

Zagreb – 1 July 2013

T-Hrvatski Telekom

T-HT files notification of intended concentration with Optima Telekom

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ; “T-HT”, the “Group”), Croatia’s leading telecommunications provider, has filed a notification to the Croatian Competition Agency (AZTN), based on the proposal of financial and operational restructuring of Optima Telekom (“OT”) within the pre-bankruptcy settlement process, as one of OT’s largest creditors.

Despite increasing its customer base and revenues, OT has constantly reported negative financial results since its founding in 2004. Due to serious liquidity and debt problems, OT initiated a pre-bankruptcy settlement proceeding in April 2013, based on recent legislative changes, in order to prevent bankruptcy and re-establish regular business activities. On 28 June 2013, Optima Telekom published an official plan for its financial and operational restructuring by which it proposes T-HT as a strategic partner.

In light of T-HT's strengths and competencies in the industry, and its business and technology assets, OT regards T-HT as a highly suitable partner and proposes strategic partnership, which it considers to be the only feasible solution in order to maintain its business and prevent bankruptcy.

The actual list of debtors' claims of HRK 1,065 million in total has been defined, based on the balance sheet as at 11 April 2013, and Zagrebačka banka d.d. ("ZABA") and Hrvatski Telekom d.d. were identified as the two largest creditors, with amounts claimed of around HRK 600 million and HRK 100 million, respectively.

The Plan envisages debt-to-equity swaps by the creditors that would give T-HT a minority stake. Accordingly, based on a signed Letter of Intent with T-HT, ZABA, the largest creditor of OT, would transfer its future management rights to T-HT, thereby granting T-HT operational and strategic control of OT based on the arms length principle for a period not less than five years.

OT and its creditors share mutual goals of restructuring OT, improving its market positioning and stabilising its financial performance, aimed at protecting the interests of OT's customers, employees and other stakeholders as well as the telecom market overall.

On 28 June 2013 T-HT made a notification of intended concentration to the AZTN, outlining the complete proposal and the positions of all interested parties. Subject to AZTN's positive assessment and subject to the necessary corporate approvals, T-HT will take control of and consolidate OT into its financial accounts. The whole process of pre-bankruptcy settlement proceedings is legally limited to four months, which means a solution should be agreed by the beginning of August 2013. Otherwise it is likely that OT will go into bankruptcy.

Optima Telekom, an alternative operator, entered the fixed telecommunication market in 2005 and holds the No. 2 position in the landline telephony market in Croatia, with an estimated market share of around 11%. OT has a presence in over 100 Croatian cities with integrated voice services, broadband internet and IP television. Optima Group posted 2012 revenue of HRK 551 million and a net loss of HRK 105 million with very high debt levels. OT is listed on Zagreb Stock Exchange and at the end of 2012 it was majority held by Mr Matija Martić, who had a 66% stake, while the remaining 34% was free float.

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About T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ)

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving 1.3 million fixed lines, more than 2.3 million mobile subscribers and 665,000 broadband connections through its Residential and Business divisions.

Since its initial public offering in October 2007, T-HT shares have traded on the Zagreb Stock Exchange, with global depositary receipts trading on the London Stock Exchange. Deutsche Telekom AG owns 51% of T-HT's shares, with the War Veterans' Fund owning 7% and the Pensioners' Fund holds 3.5%. The remaining free float is in the hands of private and institutional investors.