Zagreb – 29 July 2011

T-Hrvatski Telekom
Results for the six months to 30 June 2011

Ongoing recession, regulatory initiatives and special tax continue to impact business; however, IP and ICT revenues increase while solid margins maintained following rigorous cost cutting measures throughout Group

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces unaudited results for the six months to 30 June 2011.

Group Highlights

- Revenues down 4.0% to HRK 3,883 million or EUR 525 million (H1 2010: HRK 4,043 million, EUR 556 million)
  - Combis contributes HRK 161 million or EUR 22 million in H1 2011 (H1 2010: HRK 53 million, EUR 7 million. Consolidated from May 2010)
  - Underlying revenues down 6.7% excluding Combis contribution
- IP and ICT revenues show continued growth
- Rigorous cost control initiatives continue
- EBITDA down 3.1% at HRK 1,668 million (EUR 226 million) and 43.0% margin (H1 2010: HRK 1,721 million or EUR 237 million, 42.6%)
- Net profit slightly up by 0.7% at HRK 828 million (EUR 112 million)
- Operating cash flow down 12.5% to HRK 979 million (EUR 132 million)
- Further participation in privatisation of Post and Telecommunications of Kosovo J.S.C. (PTK) currently under review

Residential Segment

- T-HT maintains leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers up 8.0% (down 1.2% on Q1 2011)
- 538,877 ADSL mainlines up 11.9% (up 0.7% on Q1 2011) and 303,927 TV customers, up 22.7% (up 1.7% on Q1 2011)
- Revenues down 6.0%, due largely to lower voice revenues
- Contribution to EBITDA of HRK 1,429 million (EUR 193 million), down 2.2%

Business Segment

- Stable customer base across all segments and products/tariffs
- Mobile subscribers up 5.2% (up 2.7% on Q1 2011)
- 108,406 ADSL mainlines up 6.3% (up 0.9% on Q1 2011) and 18,442 TV customers, up 23.0% (flat to Q1 2011)
- Revenues down 1.3%; excluding Combis contribution of HRK 161 million (two months in H1 2010: HRK 53 million), revenues down 7.7%
- Contribution to EBITDA of HRK 1,026 million (EUR: 139 million), down 11.3%

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

"T-HT has produced a solid set of results in the face of an extremely tough economic climate. The long-awaited recovery has not yet emerged, resulting in the continuation of negative factors that impact our business, including high unemployment, falling consumption and a further increase in overdue payments. As a result, our revenue fell 4%.

"In the face of these challenges, which were intensified by regulatory and competitive pressures, our dedication to high-quality services, improved marketing efforts and the introduction of new offerings enabled us to maintain our leading position in the Croatian telecommunications market. Group revenue has benefited from the acquisition last year of ICT services provider Combis and our continued focus on reducing costs has led to an increase in our EBITDA margin.

"We see little prospect of recovery in the national economy in the second half. At the same time, our business is impacted by the tax on the telecommunications sector and recent changes to the regulatory environment, while the current regulatory regime also remains a disincentive to investment in a next generation communications infrastructure that would provide much-needed support to 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	**85044043**

A replay of the call will be available until Thursday, 4 August 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	**85044043#**

A presentation covering results for the first six 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, nearly 3.0 million mobile subscribers and 647,000 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 six months to 30 June 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 30 June 2011, the Group served 1.4 million fixed-line customers, nearly 3.0 million mobile subscribers, 647,000 broadband connections and provided IPTV services to more than 322,000 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide integrated solutions to Croatia's business market.

Market overview

The key event in the Croatian telecommunications sector was the acquisition by VIPnet, the second largest mobile player, of leading cable operator B.net in June 2011. This is expected to increase competition in integrated telecommunications products. Major growth areas in the sector are broadband and TV, while usage of fixed telephony continued to decline in line with expectations and world-wide trends. With new regulation in force from July 2011 regarding Wholesale Line Rental (WLR) and naked bit-stream, all operators are now achieving full country-wide reach.

The Croatian mobile market also declined throughout 2011 owing to market saturation and the impact of the recession (reduced consumer purchasing power and the 6% tax on mobile services imposed in August 2009). Increased availability of smartphones and mobile broadband devices boosted mobile broadband usage, however.

Fixed telephony remains competitive in Croatia with 10 active operators, while VIPnet's recent acquisition of B.net is likely to increase competition in integrated telecommunication products.

T-HT has successfully maintained its leading market position 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 4.4% in Q1 2011. Fixed-line penetration remained stable at 42% of the population, according to the National Regulatory Agency.

T-HT remained the leader in a saturated market served by three operators since 2005. All three operators offer new tariff bundles with combinations of voice, messaging and data both to consumer and business customers, along with new offers such as e-books. According to the Croatian Central Bureau of Statistics, total Croatian mobile MOU increased by 3.2% in Q1 2011. Mobile Internet promotion has intensified as all three mobile operators promote new mobile broadband products with attractive smartphone and tablet deals.

T-HT Group 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 first half of 2011 T-HT continued to enhance its TV offer by adding new channels and special packages. Croatia's broadband market still remains a growth opportunity for T-

HT, with approximately 45% of Croatian households connected via broadband compared to an average of more than 55% in Western Europe (see note 3 of table on page 8).

Economic background

After two consecutive years of GDP decline, Croatian GDP was lower again in Q1 2011 - down 0.9% year on year - as a result of Q1 declines in industrial production (down 3.6%), retail consumption (down 0.9%), and exports (down 4.1%). GDP is expected to show growth of around 1% in 2011 on the back of the tourist season and recovery in retail consumption in the second half of the year.

Meanwhile, increasing illiquidity, with overdue payments reaching HRK 39 billion in April 2011, and a lack of investments continue to characterise 2011.

Owing to seasonal factors, registered unemployment decreased in recent months, falling from 18.2% in April to 17.5% in May 2011 and 16.9% in June 2011 (compared with 16.6% in June 2010), according to the Croatian Central Bureau of Statistics. However, there are no signs of real recovery and the corporate sector is not yet initiating projects that would generate new employment.

Average monthly net earnings for the first four months of 2011 was HRK 5,365, marking a fall of 0.2% year on year. The average inflation rate for 2011 is projected at 3%, on the back of moderate price growth.

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

As announced in early June 2011, T-HT has fulfilled the pre qualification requirements in relation to the privatisation of Post and Telecommunications of Kosovo J.S.C. (PTK) and has been confirmed as one of the Pre-Qualified Applicants.

In light of charges recently filed against certain PTK managers suspected of corruption, however, T-HT is currently reviewing its continued participation in the privatisation process.

Regulatory environment

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

In order to align the Croatian regulatory framework with EU framework amendments from 2009, the Croatian Parliament adopted amendments to the Law on Electronic Communications in July 2011.
These amendments will increase the discretionary powers of the Croatian Post and Electronic Communications Agency (Agency or HAKOM) with regard to regulating the electronic communications market and is expected to result in a tighter regulatory regime.

In April 2011, the Agency adopted decisions by which it determined that "three criteria tests" were fulfilled for two markets in terms of "Access to the fixed network and public voice markets:"

1. Publicly available local and/or national telephone services provided at a fixed location for residential customers

2. Publicly available local and/or national telephone services provided at a fixed location for non-residential customers.

Subsequently, in July 2011 the Agency adopted decisions by which it determined that "three criteria tests" were fulfilled for:

3. The retail broadband Internet access market.

This implies that the Agency considers that these markets under 1, 2 and 3 above are susceptible to *ex ante* regulatory control and thus should be analysed for the existence of significant market power (SMP). Public consultation on market analysis for markets 1 and 2 above ended on 16 June and for market 3 above will end on 12 September, 2011. The final decisions by the Agency on these market analyses and regulatory remedies are still pending.

In line with obligations imposed on the Company by the Agency's decision on SMP designation and the imposition of remedies in the wholesale broadband access market, in June 2011 the Company published a "reference offer for wholesale bitstream access over the Company's fibre optics access network." Through a public consultation opened in July 2011, the Agency invited all interested parties to submit proposals for changes to this offer. Public consultation is ongoing until 5 September, 2011.

On 6 April, 2011, the Agency finalized its analysis of the retail market regarding Access to the Public Communications Network at a Fixed Location for residential and non-residential customers and designated the Company and its subsidiary Iskon Internet as operators with SMP. The following remedies were imposed upon the Company:

- Network access and use of special network facilities (obligation to introduce naked DSL and wholesale line rental - WLR - and standalone retail access service)
- Non-discrimination
- Transparency
- Price control of retail access services (notification of retail prices 30 days in advance; prohibition from unreasonably bundling services)
- Accounting separation and cost accounting (cost accounting project, initiated in the end of 2008, is ongoing)

Price control of retail access services were imposed on Iskon Internet.

In line with these requirements, in June and July 2011 the Company published wholesale reference offers for naked BSA and wholesale line rental.

In May 2011, HAKOM issued a non binding interpretation of the decision dated 6 April, 2011 under which existing Carrier Pre-selection (CPS) customers shall be automatically migrated to WLR unless they make an objection within a reasonable period. In addition, on 8 June, 2011, HAKOM issued a decision imposing changes to T-HT's General Terms and Conditions for provision of services to its subscribers such that in the case of migration to WLR, a subscriber contract signed between T-HT and its subscriber shall be automatically terminated (without the explicit request of the subscriber in question). Subsequently, on 6 July and 8 July, 2011 HAKOM issued two decisions which amend T-HT's reference interconnection offer and reference offer for WLR in a way that existing CPS customers (customers who have contracted CPS before the reference offer for WLR came into force) may be automatically migrated to WLR without written request.

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

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

On 12 July, 2011, HAKOM passed a Resolution under which obligation to register pre-paid customers has been postponed until such time as the Administrative Court of the Republic of Croatia passes a final decision regarding administrative suit that T-HT submitted against HAKOM's Resolution dated 24 November, 2010, which required T-HT to ensure identification of all new and existing pre-paid customers. Mandatory registration of pre-paid customers on mobile networks had previously been set for implementation 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 was introduced with three separate operating segments: Residential Segment, Business Segment and Network and Support Functions.

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

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

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

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

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

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

Summary of key financial indicators

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Revenues	3,883	4,043	*-4.0%*
EBITDA before exceptional items	1,668	1,721	*-3.1%*
EBITDA after exceptional items	1,668	1,721	*-3.1%*
EBIT (Operating profit)	1,004	1,056	*-4.9%*
Net profit after minority interest	828	822	*0.7%*
EBITDA margin before exceptional items	43.0%	42.6%	*0.4 p.p.*
EBITDA margin after exceptional items	43.0%	42.6%	*0.4 p.p.*
EBIT margin	25.8%	26.1%	*-0.3 p.p.*
Net profit margin	21.3%	20.3%	*1.0 p.p.*

in HRK million	At 30 Jun 2011	At 31 Dec 2010	*% of change 11/10*
Cash and cash equivalents	1,861	3,282	*-43.3%*
Total assets	12,027	13,585	*-11.5%*
Total issued capital and reserves	10,023	11,054	*-9.3%*

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Net cash flow from operating activities	979	1,118	*-12.5%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Revenues	2,170	2,308	*-6.0%*
Contribution to EBITDA before exceptionals	1,429	1,461	*-2.2%*

BUSINESS SEGMENT

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Revenues	1,714	1,735	*-1.3%*
Contribution to EBITDA before exceptionals	1,026	1,157	*-11.3%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Contribution to EBITDA before exceptionals	-787	-896	*-12.2%*

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2010	7.27	7.19	5.47	5.90
Six months to 30 June 2011	7.39	7.37	5.27	5.13

Selected Operational Data

Key operational data	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Mobile subscibers in 000			
Number of subscribers	**2,988**	**2,779**	***7.5%***
- Residential	2,539	2,352	*8.0%*
- Business	449	427	*5.2%*
Number of postpaid subscribers	**1,038**	**966**	***7.5%***
Number of prepaid subscribers	**1,950**	**1,813**	***7.6%***
Minutes of use (MOU) per average subscriber	**110**	**109**	***1.0%***
- Residential	78	76	*1.9%*
- Business	299	297	*0.4%*
Blended ARPU (monthly average for the year in HRK)[2)]	**75**	**88**	***-14.2%***
- Residential	56	67	*-16.6%*
- Business	187	205	*-8.9%*
Blended non-voice ARPU (monthly average for the year in HRK)[2)]	**19**	**21**	***-8.0%***
SAC per gross add in HRK	**168**	**214**	***-21.5%***
Churn rate (%)	1.7	2.5	*-0.8 p.p.*
Penetration (%) [1) 3)]	151.2	136.7	*14.5 p.p.*
Market share of subscribers (%)[1)]	46.1	45.8	*0.3 p.p.*

[1)] Source: VIPnet and Tele2 reports for Q2 2010 and Tele2 Q2 2011 report. Subscriber numbers for VIPnet in Q2 2011 are 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

[3)] Initial results of recent Census show Croatia's population fell to 4.3m from 4.4m with no. of households higher at 1,535,635 from 1,477,377. Using earlier figures, mobile penetration rate would be 146% and broadband households penetration 47%.

Key operational data	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Fixed mainlines in 000			
Total mainlines [1)]	**1,412**	**1,453**	***-2.9%***
- Residential	1,199	1,232	*-2.6%*
- Business	213	221	*-4.0%*
Total Traffic (mill. of minutes)	**1,453**	**1,640**	***-11.4%***
- Residential	1,080	1,189	*-9.2%*
- Business	373	451	*-17.3%*
ARPA voice per access (monthly average for the year in HRK)	**120**	**132**	***-8.7%***
- Residential	99	107	*-7.1%*
- Business	240	270	*-11.1%*
IP mainlines/customers in 000			
ADSL mainlines	**647**	**584**	***10.9%***
- Residential	539	482	*11.9%*
- Business	108	102	*6.3%*
TV customers [2)]	**322**	**263**	***22.7%***
- Residential	304	248	*22.7%*
- Business	18	15	*23.0%*
Fixed-line customers	**1**	**1**	***4.8%***
VPN connection points	**4**	**4**	***7.9%***
ADSL mainlines ARPA (monthly average for the year in HRK)	**121**	**128**	***-5.9%***
- Residential	118	126	*-6.0%*
- Business	132	139	*-4.7%*
Data lines in 000			
Total data lines	**6**	**6**	***-6.8%***
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	218	225	*-3.2%*
NP (Number portability) users/number	494	376	*31.3%*
ULL (Unbundled Local Loop)	141	126	*12.1%*

[1)] Includes POTS+FGSM+ ISDN+Payphones

[2)] Includes IPTV, DTH and Cable TV customers

Group financial performance

Revenues

in HRK million (IFRS)	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Voice revenues	2,130	2,443	*-12.8%*
Non voice revenues	1,251	1,243	*0.6%*
Other service revenues	320	149	*115.5%*
Terminal equipment	113	121	*-6.9%*
Miscellaneous	69	87	*-20.8%*
Revenues	3,883	4,043	*-4.0%*

Group revenues continue to be affected by the recession and special taxation measures designed to improve Government finances. Croatia's economic recovery has been slower than expected and one of the slowest in the region, with estimated GDP growth in 2011 around 1.0%.

The Group benefited from a contribution of HRK 161 million from Combis (two months contribution in H1 2010: HRK 53 million), but total revenues fell 4.0% to HRK 3,883 million (H1 2010: HRK 4,043 million). Excluding the contribution of Combis, Group revenues were down 6.7%.

Voice revenues fell by 12.8% as a result of lower voice revenues 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 revenues.

Other service revenues rose by 115.5%, largely due to the consolidation of Combis.

Iskon contributed HRK 81 million to Group consolidated revenues (H1 2010: HRK 62 million) due to growth in its broadband and IPTV subscriber base.

Mobile telephony revenues were again hit by the government's 6% tax on mobile services imposed in August 2009, which is deducted directly from revenue. The impact of the 6% tax in the first half of 2011 was HRK 71 million (H1 2010: HRK 77 million).

Operating expenses

Total consolidated operating expenses before depreciation and amortization decreased 2.4% to HRK 2,342 million in 2011 from HRK 2,398 million in 2010. Lower operating expenses achieved mainly through the execution of a number of rigorous cost control initiatives, falling telecommunications services costs and decreased asset write downs, more than offset the consolidation of Combis' expenses for the full six months in H1 2011 and increased merchandise costs associated with mobile promotions.

Material expenses were broadly flat on the previous year at HRK 1,112 million (H1 2010: HRK 1,116 million). Lower telecommunications services costs were offset by higher merchandise costs as a result of strong mobile promotions at the beginning of the year. The change in accounting treatment of Consumer Premises Equipment (CPE) from 1 September 2010 resulted in a fall in merchandise costs in H1 2011 of HRK 86 million which was more than offset by the consolidation of Combis expenses.

Total employee benefit expenses decreased by 1.8% to HRK 569 million in H1 2011 from HRK 579 million in H1 2010, despite consolidation of Combis' expenses for the full six months of H1 2011. The Group's (FTE) employee numbers fell to 6,132 in June 2011 from 6,276 in June 2010 mainly as a result of a continuing program to rationalize business processes and drive efficiency improvements.

Other expenses decreased by 1.3% to HRK 649 million (H1 2010: HRK 658 million) primarily due to lower maintenance and advertising expenses.

Asset write-downs decreased by 34.7% to HRK 44 million (H1 2010: HRK 68 million) after improvements made in the collection of receivables and in dunning procedures.

Depreciation and amortization remained stable at HRK 665 million (H1 2010: HRK 666 million).

T-HT Group profitability

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Revenues	3,883	4,043	*-4.0%*
EBITDA before exceptional items	1,668	1,721	*-3.1%*
EBITDA after exceptional items	1,668	1,721	*-3.1%*
EBIT (Operating profit)	1,004	1,056	*-4.9%*
Net profit after minority interest	828	822	*0.7%*
EBITDA margin before exceptional items	43.0%	42.6%	*0.4 p.p.*
EBITDA margin after exceptional items	43.0%	42.6%	*0.4 p.p.*
EBIT margin	25.8%	26.1%	*-0.3 p.p.*
Net profit margin	21.3%	20.3%	*1.0 p.p.*

EBITDA decreased by 3.1% to HRK 1,668 million (H1 2010: HRK 1,721 million). The EBITDA margin increased to 43.0% (H1 2010: 42.6%) as EBITDA declined more slowly than revenues, as outlined above.

Operating profit (EBIT) fell 4.9% to HRK 1,004 million (H1 2010: HRK 1,056 million).

Net profit increased 0.7% to HRK 828 million (H1 2010: 822 million) as lower EBIT was more than offset by the absence of last year's one-off charge related to involvement in HT Mostar (H1 2010: HRK 32 million), higher financial income and lower taxation year on year.

Balance sheet

T-HT's balance sheet remains strong, with total assets of HRK 12,027 million. At 30 June 2011, cash and cash equivalents stood at HRK 1,861 million, compared with HRK 3,282 million at 31 December 2010 following the payment of a dividend totalling HRK 1,863 million in May 2011.

Cash flow

As a result of lower profitability and higher redundancy payments, net cash flow from operating activities in H1 2011 fell 12.5% to HRK 979 million (H1 2010: 1,118 million).

Capital expenditure

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Residential	189	55	*241.3%*
Business	40	21	*89.7%*
Network and Support Functions	271	212	*27.9%*
T-HT Group	**499**	**288**	***73.2%***
Capex / Revenue ratio	12.9%	7.1%	5.7 p.p.

Capital expenditure was significantly higher than in the first half 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 86 million increase, compared to H1 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 89.7% higher, mainly due to increased investment in business-related IT solutions as well as the 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)
- Sustained mobile acquisition and retention campaigns, particularly in Q1
- Mobile subscribers up 8.0% (down 1.2% on Q1 2011)
- 538,877 ADSL mainlines up 11.9% (up 0.7% on Q1 2011) and 303,972 TV customers, up 22.7% (up 1.7% on Q1 2011)
- Revenues down 6.0%, due largely to lower voice revenues
- Contribution to EBITDA of HRK 1,429 million, down 2.2%

Key operational data	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Mobile subscribers in 000			
Number of subscribers	2,539	2,352	*8.0%*
Minutes of use (MOU) per average subscriber	78	76	*1.9%*
Blended ARPU [3] (monthly average for the year in HRK)	56	67	*-16.6%*
Fixed mainlines in 000			
Total mainlines[1]	1,199	1,232	*-2.6%*
Total Traffic (mill. of minutes)	1,080	1,189	*-9.2%*
ARPA voice per access (monthly average for the year in HRK)	99	107	*-7.1%*
IP mainlines/customers in 000			
ADSL mainlines	539	482	*11.9%*
TV customers[2]	304	248	*22.7%*
ADSL mainlines ARPA (monthly average for the year in HRK)	118	126	*-6.0%*

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 Q1 2011, T-HT launched sustained mobile acquisition and retention campaigns for new and existing customers signing 24 months contracts during first six weeks of the year. The Group introduced new postpaid tariffs with a strong focus on mobile broadband and launched new mobile Internet tariffs in May. Mobile broadband was also a key element of prepaid marketing initiatives.

The Group also introduced bundled fixed and mobile products to boost ADSL customer acquisition.

For its TV services, T-HT offered both IPTV and DTH satellite. IPTV offers were focused on expanding the sports package and the introduction of a pay-per-view service with exclusive content.

Minutes of usage per average mobile subscriber in Q2 2011 increased by 1.9%, compared to the same period last year.

Blended ARPU decreased by 16.6% in H1 2011 compared to H1 2010, as a result of the economic environment and intense competitive pressures.

Total fixed access mainlines at the end of June 2011 were 1,199 million, down 2.6% year on year. This decline is in line with the wider trend in the telecommunications market for fixed to mobile and IP substitution. At the same time, the Group has ensured the competitiveness of its products through attractive promotional offers and excellent service delivery.

Fixed telephony traffic fell to 1,080 million minutes in the first half of 2011, down 9.2% on the previous year. This market trend is indicative of the ongoing substitution of fixed traffic by mobile and IP traffic.

Fixed voice average revenue per access (ARPA) decreased 7.1% from the same period last year as a result of the overall market trends described above.

At the end of June 2011, ADSL mainlines were up 11.9% at 538,877 on the same period in 2010. ADSL mainline ARPU fell 6.0%.

The Group's TV subscriber base has shown strong growth with 303,972 customers at the end of June 2011, up 22.7% on the year. Subscriptions to Satellite TV, an extension of the Group's IPTV service, continue to grow.

Residential Segment financial performance

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Voice revenues	1,284	1,487	*-13.6%*
Non voice revenues	730	691	*5.6%*
Other service revenues	64	29	*122.7%*
Terminal equipment	82	92	*-11.0%*
Miscellaneous	10	9	*7.4%*
Total revenues	2,170	2,308	*-6.0%*

Operating expenses	740	847	*-12.6%*
Contribution to EBITDA before exceptional items	**1,429**	**1,461**	***-2.2%***

In the first half of 2011, total residential revenues fell to HRK 2,170 million, down 6% year on year. The decline was due to lower voice revenues in the mobile and fixed network along with lower non voice revenues in mobile.

This decline is largely due to the slow economic recovery, regulatory measures and an intensely competitive market.

Voice revenues

The fall in retail mobile voice revenues in H1 2011 from the same period in 2010 was driven by a highly competitive market, with prices showing a consistently decreasing trend in the face of a tough economic environment. In addition, voice mobile termination revenues were lower following reductions in termination rates.

Mobile minutes of use (MOU) per average subscriber rose by 1.9%, however, demonstrating that the revenue decline resulted from lower average revenue per usage, owing to the factors mentioned above.

Fixed telephony revenues in H1 2011 were lower year on year owing to the continuation of fixed to mobile substitution, which resulted in a 2.6% fall in the number of mainlines and a 9.2% decrease in minutes of use. As a result of lower minutes spent and downward pricing pressure, voice ARPA declined by 7.1%.

Non voice revenues

Non voice revenues increased by 5.6%, or HRK 39 million, as a result of higher revenues from fixed services, whilst mobile services revenues slipped slightly.

The mobile business has seen a notable redistribution of non voice revenues, with higher data revenues, supported by competitively priced packages and the increased availability of smart phones. This underscores the shift toward usage of data transmission services by the average mobile customer and away from voice and SMS.

Higher fixed non voice (IP) revenues achieved in H1 2011 in comparison with the same period last year were a result of an 11.9% increase in ADSL mainlines and 22.7% rise in TV subscribers.

Other service revenues

Other service revenues were HRK 35 million higher than in H1 2010, as a result of different tariff structures for mobile.

Terminal equipment

Revenues from terminal equipment fell 11.0% in H1 2011 to HRK 82 million compared with H1 2010.

This differential results mainly from changes in the accounting treatment of CPE equipment in the fixed business. As of September 2010, CPE equipment is treated as CAPEX, where previously it was OPEX.

Contribution to EBITDA

In H1 2011, operating expenses totalled HRK 740 million, down 12.6% year on year (H1 2010: HRK 847 million). This reduction stems from several key factors: changes in termination rates; lowered usage related costs; changes in the accounting treatment of CPE from merchandise costs to CAPEX; and a number of cost reduction and efficiency programs.

Lower operating expenses in combination with the revenue decline resulted in a Residential Segment contribution to H1 2011 EBITDA of HRK 1,429 million, down 2.2% on the previous year (H1 2010: HRK 1,461 million).

Business Segment highlights

- Stable customer base across all segments and products/tariffs
- Mobile subscribers up 5.2% (up 2.7% on Q1 2011)
- 108,406 ADSL mainlines up 6.3% (up 0.9% on Q1 2011) and 18,442 TV customers, up 23.0% (flat to Q1 2011)
- Revenues down 1.3%; excluding Combis contribution of HRK 161 million (two months in H1 2010: HRK 53 million), revenues down 7.7%
- IP and ICT revenues showing continued growth
- At the end of Q2 new ICT services launched – Virtual Desktops (tCloud) and e-Book store (Planet9)
- Contribution to EBITDA of HRK 1,026 million, down 11.3%

Key operational data	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Mobile customers in 000			
Number of subscribers	449	427	*5.2%*
Minutes of use (MOU) per average subscriber	299	297	*0.4%*
Blended ARPU (monthly average for the year in HRK)	187	205	*-8.9%*

Fixed mainlines in 000			
Total mainlines[1)]	213	221	*-4.0%*
Total Traffic (mill. of minutes)	373	451	*-17.3%*
ARPA voice per access (monthly average for the year in HRK)	240	270	*-11.1%*

IP mainlines/customers in 000			
ADSL mainlines	108	102	*6.3%*
TV customers	18	15	*23.0%*
Fixed-line customers	1	1	*4.8%*
VPN connection points	4	4	*7.9%*
ADSL mainlines ARPA (monthly average for the year in HRK)	132	139	*-4.7%*

Data lines in 000			
Total data lines	6	6	*-6.8%*

Wholesale customers in 000			
CPS (Carrier Pre-Selection)	218	225	*-3.2%*
NP (Number portability) users/number	494	376	*31.3%*
ULL (Unbundled Local Loop)	141	126	*12.1%*

1) Includes POTS+FGSM+ ISDN+Payphones

2) 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 introduced 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 rose 5.2% to 449,001 (H1 2010: 426,754), while minutes of use per subscriber were flat and ARPA decreased, due to the market environment.

Fixed line customer mainlines fell 4.0% year on year to 212,537 at the end of June 2011. This fall is in line with the wider trend of fixed to mobile and IP substitution in the telecommunications market.

Fixed telephony business minutes totalled 373 million minutes in H1 2011, down 17.3% on the same period last year. Fixed voice ARPA decreased 11.1% on the year to HRK 240, as result of lower usage.

The ADSL subscriber base is showing continued growth as a result of attractive retention and acquisition promotions. ADSL mainline customers were up 6.3% on the year at 108,406 whilst ADSL ARPA fell 4.7% to HRK 132.

Subscribers to TV services grew 23.0% to 18,442 over the previous year as result of continuous service enhancements and offers on program packages to both new and existing subscribers. The Group launched a hotel TV service in March.

The VPN customer base rose 7.9%. T-HT constantly promotes the migration of existing traditional data customers to IP based products.

Data lines fell 6.8% from H1 2010. Whilst traditional data lines are decreasing, however, uptake of new Metro Ethernet services is growing.

In the first half of the year, tportal.hr continuously ranked among the 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.

The consolidation of Croatia's telecommunications market continues. The most significant recent development was the acquisition by VIPNet of cable operator B.Net. This move will intensify competition in the national wholesale and retail data market.

With Croatia in the final stages of accession to the European Union, there is pressure from EU-based operators to increase discounts on roaming to levels close to EU benchmarks, and this is driving a decrease in visitor roaming revenues.

Business Segment financial performance

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Voice revenues	846	957	*-11.5%*
Non voice revenues	521	552	*-5.7%*
Other service revenues	257	120	*113.8%*
Terminal equipment	31	29	*6.3%*
Miscellaneous	58	77	*-24.2%*
Total revenues	1,714	1,735	*-1.3%*
Operating expenses	687	579	*18.8%*
Contribution to EBITDA before exceptional items	1,026	1,157	*-11.3%*

Revenues

Voice revenues

Voice revenues fell 11.5% to HRK 846 million (H1 2010: HRK 957 million). This fall was driven by a fall in fixed retail revenues on a 17.3% fall in total minutes. This resulted from the 4.0% decline in total mainlines and the migration to mobile voice.

Wholesale fixed voice revenues fell due to regulatory intervention in the form of lower IC prices as of 1 January 2011. In addition, voice services revenues from international operators fell primarily as result of lower traffic.

In mobile voice revenues, a declining trend was due primarily to retail voice. The fall in retail mobile voice revenues has been driven by lower voice ARPU. This was partially offset by an increase in subscribers. In addition, voice mobile termination revenues were lower following reductions in termination rates.

Visitor voice revenues declined due to the impact of higher discounts connected with new agreements with operators.

Non voice revenues

Non voice revenues fell 5.7% to HRK 521 million, due primarily to declines in retail and wholesale fixed non voice revenues.

The decline in fixed retail was driven by lower revenues from traditional data, partially offset by higher IP revenues.

Non voice fixed wholesale revenues were down due to a fall in revenues from national leased lines, migration to new commercial models and a decrease in capacity. National IP services slipped on a fall in dial-up traffic. Interconnection leased line revenues also showed a decrease.

Non voice mobile revenues declined due primarily to lower visitor revenues as a result of new agreements with operators.

Other service revenues

Other service revenues increased 113.8% to HRK 257 million (H1 2010: HRK 120 million) on growth in ICT-related revenues following the acquisition of Combis (consolidated as of May 2010).

Terminal equipment

Revenues from terminal equipment rose 6.3% to HRK 31 million (H1 2010: HRK 29 million). Fixed terminal equipment revenues decreased slightly but this was offset by higher revenue from mobile terminal equipment following promotional activities at the beginning of 2011.

Miscellaneous revenues

Miscellaneous revenues fell 24.2% to HRK 58 million (H1 2010: HRK 77). The fall was primarily driven by lower mobile revenue, as disconnection fee revenue became part of service revenue as of the start of 2011. Mobile wholesale miscellaneous revenues also decreased due to lower national roaming (NR) prices and lower usage.

Contribution to EBITDA

The Business Segment's contribution to EBITDA was 11.3% lower at HRK 1,026 million (H1 2010: HRK 1,157 million). This was due largely to higher merchandise costs connected with mobile promotions and the Combis ICT business. In addition, indirect costs rose as a result of the consolidation of Combis whilst interconnection costs fell.

Network and support functions financial performance

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Other operating income	127	76	*66.6%*
Operating expenses	914	973	*-6.0%*
Contribution to EBITDA before exceptional items	-787	-896	*-12.2%*

An increase in other operating income resulted from the one-off impact of a reversal of provisions. Operating expenses were 6% lower on the previous year due to lower maintenance expenses and services costs. Overall this resulted in a lower negative contribution to EBITDA of HRK 787 million (H1 2010: -HRK 896 million).

T-HT Group Second Quarter 2011 Report

Summary of key financial indicators

in HRK million	Apr-Jun 2011	Apr-Jun 2010	*% of change 11/10*
Voice revenues	1,089	1,264	*-13.8%*
Non voice revenues	636	625	*1.9%*
Other service revenues	175	104	*68.4%*
Terminal equipment	50	64	*-22.0%*
Miscellaneous	39	44	*-9.9%*
Revenues	**1,989**	**2,100**	***-5.3%***
EBITDA before exceptional items	901	902	*-0.1%*
EBITDA after exceptional items	901	902	*-0.1%*
EBIT	571	570	*0.2%*
Net profit	477	438	*8.8%*

In the second quarter of 2011, revenues declined by 5.3% mainly due to a 13.8% fall in Voice revenues with the main drivers being the tough economic environment, consistently decreasing prices (including interconnection prices) and intense competitive pressures. Non voice revenues rose by 1.9% mainly as a result of an increase in residential fixed non voice revenues (connected with ADSL and IPTV services). A strong increase in Other service revenues of 68.4% was caused by the full three months consolidation of Combis in Q2 2011, as well as the implementation of different tariff structures in mobile.

Following a decrease in operating expenses, EBITDA and EBIT were broadly at the same level as in Q2 2010 while net profit increased by 8.8% mainly due to the absence of last year's one-off charge related to involvement in HT Mostar (Q2 2010: HRK 32 million).

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

As stated in the Q1 results on 28 April 2011, the Group's performance for the current financial year is influenced by the strength of the tourist season in Croatia and recovery in the national economy. The economic turnaround that had been predicted earlier this year has not materialized, while unemployment remains high and the amount of overdue payments has reached record levels.

At the same time, the government's 6% tax on mobile services, originally imposed in 2009, has not been removed, whilst the recent introduction of regulations governing wholesale line rental and naked DSL will further impact the Group's business.

The Group continues to maintain its focus on exploiting new growth opportunities and maximising existing ones. However, given the tough economic conditions and accelerated regulatory pressures the Group expects 2011 revenue to be moderately lower than the 2010 level.

EBITDA before exceptional items

In light of continued challenging economic conditions in Croatia, regulatory impact and consequently lower expectations for revenue, the Group no longer expects 2011 EBITDA to be above the 2010 level. However, the Group is committed to maintaining the year-on-year EBITDA margin through efficiencies gained so far and continuing strong cost controls.

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)	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*	Apr-Jun 2011	Apr-Jun 2010	*% of change 11/10*
Voice revenues	2,130	2,443	*-12.8%*	1,089	1,264	-13.8%
Non voice revenues	1,251	1,243	*0.6%*	636	625	1.9%
Other service revenues	320	149	*115.5%*	175	104	68.4%
Terminal equipment	113	121	*-6.9%*	50	64	-22.0%
Miscellaneous	69	87	*-20.8%*	40	44	-9.9%
Revenues	3,883	4,043	*-4.0%*	1,989	2,100	-5.3%
Other operating income	127	76	*67.2%*	46	40	15.7%
Total operating revenues	**4,011**	**4,119**	***-2.6%***	2,036	2,140	-4.9%
Operating expenses	2,342	2,398	*-2.4%*	1,134	1,238	-8.4%
Material expenses	1,112	1,116	*-0.4%*	534	583	-8.3%
Merchandise, material and energy expenses	544	511	*6.4%*	242	274	-11.6%
Services expenses	568	605	*-6.1%*	293	309	-5.5%
Employee benefits expenses	569	579	*-1.8%*	277	296	-6.2%
Other expenses	649	658	*-1.3%*	323	339	-4.6%
Work performed by the Group and capitalised	-32	-23	*-43.0%*	-20	-15	-32.0%
Write down of assets	44	68	*-34.7%*	19	36	-46.4%
EBITDA	1,668	1,721	*-3.1%*	901	902	-0.1%
Depreciation and amortization	665	666	*-0.1%*	330	332	-0.4%
EBIT	1,004	1,056	*-4.9%*	571	570	0.2%
Financial income	28	37	*-24.9%*	13	4	213.3%
Income/loss from investment in joint ventures	15	6	*155.6%*	15	6	134.9%
Financial expenses	25	71	*-65.3%*	19	40	-53.2%
Profit before taxes	1,022	1,027	*-0.5%*	581	541	7.3%
Taxation	193	205	*-5.6%*	104	103	1.0%
Net profit	828	822	*0.7%*	477	438	8.8%
Minority interest	0	0	*0.3%*	0	0	16.7%
Net profit after minority interest	828	822	*0.7%*	477	438	8.8%
Exceptional items	0	0	-	0	0	-
EBITDA before exceptional items	1,668	1,721	*-3.1%*	901	902	-0.1%

Consolidated Balance Sheet

in HRK million (IFRS)	At 30 Jun 2011	At 31 Dec 2010	*% of change 11/10*
Intangible assets	916	1,162	*-21.2%*
Property, plant and equipment	6,249	6,336	*-1.4%*
Non-current financial assets	162	422	*-61.5%*
Receivables	438	31	*1312.7%*
Deferred tax asset	81	57	*41.7%*
Total non-current assets	7,846	8,008	*-2.0%*
Inventories	255	216	*18.1%*
Receivables	1,396	1,504	*-7.2%*
Current financial assets	525	465	*13.0%*
Cash and cash equivalents	1,861	3,282	*-43.3%*
Prepayments and accrued income	143	110	*30.4%*
Total current assets	4,181	5,577	*-25.0%*
TOTAL ASSETS	12,027	13,585	*-11.5%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.1%*
Revaluation reserves	-2	-1	*-55.7%*
Retained earnings	598	626	*-4.5%*
Net profit for the period	828	1,831	*-54.8%*
Minority interest	1	0	-
Total issued capital and reserves	10,023	11,054	*-9.3%*
Provisions	342	293	*16.9%*
Non-current liabilities	31	117	*-73.2%*
Total non-current liabilities	374	410	*-8.8%*
Current liabilities	1,320	1,871	*-29.4%*
Accrued expenses and deferred income	310	250	*23.9%*
Total current liabilities	1,630	2,121	*-23.2%*
Total liabilities	2,004	2,531	*-20.8%*
TOTAL EQUITY AND LIABILITIES	12,027	13,585	*-11.5%*

Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Profit before tax	1,021	1,027	*-0.5%*
Depreciation and amortization	665	666	*-0.1%*
Decrease of inventories	68	9	*689.1%*
Total increase of cash flow from operating activities	**1,755**	**1,701**	***3.2%***
Decrease of current liabilities	-384	-354	*-8.6%*
Increase of current receivables	0	0	-
Increase of inventories	-39	-9	*-322.8%*
Other cash flow decreases	-353	-220	*-60.6%*
Total decrease of cash flow from operating activities	**-776**	**-583**	***-33.1%***
Net cash inflow/outflow from operating activities	**979**	**1,118**	***-12.5%***
Proceeds from sale of non-current assets	9	6	*43.8%*
Proceeds from sale of non-current financial assets	74	0	-
Proceeds from sale of current financial assets	0	0	-
Interest received	35	30	*16.6%*
Other cash inflows from investing activities	369	61	*505.1%*
Total increase of cash flow from investing activities	**486**	**97**	***401.9%***
Purchase of non-current assets	-499	-288	*-73.2%*
Other cash outflows from investing activities	-516	-182	*-183.8%*
Total decrease of cash flow from investing activities	**-1,016**	**-470**	***-116.0%***
Net cash inflow/outflow from investing activities	**-529**	**-373**	***-41.8%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-8	-2	*-304.3%*
Dividends paid	-1,863	-2,788	*33.2%*
Total decrease in cash flow from financing activities	**-1,871**	**-2,790**	***33.0%***
Net cash inflow/outflow from financing activities	**-1,871**	**-2,790**	***33.0%***
Total increase of cash flow	979	1,118	*-12.5%*
Total decrease of cash flow	-2,400	-3,164	*24.1%*
Cash and cash equivalents at the beginning of period	3,282	4,195	*-21.8%*
Net cash (outflow) / inflow	-1,421	-2,045	*30.5%*
Cash and cash equivalents at the end of period	**1,861**	**2,150**	***-13.4%***

Consolidated EBITDA reconciliation

in HRK million	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Segment Result (Contribution to EBITDA)			
Residential Segment	1,429	1,461	*-2.2%*
Business Segment	1,026	1,157	*-11.3%*
Network and Support Functions	-787	-896	*-12.2%*
Total Contribution to EBITDA before exceptionals of the Segments	**1,668**	**1,721**	***-3.1%***
Exceptional items	0	0	-
Total EBITDA	1,668	1,721	*-3.1%*

Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Jun 2011	Jan-Jun 2010	*% of change 11/10*
Mobile	1,592	1,766	*-9.9%*
Fixed Telephony	1,031	1,169	*-11.7%*
Wholesale	283	304	*-7.1%*
IP Revenue	728	668	*9.0%*
Data	67	78	*-13.9%*
ICT	179	56	*216.2%*
Miscellaneous	3	2	*76.4%*
Revenue	3,883	4,043	*-4.0%*

Statement of changes in Equity

in HRK million

Position	31 December 2010	30 June 2011
1. Subscribed share capital	8,189	8,189
2. Net income reserves	409	409
3. Retained earnings or loss carried forward	627	598
4.Net profit (loss) for the period	1,831	828
5. Revaluation of available for sale financial assets	-2	-2
6. Other changes in equity	0	0
7. Total equity and reserves	11,054	10,022

Notes to the condensed consolidated financial statements For the six months ended on 30 June 2011

Basis of preparation

The condensed consolidated financial statements as of 30 June 2011 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of HT's consolidated financial statements for the year ended 31 December 2010.

Dividends

Dividend in the amount of HRK 1,864 million (HRK 22,76 per share) was paid to the shareholders on 23 May 2011.

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 function segment.

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 of HT's business segments:

Six months ended 30 June 2011

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	1,284	846	0
Non voice revenues	730	521	0
Other service revenues	64	257	0
Terminal equipment	82	31	0
Miscellaneous	10	58	0
Total revenues	**2,170**	**1,713**	**0**
Other operating income	**0**	**0**	**127**
Operating expenses	**740**	**687**	**914**
Contribution to EBITDA before exceptionals	**1,430**	**1,026**	**-787**

Current interim period
1 April 2011 to 30 June 2011

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	653	436	0
Non voice revenues	370	266	0
Other service revenues	37	138	0
Terminal equipment	32	17	0
Miscellaneous	8	31	0
Total revenues	**1,100**	**888**	**0**
Other operating income	**0**	**0**	**46**
Operating expenses	**330**	**355**	**448**
Contribution to EBITDA before exceptionals	**752**	**529**	**-394**

Six months ended 30 June 2010

in HRK million	Residential Segment	Business Segment	Network and support functions

Voice revenues	1,487	957	0
Non voice revenues	691	552	0
Other service revenues	29	120	0
Terminal equipment	92	29	0
Miscellaneous	9	77	0
Total revenues	**2,308**	**1,735**	**0**
Other operating income	**0**	**0**	**76**
Operating expenses	**847**	**579**	**973**
Contribution to EBITDA before exceptionals	**1,461**	**1,156**	**-897**

Current interim period
1 April 2010 to 30 June 2010

in HRK million	**Residential Segment**	**Business Segment**	**Network and support functions**
Voice revenue	764	500	0
Non voice revenue	349	276	0
Other service revenue	15	89	0
Terminal equipment	49	15	0
Miscellaneous	5	38	0
Total revenues	**1,182**	**918**	**0**
Other operating income	**0**	**0**	**41**
Operating expenses	**441**	**289**	**511**
Contribution to EBITDA before exceptionals	**741**	**629**	**-470**

Relations with the governing company and its affiliated companies

In the first six 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 six 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 six months of 2011.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six 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 six months of 2011 the Group generated total revenue from related companies from international traffic to the amount of HRK 48 million (the first six months of 2010: HRK 56 million), while total costs of international traffic amounted to HRK 43 million (the first six months of 2010: HRK 67 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 5 million in the first six months of 2011 (the first six months of 2010: HRK 5 million).

Compensation of the Supervisory Board

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

In the first six months of 2011, the Company paid a total amount of HRK 0.3 million (the first six months of 2010: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2011 the total compensation paid to key management personnel of the Group amounted to HRK 25 million (first six months of 2010: HRK 19 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and its subsidiaries and the operating directors of the Company, who are employed by the Group.

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

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

Income Statement

Position	Previous period	Previous period	Current period	Current period
	Cummulative	Quarter	Cummulative	Quarter
I. OPERATING INCOME (112 do 113)	3,987,717,903	2,049,399,426	3,759,051,494	1,894,494,044
1. Rendering of services	3,917,191,896	2,013,274,048	3,656,323,440	1,857,876,418
2. Other operating income	70,526,007	36,125,378	102,728,054	36,617,626
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	2,926,490,406	1,478,127,956	2,747,427,693	1,320,794,321
1. Change in inventories of work in progress				
2. Material expenses (117 do 119)	1,045,808,538	531,014,408	958,231,070	442,941,762
a) Costs of raw materials	63,604,763	33,493,817	78,504,708	39,385,070
b) Cost of goods sold	409,642,980	202,730,373	346,701,038	132,388,555
c) Other material expenses	572,560,795	294,790,218	533,025,324	271,168,137
3. Employee benefits expenses (121 do 123)	520,041,419	260,191,388	489,462,465	238,227,854
a) Net salaries	271,355,074	135,775,950	271,162,405	133,208,489
b) Tax and contributions from salary expenses	172,648,315	86,208,152	146,357,637	70,043,707
c) Contributions on salary	76,038,030	38,207,286	71,942,423	34,975,658
4. Depreciation and amortisation	649,374,413	322,902,026	636,091,609	316,275,510
5. Other expenses	623,398,467	319,409,182	602,354,926	296,280,206
6. Write down of assets (127+128)	65,911,538	34,375,323	42,250,169	17,446,710
a) non-current assets (except financial assets)	0	0	0	0
b) current assets (except financial assets)	65,911,538	34,375,323	42,250,169	17,446,710
7. Provisions	21,956,031	10,235,629	19,037,454	9,622,279
8. Other operating costs	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	42,344,114	21,103,121	23,134,927	7,381,717
1. Interest, foreign exchange differences, dividens and similar income from related parties	5,346,479	2,701,565	5,268,938	1,949,798
2. Interest, foreign exchange differences, dividens and similar income from third parties	31,150,912	12,573,742	17,148,691	5,274,388
3. Income from investments in associates and joint ventures	5,780,556	5,780,556	0	0
4. Unrealised gains (income) from financial assets				
5. Other financial income	66,167	47,258	717,298	157,531
IV. FINANCIAL EXPENSES (138 do 141)	29,575,068	12,103,047	16,543,507	5,160,987
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	25,265,931	9,621,506	11,722,571	3,161,831
3. Unrealised losses (expenses) from financial assets				
4. Other financial expenses	4,309,137	2,481,541	4,820,936	1,999,156
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	0	0	0	0
VI. SHARE OF LOSS FROM ASSOCIATED	0	0	0	0

COMPANIES				
VII. EXTRAORDINARY - OTHER INCOME	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	0	0	0	0
IX. TOTAL INCOME (111+131+144)	4,030,062,017	2,070,502,547	3,782,186,421	1,901,875,761
X. TOTAL EXPENSES (114+137+143+145)	2,956,065,474	1,490,231,003	2,763,971,200	1,325,955,308
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	1,073,996,543	580,271,544	1,018,215,221	575,920,453
1. Profit before taxes (146-147)	1,073,996,543	580,271,544	1,018,215,221	575,920,453
2. Loss before taxes (147-146)	0	0	0	0
XII. TAXATION	203,565,442	103,742,696	190,679,614	101,908,763
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	870,431,101	476,528,848	827,535,607	474,011,690
1. Profit for the period (149-151)	870,431,101	476,528,848	827,535,607	474,011,690
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)	2,668,203	909,100	472,471	343,308
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	2,668,203	909,100	472,471	343,308
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 associtied 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)	2,668,203	909,100	472,471	343,308
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	2,668,203	909,100	472,471	343,308
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	8,065,998,226
I. INTANGIBLE ASSETS (004 do 009)	923,900,981	848,403,919
1. Expenditure for development	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	855,692,772	786,855,182
3. Goodwill	0	0
4. Advances for purchase of intangible assets	0	0
5. Intangible assets in progress	68,208,209	61,548,737
6. Other intangible assets	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	6,236,109,440	6,145,862,478
1. Land	37,668,031	37,656,261
2. Buildings	3,717,506,842	3,678,928,425
3. Plant and equipement	1,903,615,166	1,863,791,832
4. Tools, working inventory and transportation assets	187,018,678	177,383,678
5. Biological assets	0	0
6. Advances for purchase of tangible assets	4,171,262	3,090,590
7. Tangible assets in progress	379,933,479	379,834,112
8. Other tangible assets	6,195,982	5,177,580
9. Investment in real-estate	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	946,901,017	991,489,606
1. Share in related parties	628,335,287	858,360,887
2. Loans to related parties	276,989,280	90,239,769
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	35,391,675
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	23,718,743
1. Receivables from related parties	0	0
2. Receivables arising from sales on credit	19,868,966	18,992,510
3. Other receivables	11,595,833	4,726,233
V. DEFERRED TAX ASSET	56,931,814	56,523,480
C) CURRENT ASSETS (035+043+050+058)	5,300,304,601	3,863,424,487
I. INVENTORIES (036 do 042)	203,034,434	226,561,544
1. Raw materials and supplies	101,783,434	104,450,933
2. Production in progress	0	0
3. Finished products	0	0
4. Merchandise	101,132,488	121,993,417
5. Advances for inventories	118,512	117,194
6. Long term assets held for sale	0	0
7. Biological assets	0	0
II. RECEIVABLES (044 do 049)	1,406,832,050	1,296,828,429
1. Receivables from related parties	21,681,008	25,697,952
2. Receivables from end-customers	1,306,799,641	1,241,308,001

3. Receivables from participating parties	0	0
4. Receivables from employees and members of the company	93,298	63,971
5. Receivables from government and other institutions	28,861,872	11,541,390
6. Other receivables	49,396,231	25,495,048
III. CURRENT FINANCIAL ASSETS (051 do 057)	445,145,744	527,373,509
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	527,373,509
6. Loans, deposits, etc.	0	
7. Other financial assets	0	
IV. CASH AND CASH EQUIVALENTS	3,245,292,373	1,805,383,072
D) PREPAYMENTS AND ACCRUED INCOME	97,006,334	126,099,078
E) TOTAL ASSETS (001+002+034+059)	13,592,618,986	12,055,521,791
F) OFF BALANCE SHEET ITEMS		
EQUITY AND LIABILITIES		
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	11,200,479,437	10,164,704,458
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	-1,557,101
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	740,180,617	740,429,777
1. Retained earnings	740,180,617	733,151,844
2. Loss carried forward	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	1,864,032,217	827,535,607
1. Net profit for the period	1,864,032,217	827,535,607
2. Net loss for the period	0	0
VII. MINORITY INTEREST	0	0
B) PROVISIONS (080 do 082)	426,453,758	327,428,166
1. Provisions for pensions, severance pay and similar libabilities	325,366,358	237,683,478
2. Provisions for tax liabilities		
3. Other provisions	101,087,400	89,744,688
C) NON-CURRENT LIABILITIES (084 do 092)	29,833,741	37,641,024
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	37,641,024
9. Deferred tax liabilities	0	0
D) CURRENT LIABILITIES (094 do 105)	1,616,644,053	1,248,911,299
1. Liabilites to related parties	19,719,378	905,916

2. Liabilities for loans, deposits, etc.	181,503	233,107
3. Liabilities to banks and other financial institutions	0	0
4. Liabilities for advances	1,343,302	1,691,065
5. Trade payables	1,267,662,718	915,553,286
6. Commitments on securities	0	
7. Liabilities to companies with participating interest	0	
8. Liabilities to emloyees	201,496,193	161,619,339
9. Taxes, contributions and similar liabilities	36,296,148	95,421,018
10. Liabilities arising from share in the result	0	
11. Liabilities arising from non-current assets held for sale	0	
12. Other current liabilities	89,944,811	73,487,568
E) ACCRUED EXPENSES AND DEFERRED INCOME	319,207,996	276,836,844
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	13,592,618,985	12,055,521,791
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	1,073,995,544	1,018,215,220
2. Depreciation and amortisation	649,369,374	636,091,609
3. Increase of current liabilities	0	0
4. Decrease of current receivables	0	70,288,788
5.Decrease of inventories	0	0
6. Other cash flow increases	0	0
I. Total increase of cash flow from operating activities	1,723,364,918	1,724,595,617
1. Decrease of current liabilities	339,256,885	380,164,517
2. Increase of current receivables	52,849,370	0
3. Increase of inventories	63,826,008	23,527,110
4. Other cash flow decreases	172,148,210	347,906,202
II. Total decrease of cash flow from operating activities	628,080,472	751,597,830
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**1,095,284,446**	**972,997,787**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	0	0
CASH FLOW FROM INVESTING ACTIVITIES		
1. Proceeds from sale of non-current assets	6,052,145	8,707,123
2. Proceeds from sale of non-current financial assets	183,762,558	73,951,800
3. Interest received	29,733,209	34,819,472
4. Dividend received	0	0
5. Other proceeds from investing activities	0	368,914,370
III. Total cash inflows from investing activities	219,547,911	486,392,765
1. Purchase of non-current assets	269,942,267	476,270,934
2. Purchase of non-current financial assets	0	0

3. Other cash outflows from investing activities	313,252,142	559,484,331
IV. Total cash outflows from investing activities	583,194,409	1,035,755,264
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**0**	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**363,646,497**	**549,362,500**
CASH FLOW FROM FINANCING ACTIVITIES		
1. Proceeds from issue of equity securities and debt securities	0	0
2. Proceeds from loans and borrowings	0	0
3. Other proceeds from financing activities	0	0
V. Total cash inflows from financing activities	0	0
1. Repayment of loans and bonds	9,914	645,849
2. Dividends paid	2,788,304,617	1,862,898,740
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	**2,788,314,530**	1,863,544,588
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	2,788,314,530	1,863,544,588
Total increases of cash flows	0.00	0.00
Total decreases of cash flows	2,056,676,581	1,439,909,301
Cash and cash equivalents at the beginning of period	4,175,892,949	3,245,292,373
Increase of cash and cash equivalents	0	0
Decrease of cash and cash equivalents	2,056,676,581	1,439,909,301
Cash and cash equivalents at the end of period	2,119,216,368	1,805,383,072

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	740,429,777
5. Net profit or loss for the period	1,864,032,217	827,535,607
6. Revaluation of tangible assets	0	0
7. Revaluation of intangible assets	0	0
8. Revaluation of available for sale assets	-2,029,572	-1,557,101
9. Other revaluation	0	0
10. Total equity and reserves (AOP 001 to 009)	11,200,479,437	10,164,704,458
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 six months ended 30 June 2011

Basis of preparation

The condensed financial statements of 30 June 2011 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2010.

Dividends

Dividend in the amount of HRK 1,864 million (HRK 22,76 per share) was paid to the shareholders on 23 May 2011.

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 of HT's business segments:

Six months ended 30 June 2011

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	1,270	843	0
Non voice revenues	686	501	0
Other service revenues	64	96	0
Terminal equipment	82	31	0
Miscellaneous	7	58	0
Total revenues	**1,109**	**1,529**	**0**
Other operating income	**0**	**0**	**120**
Operating expenses	**694**	**541**	**877**
Contribution to EBITDA before exceptionals	**1,415**	**988**	**-757**

Current interim period
1 April 2011 to 30 June 2011

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	646	437	0
Non voice revenues	347	252	0
Other service revenues	37	46	0
Terminal equipment	32	17	0
Miscellaneous	6	31	0
Total revenues	**1,068**	**783**	**0**
Other operating income	**0**	**0**	**42**
Operating expenses	**316**	**254**	**436**
Contribution to EBITDA before exceptionals	**752**	**529**	**-394**

Six months ended 30 June 2010

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	1,476	949	0
Non voice revenues	661	533	0
Other service revenues	29	67	0
Terminal equipment	92	29	0
Miscellaneous	8	77	0
Total revenues	**2,266**	**1,655**	**0**
Other operating income	**0**	**0**	**74**
Operating expenses	**846**	**265**	**935**
Contribution to EBITDA before exceptionals	**1,420**	**532**	**-861**

Current interim period
1 April 2010 to 30 June 2010

in HRK million	Residential Segment	Business Segment	Network and support functions
Voice revenues	758	494	0
Non voice revenues	333	275	0
Other service revenues	15	36	0
Terminal equipment	49	15	0
Miscellaneous	5	38	0
Total revenues	**1,160**	**858**	**0**
Other operating income	**0**	**0**	**40**
Operating expenses	**453**	**276**	**490**
Contribution to EBITDA before exceptionals	**707**	**582**	**-450**

Relations with the governing company and its affiliated companies

In the first six 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 six 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 six months of 2011.

Business relations transacted between HT d.d. in the first six 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 six months of 2011 the Company generated total revenue from related companies from international traffic to the amount of HRK 48 million (the six months of 2010: HRK 56 million), while total costs of international traffic amounted to HRK 43 million (the first six months of 2010: HRK 67 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 5 million in the first six months of 2011 (the first six months of 2010: HRK 5 million).

Compensation of the Supervisory Board

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

In the first six months of 2011, the Company paid a total amount of HRK 0.3 million (the first six months of 2010: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2011 the total compensation paid to key management personnel of the Company amounted to HRK 19 million (first six months of 2010: HRK 18 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and the operating directors of the Company, who are employed by the Company.

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

To the best of our knowledge, unaudited financial statements of the company Hrvatski Telekom d.d. (hereinafter: “Company”) and unaudited consolidated financial statements of the Company and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of both the Company and the Group.
The management report for the first half 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, 29 July 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.

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