9%*
ADSL mainlines	629,228	554,995	*13.4%*
IPTV customers	297,496	235,980	*26.1%*
Fixed-line customers	1,261	1,152	*9.5%*
VPN connection points	3,845	3,528	*9.0%*
ADSL mainlines ARPA (monthly average for the period in HRK)	127	125	*1.7%*
Active dial-up users ARPU (monthly average for the period in HRK)	55	55	*-0.2%*
Data services			
Metro Ethernet (connection points)	3,515	2,808	*25.2%*
Other data lines	2,358	3,345	*-29.5%*
Total	5,873	6,153	*-4.6%*
Wholesale services			
CPS (Carrier Pre-Selection)	220,963	227,879	*-3.0%*
NP (Number portability) users/number	416,112	348,210	*19.5%*
ULL (Unbundled Local Loop) [7]	132,821	116,828	*13.7%*

(1) Some key performance indicators ("KPI") in the telecommunication sector, including minutes of usage ("MOU"), average revenue per user ("ARPU"), ARPU composition, churn and the number of customers, may be calculated differently by other companies operating in this sector. Therefore, the Company's KPI's may not be directly comparable to those of its competitors

(2) SAC - Subscriber acquisition costs

(3) 6% contribution fee on mobile revenue is included in blended ARPU for 2010.

(4) Source: Number of subscribers for VIPnet and Tele2 for Jan-Dec 2010 internally estimated. Published VIPnet's and Tele2 quarterly report for Q4 2009.

(5) Market share by net revenue. National roaming revenue included. Source: Telekom Austria for Q4 2009. Vipnet's and Tele2 total revenue for Q4 2010 are internally estimated. Market shares are based on unconsolidated revenue for T-Mobile. Mobile telephony revenue has been affected by the government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)

(6) Includes payphone traffic, operator assisted services, additional services (such as CLIP, CLIR, CFR, conference call, inquiries services and fixed SMS) and calls to satellite

(7) As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Dec 2010: 174,486 and Dec 2009: 123,054.

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 2010 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

Mr. Jürgen P. Czapran, 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 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 ‘‘T-Mobile’’ are to business operations performed in previous periods by the Company’s wholly-owned subsidiary, T-Mobile Croatia d.o.o.,
References to ‘‘T-Com’’ are to business operations including the fixed network, wholesale, broadband, data, on-line services and ICT solutions that were in previous years performed by the Company’s business Unit T-Com.
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 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