Zagreb – 30 April 2013

T-Hrvatski Telekom
Results for the three months ended 31 March 2013

Continued difficult environment puts pressure on results; revenue, EBITDA and margins fall; Group expands innovative product offering

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces unaudited results for the three months to 31 March 2013.

Group Highlights

- Revenue down 6.1% to HRK 1,695 million or EUR 224 million (Q1 2012: HRK 1,806 million, EUR 239 million)
  - Non voice revenue up 0.5%
    - Fixed broadband ARPA up 2.2% to HRK 127
    - Smartphone sales at 58.0 % of total postpaid handsets sold
- EBITDA down 22.0% to HRK 609 million (EUR 80 million) and 35.9% margin (Q1 2012: HRK 780 million or EUR 103 million, 43.2%)
- EBITDA before exceptional items down 14.3% to HRK 669 million (EUR 88 million), margin at 39.5% (Q1 2012: HRK 780 million or EUR 103 million, 43.2%)
- Net profit down 34.7% at HRK 238 million (EUR 31 million), margin at 14.0%
- Operating cash flow down 19.1% to HRK 461 million (EUR 61 million)
- Capex up 73.8% to HRK 220 million
- General Assembly convoked for June 17, 2013
  - Proposed dividend of HRK 20.51 per share; payout ratio equals 100% (2011: HRK 22.14 per share)

Residential Segment

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 0.8% (down 0.7% on Q4 2012)
- 523,740 broadband retail access lines, down 2.3% (down 0.5% on Q4 2012), and 347,908 TV customers, up 7.0% (up 1.2% on Q4 2012)
- Revenue down 3.9%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 640 million, down 10.6%

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers down 5.2% (down 1.0% on Q4 2012)
- 109,794 broadband retail access lines, up 2.7% (up 2.7% on Q4 2012) and 20,939 TV customers, up 6.2% (up 1.3% to Q4 2012)
- Revenue down 8.9%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 397 million, down 18.7%

Ivica Mudrinić, President of the Management Board (CEO), *said: „Our business in the first quarter was again impacted by the sluggish economy as well as intensified regulatory and competitive pressure. In the face of this difficult environment, we have increased our efforts to maintain and grow our customer* *base and to promote the Group's broadband and TV products. Whilst this necessitated significantly higher merchandise costs than in Q1 2012, we are confident that the investment will pay off soon.*

"The factors outlined above exerted downward pressure on our Q1 performance. Nevertheless, in light of our strong market position and strategic focus, we are maintaining our outlook for the full year 2013.

"We continue to execute a strategic vision aimed at positioning the Group for growth, developing innovative products and tariffs that put the requirements of our customers at the very heart of everything we do in both the Residential and Business markets. These include customised tariffs, bundled offers, an ongoing pilot of mobile payments using NFC technology and a growing range of Cloud-based services.

"We are also continuing to pilot TeraStream, the most advanced network deployment concept, which facilitates simple implementation and integration of advanced next-generation services and raises access network speeds exponentially. At the same time we are investing in next-generation 4G networks and the migration of our fixed-line customers to the IP network, to facilitate the introduction of new IP-oriented and fixed-mobile convergent services."

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

Kay Larsen / Adrian Duffield	+44 207 457 2020

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

The conference call dial in details are as follows:

International Dial In	+44 (0) 1452 555 566
UK Free Call Dial In (from landlines only)	0800 694 0257
Conference ID	51843544

A replay of the call will be available until Tuesday, 7 May 2013 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0845 245 5205
Replay Access Code	51843544

A presentation covering results for the first three months of 2013 can be downloaded from the T-HT web site (www.t.ht.hr/eng/investors/).

1. Business and financial review

1.1 Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and the market leader in all segments in which it operates. At 31 March 2013, the Group served 1.3 million fixed-line customers, 2.3 million mobile subscribers, 633,534 broadband access lines and provided TV services to 368,847 customers.

1.2 Market overview

Negative economic trends and the continuation of flat rate tariff offers resulted in a contraction in mobile customers' in Q1 2013. The fixed broadband market continued to grow, while consolidation in the pay TV market further intensified the competitive environment.

The Croatian IT market continued to be impacted by continued negative economic developments and business downsizing. Recovery in the IT market is now anticipated, however, as a result of a new economic cycle in the country.

1.2.1 Fixed-line market

Fixed telephony remains highly competitive in Croatia, with nine operators active in the market. In addition, market consolidation in 2012 further increased competitive pressure from bundled telecommunications offers.

Competitive pressure notwithstanding, T-HT successfully maintained its leading position in the fixed line market, reflecting the Group's continuing dedication to high-quality services and improved offers.

Fixed voice usage showed a further decline whilst fixed broadband and mobile usage increased. The number of fixed-line minutes of use (MOU) decreased by 15.5% in 2012 compared with 2011.[1)]

Estimated fixed-line penetration for Q1 2013 is 36.8% of the Croatian population.

1.2.2 Mobile telecommunications

The Group maintained a leading market position in a saturated mobile market, served by three operators since 2005, with a range of brand offerings. Mobile penetration is estimated to reach 116% and the Company's share of total mobile customers is estimated at 47% at the end of March 2013.

Despite increased mobile usage, mobile revenue remained on a declining trend due to lower mobile termination rates and intense pricing pressure. Total Croatian mobile market minutes of use (MOU) increased by 13.1% and the number of SMSs sent increased by 11.1% in 2012 compared with 2011.[1)] Demand for mobile Internet continued to grow with all three mobile operators promoting voice-messaging-data bundled tariff offers alongside expanding smartphone and tablet offers. In March 2013, T-HT launched new mobile offers with mobile tariff plans including a Multimedia Package (including Deezer music streaming, MAXtv To Go and content storage, Spremalica).

1.2.3 Internet

The Croatian fixed broadband market continued to grow with 890,273 fixed broadband connections reported at the end 2012.[2)] The market grew 4.4% [3)] compared with 2011. DSL remains the dominant broadband technology. At the end of Q1 2013, the Group had 633,534 broadband access lines.

The Croatian broadband market still represents a growth opportunity for T-HT with an estimated 48.8% of Croatian households connected to the fixed broadband network compared to an average of 66% in Western Europe.[4)]

The Croatian pay TV market grew by 6.1% [3)] in 2012 vs. 2011, reaching 618,536 customers.[2)] During that period, competition intensified with the launch of a new pay TV service in Q4 2012.

The Group reported 368,847 TV customers at the end of March 2013, representing 58.2 % of T-HT's total fixed broadband retail customer base.

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

1.2.4 Data

T-HT maintained its leading position in a data market that is migrating from traditional data services to more cost-effective, IP-based services. Although the data market is relatively small it represents an important service for business customers.

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

1.2.5 Wholesale

Following liberalization of the fixed line market, demand for infrastructure services requested by alternative operators remained high in 2012 as a result of the introduction of Wholesale Line Rental (WLR) and naked bitstream services in 2011.

The number of broadband wholesale customers (BSA and Naked BSA) reached 30,807 at the end of March 2013. In addition, significant demand for Unbundled Local Loop (ULL) continued, and the number of customers increased to 166,507 at the end of March 2013. As of 1 January 2013, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination.

---

1) Source: Croatian Bureau of Statistics, March 2013
2) Source: Croatian Post and Electronic Communications Agency, March 2013
3) Source: T-HT's estimates
4) Source: Agency Mason

1.3 Economic background

Following four consecutive years of economic decline, these trends continued into Q1 2013.

Employment in Croatia continued to fall in Q1 2013. The registered unemployment rate reached 21.6% in March 2013 (March 2012: 20.0%).

Continued negative trends in the economy also exerted pressure on real income. In January 2013, average net income was HRK 5,529, which is in real terms 3.8% lower than average net income recorded in January 2012.

Negative trends in industrial production reversed in January 2013 and moved to 3.4% annual growth; in February 2013, however, industrial production showed an annual decline of 4.1%.

The inflation rate, as measured by the Consumer Price Index (CPI), reached a high of 4.9% in February 2013 as resulting from increased gas, electricity and food prices in 2012. This year consumer prices are expected to remain similar to the level seen in 2012.

1.4 Information about 6% fee on mobile network services

The 6% fee was originally introduced on 1 August 2009 as a crisis measure and was initially abolished with effect from 1 January 2012. Subsequently, the newly elected Government proposed and Parliament reinstated the fee with effect from 26 January 2012. Finally, the 6% fee has been terminated with effect from 9 July 2012.

The impact of the 6% tax in Q1 2012 was HRK 21 million and for the whole of 2012 (applicable from 26 January 2012 to 9 July 2012) was HRK 56 million.

1.5 Regulatory environment

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

The first amendments to the Law on Electronic Communications were adopted by Croatian Parliament in July 2011 and came into force in August 2011. The purpose of these amendments was to align Croatia's electronic communications market with the EU Regulatory Framework of 2009. Croatian telecoms operators were provided a 90 day-period to consolidate their business operations within the new provisions of the Law.

The second amendments to the Law on Electronic Communications were adopted by the Croatian Parliament in November 2012 and came into force in December 2012. These were designed to reduce the members of the Council of Croatian Post and Electronic Communications Agency (hereinafter: the Agency) from seven to five.

Further alignment of the Law on Electronic Communications with EU regulatory framework is expected in Q2 2013 (in the area of roaming regulation).

To date, the Agency has adopted several by-laws prescribing the terms and conditions for the provision of electronic communications services in Croatia.

In line with the Croatian regulatory framework, and in line with the latest EU recommendations, the Agency can impose regulatory remedies only after proper market analysis and determination of the existence of significant market power (SMP). According to the market analysis conducted by the Agency in July 2009, in 2011 and in 2012, the Company holds SMP in the following markets:

1. Call origination in the fixed network
2. Call termination in the fixed network
3. Wholesale (physical) network infrastructure access (including shared or fully unbundled access)
4. Wholesale broadband access
5. Call termination in the mobile network
6. Wholesale terminating segments of leased lines
7. Wholesale trunk segments of leased lines (non-competitive lines)
8. Retail access to the public communications network at a fixed location
9. Publicly available local and/or national telephone service provided at a fixed location for residential customers
10. Publicly available local and/or national telephone service provided at a fixed location for non-residential customers
11. Retail broadband Internet access (regulated as of 23 March 2012)
12. Retail market for transmission of TV programs with remuneration - IPTV market (regulated as of 23 March 2012)

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

- In markets 1 - 7: network access and use of special network facilities (this obligation is extended to Company's optical fiber access network), non-discrimination, transparency, price control and cost accounting, accounting separation (applies only to Company's fixed business)
- In market 8: network access and use of special network facilities (obligation to offer wholesale line rental - WLR), non-discrimination, transparency, price control and cost accounting (notification of retail prices 30 days in advance; prohibition to unreasonably bundle services - introduction of naked DSL, provision of "pure" network access) accounting separation; in line with these obligations, the Company published wholesale reference offers for naked bitstream and WLR in June /July 2011
- In markets 9 - 12: price controls and regulation of promotional offers were imposed on the Company and Iskon.

Moreover, the Company retains SMP status defined under the old legal framework (i.e. under the Law on Telecommunications that was replaced by the Law on Electronic Communications in 2008) in the following market:

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

Revision of fixed origination and termination fees and mobile termination fee was initiated in order to adjust these prices to EU benchmark on annual basis as defined by the Agency in its decisions in 2009 (on SMP designation and imposition of remedies in fixed/mobile interconnection markets). As a consequence, Company's interconnection prices were decreased to the following levels (applicable as of 1 January 2013):

- Local origination fees in fixed (peak/off peak): 0.040 kn/min / 0.020 kn/min

- Local termination fees in fixed (peak/off peak): 0.037 kn/mn / 0.0185 kn/min
- Single tandem origination fees in fixed (peak/off peak): 0.058 kn/min / 0.029 kn/min
- Single tandem termination fees in fixed (peak/off peak): 0.055 kn/min / 0.0275 kn/min
- Double tandem origination fees in fixed (peak/off peak): 0.111 kn/min / 0.0555 kn/min
- Double tandem termination fees in fixed (peak/off peak): 0.107 kn/min / 0.0535 kn/min
- Mobile termination fee: 0.195 kn/min

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

Under a decision adopted in November 2011, the Agency increased the "x" percentage used to calculate the Company's prices for wholesale bitstream access on copper - IP level (retail minus methodology) from 40% to 60%.

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

In January 2013, the new Universal Service Ordinance, adopted by the Agency came into force. Under this Ordinance, the Agency extended the USO scope to include broadband access at the minimum speed of 144 Kbit/s. Consequently, the Company is obliged to offer broadband access at a defined speed as a part of its universal service obligation. Additionally, the Company will be obliged to offer broadband access at the minimum speed of 1 Mbit/s as part of its universal service obligation as of 1 January 2015.

1.6 Segmental reporting

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

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

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

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

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

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

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

1.7 Change in reporting of fixed key operational data

As of Q2 2012, disclosure of key operational data for the fixed segment has been amended from the methodology employed previously. This amendment influences the way the total number of fixed mainlines and broadband access lines (previously reported as ADSL mainlines) have been divided between retail and wholesale. As a consequence, the number of Wholesale Line Rentals is now reported under fixed mainlines - wholesale.

In addition, the definition for fixed mainlines retail has been amended to exclude public telephones from the total number of retail mainlines. As a consequence, the number of fixed lines retail and average revenue per access (ARPA) voice per access has been restated for Q1 2012, in line with the new definition.

1.8 Change in the definition of mobile data subscribers

In 2013 the definition of mobile data subscribers has been changed. Previously, data subscribers consisted of mobile broadband subscribers with internet tariffs, and handset internet subscribers with data bundle tariffs/options with recurring payments on a fixed period contract of more than one month and with predefined data volumes.

Handset internet subscribers did not relate to SIM-level, but were the sum of relevant options and tariffs. Based on the new definition, mobile data subscriber additionally refers to subscribers with non-recurring data usage and M2M subscribers, while handset internet subscribers with recurring data usage are calculated at SIM level.

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

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

With respect to the volume of replacement equipment in relation to the customer base with CPE, the expected lifetime is estimated at seven years. This change resulted in a HRK 12 million decrease in depreciation in Q1 2013.

1.10 Change in recognition of content provider costs

In December 2012, the Group has changed the recognition of content provider costs to align the treatment of it with new industry practice. As a consequence, the Group has changed the accounting policy of content provider costs making reconciliation of the following positions in the presented financial statement for the Q1 2012: material expenses (HRK -18 million), depreciation and amortization (HRK 13 million), financial expenses (HRK 5 million) and capital expenditure (HRK 25 million).

1.11 Summary of key financial indicators

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Revenue	1,695	1,806	*-6.1%*
EBITDA before exceptional items	669	780	*-14.3%*
Exceptional items	60	0	-
EBITDA	609	780	*-22.0%*
EBIT (Operating profit)	292	442	*-34.0%*
Net profit after minority interest	238	364	*-34.7%*
EBITDA margin before exceptional items	39.5%	43.2%	*-3.8 p.p.*
EBITDA margin	35.9%	43.2%	*-7.3 p.p.*
EBIT margin	17.2%	24.5%	*-7.3 p.p.*
Net profit margin	14.0%	20.2%	*-6.1 p.p.*
in HRK million	**At 31 Mar 2013**	**At 31 Dec 2012**	***% of change 13/12***
Cash and cash equivalents	3,793	3,146	*20.6%*
Total assets	13,263	13,113	*1.1%*
Total issued capital and reserves	11,152	10,899	*2.3%*
in HRK million	**Jan-Mar 2013**	**Jan-Mar 2012**	***% of change 13/12***
Net cash flow from operating activities	461	570	*-19.1%*

RESIDENTIAL SEGMENT

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Revenue	973	1,013	*-3.9%*
Contribution to EBITDA before EI	640	717	*-10.6%*

BUSINESS SEGMENT

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Revenue	722	793	*-8.9%*
Contribution to EBITDA before EI	397	488	*-18.7%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Contribution to EBITDA before EI	-368	-424	*13.2%*

1.12 Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Three months to 31 March 2012	7.55	7.51	5.76	5.62
Three months to 31 March 2013	7.58	7.59	5.74	5.92

1.13 Selected Operational Data

Key operational data	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Mobile subscribers in 000			
Number of subscribers	2,309	2,350	*-1.7%*
- Residential	1,847	1,862	*-0.8%*
- Business	462	488	*-5.2%*
Number of postpaid subscribers	1,006	1,031	*-2.4%*
Number of prepaid subscribers	1,303	1,319	*-1.2%*
Minutes of use (MOU) per average subscriber	162	131	*24.2%*
- Residential	142	104	*36.6%*
- Business	244	237	*3.2%*
Blended ARPU (monthly average for the year in HRK)	83	90	*-7.4%*
- Residential	68	71	*-3.0%*
- Business	140	164	*-14.6%*

Blended non-voice ARPU (monthly average for the year in HRK)	30	27	*8.9%*
SAC per gross add in HRK	103	94	*9.3%*
Churn rate (%)	3	3	*-0.3 p.p.*
Penetration (%) [1]	116	117	*-1.2 p.p.*
Market share of subscribers (%) [1]	47	47	*-0.1 p.p.*
Data subscribers [2]	1,190	978	*21.6%*

[1] Source: VIPnet's published quarterly report for Q1 2012 and Tele2's quarterly report for Q1 2012. Number of subscribers for VIPnet and Tele2 for Q1 2013 are internally estimated

[2] Mobile data subscribers are reported according to the new definition in Q1 2013. Mobile data subscriber refers to SIM cards with recurring or non-recurring data usage, allowing access to internet and data services through the mobile network infrastructure. Recurring data usage refers to the PSD access data share of voice & data bundle price plans or options for smartphones or comparable devices with recurring payments (> 1month) and a predefined data volume (incl. flat). Non-recurring data usage refers to revenues from pay-for-use customers using smartphones or comparable devices. The Q1 2012 data is estimated.

Key operational data	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Fixed mainlines in 000			
Fixed mainlines - retail [1]	1,192	1,211	*-1.5%*
- Residential	1,020	1,026	*-0.6%*
- Business	173	185	*-6.7%*
Fixed mainlines - wholesale (WLR)	105	149	*-29.7%*
- Residential	87	130	*-33.4%*
- Business	18	19	*-4.7%*
Total Traffic (mill. of minutes)	550	668	*-17.7%*
- Residential	435	509	-14.5%
- Business	115	159	-27.9%
ARPA voice per access (monthly average for the year in HRK) [2]	107	119	-10.3%
- Residential	92	99	-7.1%
- Business	193	228	-15.3%
IP mainlines/customers in 000			
Broadband access lines - retail [3]	634	643	-1.5%
- Residential	524	536	-2.3%
- Business	110	107	2.7%

Broadband access lines - wholesale [4]	**31**	**11**	**168.8%**
- Business	31	11	168.8%
TV customers	**369**	**345**	**7.0%**
- Residential	348	325	7.0%
- Business	21	20	6.2%
thereof IPTV	**333**	**323**	**3.1%**
- Residential	313	304	3.1%
- Business	20	19	3.6%
thereof Cable TV	**6**	**6**	**0.1%**
- Residential	6	6	0.1%
- Business	0	0	0.0%
thereof Satellite TV	**30**	**16**	**87.1%**
- Residential	29	16	86.1%
- Business	1	0	119.5%
Fixed-line customers	**1**	**1**	**3.5%**
VPN connection points	**4**	**4**	**1.6%**
Broadband retail ARPA (monthly average for the year in HRK)	**127**	**124**	**2.2%**
- Residential	126	122	2.6%
- Business	134	133	0.6%
Data lines in 000			
Total data lines	**5**	**6**	**-4.0%**
Wholesale customers in 000			
CPS (Carrier Pre-Selection)	30	64	-53.3%
NP (Number portability) users/number	668	537	24.4%
ULL (Unbundled Local Loop)	167	155	7.5%

[1] Includes POTS, FGSM, ISDN; 2011 restated according new definition = payphones excluded from total number of mainlines

[2] 2011 restated in line with 2012 reporting; payphones excluded

[3] Includes ADSL, FTTH and Naked DSL

[4] Includes Naked Bitstream + Bitstream

2. Group financial performance

2.1 Revenue

in HRK million (IFRS HT accounting policies)	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Voice revenue [1]	823	945	*-12.9%*
Non voice revenue [1]	670	667	*0.5%*
Other service revenue	107	122	*-12.1%*
Terminal equipment	53	46	*14.3%*
Miscellaneous	41	26	*60.5%*
Revenue	1,695	1,806	*-6.1%*

1) Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group, interconnection revenues reclasified from non-voice to voice revenues)

In Q1 2013, revenue decreased by 6.1% to HRK 1,695 million from HRK 1,806 million in the same period of 2012.

The revenue decrease was driven by the harsh economic environment, increased competitive pressure from bundled telecommunications offers and downward pressure on pricing. Revenue decline was primarily caused by lower voice revenue resulting from a lower number of retail mainlines and lower usage in the fixed network, while the mobile decline was driven by lower ARPU and a decrease in the number of subscribers.

The fall in voice revenue was accompanied by a decline in other service revenues due to a higher number of subscribers to bundle tariffs and the consequent revenue recognition in voice and non voice services. Decline in voice and other revenue was partially offset by an increase in miscellaneous revenue, terminal equipment revenue and non voice revenue. Miscellaneous revenue increased mainly due to growth of national roaming usage coming from flat tariffs offered by competitors. Non voice revenue increased due to a higher number of TV customers and higher broadband retail ARPA along with increased mobile data revenue.

The impact of the 6% tax in Q1 2012 was HRK 21 million and for the whole of 2012 (applicable from 26 January 2012 to 9 July 2012) was HRK 56 million.

The contribution of subsidiaries to Group revenue was as follows: Iskon HRK 77 million (2012: HRK 72 million) and Combis HRK 75 million (2012: HRK 74 million).

2.2 Operating expenses

Total consolidated operating expenses before depreciation and amortization increased by 5.2% to HRK 1,122 million in 2013 from HRK 1,066 million in 2012. This was primarily a result of accrued costs for redundancy payment (HRK 60 million) in 2013 treated as exceptional items; higher material expenses that are partly compensated by lower other expenses and asset write downs.

2.2.1 Material expenses

Material expenses increased to HRK 491 million in 2013 from HRK 438 million in 2012. This increase was mainly due to higher merchandise costs arising from contract extension activities in 2013 and the impact of Christmas promotion campaigns carrying over into Q1 2013.

A decrease in services expenses by 5.1% was the net result of lower telecommunication costs mainly from lower roaming costs (lower usage and prices) and due to lower international transit traffic.

2.2.2 Employee benefits expenses

Total employee benefits expenses increased by 14.5% to HRK 326 million in 2013 from HRK 285 million in 2012. Costs for redundancy in 2013 were booked in Q1 2013 at HRK 60 million. Excluding redundancy costs, employee benefit expenses decreased by HRK 19 million as a result of lower number of FTE (2013: 5,514 vs. 2012: 5,686) mainly coming from the implementation of the headcount reduction program in Q1 2013.

2.2.3 Other expenses

Other expenses decreased by 7.2% to HRK 297 million in 2013 from HRK 320 million in 2012 mainly due to lower provisions, postal charges and consultancy fees.

2.3 Write down of assets

The asset write-down decreased by 55.4% to HRK 15 million in 2013 from HRK 34 million in 2012 mainly due to the lower value adjustment of inventories and lower value adjusted receivables. Lower adjusted receivables are the result of the higher collection of value adjusted receivables and a decreasing amount of new bad debt due to a lower amount of invoiced receivables.

2.4 Depreciation and amortization

Depreciation and amortization was 6.3% lower in Q1 2013 than in the same period 2012 (2013: HRK 317 million, 2012: HRK 338 million). This is mainly the result of the change in useful life in Q3 2012 for customer premises equipment from 3 and 5 to 7 years which resulted in lower depreciation in Q1 2013.

2.5 T-HT Group profitability

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Revenue	1,695	1,806	*-6.1%*
EBITDA before exceptional items	669	780	*-14.3%*
Exceptional items [1)]	60	0	-
EBITDA	609	780	*-22.0%*
EBIT (Operating profit)	292	442	*-34.0%*
Net profit after minority interest	238	364	*-34.7%*
EBITDA margin before exceptional items	39.5%	43.2%	*-3.8 p.p.*
EBITDA margin	35.9%	43.2%	*-7.3 p.p.*
EBIT margin	17.2%	24.5%	*-7.3 p.p.*
Net profit margin	14.0%	20.2%	*-6.1 p.p.*

1) Exceptional items in Q1 2013 refer to redundancy costs totalling HRK 60 million.

As a result of decreased revenue and increased operating expenses due to the redundancy costs booked in Q1 2013, EBITDA fell 22.0% to HRK 609 million in Q1 2013 (Q1 2012: HRK 780 million) with a margin of 35.9% (Q1 2012: 43.2%).

EBITDA before exceptional items fell 14.3% to HRK 669 million in Q1 2013 (Q1 2012: HRK 780 million) with a margin of 39.5% (Q1 2012: 43.2%), primarily as a result of lower revenue.

Operating profit (EBIT) fell 34.0% to HRK 292 million (Q1 2012: HRK 442 million) as a result of the above mentioned trend in EBITDA, slightly offset by decreased depreciation and amortization.

Net profit decreased by 34.7% to HRK 238 million in Q1 2013 from HRK 364 million in Q1 2012, primarily as a result of lower EBITDA.

2.6 Balance sheet

The total value of assets increased by 1.1% against the end of 2012, mainly as a result of higher current assets.

The increase in current assets is the result of a change in current financial assets and cash and cash equivalents due to different investment portfolio structure and to increase of inventories.

Total issued capital and reserves increased to HRK 11,152 million at 31 March 2013 from HRK 10,899 million at 31 December 2012 mainly as a result of net income for Q1 2013. Total current liabilities decreased to HRK 1,850 million at 31 March 2013 from HRK 1,935 million at 31 December 2012 due to lower payables towards domestic suppliers.

2.7 Cash flow

Net cash flow from operating activities decreased by 19.1% against Q1 2012, mainly due to lower net profit. Net cash flow from investing activities increased by 123.8% as a result of higher investments in financial assets in 2012.

2.8 Capital expenditure

in HRK million	Jan-Mar 2013	Jan-Mar 2012*	*% of change 13/12*
Business	35	20	*73.6%*
Residential	73	62	*16.5%*
Network and Support Functions	113	44	*154.4%*
T-HT Group	**220**	**127**	***73.8%***
Capex / Revenue ratio	13.0%	7.0%	*6.0 p.p.*

* Due to changed recognition of content provider costs, capex 2012 restated as HRK 25 million (residential HRK 23 million and business HRK 2 million).

Capital expenditure in the first quarter of 2013 has been significantly higher than in 2012, mostly as result of ongoing strategic projects (PSTN migration, mobile broadband deployment) while in the first quarter of 2012 these projects were rescheduled and postponed.

In the residential and business segments, capital expenditure was higher when compared to the same period in 2012, mainly due to the strategic mobile broadband project and refurbishment of a building for reallocating a call centre and, in the business segment, due to higher investments in business related IT projects.

3. Analysis of segment results

3.1 Residential Segment

Highlights

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 0.8% (down 0.7% on Q4 2012)
- 523,740 broadband retail access lines, down 2.3% (down 0.5% on Q4 2012), and 347,908 TV customers, up 7.0% (up 1.2% on Q4 2012)
- Revenue down 3.9%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 640 million, down 10.6%
- Launch of innovative PLAN tariffs featuring multimedia package with leading global music service Deezer
- Launch of HotSpot Fon service, part of the largest global WiFi network Fon

- Continued promotion of 4G mobile internet tariffs and attractive devices
- Continued growth in IPTV and Satellite TV

Key operational data	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Mobile subscribers in 000			
Number of subscribers	1,847	1,862	-0.8%
Minutes of use (MOU) per average subscriber [1]	142	104	36.6%
Blended ARPU (monthly average for the year in HRK)[)]	68	71	-3.0%
Fixed mainlines in 000			
Fixed mainlines - retail [1]	1,020	1,026	-0.6%
Fixed mainlines - wholesale (WLR)	87	130	-33.4%
Total Traffic (mill. of minutes)	435	509	-14.5%
ARPA voice per access (monthly average for the year in HRK)	92	99	-7.1%
IP mainlines/customers in 000			
Broadband access lines - retail [2]	524	536	-2.3%
TV customers	348	325	7.0%
thereof IPTV	313	304	3.1%
thereof Cable TV	6	6	0.1%
thereof Satellite TV	29	16	86.1%
Broadband retail ARPA (monthly average for the year in HRK)	126	122	2.6%

[1] Includes POTS, FGSM, ISDN, excluding Payphones
[2] Includes ADSL, FTTH and Naked DSL

3.1.1 Business review

Q1 2013 saw T-HT launch its innovative PLAN tariffs in the second half of March. The PLAN offering is designed to appeal to a variety of customer needs in different categories –from those who wish to use their handset only for calls and SMS to those who wish to have a complete online experience using LTE speeds providing up to 10 times faster internet access. PLAN tariffs also bring a significant innovation to the market offering customers a unique Multimedia package with Deezer (a leading global music service), MAXtv To Go (with premium and exclusive TV content) and Spremalica (with 10GB free private online space for data storage). Also, PLAN tariffs include a significantly enhanced volume of data, SMS and minutes of voice.

Continuing the focus on innovation in sales channels started in 2012, the prepaid segment was characterised in Q1 2013 by efforts to provide greater value to T-HT customers. From the beginning of February, all prepaid customers received an additional 20% of their recharged amount for any top up they made in T-HT centres, through HT web, SMS and fixed telephone – known as the HALO bon service.

In the first quarter of 2013, Simpa continued its successful "Prejaka opcija" option, which offers unlimited text messages, 1GB mobile internet and 1,000 minutes for cross net calls at affordable prices.

Brand bonbon remained successful in Q1 2013. Under a new promotion, all new bonbon users have access to 1000 on net minutes for only 1HRK until the end of 2014. In addition to existing bonbon offers (voice, text and data packages free to combine according to customers' needs), bonbon customers can also receive 50% discount on the first monthly package for every top up of HRK 80 or HRK 160.

In first quarter of 2013, the Group continued its promotion of mobile internet tariffs based on the 4G network along with offers on the latest smartphones such as the Nokia Lumia 820 and tablets such as the Samsung Galaxy Tab 8.9 LTE with additional discounts through the T-HT web shop.

In February, HotSpot Fon service, part of the largest global WiFi network Fon, was launched by T-HT. The service provides free access to over 7 million Fon hotspots in more than 100 countries.

The mobile subscriber base decreased by 0.8%, to 1,846,535 subscribers in Q1 2013 from 1,862,042 subscribers in Q1 2012, mainly as a result of the decrease in customers with double SIM cards as a result of favorable cross net offers.

Minutes of usage per average subscriber at the end of Q1 2013 increased by 36.6% compared to the same period in 2012 due to the introduction of flat offers and bundles with a large number of minutes in postpaid and prepaid tariffs.
Blended ARPU decreased by 3.0% at the end of Q1 2013 against the previous year, as a result of attractive offers and increased minutes of usage.

At the end of March 2013, total fixed access mainlines were at 1,019,751 down 0.6% on the same period in 2012. This decline was in line with trends across the telecommunications market of fixed to mobile and IP substitution as well as due to the regulatory introduction of new wholesale products. In addition, the Group maintained its competitiveness with a range of offers focusing on the T-HT fixed and mobile community alongside its provision of the highest levels of service.

Fixed telephony users generated 435 million of minutes from January 2013 to March 2013, down 14.5% than the same period in 2012 amid the ongoing market trend of fixed traffic substitution of fixed traffic with mobile and IP traffic.

Fixed voice ARPA decreased by 7.1% from Q1 2012 as a result of the above mentioned market trends.

At the end of March 2013, the number of broadband retail accesses was 523,740, down 2.3% than the same period last year. At the same time, broadband retail ARPA increased by 2.6% due to an increased share of customers with higher traffic packages.

The Group's TV customer base is growing steadily. At the end of March, TV subscribers totalled 347,908, up 7.0% from the same period in 2012.

At the beginning of February, the MAXtv Sat promotion was launched offering new MAXtv Sat customers a 50% discount on the monthly fee for a whole year and one month of using additional packages free of charge (HBO & Cinemax package and Sport Plus Package).

Satellite TV, an extension of the IPTV service, continues to grow, with continuous improvements in the offering providing more value for customers. It is expected to contribute significantly to the overall success of the Group's TV offering.

3.1.2 Residential Segment financial performance

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Voice revenue	522	570	*-8.4%*
Non voice revenue	408	394	*3.5%*
Other service revenue	1	12	*-94.4%*
Terminal equipment	38	34	*11.5%*
Miscellaneous	5	3	*63.6%*
Total revenues	973	1,013	*-3.9%*
Operating expenses	332	296	*12.3%*
Contribution to EBITDA before EI	640	717	*-10.6%*

Financial review

In Q1 2013, total residential revenue declined by 3.9% compared to the same period in 2012 to HRK 973 million. This decrease was mainly driven by lower voice revenues in the fixed and mobile network, combined with lower other service revenue.

This revenue trend is a continuation of the trend seen in 2012 and to a large extent is a result of the challenging macro-economic environment (very slow economic recovery), regulatory measures and an intensely competitive market.

Voice revenue

The decline in total revenue in Q1 2013 from Q1 2012 referenced above was driven by a HRK 48 million in voice revenue.

This decrease was seen in the fixed and mobile networks. Fixed voice revenues declined by 9.1% compared to the previous year due to a lower number of retail mainlines, as well as the substitution of fixed services by mobile and internet services. This lowered the number of minutes of use by 14.5%. These factors allied with intensifying competitive pressures meant that ARPA declined by 7.1%.

In the mobile network, revenue was lower due to lower retail revenue caused by lower average revenue per subscriber, which was 3.0% lower on the same period in 2012. The introduction of flat tariffs also lowered ARPU and increased minutes of use by 36.6%. The decline in retail revenue was partly offset by higher voice mobile termination revenue due to attractive cross net/off net tariffs offered by all three mobile service providers.

Non voice revenue

Q1 2013 non voice revenue increased 3.5% (HRK 14 million) over Q1 2012 as a result of higher revenue from fixed and mobile services.

Fixed IP revenue saw a 2.1% increase, driven by higher broadband retail ARPA (Q1 2013: HRK 126 vs. Q1 2012: HRK 122) and a higher number of TV subscribers. The TV customer base has increased 7.0% over the previous year by 22,894.

Mobile services revenue rose 6.3%. In mobile business, there is a visible shift in non-voice revenue towards data revenue. Share of data revenue in total non-voice revenue increased to 40% in Q1 2013 from 34% in Q1 2012. This is in line with global trends (supported by an increasing number of tariffs that include data traffic in the basic package), as the average mobile user increasingly accesses advanced services such as data transmission and makes less use of traditional non voice services such as SMS.

Other service revenue

As a result of a higher number of subscribers in bundle tariffs, where revenue is recorded based on voice and non voice usage (not as a subscription fee), other service revenue dropped by HRK 12 million in Q1 2013 against the same period in 2012.

Terminal equipment

In Q1 2013 revenue from terminal equipment were 11.5%, or HRK 4 million, up on the previous year driven by both the mobile and fixed business. The increase in the mobile segment is caused by lower subsidies on handsets than in Q1 2012, while growth in fixed segment is the result of extended Christmas promotions.

Contribution to EBITDA

The Q1 2013 contribution to EBITDA fell HRK 76 million from Q1 2012 owing to lower total revenue (HRK 40 million) and higher operating expenses (HRK 36 million).

Costs were primarily impacted by higher merchandise costs, particularly from the fixed segment, due to higher number of customers acquired and Christmas promotions that were extended into Q1 2013. The mobile segment also reported increased costs due to the higher number of new customers.

3.2 Business Segment

Highlights

- Substantial customer base across all segments and products
- Mobile subscribers down 5.2% (down 1.0% on Q4 2012)
- 109,794 broadband retail access lines, up 2.7% (up 2.7% on Q4 2012) and 20,939 TV customers, up 6.2% (up 1.3% on Q4 2012)
- Revenue down 8.9%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 397 million, down 18.7%
- Broadband customer base is growing
- Further development of Cloud services portfolio and market place
- New mobile tariff portfolio for business customers' launched

Key operational data	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Mobile customers in 000			
Number of subscribers	462	488	-5.2%
Minutes of use (MOU) per average subscriber	244	237	3.2%
Blended ARPU (monthly average for the year in HRK)	140	164	-14.6%
Fixed mainlines in 000			
Fixed mainlines - retail [1)]	173	185	-6.7%
Fixed mainlines - wholesale (WLR)	18	19	-4.7%
Total Traffic (mill. of minutes)	115	159	-27.9%
ARPA voice per access (monthly average for the year in HRK)	193	228	-15.3%
IP mainlines/customers in 000			
Broadband access lines - retail [2)]	110	107	2.7%
Broadband access lines - wholesale [3)]	31	11	168.8%
TV customers	21	20	6.2%
thereof IPTV	20	19	3.6%

thereof Cable TV	0	0	0.0%
thereof Satellite TV	1	0	119.5%
Fixed-line customers	1	1	3.5%
VPN connection points	4	4	1.6%
Broadband retail ARPA (monthly average for the year in HRK)	**134**	**133**	**0.6%**

Data lines in 000			
Total data lines	**5**	**6**	**-4.0%**

Wholesale customers in 000			
CPS (Carrier Pre-Selection)	30	64	-53.3%
NP (Number portability) users/number	668	537	24.4%
ULL (Unbundled Local Loop)	167	155	7.5%

1) Includes POTS, FGSM, ISDN;excluding payphones
2) Includes ADSL, FTTH and Naked DSL
3) Includes Naked Bitstream + Bitstream

3.2.1 Business Review

The Q1 2013 mobile customer base was 5.2% lower than the previous year. Minutes of use per average subscriber were 3.2% higher, however, due to significant growth in termination minutes per subscriber, while originating minutes decreased. Blended ARPU showed a 14.6% decline, on the impact of the tough economic environment.

A new tariff portfolio for business customers entitled „Plan za posao“ was launched at the end of Q1 2013. The new tariffs offer unlimited calls to the T-Com and T-mobile community, flat Internet and attractive packages of messages and minutes to other networks. Higher tariffs include roaming and international minutes, mobile phone insurance and flat mail service, whilst lower rate tariffs include features such as an auto-activated internet option that helps prevent excessive phone bills.

A new flat tariff was launched that provides unlimited calls and messages to all networks. The new tariff portfolio means that business customers can access a range of discounts if they are extending a contract, transferring a number from another network or selecting a tariff model without purchasing a mobile phone.

In mobile Internet, in Q1 2013 business customers signing up for Mobile Internet L or Mobile Internet XL received a 50% discount for six months on a 12 month contract or 12 months on a 24 month contract.

In addition, all business mobile customers wer offered the new Podijeli net service, providing access to data traffic as part of existing voice tariffs.

T-HT's fixed retail customer base is developing in line with broader trends in the telecommunication market, amid the ongoing shift from fixed to mobile communications and migration to IP networks. At the same time, it has been significantly impacted by tough economic environment and rising unemployment. The fixed retail customer base fell 6.7% in Q1 2013 from the sae period in 2012, to 172,623 lines.

As a result of this reduced customer base, total fixed traffic was 27.9% down on the previous year. Fixed voice ARPA decreased 15.3% to HRK 193.

The broadband retail subscriber base rose 2.7% to 109,794. ARPA rose slightly over Q1 2012.

At the beginning of February, the Group introduced an ADSL contract extension deal, with special offers on certain devices.

In addition, the MAXnet mini retail package providing universal service for broadband Internet access with at least 144 kbit/s access speeds, was launched.

The TV subscriber base has grown 6.2% to 20,939 customers over Q1 2012 as a result of continuos improvements in customer service and program offerings.

Since the start of 2013, the Group has run promotions to attract new DTH (direct-to-home satellite dish) users as well as existing IPTV customers. At the same time, the Group targeted the new HotelTV business with promotions providing installation of HOTEL TV for HRK 99 when customers sign up for 24 months.

The Q1 2013 IP fixed line customer base increased by 3.5% and VPN connection points rose 1.6% over Q1 2012. The number of data lines fell 4.0% over the previous year. Traditional data lines are decreasing as T-HT continues to promote migration to IP based products, while the Metro Ethernet service continues to expand.

In the ICT division, value-add customized ICT solutions were successfully delivered and more than 1,000 companies and around 9,000 end users are now using T-HT Cloud services.

The ICT Marketplace currently offers the following products: Virtual server, Virtual desktop, Cloud Exchange mail and Sharepoint, Spontania video meeting, Spontania Classroom, SugarCRM, and free apps (FileZilla, AbiWord, WinRar, Opera).

Wholesale

The unbundled local loop (ULL) market continues to grow, with 166,507 active ULL lines at the end of Q1 2013 compared to 154,845 in Q1 2012. Operators are largely focused on the fully unbundled locall loop, providing (as infrastructure) the favourable option for broadband services, and endeavouring to utilise existing collocation rooms where possible.

The number of wholesale bitstream lines on copper infrastructure is growing and tottaled 30,807 wholesale ADSL lines in Q1 2013. Since alternative operators prefer combination of WLR and bitstream services, rather than Naked DSL lines, the number of Naked DSL lines is still not significant.

As a consequence of the launch of WLR, the number of „pure“ CPS customers reduced to the 29,927 at the end of Q1 2013. New CPS activations are primarily connected with WLR activations and contribute to WLR gross adds (they do not count towards CPS gross adds). Number of WLR lines at the end of Q1 2013 was 104,634.

As a consequence of the reduction in WLR and CPS susstomers, combined with the lower ARPU value of new CPS customers, originated minutes declined by 45% in Q1 2013 from the previous year. In addition, the number of terminated minutes from other into T-HT network was down 8%.

National roaming traffic grew significantly in Q1 2013 over the previous year with voice rising 68%, SMS up 15% and data up 229%. Bulk SMS traffic increased by 9%.

Sales of international voice termination to foreign operators accounted for 57% of all revenue from the international market in Q1 2013. Termination of international voice into Croatian networks decreased by 15%.

Voice traffic generated by foreign roaming visitors in the Group's mobile network in Q1 2013 decreased by 6%, mainly due to a lower number of customers arriving to Croatia. But SMS traffic increased by 7%, and roaming data traffic by 75%.

Sale of data services demonstrated 32% growth in sold capacities to foreign operators, to total 167 Gbps.

On the cost side, international outbound voice traffic from T-HT retail decreased by 12% from fixed and by 17% from mobile subscribers. At the same time T-HT's own mobile subscribers generated 23% less voice traffic while roaming in foreign countries, 19% less SMS traffic and 26% less mobile data traffic.

3.2.2 Business Segment financial performance

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Voice revenue*	301	375	*-19.7%*
Non voice revenue*	262	273	*-3.8%*
Other service revenue	107	110	*-2.9%*
Terminal equipment	15	13	*21.7%*
Miscellaneous	37	23	*60.1%*
Total revenues	722	793	*-8.9%*
Operating expenses	325	305	*6.8%*
Contribution to EBITDA before EI	397	488	*-18.7%*

* Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group interconnection revenue reclasified from non-voice to voice revenue).

Financial review

In Q1 2013, total business revenue fell 8.9% to HRK 722 million. This fall was mainly the result of lower voice revenue in the mobile and in fixed network.

Voice revenue

In Q1 2013, voice revenue decreased 19.7%, or HRK 74 million, compared with the same period in 2012.

A major driver of the decline was fixed retail voice revenue, which reported a 21.8% fall, mainly due to the decrease in total minutes, which were 28% lower partly as a result of the decline in total mainlines.

Fixed wholesale revenue fell 17.1%. The fall resulted from lower revenue from international voice services, which were down largely on an fall in international transit traffic. In addition, national voice revenues declined primarily as a result of lower IC prices from January 1, 2013, and a fall in traffic.

Mobile voice revenue in Q1 2013 was down HRK 33 million from the previous year. A decline in retail mobile voice revenue was mainly driven by lower voice ARPU, while average minutes per subscriber rose 3.2%. Revenue experienced additional pressure from a 5.2% fall in subscribers. Mobile termination revenue dropped by 6.8% as a result of a decline in the mobile termination rate.

Non voice revenue

Non-voice revenue in Q1 2013 fell 3.8%, or HRK 10 million as a result of a HRK 2 million retail revenue decline and a HRK 9 million wholesale revenue reduction.

Fixed retail revenue decreased due to a HRK 3 million fall in revenue from traditional data on migration to IP data and as a result of a HRK 2 million reduction in IP and Internet revenue, partially offset by higher mobile non-voice revenue.

Wholesale non voice revenues fell 10.5% mostly due to lower revenue from infrastructure services, national leased lines and global Internet access.

Other service revenue

Other service revenue fell in Q1 2013, largely as a result of a fall of HRK 12 million in postpaid subscriptions, which was offset to some degree by a 9 million increase in ICT revenue.

Postpaid basic subscription revenue fell on the higher number of subscribers in bundle tariffs, where revenue is recorded based on voice and non voice usage (not as a subscription fee).

Terminal equipment

Revenue from terminal equipment increased 21.7% (HRK 3 million) in Q1 2013.

Miscellaneous revenue

Miscellaneous revenue increased by 60.1% (HRK 14 million). The increase was driven by business wholesale mobile miscellaneous revenue, as a result of national roaming usage growth (voice, SMS, data) due to flat tariffs launched by competitors in mid-2012.

Contribution to EBITDA

The contribution to EBITDA decreased 18.7% due to lower total revenue of (HRK 71 million) and higher operating expenses of HRK 21 million. Costs were mainly increased by higher merchandise costs, due to additional focus on contract extension efforts by the Group.

3.3 t.portal

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

In Q1 2013 Tportal launched a redesigned interface optimized for desktop computers. The new layout offers more content on a single page, and initial analysis indicates that it will further improve the click-through rate.

Working alongside MAXtv's promotions team, the multimedia and editorial team are developing a new and improved version of Tportal's MAXtv promotions channel.

The number of Tportal's Facebook page followers has grown further, and currently stands at over 296,000, consolidating the portal's positioning in social networks and further improving its metrics.

3.4 Network and support functions financial performance

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Other Operating income	35	41	*-13.3%*
Operating expenses	404	465	*-13.2%*
Contribution to EBITDA before EI	-368	-424	*13.2%*

Other operating income decreased by 13.3% in Q1 2013, mainly on lower income from dunning letters due to the adoption of a new law in July 2012 that does not allow charging of dunning letters to residential customers.

Operating expenses excluding exceptional items fell against the previous year by 13.2%. The fall was largely driven by lower employee benefits of HRK 20 million as a result of a lower number of full time employees following the headcount reduction program, along with lower postal charges (HRK 8 million) on improved billing procedures (one bill, e-bill), lower consulting fees (HRK 8 million), lower costs of raw materials (HRK 8 million), lower maintenance costs (HRK 5 million) and lower legal and audit costs (HRK 4 million).

3.4.1 Network and Service Platforms

Network and service platforms form T-HT's core infrastructure and as such are subject to continuous upgrading and improvements. Consolidation of T-HT's operations has led to the convergence of the fixed and mobile networks on joint service platforms, thereby improving the availability of services and more cost effectiveness of the Group's operations.

In 2013, the Group remains focused on further development of the network infrastructure, increasing broadband access capacity, introducing VDSL functionality to enable faster speed transmission for users in a short loop and facilitating the implementation of FttC (fiber-to-the-curb) and FttN (fiber-to-the-node), conducting preparations for VDSL and ADSL SWAP, modernizing the transport core network and service platforms, with the migration of PSTN (public switched telephone network) services and customers and enabling switch off by local exchanges from the access network.

In the fixed network, the Group has adopted a strategy of providing all services via one common broadband port. The access network has been transformed by the construction of a new optical access network that includes an optical access platform (GPON) alongside selective modernization of the copper access network. Furthermore, T-HT has continued to upgrade the existing service platform to enable VoIP telephony provision on the broadband port.

In the mobile network, the Group continues its Mobile BroadBand (MBB) project for radio access and core network transformation, to enable the development and rapid implementation of innovative and cost effective technologies (e.g. HSPA, LTE), while ensuring maximum utilization of existing infrastructure and frequency resources. The project aims to improve data services coverage through both existing and newly deployed technologies such as UMTS900. The Group continues to expand the network infrastructure and network capacity to support a significant increase in data traffic.

A number of projects have also been initiated to reduce the complexity of service development and maintenance and improve cost management.

3.4.2 Network infrastructure

Fiber optical infrastructure

T-HT is currently undertaking activities related to FttC and FttN options that will result in a shorter local loop due to the installation of new nodes. In Q1 2013, T-HT sent to the Agency a proposal for a standard offer for the FttC model, which will be the basis for FttC rollout once final confirmation has been received. Project documentation is also under preparation, as well as the acquisition of permits for building ECI for FttN/FttC infrastructure in preparation for an intensive rollout project in Q3 and Q4 2013.

The Group has also launched an initiative to upgrade the OSS/BSS systems in accordance with the new Agency regulations and to better meet customers' needs.

Evolution and modernization of 2G radio access network

The SingleRAN project aims to modernize the 2G network. In 2013, the process of exchanging the former base transceiver stations with new technology continued, and by end of Q1 45% of total 2G sites was modernized.

3G radio access network enhancement

The Group has continued to optimize the parameters of the radio access network and expand capacity, to support the increasing number of smartphones and tablets on the 3G network and rapidly increasing volumes of data traffic.

During Q1 2013, the Group embarked on the intensive implementation of UMTS 900 technology in Istria and in North-West Croatia, by which 3G became available in smaller cities and rural areas, where broadband services had not been available. Development of UMTS900 network continued in the areas where UMTS 900 location implementation was started in 2012.

LTE radio access network

In 2013, the Group continued to develop the first commercial LTE (Long Term Evolution or 4G) network in Croatia on the 1800 MHz frequency band and on the digital dividend, 800 MHz frequency band. At the end of Q1 2013, the LTE signal covered 16% of the population with download data speeds of up to 75 Mbps.

IP Transformation

In IP transformation T-HT achieved around 30% retail customer migration by the end of Q1 2013.

The migration process is fully automated and includes advanced methods that speed up the process while simultaneously achieving savings: automigration (through IVR), e-migration, 2in1 migration. The IP transformation initiative aims to achieve a simplified, standardized and more efficient network. Alongside these technical and economic goals, it will also facilitate the introduction of new IP-oriented and fixed-mobile convergent services.

4. Risk management

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2012 made public, there were no material changes to the Group's risk profile in the period under review.

5. Group 2013 outlook

Revenue

Last year brought no recovery in the national economy; the recession persisted with GDP forecasts for 2012 at -1.8% and for 2013 at -0.2%. Unemployment and business payment arrears remained at high levels, public debt increased and industrial production declined further. Telecommunication spending in the residential and corporate sector has also tightened.

Competitive pressure and a stringent regulatory regime continue to exert pressure on the Group's business, whilst Croatia's entry to the European Union on 1 July 2013 is expected to have an additional negative impact on revenue.

In light of this tough economic environment, the Group's revenue will decline further in 2013. However, we expect our efforts to capitalise on certain areas of growth will help to slow the decline in Group revenue seen last year.

EBITDA before exceptional items

The economic environment and revenue trend outlined above will impact EBITDA accordingly. However, the EBITDA margin for 2013 is anticipated to remain robust at between 43% and 45%, supported by continuing cost management initiatives.

CAPEX

T-HT will focus its investment in 2013 on new service concepts, IP transformation and the development of mobile broadband, whilst the regulatory framework for planned fiber investments remains unfavourable. Excluding investment in the spectrum licence in 2012, capex in 2013 is expected to be higher than the previous year.

Regional expansion

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

6. T-HT Group Financial statements

6.1 Consolidated Income Statement

in HRK million (IFRS)	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Voice revenue [1]	823	945	*-12.9%*
Non voice revenue[1]	670	667	*0.5%*
Other service revenue	107	122	*-12.1%*
Terminal equipment	53	46	*14.3%*
Miscellaneous	41	26	*60.5%*
Revenue	**1,695**	**1,806**	***-6.1%***
Other operating income	35	41	*-13.3%*
Total operating revenue	**1,730**	**1,846**	***-6.3%***
Operating expenses	**1,122**	**1,066**	***5.2%***
Material expenses [2]	491	438	*12.2%*
Merchandise, material and energy expenses	262	196	*33.5%*
Services expenses	229	241	*-5.1%*
Employee benefits expenses	326	285	*14.5%*
Other expenses	297	320	*-7.2%*
Work performed by the Group and capitalised	-8	-10	*24.2%*
Write down of assets	15	34	*-55.4%*
EBITDA	**609**	**780**	***-22.0%***
Depreciation and amortization [2]	317	338	*-6.3%*
EBIT	**292**	**442**	***-34.0%***
Financial income	19	34	*-44.6%*
Income/loss from investment in joint ventures	3	5	*-39.5%*
Financial expenses [2]	14	24	*-42.7%*
Profit before taxes	**300**	**457**	***-34.3%***
Taxation	62	93	*-32.9%*
Net profit	**238**	**364**	***-34.7%***
Minority interest	0	0	*-100.0%*
Net profit after minority interest	**238**	**364**	***-34.7%***
Exceptional items	60	0	-
EBITDA before exceptional items	**669**	**780**	***-14.3%***

1) Revenue structure restated for 2012 to be in line with segment reporting in 2013 (Iskon contribution to Group interconnection revenues reclasified from non-voice to voice revenues)

2) Material expenses, Depreciation and amortization, as well as Financial expenses restated in 2012 due to change of accounting policy of content provider costs, influencing Group profitability

6.2 Consolidated Balance Sheet

in HRK million (IFRS)	At 31 Mar 2013	At 31 Dec 2012	*% of change 13/12*
Intangible assets	1,094	1,142	*-4.3%*
Property, plant and equipment	5,680	5,734	*-0.9%*
Non-current financial assets	977	897	*9.0%*
Receivables	20	21	*-2.9%*
Deferred tax asset	62	65	*-4.3%*
Total non-current assets	**7,833**	**7,858**	***-0.3%***
Inventories	183	155	*17.7%*
Receivables	1,179	1,219	*-3.3%*
Current financial assets	129	586	*-78.0%*
Cash and cash equivalents	3,793	3,146	*20.6%*
Prepayments and accrued income	146	148	*-1.8%*
Total current assets	**5,430**	**5,254**	***3.3%***
TOTAL ASSETS	13,263	13,113	*1.1%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.0%*
Revaluation reserves	0	-1	*124.5%*
Retained earnings	2,316	606	*282.0%*
Net profit for the period	238	1,696	*-86.0%*
Non-controlling interest	0	0	-
Total issued capital and reserves	**11,152**	**10,899**	***2.3%***
Provisions	206	227	*-9.2%*
Non-current liabilities	51	52	*-1.6%*
Deferred tax liability	4	0	-
Total non-current liabilities	**261**	**279**	***-6.5%***
Current liabilities	1,573	1,667	*-5.7%*
Accrued expenses and deferred income	116	122	*-4.7%*
Provisions for redundancy	162	146	*10.7%*
Total current liabilities	**1,850**	**1,935**	***-4.4%***
Total liabilities	**2,111**	**2,214**	***-4.6%***
TOTAL EQUITY AND LIABILITIES	13,263	13,113	*1.1%*

6.3 Consolidated Cash Flow Statement

in HRK million (IFRS)	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Profit before tax	300	457	*-34.3%*
Depreciation and amortization [1]	317	338	*-6.3%*
Increase / decrease of current liabilities[1]	-64	-156	*58.9%*
Increase / decrease of current receivables	62	41	*50.2%*
Increase / decrease of inventories	-22	21	*-204.3%*
Other cash flow decreases[1]	-131	-130	*-0.4%*
Net cash inflow/outflow from operating activities	**461**	**570**	***-19.1%***
Proceeds from sale of non-current assets	13	0	
Proceeds from sale of non-current financial assets	1	0	*142.8%*
Interest received	12	22	*-45.5%*
Dividend received	0	0	-
Other cash inflows from investing activities	464	239	*94.3%*
Total increase of cash flow from investing activities	**490**	**262**	***87.2%***
Purchase of non-current assets[1]	-220	-127	*-73.8%*
Purchase of non-current financial assets	-75	0	-
Other cash outflows from investing activities	-7	-921	*99.2%*
Total decrease of cash flow from investing activities	**-303**	**-1,048**	*71.1%*
Net cash inflow/outflow from investing activities	**187**	**-786**	***123.8%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-2	-1	***-49.7%***
Dividends paid	0	-907	*100.0%*
Repayment of finance lease	-2	-1	*-62.6%*
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	**-3**	**-909**	***99.6%***
Net cash inflow/outflow from financing activities	**-3**	**-909**	***99.6%***
Exchange gains/losses on cash and cash equivalents	2	-1	*254.1%*
Cash and cash equivalents at the beginning of period	3,146	3,704	*-15.1%*
Net cash (outflow) / inflow	647	-1,126	*157.5%*
Cash and cash equivalents at the end of period	**3,793**	**2,578**	***47.2%***

1) 2012 is restated due to change of accounting policy of content provider costs

6.4 Consolidated EBITDA reconciliation

in HRK million	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Segment Result (Contribution to EBITDA)			
Residential Segment	640	717	*-10.6%*
Business Segment	397	488	*-18.7%*
Network and Support Functions	-368	-424	*13.2%*
Total Contribution to EBITDA before SI of the Segments	669	780	*-14.3%*
Special influences	60	0	-
Total EBITDA	609	780	*-22.0%*

6.5 Group's revenue breakdown under former reporting structure

in HRK million (IFRS)	Jan-Mar 2013	Jan-Mar 2012	*% of change 13/12*
Mobile	672	716	*-6.2%*
Fixed Telephony	378	429	*-11.8%*
Wholesale	134	156	*-13.8%*
IP Revenue	388	385	*0.7%*
Data	27	30	*-10.4%*
ICT	94	85	*10.4%*
Miscellaneous	2	4	*-52.9%*
Revenue	1,695	1,806	*-6.1%*

6.6 Statement of changes in Equity

Position	**AOP**	**Previous year**	**Current year**
1	**2**	**3**	**4**
1. Subscribed share capital	**001**	8.188.853.500	8.188.853.500
2. Capital reserves	**002**	0	0
3. Reserves from profit	**003**	409.184.038	409.184.038
4. Retained earnings or loss carried forward	**004**	606.326.541	2.316.039.714
5. Net profit or loss for the period	**005**	1.695.545.973	237.704.398
6. Revaluation of tangible assets	**006**	0	0
7. Revaluation of intangible assets	**007**	0	0
8. Revaluation of available for sale assets	**008**	-1.042.332	255.463
9. Other revaluation	**009**	0	0
10. Total equity and reserves (AOP 001 to 009)	**010**	10.898.867.720	11.152.037.113

11. Foreign exchange differences from foreign investments	**011**	0	0
12. Current and deferred taxes	**012**	0	-3.541.800
13. Cash flow hedge	**013**	0	0
14. Change of accounting policies	**014**	0	17.709.000
15. Correction of significant mistakes of prior period	**015**	0	0
16. Other changes	**016**	0	0
17.Total increase or decrease of equity (AOP 011 to 016)	**017**	0	14.167.200

6.7 Notes to the condensed consolidated financial statements

For the three months ended on 31 March 2013

Basis of preparation

The condensed consolidated financial statements as of 31 March 2013 and for the three months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of HT's consolidated financial statements for the year ended 31 December 2012.

Segment information

Business reporting format is determined to be Residential, Business and Network and Support Function segments as the Group's risks and rates of return are affected predominantly by differences in the market and customers. The segments are organised and managed separately according to the nature of the customers and markets that the services rendered, with each segment representing a strategic business unit that offers different products and services.

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

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

The Network and Support Functions performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The Network and Support Functions is included in segment information as a voluntary disclosure since it does meet the criteria for an operating segment.

The Management Board, as the chief operating decision maker, monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on contribution margin II or segment results (as calculated in the table below).

Management of the Group does not monitor assets and liabilities by segments and therefore this information has not been disclosed.

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

The following tables present revenue and direct cost information regarding the Group's segments:

Period ended 31 March 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,013*	*793*	-	*1,806*
Service revenues	976	757	-	1,733
Terminal equipment	34	13	-	47
Other	3	23	-	26
Usage related direct costs	(70)	(105)	-	(175)
Income and losses on accounts receivable	(6)	(12)	-	(18)
Contribution margin I	937	676	-	1,613
Non-usage related direct costs	(114)	(97)	-	(211)
Segment result	823	579	-	1,402
Other income	-	-	41	41
Other operating expenses	(106)	(91)	(466)	(663)
Depreciation, amortisation and impairment of non-current assets	-	-	(338)	(338)
Operating profit	717	488	(735)	442
Capital expenditure	63	20	44	127

Period ended 31 March 2013				
Segment revenue	*973*	*722*	-	*1,695*
Service revenues	930	670	-	1,600
Terminal equipment	38	15	-	53
Other	5	37	-	42
Usage related direct costs	(74)	(85)	-	(159)
Income and losses on accounts receivable	(7)	(7)	-	(14)

Contribution margin I	892	630	-	1,522
Non-usage related direct costs	(156)	(128)	-	(284)
Segment result	736	502	-	1,238
Other income	-	-	35	35
Other operating expenses	(95)	(105)	(464)	(664)
Depreciation, amortisation and impairment of non-current assets	-	-	(317)	(317)
Operating profit	641	397	(746)	292
Capital expenditure	73	34	113	220

Relations with the governing company and its affiliated companies

In the first three months of 2013 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

In the first three months of 2013 there were no changes in transactions among related parties which were specified in the annual financial report for 2012 and which had a significant impact on the financial position and operations of the Group in the first three months of 2013.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first three months of 2013 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first three months of 2013 the Group generated total revenue from related companies from international traffic to the amount of HRK 14 million (the first three months of 2012: HRK 14 million), while total costs of international traffic amounted to HRK 15 million (the first three months of 2012: HRK 18 million).

DTAG companies provided technical assistance to the Group in the amount of HRK 3 million in the first three months of 2013 (the first three months of 2012: HRK 2 million).

Compensation of the Supervisory Board

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

In the first three months of 2013 the Company paid a total amount of HRK 0.2 million (the first three months of 2012: HRK 0.2 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first three months of 2013 the total compensation paid to key management personnel of the Group amounted to HRK 10 million (first three months of 2012: HRK 11 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	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	**111**	1,714,544,447	1,714,544,447	1,598,294,733	1,598,294,733
1. Rendering of services	**112**	1,677,397,065	1,677,397,065	1,566,137,532	1,566,137,532
2. Other operating income	**113**	37,147,382	37,147,382	32,157,201	32,157,201
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	1,267,840,623	1,267,840,623	1,309,169,770	1,309,169,770
1. Change in inventories of work in progress	**115**				
2. Material expenses (117 do 119)	**116**	364,272,045	364,272,045	419,950,812	419,950,812
a) Costs of raw materials	**117**	43,330,332	43,330,332	36,702,382	36,702,382
b) Cost of goods sold	**118**	99,977,992	99,977,992	173,664,387	173,664,387
c) Other material expenses	**119**	220,963,721	220,963,721	209,584,043	209,584,043
3. Employee benefits expenses (121 do 123)	**120**	242,249,891	242,249,891	222,152,663	222,152,663
a) Net salaries	**121**	135,538,401	135,538,401	125,174,028	125,174,028

b) Tax and contributions from salary expenses	**122**	71,162,863	71,162,863	67,562,788	67,562,788
c) Contributions on salary	**123**	35,548,627	35,548,627	29,415,847	29,415,847
4. Depreciation and amortisation	**124**	322,176,929	322,176,929	304,454,351	304,454,351
5. Other expenses	**125**	286,412,606	286,412,606	279,564,633	279,564,633
6. Write down of assets (127+128)	**126**	32,684,497	32,684,497	13,959,492	13,959,492
a) non-current assets (except financial assets)	**127**	0	0	0	0
b) current assets (except financial assets)	**128**	32,684,497	32,684,497	13,959,492	13,959,492
7. Provisions	**129**	20,044,655	20,044,655	69,087,819	69,087,819
8. Other operating costs	**130**	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	**131**	34,475,175	34,475,175	19,082,489	19,082,489
1. Interest, foreign exchange differences, dividends and similar income from related parties	**132**	1,821,820	1,821,820	2,300,901	2,300,901
2. Interest, foreign exchange differences, dividends and similar income from third parties	**133**	32,653,355	32,653,355	16,781,203	16,781,203
3. Income from investments in associates and joint ventures	**134**	0	0	0	0
4. Unrealised gains (income) from financial assets	**135**	0	0	0	0
5. Other financial income	**136**	0	0	385	385
IV. FINANCIAL EXPENSES (138 do 141)	**137**	23,445,739	23,445,739	12,398,634	12,398,634
1. Interest, foreign exchange differences, dividends and similar income from related parties	**138**	0	0	0	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	**139**	20,822,398	20,822,398	11,162,611	11,162,611
3. Unrealised losses (expenses) from financial assets	**140**	0	0	0	0
4. Other financial expenses	**141**	2,623,341	2,623,341	1,236,023	1,236,023
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	**142**	0	0	0	0
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	**143**	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	**144**	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	**145**	0	0	0	0
IX. TOTAL INCOME (111+131+144)	**146**	1,749,019,622	1,749,019,622	1,617,377,222	1,617,377,222
X. TOTAL EXPENSES (114+137+143+145)	**147**	1,291,286,362	1,291,286,362	1,321,568,404	1,321,568,404
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	457,733,260	457,733,260	295,808,818	295,808,818
1. Profit before taxes (146-147)	**149**	457,733,260	457,733,260	295,808,818	295,808,818
2. Loss before taxes (147-146)	**150**	0	0	0	0
XII. TAXATION	**151**	92,164,352	92,164,352	61,190,308	61,190,308
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	365,568,908	365,568,908	234,618,510	234,618,510
1. Profit for the period (149-151)	**153**	365,568,908	365,568,908	234,618,510	234,618,510
2. Loss for the period (151-148)	**154**	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	**155**	0	0	0	0
2. Attributable to minority interest	**156**	0	0	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	**157**	365,568,908	365,568,908	234,618,510	234,618,510

II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	**158**	984,075	984,075	1,297,795	1,297,795
1. Exchange differences from international settlement	**159**	0	0	0	0
2. Changes in revaluation reserves of long-term tangible and intangible assets	**160**	0	0	0	0
3. Profit or loss from re-evaluation of financial assets held for sale	**161**	984,075	984,075	1,297,795	1,297,795
4. Profit or loss from cash flow hedging	**162**	0	0	0	0
5. Profit or loss from hedging of foreign investments	**163**	0	0	0	0
6. Share of other comprehensive income/loss from associatied companies	**164**	0	0	0	0
7. Actuarial gains/losses from defined benefit plans	**165**	0	0	0	0
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	**167**	984.075	984.075	1.297.795	1.297.795
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	366.552.983	366.552.983	235.916.305	235.916.305
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	**169**	0	0	0	0
2. Attributable to minority interest	**170**	0	0	0	0

Balance Sheet

Position	AOP	Previous period	Current period
1	**2**	**3**	**4**
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	**001**	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**	8,072,917,345	8,078,743,697
I. INTANGIBLE ASSETS (004 do 009)	**003**	927,670,541	883,619,695
1. Expenditure for development	**004**	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	**005**	893,868,252	860,440,591
3. Goodwill	**006**	0	0
4. Advances for purchase of intangible assets	**007**	0	0
5. Intangible assets in progress	**008**	33,802,289	23,179,104
6. Other intangible assets	**009**	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	**010**	5,602,559,163	5,552,602,344
1. Land	**011**	50,245,441	49,843,256
2. Buildings	**012**	3,384,048,845	3,344,374,576
3. Plant and equipement	**013**	1,551,425,887	1,592,813,114
4. Tools, working inventory and transportation assets	**014**	120,218,329	114,924,109
5. Biological assets	**015**	0	0
6. Advances for purchase of tangible assets	**016**	38,335,927	1,745,080
7. Tangible assets in progress	**017**	453,394,669	444,125,530

8. Other tangible assets	**018**	4,890,065	4,776,679
9. Investment in real-estate	**019**	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	**020**	1,458,647,085	1,561,865,551
1. Share in related parties	**021**	858,360,887	858,360,887
2. Loans to related parties	**022**	101,282,313	127,065,184
3. Participating interests (shares)	**023**	0	0
4. Loans to companies with participating interest	**024**	0	0
5. Investments in securities	**025**	492,667,610	570,103,205
6. Loans, deposits, etc.	**026**	6,336,275	6,336,275
7. Other non-current financial assets	**027**	0	0
8. Equity-accounted investments	**028**	0	0
IV. RECEIVABLES (030 do 032)	**029**	20,598,952	20,006,197
1. Receivables from related parties	**030**	0	0
2. Receivables arising from sales on credit	**031**	16,177,748	15,584,993
3. Other receivables	**032**	4,421,204	4,421,204
V. DEFERRED TAX ASSET	**033**	63,441,604	60,649,910
C) CURRENT ASSETS (035+043+050+058)	**034**	4,916,777,646	5,093,711,352
I. INVENTORIES (036 do 042)	**035**	133,057,437	161,860,052
1. Raw materials and supplies	**036**	77,908,213	85,944,687
2. Production in progress	**037**	0	0
3. Finished products	**038**	0	0
4. Merchandise	**039**	55,130,843	70,325,572
5. Advances for inventories	**040**	18,381	21,865
6. Long term assets held for sale	**041**	0	5,567,928
7. Biological assets	**042**	0	0
II. RECEIVABLES (044 do 049)	**043**	1,104,748,524	1,078,361,293
1. Receivables from related parties	**044**	29,606,087	17,341,623
2. Receivables from end-customers	**045**	1,004,954,664	957,319,653
3. Receivables from participating parties	**046**	0	0
4. Receivables from employees and members of the company	**047**	0	0
5. Receivables from government and other institutions	**048**	7,864,664	59,366,452
6. Other receivables	**049**	62,323,109	44,333,565
III. CURRENT FINANCIAL ASSETS (051 do 057)	**050**	575,368,432	111,533,251
1. Share in related parties	**051**	0	0
2. Loans to related parties	**052**	0	0
3. Participating interests (shares)	**053**	0	0
4. Loans to companies with participating interest	**054**	0	0
5. Investments in securities	**055**	75,599,456	116,947
6. Loans, deposits, etc.	**056**	499,768,976	111,416,304
7. Other financial assets	**057**	0	0
IV. CASH AND CASH EQUIVALENTS	**058**	3,103,603,253	3,741,956,756
D) PREPAYMENTS AND ACCRUED INCOME	**059**	131,343,617	123,996,208
E) TOTAL ASSETS (001+002+034+059)	**060**	13,121,038,608	13,296,451,257
F) OFF BALANCE SHEET ITEMS	**061**		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	11,029,426,093	11,279,509,597
I. SUBSCRIBED SHARE CAPITAL	**063**	8,188,853,500	8,188,853,500
II. CAPITAL RESERVES	**064**		
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	409,184,038	409,184,038

1. Legal reserves	**066**	409,442,675	409,442,675
2. Reserve for own shares	**067**	0	0
3. Treasury shares and shares (deductible items)	**068**	400,745	400,745
4. Statutory reserves	**069**	0	0
5. Other reserves	**070**	142,108	142,108
IV. REVALUATION RESERVES	**071**	-1,042,332	255,463
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**	752,386,399	2,446,598,087
1. Retained earnings	**073**	752,386,399	2,446,598,087
2. Loss carried forward	**074**	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	1,680,044,488	234,618,509
1. Net profit for the period	**076**	1,680,044,488	234,618,509
2. Net loss for the period	**077**	0	0
VII. MINORITY INTEREST	**078**	0	0
B) PROVISIONS (080 do 082)	**079**	372,512,446	367,345,746
1. Provisions for pensions, severance pay and similar libabilities	**080**	285,591,296	285,121,240
2. Provisions for tax liabilities	**081**	0	0
3. Other provisions	**082**	86,921,150	82,224,506
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	46,805,463	50,450,953
1. Liabilites to related parties	**084**	0	0
2. Liabilities for loans, deposits, etc.	**085**	0	0
3. Liabilities to banks and other financial institutions	**086**	0	0
4. Liabilities for advances	**087**	0	0
5. Trade payables	**088**	0	0
6. Commitments on securities	**089**	0	0
7. Liabilities to companies with participating interest	**090**	0	0
8. Other non-current liabilities	**091**	46,805,463	46,909,153
9. Deferred tax liabilities	**092**	0	3,541,800
D) CURRENT LIABILITIES (094 do 105)	**093**	1,552,960,382	1,485,274,178
1. Liabilites to related parties	**094**	80,752,892	39,704,979
2. Liabilities for loans, deposits, etc.	**095**	288,308	401,194
3. Liabilities to banks and other financial institutions	**096**	0	0
4. Liabilities for advances	**097**	857,963	2,362,472
5. Trade payables	**098**	1,212,813,481	1,171,045,524
6. Commitments on securities	**099**	0	0
7. Liabilities to companies with participating interest	**100**	0	0
8. Liabilities to employees	**101**	149,738,894	157,652,998
9. Taxes, contributions and similar liabilities	**102**	36,500,886	43,595,087
10. Liabilities arising from share in the result	**103**	0	0
11. Liabilities arising from non-current assets held for sale	**104**	0	0
12. Other current liabilities	**105**	72,007,958	70,511,924
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	119,334,224	113,870,783
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	13,121,038,608	13,296,451,257
G) OFF BALANCE SHEET ITEMS	**108**	0	0
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	**109**	0	0
2. Attributable to minority interest	**110**	0	0

Cash Flow Statement

Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	**001**	457.733.261	295.808.818
2. Depreciation, amortisation and write down	**002**	322.176.929	304.454.351
3. Increase of current liabilities	**003**		
4. Decrease of current receivables	**004**		49.290.207
5.Decrease of inventories	**005**	17.813.548	
6. Other cash flow increases	**006**		
I. Total increase of cash flow from operating activities	**007**	**797.723.737**	**649.553.376**
1. Decrease of current liabilities	**008**	96.033.446	73.149.645
2. Increase of current receivables	**009**	13.847.206	
3. Increase of inventories	**010**		20.717.352
4. Other cash flow decreases	**011**	127.034.905	91.960.499
II. Total decrease of cash flow from operating activities	**012**	**236.915.558**	**185.827.496**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**013**	**560.808.180**	**463.725.880**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**014**	**0**	**0**
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	**015**	406.264	13.086.471
2. Proceeds from sale of non-current financial assets	**016**	254.879	605.922
3. Interest received	**017**	21.728.656	11.695.657
4. Dividend received	**018**		
5. Other proceeds from investing activities	**019**	227.168.976	464.039.172
III. Total cash inflows from investing activities	**020**	**249.558.775**	**489.427.222**
1. Purchase of non-current assets	**021**	122.673.899	216.305.803
2. Purchase of non-current financial assets	**022**		75.005.322
3. Other cash outflows from investing activities	**023**	921.397.972	23.481.971
IV. Total cash outflows from investing activities	**024**	**1.044.071.870**	**314.793.095**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**025**	**0**	**174.634.127**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**026**	**794.513.095**	**0**
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	**027**	0	0
2. Proceeds from loans and borrowings	**028**	0	0
3. Other proceeds from financing activities	**029**	0	0
V. Total cash inflows from financing activities	**030**	**0**	**0**
1. Repayment of loans and bonds	**031**	0	0
2. Dividends paid	**032**	906.513.532	6.503
3. Repayment of finance lease	**033**	0	0
4. Purchase of treasury shares	**034**	0	0
5. Other cash outflows from financing activities	**035**	0	0
VI. Total cash outflows from financing activities	**036**	**906.513.532**	**6.503**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**037**	**0**	**0**

C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	**906.513.532**	**6.503**
Total increases of cash flows	**039**	**0**	**638.353.503**
Total decreases of cash flows	**040**	**1.140.218.447**	**0**
Cash and cash equivalents at the beginning of period	**041**	3.664.596.307	3.103.603.253
Increase of cash and cash equivalents	**042**	**0**	**638.353.503**
Decrease of cash and cash equivalents	**043**	**1.140.218.447**	**0**
Cash and cash equivalents at the end of period	**044**	**2.524.377.860**	**3.741.956.756**

Statement of changes in equity

Position	AOP	Previous year	Current year
1	**2**	**3**	**4**
1. Subscribed share capital	**001**	8.188.853.500	8.188.853.500
2. Capital reserves	**002**	0	0
3. Reserves from profit	**003**	409.184.038	409.184.038
4. Retained earnings or loss carried forward	**004**	752.386.399	2.446.598.087
5. Net profit or loss for the period	**005**	1.680.044.488	234.618.509
6. Revaluation of tangible assets	**006**	0	0
7. Revaluation of intangible assets	**007**	0	0
8. Revaluation of available for sale assets	**008**	-1.042.332	255.463
9. Other revaluation	**009**	0	0
10. Total equity and reserves (AOP 001 to 009)	**010**	11.029.426.093	11.279.509.597
11. Foreign exchange differences from foreign investments	**011**	0	0
12. Current and deferred taxes	**012**	0	-3.541.800
13. Cash flow hedge	**013**	0	0
14. Change of accounting policies	**014**	0	17.709.000
15. Correction of significant mistakes of prior period	**015**	0	0
16. Other changes	**016**	0	0
17.Total increase or decrease of equity (AOP 011 to 016)	**017**	0	14.167.200

Notes to the condensed financial statements
For period ended 31 March 2013

Basis of preparation

The condensed financial statements of 31 March 2013 and for the nine months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2012.

Segment information

Business reporting format is determined to be Residential, Business and Network and Support Function segments as the Company's risks and rates of return are affected predominantly by differences in the market and customers. The segments are organised and managed separately according to the nature of the customers and markets that the services rendered, with each segment representing a strategic business unit that offers different products and services.

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

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

The Network and Support Functions performs cross-segment management and support functions, and includes the Technology, Procurement, Accounting, Treasury, Legal and other central functions. The Network and Support Functions is included in segment information as a voluntary disclosure since it does meet the criteria for an operating segment.

The Management Board, as the chief operating decision maker, monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on contribution margin II or segment results (as calculated in the table below).

Management of the Company does not monitor assets and liabilities by segments and therefore this information has not been disclosed.

The following tables present revenue and direct cost information regarding the Company's segments:

Period ended 31 March 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*974*	*704*	-	*1,678*
Service revenues	938	668	-	1,606
Terminal equipment	34	13	-	47
Other	2	23	-	25
Usage related direct costs	(66)	(94)	-	(160)
Income and losses on accounts receivable	(5)	(12)	-	(17)
Contribution margin I	903	598	-	1,501
Non-usage related direct costs, restated	(108)	(51)	-	(159)
Segment result, restated	795	547	-	1,342
Other income	-	-	37	37
Other operating expenses, restated	(98)	(60)	(452)	(610)

Depreciation, amortisation and impairment of non-current assets, restated	-	-	(322)	(322)
Operating profit, restated	697	487	(737)	447
Capital expenditure, restated	61	19	43	123

Period ended 31 March 2013

Segment revenue	*928*	*638*	-	*1,566*
Service revenues	886	586	-	1,472
Terminal equipment	38	15	-	53
Other	4	37	-	41
Usage related direct costs	(72)	(74)	-	(146)
Income and losses on accounts receivable	(5)	(7)	-	(12)
Contribution margin I	851	557	-	1,408
Non-usage related direct costs	(150)	(82)	-	(232)
Segment result	701	475	-	1,176
Other income	-	-	32	32
Other operating expenses	(89)	(71)	(455)	(615)
Depreciation, amortisation and impairment of non-current assets	-	-	(304)	(304)
Operating profit	612	404	(727)	289
Capital expenditure	70	34	112	216

Relations with the governing company and its affiliated companies

In the first three months of 2013 there were no transactions among related parties with a significant impact on the financial position and operations of the Company in the given period.

In the first three months of 2013 there were no changes in transactions among related parties which were specified in the annual financial report for 2012 and which had a significant impact on the financial position and operations of the Company in the first three months of 2013.

Business relations transacted between HT d.d. in the first three months of 2013 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily relate to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Company enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies.

In the first three months of 2013 the Company generated total revenue from related companies from international traffic to the amount of HRK 14 million (the three months of 2012: HRK 14 million), while total costs of international traffic amounted to HRK 15 million (the first three months of 2012: HRK 18 million).

DTAG companies provided technical assistance to the Company in the amount of HRK 3 million in the first three months of 2013 (the first three months of 2012: HRK 2 million).

Compensation of the Supervisory Board

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

In the first three months of 2013, the Company paid a total amount of HRK 0.2 million (the first three months of 2012: HRK 0.2 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first three months of 2013 the total compensation paid to key management personnel of the Company amounted to HRK 6.4 million (first three months of 2012: HRK 8.5 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.

7. 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 quarter 2013 contains a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

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

Mr. Norbert Hentges, Member of the Management Board and Chief Operating Officer

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

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

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

Ms. Nataša Rapaić, Member of the Management Board and Chief Operating Officer Residential

Zagreb, 30 April 2013

8. 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.

9. 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