Zagreb – 30 October 2013

T-Hrvatski Telekom
Results for the nine months ended 30 September 2013

Results impacted by continued economic downturn coupled with EU regulation

T-Hrvatski Telekom (Reuters: THTC.L, HT.ZA; Bloomberg: THTC LI, HTRA CZ), Croatia's leading telecommunications provider, announces unaudited results for the nine months to 30 September 2013.

Group Highlights

- Revenue down 8.0% to HRK 5,206 million or EUR 689 million (Jan-Sep 2012: HRK 5,660 million, EUR 753 million)
  - Non voice revenue up 2.7%
    - Fixed broadband ARPA up 1.8% to HRK 128
    - Smartphone sales at 58.0% of total postpaid handsets sold
- EBITDA down 19.5% to HRK 2,148 million (EUR 284 million) and margin at 41.3% (Jan-Sep 2012: HRK 2,666 million or EUR 355 million, 47.1%)
- EBITDA before exceptional items down 17.0% to HRK 2,214 million (EUR 293 million), margin at 42.5% (Jan-Sep 2012: HRK 2,666 million or EUR 355 million, 47.1%)
- Net profit down 30.6% at HRK 964 million (EUR 128 million), margin at 18.5% (Jan-Sep 2012: HRK 1,388 million or EUR 185 million, 24.5%)
- Operating cash flow down 26.5% to HRK 1,427 million (EUR 189 million)
- Capex up 39.8% to HRK 857 million (EUR 113 million)

Residential Segment

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 2.1% (up 2.2% on Q2 2013)
- 521,453 broadband retail access lines, down 0.4% (flat on Q2 2013), and 361,748 TV customers, up 9.9% (up 2.4% on Q2 2013)
- Revenue down 3.6%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,039 million, down 4.8%

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers down 2.0% (flat on Q2 2013)
- 109,445 broadband retail access lines, up 4.3% (flat on Q2 2013) and 21,566 TV customers, up 7.9% (up 2.4% on Q2 2013)
- Revenue down 13.3%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK1,266 million, down 22.2%

Ivica Mudrinić, President of the Management Board (CEO), *said: "During the third quarter of 2013 there was again no improvement in Croatia's national economy and in the absence of any signs of recovery, a third credit ratings agency downgraded Croatia to sub-investment grade. On 1 July 2013, Croatia became a member of the EU and in light of the country's fiscal challenges Croatia will enter the EU's Excessive Deficit Procedure (EDP). EU accession and the related adoption of the EU regulatory framework has impacted the Group's performance, with a greater fall in visitor revenue than* *had been expected. Consequently, revenue for the third quarter of 2013 fell 12% and EBITDA before exceptional items was 21.6% lower.*

"Whilst the imminent move into EDP may hasten the implementation of structural reforms in Croatia's economy over the medium term, given the Group's third quarter results we have amended our Outlook for the full year. We now expect an EBITDA before exceptional items margin of between 42% to 43%. However, the remainder of the Outlook is unchanged.

"Despite the current economic challenges, the Group has nevertheless held on to its leading market position. We continue to focus on developing new products and innovative services in line with the business transformation strategy currently underway. The Group will endeavour to remain at the forefront of technological development to ensure we provide services that both anticipate and meet our customers ever evolving requirements, and maintain our position as the leading provider in our markets."

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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	84717963

A replay of the call will be available until Tuesday, 5 November 2013 using the following details:

International Dial In	+44 (0) 1452 550 000
UK Free Call Dial In (from landlines only)	0800 953 1533
Replay Access Code	84717963

A presentation covering results for the first nine 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 30 September 2013, the Group served nearly 1.3 million fixed-line customers, 2.4 million mobile subscribers, 630,898 broadband retail access lines and provided TV services to 383,314 customers.

1.2 Market overview

EU roaming regulation came into force on 1July 2013 with the accession of Croatia to the EU. The alignment with EU regulations led to a significant reduction up to 10 times in retail roaming rates and visitor roaming rates and has resulted in lower retail and visitor roaming revenues.

Negative economic trends, EU roaming regulation, the continuation of flat rate tariff offers and mobile Internet commercial offers including tablets all impacted the mobile market in Q3 2013. The fixed broadband market continued to grow, while further consolidation in the pay TV market further heightened competitive pressure.

Croatia's second largest mobile operator acquired another local cable operator (for its fifth acquisition in 2013) and with this acquisition it is extending the availability of its own fixed infrastructure to 7,500 more households.

Further consolidation in the telecommunications market is anticipated, in light of the financial challenges being faced by some small alternative operators.

The Croatian IT market continued to feel the impact of continued negative economic trends and business downsizing. A recovery in the IT marketis expected, however, when a new economic cycle emerges in Croatia.

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. According to the Croatian Central Bureau of Statistics, the number of fixed-line minutes of use (MOU) decreased by 16.5% in Q2 2013 vs. Q2 2012, following similar global trends.

1.2.2 Mobile telecommunications

Through a range of brands, the Group maintained a leading market position in a competitive mobile market, served by three operators since 2005. Mobile penetration is estimated to reach 121.3% and the Company's share of total mobile customers is estimated at 46.2% at the end of September 2013. All mobile operators intensified efforts to increase share of postpaid customers within customer bases.

Despite increased mobile usage, mobile revenue continued on a declining trend due to lower mobile termination rates and intense pricing pressure as prices continue to slide, while tariff bundles increased. EU roaming regulation, which came into force on 1 July, has brought a further reduction in mobile revenue. Total Croatian mobile market minutes of use (MOU) increased by 21.7% and the number of SMSs sent increased by 4.5% in Q2 2013 compared with Q2 2012.[1] Mobile Internet continued to grow with all three mobile operators promoting voice-messaging-data bundled tariff offers alongside an increasing range of smartphone and tablet offers.

1.2.3 Internet

The Croatian fixed broadband market continued to grow, with 909,444 fixed broadband connections reported at the end of Q2 2013.[2] The market grew 3.8% compared with Q2 2012[3]. DSL remains the dominant broadband technology.

At the end of Q3 2013, T-HT Group had 630,898 broadband retail access lines.

The Croatian broadband market still represents a growth opportunity for T-HT with an estimated 49.1% of Croatian households connected to the fixed broadband network compared to an average of 68% in Western Europe.[4]

The Croatian pay TV market grew by 11.2% in Q2 2013 vs. Q2 2012, reaching 662,334 customers[2].
The Group reported 383,314 TV customers at the end of September 2013, representing 60.8 % of T-HT's total fixed broadband customer base.

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

Demand for infrastructure services requested by alternative operators is slowing comparing to the previous year. The number of broadband wholesale customers (BSA and Naked BSA) reached 36,222 at the end of September 2013. The number of ULL customers increased to 170,342 at the end of September 2013 (compared to 169,244 at the end of Q2 2013).

As of 1 January 2013, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination. In addition, prices for international termination to HT's fixed and mobile network were regulated as of 1 August and 1 July, respectively. Prices for BSA and Naked BSA were reduced as a result of a decision by the regulator, HAKOM, as of 17 July 2013.

1.3 Economic background[5]

In Q2 2013 Croatian GDP's fell 0.7%, a slower rate of decline compared with the fall Q1 2013. This resulted from a mild recovery in exports and personal consumption. Economic drivers indicate stagnation in economy in Q3 2013: industrial production continued the decline seen in the summer months of 2013 (with August 2013, the latest recorded month, showing a decline of 3.5% against August 2012), while retail trade increased during summer months. The implementation of fiscalization (under the Fiscalization Act) and a successful tourist season had positive impact on overall economic trends in Q3 2013.

The registered unemployment rate reached 19.1% in September 2013.

Continued negative trends in the economy led to a reduction of real income. In July 2013, net average income was calculated at HRK 5,504, which in real terms is 0.8% lower than net average income calculated in July 2012.

Inflation rate, measured by Consumer Price Index (CPI), significantly weakened in Q3 2013 vs. the previous quarter reaching 1.1% in September 2013.

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1) Source: Croatian Central Bureau of Statistics

2) Croatian Post and Electronic Communications Agency, September 2013

3) T-HT estimates

4) Source: Analysis Mason

5) Source: Croatian Central Bureau of Statistics, PBZ Analysis, 16th September 2013

1.4 Historical information on the 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. The newly elected Government proposed and Parliament reinstated the fee with effect from 26 January 2012. Subsequently, the 6% fee was terminated with effect from 9 July 2012.

The impact of the 6% tax in the first nine months 2012 was HRK 56 million (applicable from 26 January 2012 to 9 July 2012).

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 three 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.

A third set of amendments was adopted in June 2013, primarily with the purpose of aligning Croatian Law on Electronic Communications with the EU regulatory framework 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 June 2013, in 2011 and in 2012, 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 (BSA)
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, the following remedies are applied:

- In markets 1 - 7: network access and use of special network facilities (this obligation applies to Company’s optical fibre and copper access networks), 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 45 days in advance; prohibition to unreasonably bundle services - introduction of naked DSL, provision of “pure” network access) accounting separation; in line with these obligations, 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 upon Company and Iskon.

As a result of the second market analysis of wholesale markets under 1, 2 and 5 of previous page, T-HT published the new wholesale reference offer for call termination in the mobile network which became applicable on June 30, 2013 and the new wholesale reference offer for fixed interconnection (call origination and call termination in fixed networks) which became applicable on 1 August 2013.

A second round of market analysis for markets under category 3 and 4, finalized in June 2013, introduced the geographic segmentation of the Republic of Croatia to Type 1 & Type 2 areas. In Type 2 areas, softer regulation applies to FttH and FttN network concepts (e.g. the Company can have commercial wholesale prices for FttH services, shorter notification periods for FttN reconstruction, retail promotion restrictions for FttH products do not apply in Type 2).

On 2 September 2013, the Company published the wholesale reference offers for wholesale (physical) network infrastructure access (including shared or fully unbundled access) and wholesale broadband access (BSA) in line with obligations imposed in the second round of market analysis for markets under 3 and 4 above. These wholesale reference offers are applicable as of 1 October 2013.

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) on 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.

In June 2013, HAKOM finalized its own cost models for the fixed/mobile network (the development of cost models was initiated in third quarter of 2011). Consequently, in June 2013 HAKOM adopted decisions on the reduction of T-HT's mobile termination fees and fixed wholesale BSA prices for ADSL/VDSL technology, based on the results of these cost models.

Based on HAKOM's cost models, the mobile termination fee was decreased to:

- Mobile termination (for calls originated in one of national operator's network and terminated in T-HT network directly or indirectly via some national operator): 0.1933 kn/min (from 01.07.2013), 0.1282 kn/min (from 01.01.2014), 0.063 kn/min (from 01.01.2015)
- Mobile termination (for calls delivered from one of national/EU/EEA operator's network, regardless of the network where the call is originated): 0.45 kn/min (from 01.07.2013), 0.32 kn/min (from 01.07.2014), 0.063 kn/min (from 01.01.2015)

Mobile termination (for calls directly delivered from international operator's network of country that is not EU/EEA member) remains unregulated.

In June 2013, HAKOM decreased T-HT's wholesale BSA prices for ADSL/VDSL technology based on results derived from HAKOM's cost models.

Depending on the results of the cost models for the remaining fixed wholesale products/universal services, HAKOM may amend T-HT's retail/remaining wholesale prices.

According to HAKOM's decision on SMP designation and imposition of remedies in fixed interconnection markets from June 2013, fixed origination and termination fees will be determined by HAKOM based on HAKOM's cost models; however, in the meantime, these prices are based on EU benchmark according to the methodology that was used to calculate fixed interconnection prices in period 2009-2012 (as prescribed by HAKOM's decision on market analysis from 2009). As a consequence, the current level of T-HT's interconnection prices maintained as applicable from 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

In the period from 26 July to 16 September 2013 HAKOM held public consultation on the proposed decision on setting call termination and call origination rates in T-HTs' fixed communications network based on HAKOM's cost models. The final decision by the Agency is expected in Q4 2013.

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. T-HT's monthly fee for Shared ULL was reduced in October 2013 from HRK 16.68 to HRK 16.29.

In the period from 26 July to 16 September 2013 the Agency held public consultation on the proposed new price for the copper ULL, to a maximum amount of HRK 57.30. The Agency calculated the maximum amount of the monthly fee for the copper ULL by applying the bottom-up LRAIC+ cost model. The final decision by the Agency is expected in Q4 2013.

On 1 July 2013, HT successfully implemented the following obligations from Regulation (EU) No 531/2012 of the European Parliament and of the Council of 13 June 2012 on roaming on public mobile communications networks within the Union (hereinafter: Roaming Regulation): regulated retail and wholesale charges and transparency and safeguard mechanisms.

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 required to offer broadband access at the minimum speed of 1 Mbit/s as part of its universal service obligation as of 1 January 2015.

On 28 October T-HT filed an application for participation in the public auction for assignment of licences for use of the remaining unassigned radio frequency spectrum for the public mobile electronic communication network in the Republic of Croatia. In September 2012, the Agency initiated the first assignment procedure for the radio frequency spectrum in the 790-862 MHz band. Three 2x10 MHz blocks were offered and only two out of three offered blocks were assigned, one of them to T-HT.

On 28 August 2013, HAKOM announced a public auction procedure for assignment of licenses for use of the radio frequency spectrum 801-811/842-852 MHz, which has been offered in two 2x5 blocks, with licenses valid until 18 October 2024.
HAKOM will reach a decision on the assignment of these licences by 26 November 2013.

Accounting separation (this applies only to the Company's fixed business): the cost accounting project, initiated at the end of 2008, is ongoing.

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

Wholly owned subsidiaries Iskon Internet, Combis, KDS and E-tours 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 the definition of mobile data subscribers

In 2013, the definition of mobile data subscribers was amended. Previously, data subscribers consisted of mobile broadband subscribers with internet tariffs, and handset internet subscribers related to the data tariffs and options with recurring payments on a fixed period contract of more than one month and with predefined data volumes.

According to the new definition of mobile data subscribers, handset internet subscribers are counted at the SIM level with reference to both non-recurring and recurring data usage. Additionally, the new definition includes M2M subscribers while mobile broadband subscribers are calculated the same way.

1.8 Change in recognition of content provider costs

In December 2012 the Group changed the recognition of content provider costs to align the accounting treatment with new industry practice. As a consequence, the Group has changed the accounting policy of content provider costs leading to reconciliation of the following positions in the financial statement for first nine months 2012: Material expenses (HRK -55 million), Depreciation and amortization (HRK +38 million), Financial expenses (HRK +17 million) and Capital expenditure (HRK +32 million).
Operating expenses per segment for 2012 have been amended in comparison to the figures originally reported in 2012 due to a change in the recognition of content provider costs at the end of 2012 and due to organisational changes in 2013.

1.9 Summary of key financial indicators

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Revenue	1,770	2,012	*-12.0%*	5,206	5,660	*-8.0%*
EBITDA before exceptional items	792	1,010	*-21.6%*	2,214	2,666	*-17.0%*
Exceptional items	6	0	-	66	0	-
EBITDA after exceptional items	786	1,010	*-22.2%*	2,148	2,666	*-19.5%*
EBIT (Operating profit)	463	715	*-35.2%*	1,189	1,691	*-29.7%*
Net profit after minority interest	394	580	*-32.1%*	964	1,388	*-30.6%*
EBITDA margin before exceptional items	44.7%	50.2%	*-5.4 p.p.*	42.5%	47.1%	*-4.6 p.p.*
EBITDA margin after exceptional items	44.4%	50.2%	*-5.8 p.p.*	41.3%	47.1%	*-5.8 p.p.*
EBIT margin	26.2%	35.5%	*-9.4 p.p.*	22.8%	29.9%	*-7.0 p.p.*
Net profit margin	22.2%	28.8%	*-6.6 p.p.*	18.5%	24.5%	*-6.0 p.p.*

in HRK million	At 30 Sep 2013	At 31 Dec 2012	change
Cash and cash equivalents	2,050	3,146	*-34.8%*
Total assets	12,102	13,113	*7.7%*
Total issued capital and reserves	10,197	10,899	*-6.4%*

in HRK million	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	change
Net cash flow from operating activities	354	777	*-54,4%*	1.427	1.942	*-26,5%*

RESIDENTIAL SEGMENT

in HRK million	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	change
Revenue	1,007	1,057	*-4.7%*	2,973	3,085	*-3,6%*
Contribution to EBITDA before EI	714	733	*-2.6%*	2,039	2,142	*-4,8%*

BUSINESS SEGMENT

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Revenue	763	954	*-20,0%*	2.232	2.575	*-13.3%*
Contribution to EBITDA before EI	444	621	*-28,6%*	1.266	1.627	*-22.2%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Contribution to EBITDA before EI	-366	-345	*-6.1%*	-1,091	-1,103	*1.1%*

1.10 Exchange rate information

	Kuna per EURO		Kuna per U.S dollar	
	Average	Period end	Average	Period end
Nine months to 30 Sep 2012	7.52	7.45	5.87	5.76
Nine months to 30 Sep 2013	7.56	7.61	5.74	5.64

1.11 Selected Operational Data

Key operational data	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	Change
Mobile subscribers in 000						
Number of subscribers	**2,392**	**2,443**	***-2.1%***	**2,392**	**2,443**	***-2.1%***
- Residential	1,926	1,967	*-2.1%*	1,926	1,967	*-2.1%*
- Business	466	476	*-2.0%*	466	476	*-2.0%*
Number of postpaid subscribers	**1,048**	**1,020**	***2.8%***	**1,048**	**1,020**	***2.8%***
Number of prepaid subscribers	**1,344**	**1,423**	***-5.5%***	**1,344**	**1,423**	***-5.5%***
Minutes of use (MOU) per average subscriber	**178**	**154**	***15.5%***	**173**	**143**	***21.4%***
- Residential	160	131	*21.9%*	154	117	*31.7%*
- Business	253	247	*2.3%*	250	244	*2.5%*
Blended ARPU (monthly average for the period in HRK)	**84**	**96**	***-12.6%***	**84**	**92**	***-8.5%***
- Residential	73	78	*-6.1%*	71	74	*-3.5%*
- Business	127	168	*-24.5%*	136	163	*-16.9%*
Blended non-voice ARPU (monthly average for the period in HRK)	**31**	**28**	***13.1%***	**30**	**27**	***13.2%***
SAC per gross add in HRK	**92**	**60**	***54.1%***	**102**	**78**	***31.1%***
Churn rate (%)	3	3	*0.3 p.p.*	3	3	*0.0 p.p.*
Penetration (%) [1]	121	123	*-2.1 p.p.*	121	123	*-2.1 p.p.*
Market share of subscribers (%) [1]	46	46	*0.0 p.p.*	46	46	*0.0 p.p.*
Data subscribers (in 000) [2]	**1,285**	**1,227**	***4.7%***	**1,285**	**1,227**	***4.7%***

1) Source: VIPnet's published quarterly report Q3 2012 and Tele2's quarterly report for Q3 2012 and Q3 2013. Number of subscribers for VIPnet for Q3 2013 is internally estimated.

2) Mobile Data Subscribers reported according to the new definition. The Q3 2012 data is estimated.

Key operational data	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	Change
Fixed mainlines in 000						
Fixed mainlines - retail [1]	**1,156**	**1,206**	***-4.2%***	**1,156**	**1,206**	***-4.2%***
- Residential	989	1.028	*-3.8%*	989	1.028	*-3.8%*
- Business	166	178	*-6.5%*	166	178	*-6.5%*

Fixed mainlines - wholesale (WLR)	**112**	**116**	***-3.0%***	**112**	**116**	***-3.0%***
- Residential	95	97	*-2.3%*	95	97	*-2.3%*
- Business	18	19	*-6.6%*	18	19	*-6.6%*
Total Traffic (mill. of minutes) [5]	**450**	**550**	***-18.2%***	**1,503**	**1,820**	***-17.5%***
- Residential	359	423	*-15.2%*	1,190	1,390	*-14.4%*
- Business	91	127	*-28.3%*	313	430	*-27.4%*
ARPA voice per access (monthly average for the period in HRK) [2]	**103**	**114**	***-10.1%***	**105**	**116**	***-10.1%***
- Residential	90	97	*-7.6%*	91	98	*-7.3%*
- Business	181	213	*-15.3%*	188	221	*-15.1%*
IP mainlines/customers in 000						
Broadband access lines - retail [3]	**631**	**629**	***0.4%***	**631**	**629**	***0.4%***
- Residential	521	524	*-0.4%*	521	524	*-0.4%*
- Business	109	105	*4.3%*	109	105	*4.3%*
Broadband access lines – wholesale [4]	**36**	**23**	***56.6%***	**36**	**23**	***56.6%***
- Business	36	23	*56.6%*	36	23	*56.6%*
TV customers	**383**	**349**	***9.7%***	**383**	**349**	***9.7%***
- Residential	362	329	*9.9%*	362	329	*9.9%*
- Business	22	20	*7.9%*	22	20	*7.9%*
thereof IPTV	**338**	**322**	***4.9%***	**338**	**322**	***4.9%***
- Residential	317	303	*4.9%*	317	303	*4.9%*
- Business	20	19	*4.7%*	20	19	*4.7%*
thereof Cable TV	**6**	**6**	***-0.1%***	**6**	**6**	***-0.1%***
- Residential	6	6	*0.1%*	6	6	*0.1%*
- Business	0	0	*-9.3%*	0	0	*-9.3%*
thereof Satellite TV	**40**	**22**	***84.7%***	**40**	**22**	***84.7%***
- Residential	38	21	*83.8%*	38	21	*83.8%*
- Business	1	1	*113.1%*	1	1	*113.1%*
Fixed-line customers	**1**	**1**	***5.3%***	**1**	**1**	***5.3%***
VPN connection points	**4**	**4**	***2.3%***	**4**	**4**	***2.3%***
Broadband retail ARPA (monthly average for the period in HRK)	**128**	**127**	***0.9%***	**128**	**125**	***1.8%***
- Residential	127	125	*1.2%*	126	124	*2.3%*
- Business	135	136	*-0.8%*	133	134	*-0.7%*
Data lines in 000						
Total data lines	**5**	**5**	***-2.9%***	**5**	**5**	***-2.9%***
Wholesale customers in 000						
CPS (Carrier Pre-Selection)	25	34	*-25.7%*	25	34	*-25.7%*
NP (Number portability) users/number	702	585	*19.9%*	702	585	*19.9%*

ULL (Unbundled Local Loop)	170	164	*3.8%*	170	164	*3.8%*

1) Includes PSTN, FGSM and IP Voice customers migrated to IP platform; Payphones excluded
2) Payphones excluded
3) Includes ADSL, FTTH and Naked DSL
4) Includes Naked Bitstream + Bitstream
5) Total traffic is generated by fixed retail mainlines as defined in note 1.

2. Group financial performance

2.1 Revenue

in HRK million	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	Change
Voice revenue [1]	838	1,090	*-23.2%*	2,519	3,025	*-16.7%*
Non voice revenue[1]	729	712	*2.5%*	2,094	2,039	*2.7%*
Other service revenue	121	120	*0.0%*	343	352	*-2.8%*
Terminal equipment	48	45	*5.6%*	151	140	*8.4%*
Miscellaneous	35	44	*-20.7%*	98	105	*-6.2%*
Revenue	**1,770**	**2,012**	***-12.0%***	**5,206**	**5,660**	***-8.0%***

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

In the first nine months 2013, revenue decreased by 8.0% to HRK 5,206 million from HRK 5,660 million in the same period of 2012. Underlying revenue decreased 8.9%, excluding impact of the 6% fee applicable to period from Jan 26 to July 9 2012.

The fall in revenue resulted from intensified competitive pressure from bundled telecommunications offers and downward pressure on pricing, falling consumption and the continued economic slowdown.

The revenue decline was primarily driven by lower mobile and fixed voice revenue in both the business and residential segments. The fall in mobile voice resulted from a lower number of customers and lower average revenue per user (ARPU) owing to a saturated mobile market and EU roaming regulation. The fixed retail voice decline was caused by a lower number of mainlines, which resulted in lower traffic as well as lower average revenue per account (ARPA). The fall in fixed wholesale voice was mainly driven by lower international hubbing services as a result of increased competition and lower national voice driven by lower interconnection prices starting from January 2013 in combination with lower traffic.

The fall in voice revenue was accompanied by a decline in other service revenues due to higher number of customers in bundled tariffs and the consequent revenue recognition in voice and non voice services. The decline in other service revenue from bundled tariffs was partially offset by higher ICT revenue.

A slight decline in miscellaneous revenue resulted primarily from lower national roaming (because of new national roaming contracts) and lower bulk SMS traffic partially offset by higher revenue from the termination of inactive SIM cards.

The decline in voice, other and miscellaneous revenues was slightly offset by an increase in non voice and terminal equipment revenues. Non voice revenue increased due to higher mobile data revenue coming from greater volumes of data and multimedia packages included in the new tariffs. In addition, an increase in non voice revenue was the result of a higher number of TV customers and higher broadband retail ARPA, but partially offset by lower revenue from international global internet access.

Terminal equipment revenue was higher as a result of lower subsidies on handsets and the extension of Christmas promotional activities into 2013.

The impact of the 6% tax in first nine months 2012 was HRK 56 million (applicable from 26 January 2012 to 9 July 2012).

The contribution of subsidiaries to Group revenue was as follows: Iskon - HRK 250 million in 2013 (2012: HRK 221 million) and Combis - HRK 237 million (2012: HRK 234 million).

In the third quarter of 2013, revenue declined 12.0% if compared to the same period of the previous year, primarily due to a 23.2% fall in voice revenue. Lower voice revenue resulted mainly from the factors mentioned above affecting voice revenue for the nine months period and lower visitor revenue due to EU regulation applied as of 1 July 2013. Visitor revenue as a component of voice revenue fell HRK 80 million, with roaming revenue down HRK 22 million.
Non voice revenue rose mainly as a result of an increase in residential non-voice fixed revenue (higher broadband retail ARPA and higher number of TV subscribers) and non-voice mobile revenue (from an increasing share of data revenue) with decreases in roaming and visitor revenue of HRK 11 million and HRK 10 million respectively after EU regulation was applied.
Other service revenue remained at the same level due to higher ICT revenue offset by lower basic subscription revenue. Miscellaneous revenue decreased as a result of lower business miscellaneous revenue due to the new national roaming agreement.

2.2 Operating expenses

Total consolidated operating expenses before depreciation and amortization increased by 1.3% to HRK 3,190 million in 2013 from HRK 3,149 million in 2012. This was primarily a result of accrued costs for redundancy payments (HRK 66 million) in 2013 treated as exceptional items, higher material expenses and other expenses, as well as lower work undertaken by the Group and capitalized, which were partially offset by the lower write down of assets.

Total consolidated operating expenses before depreciation and amortization decreased by 3.1% to HRK 1,018 million in Q3 2013 from HRK 1,051 million in Q3 2012. This was primarily a result of lower material expenses, employees' benefits expenses, the write down of assets partially offset by an increase in other expenses, as well as lower work undertaken by the Group and capitalized.

2.2.1 Material expenses

Material expenses increased from HRK 1,402 million in 2012 to HRK 1,414 million in 2013 mainly as a result of higher merchandise costs, partially offset by lower services expenses. Merchandise costs increased due to a higher number of acquired customers and a greater share of higher priced tariffs with more expensive handsets. In addition, merchandise costs were boosted by contract extension initiatives and the continuation of Christmas promotional campaigns into 2013.

Services expenses decreased by 7.4%, largely as a result of lower telecommunication costs. International telecommunication costs declined, mainly resulting from lower international hubbing traffic and lower average roaming unit costs. Domestic telecommunication costs decreased, mainly due to lower fixed termination rates and mobile termination rates combined with fixed to other mobile traffic decrease.

Material expenses decreased from HRK 498 million in Q3 2012 to HRK 465 in Q3 2013 mainly as a result of lower telecommunication costs. International telecommunication costs declined largely due to lower international hubbing traffic. Domestic telecommunication costs decreased on the back of lower fixed termination rates and mobile termination rates.

2.2.2 Employee benefits expenses

Total employee benefits expenses increased by 3.8% to HRK 871 million in first nine months of 2013 from HRK 839 million in the same period 2012. The Group booked costs of HRK 66 million for redundancy in 2013. Excluding redundancy costs, employee benefits expenses decreased by HRK 34 million mainly from the reduction in FTE (Jan-Sep 2013: 5,626 vs. Jan-Sep 2012: 5,725) resulting from the headcount reduction program in 2013. The impact of this is partially offset by new employments.

Total employee benefits expenses decreased by 4.0% to HRK 268 million in Q3 2013 from HRK 280 million in Q3 2012. Excluding redundancy costs of HRK 6 million from Q3 2013, employee benefits expenses decreased on the lower number of FTE.

2.2.3 Other expenses

Other expenses increased by 1.1% to HRK 890 million in first nine months of 2013 from HRK 881 million the previous year mainly due to higher maintenance, licenses and external employment costs. These were partially offset by lower sales commissions, postal charges, provisions and advertising costs. Maintenance costs increased due to a greater volume of fault repairs undertaken in 2013 than 2012.

Licenses costs increased as a result of the purchase of spectrum license in 2013. External employment costs increased as activities in tele sales and e-business intensified. Sales commissions declined however as a result of the lower number of transactions conducted through indirect sales channel, following the introduction of initiatives putting greater emphasis on direct sales channels in 2013.

Postal charges were lower, with improvements in billing procedures (one bill, e-bill) producing a lower number of printed invoices and with more favorable rates for invoice delivery. Advertising costs were also lower, as the level of advertising activity was reduced.

Other expenses increased by 5.8% to HRK 286 million in Q32013 from HRK 270 million the same period of the previous year, mainly due to higher maintenance and external employment costs.

2.3 Write down of assets

Asset write-downs in the nine month period decreased by 36.7% to HRK 53 million in 2013 from HRK 84 million in the first nine months of 2012, mainly due to the lower value adjustment of receivables and inventories.

Asset write downs decreased by 62.3% to HRK 11 million in Q3 2013 from HRK 30 million in Q3 2012, due to the lower value adjustment of receivables.

2.4 Depreciation and amortization

Depreciation and amortization during the nine month period were 1.7% lower than the same period the previous year (Jan-Sep 2013: HRK 959 million; Jan-Sep 2012: HRK 975 million). There was one off value adjustment of obsolete 2G equipment in 2012 due to its replacement contributing to lower depreciation in 2013.

Depreciation and amortization in the quarter were 9.4% higher than the same period the previous year (Q3 2013: HRK 322 million; Q3 2012: HRK 294 million), due largely to increases in content capitalization and higher investments.

2.5 T-HT Group profitability

in HRK million	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012	Change
Revenue	1,770	2,012	*-12.0%*	5,206	5,660	*-8.0%*
EBITDA before exceptional items	792	1,010	*-21.6%*	2,214	2,666	*-17.0%*
Exceptional items [1]	6	0	-	66	0	-
EBITDA after exceptional items	786	1,010	*-22.2%*	2,148	2,666	*-19.5%*
EBIT (Operating profit)	463	715	*-35.2%*	1,189	1,691	*-29.7%*
Net profit after minority interest	394	580	*-32.1%*	964	1,388	*-30.6%*
EBITDA margin before exceptional items	44.7%	50.2%	*-5.4 p.p.*	42.5%	47.1%	*-4.6 p.p.*
EBITDA margin after exceptional items	44.4%	50.2%	*-5.8 p.p.*	41.3%	47.1%	*-5.8 p.p.*
EBIT margin	26.2%	35.5%	*-9.4 p.p.*	22.8%	29.9%	*-7.0 p.p.*
Net profit margin	22.2%	28.8%	*-6.6 p.p.*	18.5%	24.5%	*-6.0 p.p.*

1) Exceptional items refer to redundancy costs totalling HRK 66 million.

With lower revenue and increased operating expenses arising largely from redundancy costs, EBITDA fell 19.5% to HRK 2,148 million in first nine months of 2013 (Jan-Sep 2012: HRK 2,666 million) for an EBITDA margin of 41.3% (Jan-Sep 2012: 47.1%). EBITDA decreased by 22.2% to HRK 786 million in Q3 2013 from HRK 1,010 million in Q3 2012, and the margin was 44.4%.

EBITDA before exceptional items decreased by 17.0% to HRK 2,214 million in first nine months of 2013, from HRK 2,666 million during the same period of 2012. This was a result of an 8.0% fall in net revenue and a 15.3% decline in other operating income, slightly offset by a 0.8% fall in lower operating expenses.

Comparing Q3 2013 to the Q3 2012, EBITDA before exceptional items decreased by 21.6% (HRK 218 million) primarily as a result of revenue decrease.

Consolidated operating profit fell 29.7% to HRK 1,189 million in the first nine months of 2013 from HRK 1,691 million the previous year as a result of lower EBITDA and lower depreciation and amortization, as outlined above. Consolidated operating profit decreased by 35.2% to HRK 463 million in Q3 2013 from HRK 715 million in Q3 2012, also as a result of these factors.

Consolidated net profit decreased by 30.6% to HRK 964 million in the nine month period from HRK 1,388 million the previous year. The decrease was primarily a result of lower EBITDA combined with lower net financial income and the decrease in depreciation and amortization. Consolidated net profit for the quarter decreased by 32.1% to HRK 394 million in Q3 2013 from HRK 580 million in Q3 2012 as a result of lower consolidated operating profit and increased net financial income.

2.6 Balance sheet

The total value of assets was 7.7% lower at the end of September 2013 compared with the 31 December 2012, mainly as a result of lower current assets.

The decrease in current assets primarily resulted from lower cash and cash equivalents related to the dividend payment in July 2013.

Total issued capital and reserves fell to HRK 10,197 million at 30 September 2013 from HRK 10,899 million at 31 December 2012 as a result of the dividend payment in July 2013.

Total current liabilities decreased to HRK 1,580 million at 30 September 2013 from HRK 1,935 million at 31 December 2012 mainly due to the utilization of provisions for redundancy and the settlement of foreign trade payables from the previous year.

2.7 Cash flow

Net cash flow from operating activities was 26.5% lower during the nine month period, due largely to lower net profit. Net cash flow from operating activities decreased to HRK 354 million in Q3 2013 from HRK 777 million in Q3 2012 as a result of lower net profit and decreased current liabilities.

Net cash flow from investment activities rose 48.7%, mainly as a result of significantly lower investments in financial assets in 2013.

Net cash flow from financing activities in the nine month period rose 7.6%.

2.8 Capital expenditure

in HRK million	Q3 2013	Q3 2012	change	Jan-Sep 2013	Jan-Sep 2012*	Change
Business	63	31	*103.5%*	174	80	*118.4%*
Residential	113	103	*9.6%*	419	263	*59.4%*
Network and Support Functions	69	108	*-36.2%*	264	270	*-2.5%*
T-HT Group	**245**	**242**	***1.3%***	**857**	**613**	***39.8%***
Capex / Revenue ratio	13.9%	12.0%	*1.8 p.p.*	16.5%	10.8%	*5.6 p.p.*

* Due to the changed in recognition of content provider costs, capex for 2012 is restated at 32 million (residential at HRK 30 million and business at HRK 2 million)

Capital expenditure in first nine months 2013 was significantly higher than in the same period of 2012, largely due to higher capitalization of content provider costs, investments in IT, the refurbishment of buildings for call centre reallocation and for a new data centre, along with the ongoing strategic projects of mobile broadband deployment.

In the Q3 2013 capital expenditure increased by 1.3% to HRK 245 million compared to HRK 242 million in Q3 2012.

In the Residential segment, capital expenditure rose during the first nine months of 2013 owing largely to higher capitalization of content provider costs, investments in IT and the refurbishment of buildings for call centre reallocation and for a new data centre.

In the Business segment, capital expenditure in the nine month period was also rose on the refurbishment of buildings for call centre reallocation and for a new data centre and on higher investments in 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 2.1% (up 2.2% on Q2 2013)
- 521,453 broadband retail access lines, down 0.4% (flat on Q2 2013), and 361,748 TV customers, up 9.9% (up 2.4% on Q2 2013)
- Revenue down 3.6%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 2,039 million, down 4.8%
- First in market to introduce 4G in Prepaid
- bonbon promotions show continued success
- Introduced Parental Control service – internet content filter for Smartphones
- Further promotions on 4G mobile internet tariffs with attractive handset offers
- Continued growth in IPTV and Satellite TV

Key Operational Data	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Mobile subscribers in 000						
Number of subscribers	1,926	1,967	*-2.1%*	1,926	1,967	*-2.1%*
Minutes of use (MOU) per average subscriber	160	131	*21.9%*	154	117	*31.7%*
Blended ARPU (monthly average for the period in HRK)	73	78	*-6.1%*	71	74	*-3.5%*
Fixed mainlines in 000						
Fixed mainlines - retail [1)]	989	1.028	*-3.8%*	989	1.028	*-3.8%*
Fixed mainlines - wholesale (WLR)	95	97	*-2.3%*	95	97	*-2.3%*
Total Traffic (mill. of minutes)[3)]	359	423	*-15.2%*	1.190	1.390	*-14.4%*

ARPA voice per access (monthly average for the period in HRK)	**90**	**97**	***-7.6%***	**91**	**98**	***-7.3%***
IP mainlines/customers in 000						
Broadband access lines - retail [2]	**521**	**524**	***-0.4%***	**521**	**524**	***-0.4%***
TV customers	**362**	**329**	***9.9%***	**362**	**329**	***9.9%***
thereof IPTV	317	303	*4.9%*	317	303	*4.9%*
thereof Cable TV	6	6	*0.1%*	6	6	*0.1%*
thereof Satellite TV	38	21	*83.8%*	38	21	*83.8%*
Broadband retail ARPA (monthly average for the period in HRK)	**127**	**125**	***1.2%***	**126**	**124**	***2.3%***

1) Includes POTS, FGSM and IP Voice customers migrated to IP; excluding Payphones

2) Includes ADSL, FTTH and Naked DSL

3) Total traffic is generated by fixed retail mainlines as defined in note 1.

3.1.1 Business review

In line with the Group's focus on innovation and quality first-to-market, in the nine month period T-HT launched a range of innovative PLAN tariffs. The PLAN offering is designed to meet the many and varied needs of different customer categories– ranging from customers using the handset only for calls and SMS to customers requiring the complete online experience using LTE speeds providing up to 10 times faster internet access.

The PLAN tariffs also provide significant innovation with a unique Multimedia package that includes access to Deezer (a leading global music service), MaxTV To Go (with premium and exclusive TV content) and Spremalica (providing 10GB free private online space for data storage). In addition, PLAN tariffs include a significantly enhanced volume of data, SMS and voice minutes. A new communication campaign for Plan za Surfanje L also commenced in the middle of September, featuring attractive Samsung handset offers.

The new PLAN tariffs allow T-HT customers to fully exploit the potential of the their handset while providing premium, exclusive, popular and entertaining multimedia content such as Deezer, which gives access more than 20 million music tracks available for streaming or downloading.

The launch of the new PLAN tariffs was followed in May by a campaign to promote mobile net tariffs.

T-HT also continued to boost its Value Added Services with the introduction of a Parental Control Service in September, offering an internet content filter for Smartphones priced at HRK 1 per month for first two months of usage. This offer also featured attractive handset offers and surprise bonuses for early adopters. T-HT also partnered with Oryx to introduce a road assistance service to national and international travellers in July, bookable via SMS.

Ahead of Croatian accession to the EU and the introduction of new roaming regulation, T-HT also launched, for the prepaid and postpaid segments, Travel & Talk and Travel & Work options offering international calls and data packages at affordable prices for its customers to provide hassle free cross border free communication.

The successful Simpa option "Prejaka opcija" continued in the nine months period. This provides unlimited text messages, 1GB mobile internet and 1,000 minutes of cross net calls at a very affordable price. The promotion of "Prejaka opcija" was boosted by a campaign launched in April that was accompanied by a prize winning game for Simpa customers and featured attractive handset deals.

In June, bonbon introduced its new postpaid offer – a package of voice, text and data that customers can customise according to their preference. bonbon benefits also include 1,000 minutes and 1,000 SMS until 2020 for new postpaid users and a feature that allows customers to set a spending limit according to their particular requirements, ensuring additional value, without unexpectedly high bills.
bonbon also remained successful in the prepaid segment in the nine months of 2013 on the back of a promotion featuring 1,000 on net minutes for just HRK 1 until the end of 2014. bonbon customers are entitled to 50% discount on first monthly package for every HRK 80 top up or 50 % discount on two monthly packages for every HRK 160top up.

Multiplus mobile, the MVNO brand launched in 2012, remained successful in the nine month period, supported by a range of promotional offers.

T-HT has further expanded the coverage of its 4G network based on LTE (Long Term Evolution) technology. From January to September 2013 the Group continued to promote mobile internet tariffs based on the 4G network featuring attractive deals on the latest smartphones such as the Nokia Lumia 820 and tablets including the Samsung Galaxy Tab 8.9 LTE. Additional discounts were available through the T-HT online store. T-HT was first to market in Croatia with 4G network services based on LTE technology and 4G handsets, targeting prepaid customers.

From January to September, the fixed segment was also characterised by innovations, premium content offers and a range of promotional campaigns.
In May, the Group launched the MaxADSL "double speed" offer which provided all new and existing T-HT MaxADSL customers, Max2 Internet and Max3 customers two times faster speeds and affordable internet usage. In addition, an offer launched in the summer offer offered all T-HT fixed Internet customers flat mobile Internet at HRK 25 per month. This deal also featured a Huawei MediaPad 7, available from HRK 98, and a Multimedia package (available on tablet, smartphone, laptop or PC) for just HRK 1 during the summer months).
In September, T-HT introduced its Try&Buy MAX Tv promotion, providing the MAXtv basic package for a price of HRK 1 per month for six months to all new MAXadsl customers signing up for a 24 month contract. This was part of a broad campaign to promote MaxTv that focused on the exclusive sports content including Croatian premier league, Champions league and European league football matches.

The mobile customer base decreased by 2.1% to 1,926,239 customers in Q3 2013 from 1,967,186 customers in Q3 of 2012, mainly as a result of fewer customers with double SIM cards as they shifted to attractive flat and cross net offers.

Minutes of usage per average customer at the end of September 2013 increased by 31.7% compared to the previous year due to the introduction of flat rate offers and bundled offers that included a large amount of minutes in both the postpaid and prepaid tariffs.

Blended ARPU decreased by 3.5% at the end of Q3 of 2013 compared to the end of Q3 2012 , as a result of highly competitive packages and tariffs offered by the other telecoms providers.

At the end of September 2013, fixed access mainlines totalled 989,473, down 3.8% compared to the end of September 2012. This decline is in line with overall trends in the telecommunication market of fixed to mobile and IP substitution and migration to alternative operators. Fixed telephony users generated 1,189,886 minutes from January to September 2013, 14.4% lower than the same period of the previous year and driven by the trend towards the substitution of fixed traffic with mobile and IP traffic.

Fixed voice ARPA fell 7.3% from the same period of the previous year as a result of general market trends outlined above.

At the end of September 2013, broadband retail accesses totalled 521,453, down 0.4% year on year and flat on Q2 2013. At the same time broadband retail ARPA increased by 2.3% due to an increased share of customers with packages including higher traffic and higher access speed (resulting in a higher subscription fee).

The TV customer base continues to show steady growth. At the end of September, customers numbered 361,748 customers, for a 9.9% increase over the same period in 2012, and 2.4% growth from Q2 2013.

Take-up of Satellite TV, an extension of the Group's IPTV service, continues to increase as the Group implements continuous improvements that provide greater value to the customer. As a result, satellite TV services are expected to contribute significantly to the overall success of T-HT's TV offering.

3.1.2 Residential Segment financial performance

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Voice revenue	529	611	*-13.4%*	1,587	1,765	*-10.1%*
Non voice revenue	435	400	*8.6%*	1,257	1,183	*6.3%*
Other service revenue	0	6	*-95.4%*	1	23	*-93.8%*
Terminal equipment	36	35	*2.7%*	111	104	*7.4%*
Miscellaneous	7	5	*46.2%*	16	10	*51.3%*
Total Revenue	**1,007**	**1,057**	***-4.7%***	**2,973**	**3,085**	***-3.6%***
Operating expenses [1)]	**293**	**324**	***-9.5%***	**934**	**944**	***-1.0%***
Contribution to EBITDA before EI [1)]	**714**	**733**	***-2.6%***	**2,039**	**2,142**	***-4.8%***

1) Operating expenses per segment for 2012 restated due to the change in recognition of content provider costs at the end of 2012 and due to organisational changes in 2013.

Financial review

During the first nine months of 2013, total residential revenue declined to HRK 2,973 million, down 3.6% year on year. This decline resulted largely from lower voice revenues in the fixed and mobile network in combination with lower other service revenue (due to a change in the accounting treatment of subscription fees), and was partially offset by higher non voice revenue, terminal equipment and miscellaneous revenue.

This marks a continuation of the declining revenue trend seen in 2012, arising from the tough macro-economic environment, intense market competition and tight regulation of the fixed line business.

Total revenue in Q3 2013 fell by HRK 50 million, down 4.7%, over Q3 2012, mainly on lower voice and other service revenue and slightly offset by higher non voice revenue.

Voice revenue

The decline in total revenue in the first nine months of 2013 outlined above was driven primarily by a fall of HRK 178 million in voice revenue.

Both the fixed and mobile network displayed declining revenue trends. Fixed voice revenue fell 9.9% over the same period last year as a result of the lower number of retail mainlines, as well as the substitution of fixed services with mobile and internet services, which consequently lowered the number of minutes (which fell 14.4%). Due to these factors, combined with intensifying competition and pricing pressure, ARPA was 7.3% lower.

The revenue decline in mobile was driven by falling retail revenue. This was caused by a 3.5% fall in ARPU resulting from a highly competitive market, downward pressure on pricing and the tough economic environment. In addition, flat tariffs lowered ARPU and increased minutes of use by 31.7%.

Mobile termination revenue was also lower on reduced termination price rates.

In the Q3 2013 voice revenue was HRK 82 million, or 13.4%, lower year on year as a result of lower revenue in both the fixed and mobile network.

Non voice revenue

In the first nine months of 2013, non voice revenue increased by 6.3%, or HRK 74 million, over the same period of the previous year as a result of higher revenue from fixed and mobile postpaid services.

A 3.5% increase in fixed IP revenue was driven by higher broadband retail ARPA (Jan-Sep 2013: HRK 126 vs. Jan-Sep 2012: HRK 124) and a greater number of TV customers. Over the past 12 months, the Group's TV customer base has risen by 32,458 customers, or 9.9%.

Mobile services revenue rose 12.0% in the nine month period. A redistribution of non-voice revenue in favor of data revenue was apparent owing to the greater volume of data and multimedia packages included in the Group's new tariffs. This is in line with global trends, as average mobile usage tends increasingly towards advanced services such as data transmission and less on traditional non voice services such as SMS. This trend is also apparent in the prepaid business where attractive offers featuring data packages are available.

In Q3 2013, non voice revenue rose 8.6%, or HRK 35 million, as a result of higher revenue from fixed and mobile postpaid services, as outlined above.

Other service revenue

Other service revenue was HRK 22 million lower than the previous year as a result of the higher number of customers on bundled tariffs, where revenue is recorded based on voice and non voice usage (not as a subscription fee).

Terminal equipment

Revenue from terminal equipment increased HRK 8 million, or 7.4% year on year. An increase in the mobile segment was caused by lower subsidies on handsets than in first nine months of 2012, while growth in the fixed segment was caused by the extension of Christmas promotional campaigns.

Miscellaneous

A rise of 51.3% in miscellaneous revenue, compared to the first nine months of 2012, resulted from higher revenue from the termination of inactive SIM cards.

Contribution to EBITDA

The Residential segment's contribution to EBITDA fell by HRK 103 million over the same period in 2012, driven primarily by a HRK 112 million fall in total revenue.

Costs were 1.0% lower, however, on lower sales commission costs, lower indirect costs and lower losses on accounts receivables combined primarily with higher merchandise costs, mostly from the mobile segment and resulting from a greater number of new customers and different a tariff mix (with higher priced tariffs with more expensive handsets taking the larger share). At the same time, domestic telecommunication services costs increased due to higher usage caused by cross net/off net oriented tariffs.
Copyright fees also rose slightly due the increased number of TV customers and the expansion of additional TV packages, particularly packages offering sports content.

The contribution to EBITDA decreased in Q3 2013 by 2.6% to HRK 714 million mainly due to a 4.7% decline in revenue partially offset by lower operating expenses.

3.2 Business Segment

Highlights

- Substantial customer base across all segments and products
- Mobile subscribers down 2.0% (flat on Q2 2013)
- 109,445 broadband retail access lines, up 4.3% (flat on Q2 2013) and 21,566 TV customers, up 7.9% (up 2.4% on Q2 2013)
- Revenue down 13.3%, due largely to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 1,266 million, down 22.2%
- Broadband customer base is growing
- Further development of Cloud services portfolio and market place
- MAX3 packages launched in July, offering fixed telephony, Internet and TV

Key Operational Data	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Mobile subscribers in 000						
Number of subscribers	466	476	*-2.0%*	466	476	*-2.0%*
Minutes of use (MOU) per average subscriber	253	247	*2.3%*	250	244	*2.5%*
Blended ARPU (monthly average for the period in HRK)	127	168	*-24.5%*	136	163	*-16.9%*
Fixed mainlines in 000						
Fixed mainlines - retail [1)]	166	178	*-6.5%*	166	178	*-6.5%*
Fixed mainlines - wholesale (WLR)	18	19	*-6.6%*	18	19	*-6.6%*

Total Traffic (mill. of minutes)[4)]	**91**	**127**	***-28.3%***	**313**	**430**	***-27.4%***
ARPA voice per access (monthly average for the period in HRK)	**109**	**105**	***4.3%***	**188**	**221**	***-15.1%***
IP mainlines/customers in 000						
Broadband access lines - retail [2)]	**109**	**105**	***4.3%***	**109**	**105**	***4.3%***
Broadband access lines-wholesale[3)]	**36**	**23**	***56.6%***	**36**	**23**	***56.6%***
TV customers	**22**	**20**	***7.9%***	**22**	**20**	***7.9%***
thereof IPTV	20	19	*4.7%*	20	19	*4.7%*
thereof Cable TV	0	0	*-9.3%*	0	0	*-9.3%*
thereof Satellite TV	1	1	*113.1%*	1	1	*113.1%*
Fixed-line customers	**1**	**1**	***5.3%***	**1**	**1**	***5.3%***
VPN connection points	**4**	**4**	***2.3%***	**4**	**4**	***2.3%***
Broadband retail ARPA (monthly average for the period in HRK)	**135**	**136**	***-0.8%***	**133**	**134**	***-0.7%***
Data lines in 000						
Total data lines	**5**	**5**	***-2.9%***	**5**	**5**	***-2.9%***
Wholesale customers in 000						
CPS (Carrier Pre-Selection)	25	34	*-25.7%*	25	34	*-25.7%*
NP (Number portability) users/number	702	585	*19.9%*	702	585	*19.9%*
ULL (Unbundled Local Loop)	170	164	*3.8%*	170	164	*3.8%*

1) Includes PSTN, FGSM and IP voice customers migrated to IP platform; excluding payphones
2) Includes ADSL, FTTH and Naked DSL
3) Includes Naked Bitstream + Bitstream
4) Total traffic is generated by fixed retail mainlines as defined in note 1.

3.2.1 Business Review

In the first nine months of 2013, the mobile customer base was 2.0% down on the same period of the previous year. Minutes of use per average customer rose 2.5% due to significant growth of termination minutes per customer, whilst originating minutes declined.
Due to the tough economic environment and EU regulation on roaming rates introduced on 1 July 2013, blended ARPU for the nine month period was 16.9% lower year on year. However, blended non-voice ARPU rose 13.0% on the increasing penetration of smartphones.
In Q3 both new and existing business customers signing up for Mobile Internet L or Mobile Internet XL tariffs received 50% discount on the monthly fee for six months on a 12 month contract or 12 months on a 24 month contract agreement.

T-HT's fixed retail customer base, in line with general trends across the telecommunication sector, has experienced a shift from fixed to mobile usage and migration to IP whilst being heavily affected by the economic crisis. Total lines numbers 166,380, down 6.5% on the previous year during the nine month period and 2.0% lower than in Q2 2013.
The lower customer base, as a result of factors outlined above, led to a 27.4% decline in total fixed traffic in the first nine months of 2013 compared with the same period of the previous year. Fixed voice ARPA decreased 15.1% year on year to HRK 188 during the period.

The broadband retail customer base rose 4.3% year on year to reach 109,445 at the end of Q3 2013. ARPA fell slightly compared to same period of the previous year (Jan-Sep 2013: HRK 133 vs Jan-Sep 2012: HRK 134) .

In July, the Group launched business MAX3 packages that offered telephone, Internet and TV in one bundle.

The TV customer base grew 7.9% to 21,566 customers as a result of continuing improvements in service and content.

From the beginning of the year, the Group ran a promotional offer aimed at new DTH (Direct-to-home satellite dish) users. Customers signing up for 24 months received 50% discount on the monthly fee for the first 12 months. The minimum contract duration for new customers is 12 or 24 months.

Promotional offers featuring discounted monthly fees were also made available on the Mali Hotel TV service.

For new Hotel TV customers, the Group ran a promotion that offered installation for just HRK 99 to customers signing up for a 24 months contract.

The existing IPTV customers were offered one free package (Sports plus package, Plus or Kids package) for the first three months. In addition, a campaign targeting all new customers on MAXtv To Go provides the Basic packages for two months for HRK 1.

The Group's IP Fixed line customer base rose 5.3%, while VPN connection points increased by 2.3% compared with the same period of the previous year. The number of data lines fell 2.9% on the year, however. Traditional data lines have been decreasing as a consequence of T-HT's strategy of migration to IP based products. As a result, the Metro Ethernet service is growing.

More than 1,450 companies and about 11,300 end users are now using T-HT Cloud services. The Cloud portfolio expanded further in Q3 2013 with the launch of an increased range of services including Cloud Call Center, Cloud Legal Regulation, Teambox, Opinator and On Line Meeting.

New products were also introduced in the ICT Marketplace and products available now include: Cloud Call Center, Cloud Legal Regulation, Virtual Server, Virtual Desktop, Cloud Exchange Mail and Sharepoint, Teambox, Opinator, On Line Meeting, Spontania Video Meeting, Spontania Classroom, SugarCRM, and free applications (FileZilla, AbiWord, WinRar, Opera).

Combis and T-HT successfully delivered high value customized ICT solutions. The Group implemented an automated incident management tool for ICT services in order to increase customer satisfaction and to assure prompt repairs of service faults.

Combis contributed some material projects in the hardware sales, maintenance, printing solution, pneumatic tube system, infrastructure cabling and banking business. In addition, Combis also continued to develop new solutions and upgrade existing solutions in the application development, IP communication and professional services industries into different verticals (for example, financial services, telecommunication, government/public companies).

Wholesale

At the end of September 2013 there were 170,342 active ULL lines and 36,222 wholesale DSL and naked DSL lines (BSA). ULL market is still growing, but growth is slowing, as it is in BSA. Slower growth of ULL and BSA lines is the outcome of lower conversion from HT retail - in the past, circa 50% of retail churn was converted to wholesale services, while in Q3 2013 the conversion rate was lower than 20% due to a higher number of total disconnections. At the same time, number of WLR lines declined to 112,451 compared to 115,904 at the end of Q3 2012 due to the lower number of requests for new WLR lines.

As a result of the WLR offer, the number of "pure" CPS customers fell to 24,959 at the end of the nine months period. New CPS activations are primarily connected with WLR activations and contribute to WLR gross adds (they do not count towards CPS gross adds).

At the end of September 2013, 701,717 numbers had been ported during the period from T-HT's fixed network to other fixed networks compared to 585,194 in the same period last year. The decrease in the number of WLR and CPS customers combined with the lower ARPU value of new CPS customers, resulted in a 37% decline in originated minutes against the same period last year. At the same time, the number of terminated minutes from other fixed networks into the T-HT network was 9% lower than in the same period of 2012.

Visitor roaming services generated 44% of all revenue derived from international operators in the first nine months of 2013. Termination and transit of international voice traffic generated 47% of revenues in the international market and the remainder is related to data and IP services.

A successful tourist season in the summer and the application of EU regulated prices in retail and wholesale contributed to significant growth in usage of roaming services by foreign visitors on the T-HT mobile network and by T-HT retail users abroad.

Visitors generated 45% more voice minutes, 19% more SMS and fully 328% more roaming traffic compared to Q3 2012. At the same time, T-HT's mobile customers generated 45% more roaming voice traffic in foreign countries, 22% more SMS and also 165% more data traffic compared to Q32012. Looking at the nine month period, visitor voice traffic rose 29% over first nine months of 2012, with data traffic up 266%.

Total international voice traffic terminated into domestic networks increased by 11% in Q3 2013 compared to Q3 2012, mainly due to the growth of incoming traffic towards foreign roamers in Croatia (growth of total mobile traffic is 49%). On the cost side, international outbound voice traffic from T-HT network increased by 3% compared to the previous year (mainly driven by visitor traffic).

The sale of data and IP services to international operators remained at the same level of volume as last year.

3.2.2 Business Segment financial performance

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Voice revenue [1)]	309	479	*-35.5%*	932	1,260	*-26.0%*
Non voice revenue [1)]	294	311	*-5.4%*	837	856	*-2.2%*
Other service revenue	120	115	*4.9%*	341	329	*3.6%*
Terminal equipment	12	10	*15.7%*	40	36	*11.3%*
Miscellaneous	28	39	*-28.7%*	82	94	*-12.6%*
Total Revenue	**763**	**954**	***-20.0%***	**2,232**	**2,575**	***-13.3%***
Operating expenses [2)]	**319**	**333**	***-4.2%***	**966**	**948**	***2.0%***
Contribution to EBITDA before EI [2)]	**444**	**621**	***-28.6%***	**1,266**	**1,627**	***-22.2%***

1) 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).
2) Operating expenses per segment for 2012 restated due to a change in recognition of content provider costs at the end of 2012 and due to organisational changes in 2013.

Financial review

In first nine months of 2013, total business revenue recorded a year on year decline of 13.3% to HRK 2,232 million. The fall was largely driven by lower voice revenues in both the fixed and mobile network, combined with lower non voice and miscellaneous revenue.
The continued decline from the previous year was again caused by the difficult macro-economic environment, the regulatory framework and intense competition.

In Q3 2013, revenue declined by HRK 191 million, or 20.0%, as a result of lower voice, non voice and miscellaneous revenue. Other revenue, driven by ICT, rose over Q3 2012 as did terminal equipment revenue.

Voice revenue

For the first nine months of 2013, voice revenue was 26.0%, or HRK 328 million, year on year.

Mobile voice revenue decreased by HRK 204 million. Mobile retail revenue was HRK 117 million lower, partially as a result of the decline in the number of mobile customers, which were 2.0% lower, and lower average prices for usage. Whilst usage per average customer has risen 2.5%, prices are lower amid intense price competition in a saturated mobile market. In addition, roaming rates have been pushed lower by EU regulation and the inhospitable macro-economic environment remains tough. Mobile termination revenue dropped by 23.2% due to the decline in MTR. These factors all led to an ARPU decrease of 16.9%.

Visitors revenue decreased by HRK 73 million due to significantly lower prices (as of 1 July 2013 as a result of implementation of EU regulation), although voice traffic (generated by foreign roaming visitors in our mobile network) increased considerably.

Fixed voice revenue was HRK 78 million lower than the nine month period of 2012. This resulted from fewer retail mainlines, down 6.5%, and the substitution of fixed services by mobile and internet services. Consequently, minutes of use decreased by 27.4%. In total, voice ARPA declined by 15.1% to HRK 188.

Fixed wholesale revenue decreased by 18.3%. The fall was mostly driven by lower revenue from international voice services. International hubbing traffic declined due to increased competition. International termination revenue to other mobile networks are falling, following the lowering of international MTR as of July 2013. National voice revenues decreased by HRK 7 million due to lower IC prices starting from January 2013 combined with lower traffic.

Total voice revenue in Q3 2013 decreased year on year by HRK 170 million or 35.5%. The decline of HRK 128 million was driven by lower mobile revenue largely caused by lower visitors revenue, which fell HRK 71 million with the introduction of price regulation on 1 July 2013. The remainder of the decline was caused by a lower number of mobile customers and lower average price of usage. Fixed voice revenue was HRK 25 million lower, while wholesale segment revenue was HRK 18 million lower.

Non voice revenue

Non-voice revenue in the nine month period decreased year on year by HRK 19 million, or 2.2%, as a result of lower wholesale revenue, which fell by HRK 19 million, and lower fixed retail revenue, which were HRK 12 million lower. This was partially offset by revenue growth of HRK 12 million in mobile.

Wholesale non voice fixed revenue was lower, primarily as a result of lower revenue from international global internet access due to market price reductions. Revenue from national and international data were lower year on year due to a decrease in capacity and lower prices.

In fixed retail, the revenue decrease was driven by a 9 million lower revenue from traditional data (due to migration to IP data) and by a HRK 3 million, decrease in IP and Internet revenue due to a 0.7% decline in ARPA.

Mobile revenue increased, due to a shift in non-voice revenue to data revenue. This is in line with overall market trends, as an increasing number of tariffs include data traffic in basic packages. The trend reflects customer usage patterns as more advanced services such as data transmission gain popularity and usage of traditional non voice services such as SMS declines. However, lower visitor revenue, which fell by HRK 5 million, resulted primarily from lower data and SMS prices (following EU regulation as of 1 July 2013).

In Q3 2013, non-voice revenue decreased by HRK 17 million, or 5.4%, year on year, reflecting lower mobile non-voice revenue from visitor revenue, which fell HRK 10 million and lower revenue from wholesale and fixed non-voice revenue.

Other service revenue

Other service revenue increased by HRK 12 million year on year in the first nine months of 2013. Higher ICT revenue, which rose by HRK 37 million, was partially offset by lower postpaid subscriptions, which were HRK 25 million lower.

The revenue contribution from the Group's ICT operations was mainly driven by improvement in the ICT services portfolio (Cloud Services, Market Place, Fiscalization), supported by customized solutions. Iskon revenue was also higher due to the upgrade of HT Mostar that led to the generation of additional revenue.

However, postpaid basic subscription revenue was HRK 25 million lower due to an increased number of customers with bundled tariffs where revenue is recorded based on voice and non-voice and not as subscription fees.

Revenue in Q3 2013 increased by HRK 6 million year on year, driven by increased ICT revenue, which rose HRK 14 million but was partially offset by a fall in postpaid basic subscriptions, which were HRK 9 million lower.

Terminal equipment

In the first nine months of 2013, revenue from terminal equipment was 11.3% higher, up HRK 4 million year on year.

Year on year growth was driven by an increase in mobile terminal equipment revenue.

Revenue in Q3 2013 rose HRK 2 million over Q3 2012, due to higher customer acquisition and retention activities.

Miscellaneous revenue

Miscellaneous revenue was HRK 12 million, or 12.6%, down year on year on lower mobile revenue, which fell HRK 12 million as a result of lower national roaming prices and a decline in bulk SMS traffic.

Revenue in Q3 2012 fell by HRK 11 million on Q3 2013 owing to factors outlined above.

Contribution to EBITDA

The contribution to EBITDA during the January to October 2013 period was HRK 361 million lower year on year, resulting from a fall in total revenue of HRK 343 million and an increase in total costs of HRK 19 million.

Costs were mainly increased by higher merchandise costs, resulting largely from contract extension initiatives. Sales commission costs and copyright fees also rose.

Usage related direct costs fell by 20.4%, largely as a result of lower international telecommunication services costs driven by decreased international hubbing traffic and a decline in average roaming unit costs. Domestic telecommunication services costs fell primarily as result of lower fixed termination rates and mobile termination rates combined with a decrease in fixed to other mobile traffic. In addition, losses on accounts receivables were 15% lower year on year. Indirect costs increased by 14.8%, due to license costs and other expenses.

The contribution to EBITDA in Q3 2013 was down 28.6%, or HRK 177 million, year on year due to a 20.0% decline in revenue of HRK 191 million with a 4.2%, or HRK 14 million, decrease in costs.

3.3 t.portal

t-portal reaches around 40% of Croatian Internet users, and ranked number 3 in the top 5 Croatian news portals, with around 1 million unique visitors per month, according to the August 2013 analysis by Gemius, an independent Internet traffic research agency.
In Q3 2013 t-portal continues with the redesign and further development of content presentation, particularly focusing on sports. The MAXtv Prva Liga and UEFA sections now offer LIVE goals and highlights of the most compelling football fixtures. Furthermore, working alongside the MAXtv promotions team, the multimedia and editorial team have developed a new landing page for Instrukcije.tv, a new project offering elementary school pupils and high school students the opportunity to catch up with their school curriculum through video lessons.

3.4 Network and support functions financial performance

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Other Operating income	33	49	*-32.5%*	132	156	*-15.3%*
Operating expenses[1)]	399	394	*1.3%*	1.223	1.258	*-2.8%*
Contribution to EBITDA before EI[1)]	-366	-345	*-6.1%*	-1,091	-1,103	*1.1%*

1) Operating expenses per segment for 2012 restated due to organisational changes in 2013.

Other operating income decreased by 15.3% year on year in the nine month period, mainly as a result of lower income from dunning letters, lower revenue from default interest and a reduction in the remainder of other operating income), partially offset by higher real estate sales and real estate rental.

Operating expenses excluding exceptional items decreased 2.8% year on year. This fall was largely caused by lower employee benefits expenses coming from a reduced number of FTE as a result of the Headcount restructuring program implemented in 2013, and lower indirect costs - partially offset by lower work undertaken by the Group and capitalized. The fall in indirect costs was driven by lower postal charges and decreased provisions.

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. The 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 increasing the 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), undertaking preparation 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

HT is currently undertaking activities related to FTTC (fiber-to-the-curb) and FTTN (fiber-to-the-node) options that will result in a shorter local loop due to the installation of new nodes. In Q1 2013, HT sent to the Agency (HAKOM) a proposal for the Standard offer for FTTC model, which will be the base for FTTC rollout, after final confirmation. In Q2 2013 the preparations for the pilot location - Strmica - were completed. In Q3 2013, the pilot FTTC project and Standard offer for FTTC were successfully completed. In addition, preparation of project documentation is underway, as well as the acquisition of permits for building out ECI for the FTTN/FTTC infrastructure.

Within the Fault Repair transformation program, the preparation of an action plan for the reconstruction of cable routes with the highest number of recorded disturbances in 2012 is in progress, along with the preparation for remedial work on the access network in order to improve its quality and enable new broadband services.

Evolution and modernization of 2G radio access network

The SingleRAN project aims to modernize 2G network. In 2013, the process of replacing existing base transceiver stations with new technology continued, and by end of Q3 2013, fully 77% of total 2G sites had been modernized.

3G radio access network enhancement

T-HT 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 the rapidly increasing volumes of data traffic.

During Q1 and Q2 2013, intensive implementation of UMTS 900 mobile broadband technology was completed in time for the tourist season: on islands, coastline, under the sea and on the major highways. In Q3 2013, UMTS 900 rollout continued on the mainland. At the end of Q3 2013, the 3G signal covered 75.05% of the population with download data speeds of up to 42 Mbps.

LTE radio access network

In 2013, T-HT continued to develop the first commercial LTE (Long Term Evolution or 4G) network in Croatia on the 1,800 MHz frequency band and on the digital dividend, 800 MHz frequency band. At the end of Q3 2013, the 4G signal covered 17.5% of population with download data speeds of up to 75 Mbps.

IP Transformation

As part of its IP transformation program, T-HT achieved migration of 36% retail customers by the end of Q3 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 and 2in1 migration. The IP transformation initiative targets 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 a GDP change of -2.0% in 2012 and a -0.5% forecast for 2013. 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 current tough economic and competitive environment coupled with the introduction of EU regulation has had a greater impact on the Group’s Q3 performance than previously anticipated. Consequently, we expect the EBITDA margin for the full year to be between 42% and 43%.

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 HT accounting policies)	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Voice revenue [1)]	838	1,090	*-23.2%*	2,519	3,025	*-16.7%*
Non voice revenue [1)]	729	712	*2.5%*	2,094	2,039	*2.7%*
Other service revenue	121	120	*0.0%*	343	352	*-2.8%*
Terminal equipment	48	45	*5.6%*	151	140	*8.4%*
Miscellaneous	35	44	*-20.7%*	98	105	*-6.2%*
Revenue	**1,770**	**2,012**	***-12.0%***	**5,206**	**5,660**	***-8.0%***
Other operating income	33	49	*-32.5%*	132	156	*-15.3%*
Total operating revenue	**1,803**	**2,060**	***-12.5%***	**5,337**	**5,816**	***-8.2%***
Operating expenses	**1,018**	**1,051**	***-3.1%***	**3,190**	**3,149**	***1.3%***
Material expenses [2)]	465	498	*-6.6%*	1,414	1,402	*0.9%*
Merchandise, material and energy expenses	213	224	*-4.9%*	704	635	*10.9%*
Services expenses	251	273	*-8.0%*	710	767	*-7.4%*
Employee benefits expenses	268	280	*-4.0%*	871	839	*3.8%*
Other expenses	286	270	*5.8%*	890	881	*1.1%*
Work undertaken by the Group and capitalised	-12	-27	*53.6%*	-40	-56	*28.8%*
Write down of assets	11	30	*-62.3%*	53	84	*-36.7%*
EBITDA	**786**	**1,010**	***-22.2%***	**2,148**	**2,666**	***-19.5%***
Depreciation and amortization [2)]	322	294	*9.4%*	959	975	*-1.7%*
EBIT	**463**	**715**	***-35.2%***	**1,189**	**1,691**	***-29.7%***
Financial income	9	18	*-46.1%*	38	63	*-39.4%*
Income/loss from investment in joint ventures	10	12	*-13.9%*	20	19	*5.4%*
Financial expenses [2)]	-6	21	*-130.6%*	42	51	*-18.1%*
Profit before taxes	**489**	**724**	***-32.4%***	**1,205**	**1,722**	***-30.0%***
Taxation	96	144	*-33.5%*	241	334	*-27.7%*
Net profit	**394**	**580**	***-32.1%***	**964**	**1,388**	***-30.6%***
Exceptional items	6	0	-	66	0	-
EBITDA before exceptional items	**792**	**1,010**	***-21.6%***	**2,214**	**2,666**	***-17.0%***

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 HT accounting policies)	At 30 Sep 2013	At 31 Dec 2012	*change*
Intangible assets	1,149	1,142	*0.6%*
Property, plant and equipment	5,621	5,734	*-2.0%*
Non-current financial assets	614	897	*-31.5%*
Receivables	19	21	*-7.1%*
Deferred tax asset	59	65	*-9.3%*
Total non-current assets	**7,462**	**7,858**	***-5.0%***
Inventories	187	155	*20.3%*
Receivables	1,364	1,219	*11.9%*
Current financial assets	941	586	*60.7%*
Cash and cash equivalents	2,050	3,146	*-34.8%*
Prepayments and accrued income	99	148	*-33.6%*
Total current assets	**4,640**	**5,254**	***-11.7%***
TOTAL ASSETS	**12,102**	**13,113**	***-7.7%***
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.0%*
Revaluation reserves	-1	-1	*24.3%*
Retained earnings	637	606	*5.0%*
Net profit for the period	964	1,696	*-43.2%*
Total issued capital and reserves	**10,197**	**10,899**	***-6.4%***
Provisions	197	227	*-13.2%*
Non-current liabilities	125	52	*138.5%*
Deferred tax liability	4	0	-
Total non-current liabilities	**325**	**279**	***16.4%***
Current liabilities	1,457	1,667	*-12.6%*
Deferred income	123	122	*0.9%*
Provisions for redundancy	0	146	*-100.0%*
Total current liabilities	**1,580**	**1,935**	***-18.3%***
Total liabilities	**1,905**	**2,214**	***-14.0%***
TOTAL EQUITY AND LIABILITIES	**12,102**	**13,113**	***-7.7%***

6.3 Consolidated Cash Flow Statement

in HRK million (IFRS HT accounting policies)	Jan-Sep 2013	Jan-Sep 2012	*change*
Profit before tax	1,205	1,722	*-30.0%*
Depreciation and amortization [1)]	959	975	*-1.7%*
Increase / decrease of current liabilities [1)]	-209	-160	*-30.9%*
Increase / decrease of current receivables	-64	-51	*-25.1%*
Increase / decrease of inventories	-31	17	*-280.7%*
Other cash flow decreases [1)]	-433	-562	*23.0%*
Net cash inflow/outflow from operating activities	**1,427**	**1,942**	***-26.5%***
Proceeds from sale of non-current assets	45	3	
Proceeds from sale of non-current financial assets	1	2	*-9.3%*
Interest received	22	41	*-46.9%*
Dividend received	-	-	-
Other cash inflows from investing activities	548	818	*-33.0%*
Total increase of cash flow from investing activities	**616**	**863**	***-28.6%***
Purchase of non-current assets [1)]	-857	-613	*-39.8%*
Purchase of non-current financial assets	-75	-225	*66.7%*
Other cash outflows from investing activities	-525	-1,666	*68.5%*
Total decrease of cash flow from investing activities	**-1,458**	**-2,505**	***41.8%***
Net cash inflow/outflow from investing activities	**-842**	**-1,641**	***48.7%***
Total increase of cash flow from financing activities	-	-	-
Repayment of loans and bonds	-1	-4	*65.5%*
Dividends paid	-1,679	-1,813	*7.4%*
Repayment of finance lease	-4	-5	*23.9%*
Other cash outflows from financing activities	-	-	-
Total decrease in cash flow from financing activities	**-1,685**	**-1,823**	***7.6%***
Net cash inflow/outflow from financing activities	**-1,685**	**-1,823**	***7.6%***
Exchange gains/losses on cash and cash equivalents	3	-2	*264.7%*
Cash and cash equivalents at the beginning of period	3,146	3,704	*-15.1%*
Net cash (outflow) / inflow	-1,096	-1,523	*28.0%*
Cash and cash equivalents at the end of period	**2,050**	**2,181**	***-6.0%***

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

6.4 Consolidated EBITDA reconciliation

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Segment Result (Contribution to EBITDA)						
Residential Segment	714	733	*-2.6%*	2.039	2.142	*-4.8%*
Business Segment	444	621	*-28.6%*	1.266	1.627	*-22.2%*
Network and Support Functions	-366	-345	*-6.1%*	-1.091	-1.103	*1.1%*
Total Contribution to EBITDA before SI of the Segments	792	1.010	*-21.6%*	2.214	2.666	*-17.0%*
Special influences	6	0	-	66	0	-
Total EBITDA	786	1,010	*-22.2%*	2.148	2,666	*-19.5%*

6.5 Group's revenue breakdown under former reporting structure

in HRK million	Q3 2013	Q3 2012	*change*	Jan-Sep 2013	Jan-Sep 2012	*change*
Mobile	741	923	*-19.7%*	2.127	2.405	*-11.6%*
Fixed Telephony	351	411	*-14.7%*	1.095	1.257	*-12.9%*
Wholesale	150	173	*-13.5%*	427	491	*-13.1%*
IP Revenue	394	380	*3.7%*	1.170	1.147	*2.0%*
Data	24	28	*-12.1%*	77	86	*-11.0%*
ICT	108	94	*15.3%*	303	266	*14.1%*
Miscellaneous	3	3	*-11.3%*	7	9	*-17.0%*
Revenue	1,770	2,012	*-12.0%*	5,206	5,660	*-8.0%*

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	409.056.013
4. Retained earnings or loss carried forward	**004**	606.326.541	636.505.862
5. Net profit or loss for the period	**005**	1.695.545.973	963.705.240
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	-789.018
9. Other revaluation	**009**	0	0
10. Total equity and reserves (AOP 001 to 009)	**010**	10.898.867.720	10.197.331.597
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

6.7 Notes to the condensed consolidated financial statements

For the nine months ended on 30 September 2013

Basis of preparation

The condensed consolidated financial statements as of 30 September 2013 and for the nine 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.

Dividends

On 17 June 2013 General Assembly of Hrvatski Telekom d.d. reached a decision on dividend distribution for 2012 in amount of HRK 1,679,533,852.85 (20.51 HRK per share).

The dividend was paid on 8 July 2013.

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 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*3,085*	*2,575*	-	*5,660*
Service revenues	2,971	2,445	-	5,416
Terminal equipment	104	36	-	140
Other	10	94	-	104
Usage related direct costs	(229)	(348)	-	(577)
Income and losses on accounts receivable	(10)	(56)	-	(66)
Contribution margin I	2,846	2,171	-	5,017
Non-usage related direct costs, restated	(401)	(293)	-	(694)
Segment result, restated	2,445	1,878	-	4,323
Other income	-	-	156	156
Other operating expenses, restated	(303)	(251)	(1,258)	(1,812)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(976)	(976)
Operating profit, restated	2,142	1,627	(2,078)	1,691
Capital expenditure, restated	263	80	270	613

1 July 2012 to 30 September 2012				
Segment revenue	*1,057*	*954*	-	*2,011*
Service revenues	1,017	905	-	1,922
Terminal equipment	35	10	-	45
Other	5	39	-	44
Usage related direct costs	(85)	(131)	-	(216)
Income and losses on accounts receivable	-	(28)	-	(28)
Contribution margin I	972	795	-	1,767
Non-usage related direct costs, restated	(149)	(95)	-	(244)
Segment result, restated	823	700	-	1,523
Other income	-	-	49	49

Other operating expenses, restated	(90)	(79)	(393)	(562)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(295)	(295)
Operating profit, restated	733	621	(639)	715
Capital expenditure, restated	103	31	108	242

Period ended 30 September 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,973*	*2,233*	-	*5,206*
Service revenues	2,846	2,111	-	4,957
Terminal equipment	111	40	-	151
Other	16	82	-	98
Usage related direct costs	(230)	(278)	-	(508)
Income and losses on accounts receivable	(2)	(48)	-	(50)
Contribution margin I	2,741	1,907	-	4,648
Non-usage related direct costs	(403)	(355)	-	(758)
Segment result	2,338	1,552	-	3,890
Other income	-	-	132	132
Other operating expenses	(299)	(286)	(1,289)	(1,874)
Depreciation, amortisation and impairment of non-current assets	-	-	(959)	(959)
Operating profit	2,039	1,266	(2,116)	1,189
Capital expenditure	419	174	264	857

1 July 2013 to 30 September 2013				
Segment revenue	*1,007*	*763*	-	*1,770*
Service revenues	964	723	-	1,687
Terminal equipment	36	12	-	48
Other	7	28	-	35
Usage related direct costs	(80)	(100)	-	(180)
Income and losses on accounts receivable	5	(14)	-	(9)
Contribution margin I	932	649	-	1,581
Non-usage related direct costs	(124)	(117)	-	(241)
Segment result	808	532	-	1,340
Other income	-	-	33	33
Other operating expenses	(94)	(88)	(405)	(587)
Depreciation, amortisation and impairment of non-current assets	-	-	(322)	(322)
Operating profit	714	444	(694)	464
Capital expenditure	113	63	69	245

Relations with the governing company and its affiliated companies

In the first nine 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 nine 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 nine months of 2013.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first nine 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 nine months of 2013 the Group generated total revenue from related companies from international traffic to the amount of HRK 87 million (the first nine months of 2012: HRK 95 million), while total costs of international traffic amounted to HRK 44 million (the first nine months of 2012: HRK 52 million).

DTAG companies provided technical assistance to the Group in the amount of HRK 11 million in the first nine months of 2013 (the first nine months of 2012: HRK 8 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 nine months of 2013 the Company paid a total amount of HRK 0.5 million (the first nine months of 2012: HRK 0.5 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 nine months of 2013 the total compensation paid to key management personnel of the Group amounted to HRK 36 million (first nine months of 2012: HRK 35 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**	5.402.658.638	1.916.486.033	4.910.981.307	1.650.692.604
1. Rendering of services	**112**	5.259.638.781	1.872.367.194	4.791.508.194	1.622.020.605
2. Other operating income	**113**	143.019.857	44.118.839	119.473.113	28.671.999
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	3.713.357.473	1.206.965.324	3.738.262.418	1.193.543.189
1. Change in inventories of work in progress	**115**				
2. Material expenses (117 do 119)	**116**	1.164.036.926	415.113.020	1.173.946.368	374.512.799
a) Costs of raw materials	**117**	116.812.520	38.554.504	111.580.007	32.066.543
b) Cost of goods sold	**118**	345.457.228	125.598.938	422.161.389	117.451.245
c) Other material expenses	**119**	701.767.178	250.959.578	640.204.972	224.995.011
3. Employee benefits expenses (121 do 123)	**120**	708.467.082	236.836.172	679.884.086	221.441.675
a) Net salaries	**121**	399.658.790	134.032.858	384.194.183	126.045.377
b) Tax and contributions from salary expenses	**122**	210.973.393	71.349.349	206.421.304	66.334.679
c) Contributions on salary	**123**	97.834.899	31.453.965	89.268.599	29.061.619
4. Depreciation and amortisation	**124**	915.177.759	278.442.645	926.486.988	311.479.208
5. Other expenses	**125**	814.481.944	243.790.542	835.635.613	264.315.329
6. Write down of assets (127+128)	**126**	92.292.801	29.337.910	49.338.563	10.063.733
a) non-current assets (except financial assets)	**127**	12.233.925	0	0	0
b) current assets (except financial assets)	**128**	80.058.876	29.337.910	49.338.563	10.063.733
7. Provisions	**129**	18.900.961	3.445.035	72.970.800	11.730.445
8. Other operating costs	**130**	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	**131**	64.664.007	18.047.322	40.659.535	10.394.053
1. Interest, foreign exchange differences, dividends and similar income from related parties	**132**	5.572.323	1.893.291	6.755.790	2.205.909
2. Interest, foreign exchange differences, dividends and similar income from third parties	**133**	57.771.684	14.834.031	33.903.360	8.188.144
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**	1.320.000	1.320.000	385	0

IV. FINANCIAL EXPENSES (138 do 141)	**137**	48.043.640	19.213.486	38.090.796	-7.382.103
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**	42.917.466	18.527.866	34.147.116	-8.513.506
3. Unrealised losses (expenses) from financial assets	**140**	0	-216.000	0	0
4. Other financial expenses	**141**	5.126.174	901.620	3.943.680	1.131.403
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**	5.467.322.645	1.934.533.355	4.951.640.842	1.661.086.657
X. TOTAL EXPENSES (114+137+143+145)	**147**	3.761.401.113	1.226.178.810	3.776.353.214	1.186.161.086
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	1.705.921.532	708.354.545	1.175.287.628	474.925.571
1. Profit before taxes (146-147)	**149**	1.705.921.532	708.354.545	1.175.287.628	474.925.571
2. Loss before taxes (147-146)	**150**	0	0	0	0
XII. TAXATION	**151**	331.498.883	142.224.371	245.451.383	95.967.389
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	1.374.422.649	566.130.174	929.836.245	378.958.182
1. Profit for the period (149-151)	**153**	1.374.422.649	566.130.174	929.836.245	378.958.182
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**	1.374.422.649	566.130.174	929.836.245	378.958.182
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	**158**	2.647.481	1.384.611	253.314	905.356
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**	2.647.481	1.384.611	253.314	905.356
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**	2.647.481	1.384.611	253.314	905.356
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	1.377.070.130	567.514.785	930.089.559	379.863.538

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	7.695.719.930
I. INTANGIBLE ASSETS (004 do 009)	**003**	927.670.541	943.611.734
1. Expenditure for development	**004**	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	**005**	893.868.252	914.229.516
3. Goodwill	**006**	0	0
4. Advances for purchase of intangible assets	**007**	0	0
5. Intangible assets in progress	**008**	33.802.289	29.382.218
6. Other intangible assets	**009**	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	**010**	5.602.559.163	5.483.446.295
1. Land	**011**	50.245.441	52.734.854
2. Buildings	**012**	3.384.048.845	3.372.618.662
3. Plant and equipment	**013**	1.551.425.887	1.574.577.390
4. Tools, working inventory and transportation assets	**014**	120.218.329	106.240.045
5. Biological assets	**015**	0	0
6. Advances for purchase of tangible assets	**016**	38.335.927	3.539.901
7. Tangible assets in progress	**017**	453.394.669	369.147.057
8. Other tangible assets	**018**	4.890.065	4.588.386
9. Investment in real-estate	**019**	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	**020**	1.458.647.085	1.193.677.527
1. Share in related parties	**021**	858.360.887	866.260.887
2. Loans to related parties	**022**	101.282.313	131.520.074
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	189.560.291
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	19.123.490
1. Receivables from related parties	**030**	0	0
2. Receivables arising from sales on credit	**031**	16.177.748	14.702.286
3. Other receivables	**032**	4.421.204	4.421.204
V. DEFERRED TAX ASSET	**033**	63.441.604	55.860.884
C) CURRENT ASSETS (035+043+050+058)	**034**	4.916.777.646	4.318.611.253
I. INVENTORIES (036 do 042)	**035**	133.057.437	150.848.347
1. Raw materials and supplies	**036**	77.908.213	89.832.117
2. Production in progress	**037**	0	0
3. Finished products	**038**	0	0
4. Merchandise	**039**	55.130.843	60.997.242
5. Advances for inventories	**040**	18.381	18.988
6. Long term assets held for sale	**041**	0	0
7. Biological assets	**042**	0	0
II. RECEIVABLES (044 do 049)	**043**	1.104.748.524	1.239.678.929
1. Receivables from related parties	**044**	29.606.087	16.556.006

2. Receivables from end-customers	**045**	1.004.954.664	1.137.864.325
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	58.618.823
6. Other receivables	**049**	62.323.109	26.639.775
III. CURRENT FINANCIAL ASSETS (051 do 057)	**050**	575.368.432	925.702.549
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	381.345.461
6. Loans, deposits, etc.	**056**	499.768.976	544.357.088
7. Other financial assets	**057**	0	0
IV. CASH AND CASH EQUIVALENTS	**058**	3.103.603.253	2.002.381.428
D) PREPAYMENTS AND ACCRUED INCOME	**059**	131.343.617	73.657.434
E) TOTAL ASSETS (001+002+034+059)	**060**	13.121.038.608	12.087.988.617
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	10.294.020.975
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	409.056.013
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	819.304
4. Statutory reserves	**069**	0	
5. Other reserves	**070**	142.108	432.642
IV. REVALUATION RESERVES	**071**	-1.042.332	-789.018
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**	752.386.399	767.064.235
1. Retained earnings	**073**	752.386.399	767.064.235
2. Loss carried forward	**074**	0	0
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	1.680.044.488	929.836.245
1. Net profit for the period	**076**	1.680.044.488	929.836.245
2. Net loss for the period	**077**	0	0
VII. MINORITY INTEREST	**078**	0	0
B) PROVISIONS (080 do 082)	**079**	372.512.446	196.395.568
1. Provisions for pensions, severance pay and similar liabilities	**080**	285.591.296	125.007.490
2. Provisions for tax liabilities	**081**	0	0
3. Other provisions	**082**	86.921.150	71.388.078
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	46.805.463	122.724.643
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	119.182.844
9. Deferred tax liabilities	**092**	0	3.541.799
D) CURRENT LIABILITIES (094 do 105)	**093**	1.552.960.382	1.355.820.845

1. Liabilities to related parties	**094**	80.752.892	47.931.196
2. Liabilities for loans, deposits, etc.	**095**	288.308	344.158
3. Liabilities to banks and other financial institutions	**096**	0	0
4. Liabilities for advances	**097**	857.963	2.845.734
5. Trade payables	**098**	1.212.813.481	1.045.132.525
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	115.745.683
9. Taxes, contributions and similar liabilities	**102**	36.500.886	73.983.725
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	69.837.824
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	119.334.224	119.026.586
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	13.121.038.608	12.087.988.617
G) OFF BALANCE SHEET ITEMS	**108**	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**	1.705.921.532	1.175.287.628
2. Depreciation, amortisation and write down	**002**	927.411.684	926.486.988
3. Increase of current liabilities	**003**	0	
4. Decrease of current receivables	**004**	0	
5.Decrease of inventories	**005**	9.389.907	
6. Other cash flow increases	**006**	0	
I. Total increase of cash flow from operating activities	**007**	**2.642.723.123**	**2.101.774.616**
1. Decrease of current liabilities	**008**	88.267.398	197.447.175
2. Increase of current receivables	**009**	101.749.310	45.682.417
3. Increase of inventories	**010**		17.790.910
4. Other cash flow decreases	**011**	556.422.965	432.450.271
II. Total decrease of cash flow from operating activities	**012**	**746.439.673**	**693.370.773**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**013**	**1.896.283.450**	**1.408.403.843**
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**	2.806.780	44.528.759
2. Proceeds from sale of non-current financial assets	**016**	1.586.491	1.483.257
3. Interest received	**017**	40.641.562	21.437.234
4. Dividend received	**018**	0	
5. Other proceeds from investing activities	**019**	808.485.483	548.187.729
III. Total cash inflows from investing activities	**020**	**853.520.316**	**615.636.979**
1. Purchase of non-current assets	**021**	577.569.236	826.962.305
2. Purchase of non-current financial assets	**022**	225.125.125	75.047.197
3. Other cash outflows from investing activities	**023**	1.666.194.135	544.199.916
IV. Total cash outflows from investing activities	**024**	**2.468.888.496**	**1.446.209.418**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**025**	**0**	**0**

B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**026**	**1.615.368.180**	**830.572.439**
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	
V. Total cash inflows from financing activities	**030**	**0**	**0**
1. Repayment of loans and bonds	**031**	0	0
2. Dividends paid	**032**	1.813.036.375	1.678.634.671
3. Repayment of finance lease	**033**		0
4. Purchase of treasury shares	**034**	0	418.558
5. Other cash outflows from financing activities	**035**	0	0
VI. Total cash outflows from financing activities	**036**	**1.813.036.375**	**1.679.053.229**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**037**	**0**	**0**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**038**	**1.813.036.375**	**1.679.053.229**
Total increases of cash flows	**039**	**0**	**0**
Total decreases of cash flows	**040**	**1.532.121.105**	**1.101.221.825**
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**	**0**
Decrease of cash and cash equivalents	**043**	**1.532.121.105**	**1.101.221.825**
Cash and cash equivalents at the end of period	**044**	**2.132.475.202**	**2.002.381.428**

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	409.056.013
4. Retained earnings or loss carried forward	**004**	752.386.399	767.064.235
5. Net profit or loss for the period	**005**	1.680.044.488	929.836.245
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	-789.018
9. Other revaluation	**009**	0	0
10. Total equity and reserves (AOP 001 to 009)	**010**	11.029.426.093	10.294.020.975
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

Basis of preparation

The condensed financial statements of 30 September 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.

Dividends

On 17 June 2013 General Assembly of Hrvatski Telekom d.d. reached a decision on dividend distribution for 2012 in amount of HRK 1,679,533,852.85 (20.51 HRK per share).

Dividend was paid on 8 July 2013.

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 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,967*	*2,294*	-	*5,261*
Service revenues	2,855	2,164	-	5,019
Terminal equipment	104	36	-	140
Other	8	94	-	102
Usage related direct costs	(219)	(311)	-	(530)
Income and losses on accounts receivable	(8)	(55)	-	(63)
Contribution margin I	2,740	1,928	-	4,668
Non-usage related direct costs, restated	(384)	(136)	-	(520)
Segment result, restated	2,356	1,792	-	4,148
Other income	-	-	143	143
Other operating expenses, restated	(283)	(171)	(1,221)	(1,675)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(927)	(927)
Operating profit, restated	2,073	1,621	(2,005)	1,689
Capital expenditure, restated	244	75	259	578

1 July 2012 to 30 September 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,017*	*856*	-	*1,873*
Service revenues	978	807	-	1,785
Terminal equipment	35	10	-	45
Other	4	39	-	43
Usage related direct costs	(82)	(118)	-	(200)
Income and losses on accounts receivable	-	(29)	-	(29)
Contribution margin I	935	709	-	1,644
Non-usage related direct costs, restated	(144)	(40)	-	(184)
Segment result, restated	791	669	-	1,460
Other income	-	-	44	44
Other operating expenses, restated	(84)	(53)	(380)	(517)

Depreciation, amortisation and impairment of non-current assets, restated	-	-	(278)	(278)
Operating profit, restated	707	616	(614)	709
Capital expenditure, restated	94	30	103	227

Period ended 30 September 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,834*	*1,958*	-	*4,792*
Service revenues	2,709	1,836	-	4,545
Terminal equipment	111	40	-	151
Other	14	82	-	96
Usage related direct costs	(225)	(233)	-	(458)
Income and losses on accounts receivable	-	(47)	-	(47)
Contribution margin I	2,609	1,678	-	4,287
Non-usage related direct costs	(384)	(199)	-	(583)
Segment result	2,225	1,479	-	3,704
Other income	-	-	119	119
Other operating expenses	(279)	(189)	(1,256)	(1,724)
Depreciation, amortisation and impairment of non-current assets	-	-	(926)	(926)
Operating profit	1,946	1,290	(2,063)	1,173
Capital expenditure	407	168	252	827

1 July 2013 to 30 September 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*960*	*663*	-	*1,623*
Service revenues	917	623	-	1,540
Terminal equipment	36	12	-	48
Other	7	28	-	35
Usage related direct costs	(79)	(82)	-	(161)
Income and losses on accounts receivable	5	(14)	-	(9)
Contribution margin I	886	567	-	1,453
Non-usage related direct costs	(117)	57)	-	(174)
Segment result	769	510	-	1,279
Other income	-	-	28	28
Other operating expenses	(89)	(58)	(392)	(539)
Depreciation, amortisation and impairment of non-current assets	-	-	(311)	(311)
Operating profit	680	452	(675)	457
Capital expenditure	109	60	62	231

Relations with the governing company and its affiliated companies

In the first nine 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 nine 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 nine months of 2013.

Business relations transacted between HT d.d. in the first nine 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 nine months of 2013 the Company generated total revenue from related companies from international traffic to the amount of HRK 87 million (the nine months of 2012: HRK 95 million), while total costs of international traffic amounted to HRK 44 million (the first nine months of 2012: HRK 52 million).

DTAG companies provided technical assistance to the Company in the amount of HRK 11 million in the first nine months of 2013 (the first nine months of 2012: HRK 8 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 nine months of 2013, the Company paid a total amount of HRK 0.5 million (the first nine months of 2012: HRK 0.5 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 nine months of 2013 the total compensation paid to key management personnel of the Company amounted to HRK 26 million (first nine months of 2012: HRK 27 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 nine months of 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

Mr. Jens Hartmann, Member of the Management Board and Chief Operating Officer Business

Zagreb, 30 October 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