

Zagreb – 29 October 2010

## T-Hrvatski Telekom

### Results for the first nine months of 2010

#### Recession and special taxes continue to affect business, EBITDA margin protected at 45.2% Launch of new mobile brand

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 2010.

#### Group Highlights

- Revenue down 3.2% to HRK 6,320 million (EUR 867 million); business still affected by taxes and recession
  - Combis contributes HRK 110 million (EUR 15 million); performing as expected
  - Underlying revenues down 4.8% excluding Combis
- Successful cost controls across business helped to mitigate margin erosion
- EBITDA\* down 6.4% to HRK 2,858 million (EUR 392 million) at 45.2% margin
- Net profit down 15.0% to HRK 1,484 million (EUR 204 million)
- Cash flow from operations up 34.0% to HRK 2,223 million (EUR 305 million)
- Launch of prepaid brand bonbon on 1 October
- New Apple iPhone 4 and Dell Streak tablet offer from September 2010.

#### T-Mobile

- Revenue down 8.9% to HRK 2,944 million (EUR 404 million)
- Subscribers down 3.8%
- Postpaid subscribers up 9.6%
- Prepaid subscribers down 9.9%; hit by recession as well as churn of SIM-only customers acquired in H1 2009 promotions

#### T-Com

- Continuing strong internet growth, up 19.9% to HRK 1,016 million (EUR 139 million)
- ADSL lines up 13.9% to 600,182
- IPTV continues to grow strongly, up 43.3% to 271,382 customers

\* before exceptional items

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

*"The recession is still affecting revenue but the rate of decline is slowing and we have been helped by a good performance from Combis and strong growth in broadband and IPTV.*

*We continue to make good progress in margin protection with a range of cost-cutting measures including, for example, lowering subscriber acquisition costs. As a result of these savings and other developments like higher-than-expected roaming revenues, the Group now expects full-year EBITDA to be at about the 2009 level. "*

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

#### Conference Call

International dial-in	<b>+44 (0) 1452 555 566</b>
UK free call dial in	<b>0800 694 0257</b>
Conference ID	<b>18276694</b>

#### Replay available until Thursday, 4 November 2010

International dial-in	+44 (0) 1452 550 000
UK free call dial in	0800 953 1533
Access number	18276694#

A presentation covering results for the first nine months of 2010 can be downloaded from the T-HT web site. ([www.t.ht.hr/eng/investors/](http://www.t.ht.hr/eng/investors/))

## About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving more than 1.4 million fixed lines, nearly 2.8 million mobile subscribers and more than 600,000 broadband connections through its Residential and Business divisions.

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

### Summary of key financial indicators

in HRK million	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Revenue <sup>1)</sup>	6,320	6,525	-3.2%
EBITDA before exceptional items	2,858	3,053	-6.4%
EBITDA after exceptional items <sup>2)</sup>	2,858	3,016	-5.2%
EBIT (Operating profit)	1,870	1,968	-5.0%
Net profit after minority interest	1,484	1,747	-15.0%
<b>EBITDA margin</b>			
EBITDA margin before exceptional items	45.2%	46.8%	-1.6 p.p.
EBITDA margin after exceptional items	45.2%	46.2%	-1.0 p.p.
EBIT margin	29.6%	30.2%	-0.6 p.p.
Net profit margin	23.5%	26.8%	-3.3 p.p.
<b>Balance sheet</b>			
in HRK million	At 30 Sep 2010	At 31 Dec 2009	% change 10/09
Cash equivalents and time deposits	2,949	4,195	-29.7%
Total assets	13,116	14,472	-9.4%
Total issued capital and reserves	10,705	12,012	-10.9%
<b>Income statement</b>			
in HRK million	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Net cash flow from operating activities	2,223	1,659	34.0%

1) Excluding other operating income

2) Exceptional items amounting to HRK 37 million in 2009 were related to redundancy expenses of HRK 33 million and reorganisation costs of HRK 4 million.

### Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Nine months to 30 September 2009	7.36	7.29	5.40	4.99
Nine months to 30 September 2010	7.26	7.29	5.53	5.36

### Summary of key performance indicators

T-Mobile	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Subscribers	2,773,845	2,884,511	-3.8%
Minutes of Use (MOU) per average subscriber	112.2	111.4	0.7%
Blended ARPU	92.0	100.0	-8.1%
Churn rate (%)	2.5	1.7	0.8 p.p.
Market share of subscribers (%)	44.9	47.2	-2.3 p.p.
Market share by revenue (%) <sup>1)</sup>	47.6	49.0	-1.4 p.p.
<b>T-Corn</b>			
T-Corn	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Total (POTS+FGSM+ISDN) mainlines	1,436,734	1,496,595	-4.0%
Total traffic (thousands of minutes)	2,387,044	2,587,715	-7.8%
ADSL mainlines	600,182	526,722	13.9%
ADSL mainlines ARPA	128	124	3.2%
IPTV customers	271,382	189,433	43.3%
ULL (Unbundled Local Loop) <sup>2)</sup>	129,645	111,235	16.6%

<sup>1)</sup> Mobile telephony revenue has been affected by the government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)

<sup>2)</sup> As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Sep 2010: 141,510 and Sep 2009: 116,232.

## Results for the nine months ended 30 September 2010

### Business and financial review

#### Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and the market leader in all segments in which it operates. At 30 September 2010, the Group served more than 1.4 million fixed-line customers, nearly 2.8 million mobile subscribers, 600,000 broadband connections and provided IPTV services to more than 270,000 customers. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide IT software and services to Croatia's business market. In September 2010, as part of its expansion strategy, T-HT applied for pre qualification in the privatization of Post and Telecommunications of Kosovo J.S.C. (PTK).

#### New corporate structure

On 1 January 2010, the old divisions of T-Com and T-Mobile, serving fixed and mobile markets respectively, were replaced by a new structure based upon Residential and Business units. However, for the duration of 2010, T-HT will continue to provide segmental information based upon the previous structures of T-Com and T-Mobile.

#### Market overview

During 2010, the Croatian telecommunications market recorded growth in broadband and IPTV, while fixed telephony continued to decline in line with expectations and world-wide trends. The Croatian mobile market has also declined throughout 2010, burdened by market saturation and recessionary impacts including reduced spending and the imposition of a tax on mobile services.

According to the Croatian Central Bureau of Statistics, total fixed-line minutes of use (MOU) decreased by 1.2% during the first six months of 2010, with mobile MOU falling 1.9% in the same period. However, mobile broadband usage rose with increased sales of smartphones and other mobile broadband devices.

Despite the strong increase in T-HT's broadband subscriber base over recent years, the broadband market remains a significant growth opportunity, given that only 40% of Croatian households have broadband connections, compared to an average of more than 55% in Western Europe.

## **Economic background**

The Croatian economy remains in recession with GDP falling 2.5% in the second quarter of 2010 according to initial estimates of the Central Bureau of Statistics. This compares with a 5.8% fall across the whole of 2009. The most recent estimates for the whole of 2010 forecast a fall in GDP of 1.5% to 2%.

Unemployment increased to 16.9% in September 2010 (September 2009: 14.7%).

## **Special taxes continue to hit mobile business**

The Government's special tax on mobile services, imposed on 1 August 2009, continues to hit the Group's mobile revenue. There is as yet no indication as to when this emergency taxation measure will be repealed.

## **Regulatory environment**

As previously noted, in March 2010 the regulatory agency Hakom ("the Agency") passed a decision regarding wholesale broadband access (bitstream) service on the copper network, setting wholesale prices to a level of 40% below retail prices. An additional price reduction for wholesale bitstream access was adopted by the Agency in September 2010, relating to virtual private channels for voice and IPTV services.

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

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

Leased lines markets:

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

Access to the fixed network and public voice markets:

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

Finalization of the Agency's analysis and the accompanying public consultations are expected by the end of 2010. Following the market analysis, current remedies will cease to apply and new remedies will be imposed by the Agency's decisions, which are expected in Q1 2011.

In September 2010 the Agency adopted a new *Regulation on technical conditions and conditions for use of the optical distribution network*. This Regulation conflicts with T-HT's current network topologies, mandating a different network architecture and imposing numerous additional obligations for the roll-out of optical distribution network. As previously reported, T-HT is considering its position with respect to fibre investments and hopes that these regulatory matters will be resolved in a way that enables T-HT to re-commence its investment programme.

### **Risk management**

In October 2010 the Croatian Competition Agency dismissed Bnet Hrvatska d.o.o.'s claim that T-HT misused its dominant position in the market for leased lines and in the market for the distribution of television programs, in connection with providing its MAXtv service.

Besides the above, in the period under review there were no material changes to the Group's risk profile.

### **Approval of Combis acquisition**

On 14 May 2010 the Croatian Competition Agency approved T-HT's acquisition of the IT services company Combis d.o.o, announced on 26 March.

Combis was formally consolidated into the Group's accounts in May 2010 and its five-month contribution to Jan-Sep 2010 revenue was HRK 110 million, in line with expectations.

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

### **Application for pre-qualification in the sale of PTK**

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

PTK provides fixed-line, mobile and postal services through its brands Telecom of Kosovo, Vala and Post of Kosovo respectively.

PTK has more than 1.2m mobile subscribers and serves around 84,000 fixed lines. In 2009, PTK reported revenues of €145m and net profit of €44m.

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

## Group financial performance

### Revenue

in HRK million	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Mobile telephony	2,838	3,102	-8.5%
Fixed telephony	1,740	1,914	-9.1%
Wholesale services	488	510	-4.4%
Internet services	1,016	845	20.2%
Data services	115	139	-17.6%
Miscellaneous	123	15	708.1%
<b>Revenue</b>	<b>6,320</b>	<b>6,525</b>	<b>-3.2%</b>

Group revenue continues to be affected by the recession and the special taxation measures adopted in response. In the nine months to 30 September, although the Group benefited from a five-month contribution of HRK 110 million from Combis (classified as Miscellaneous), total revenue fell 3.2% to HRK 6,320 million (Jan-Sep 2009: HRK 6,525 million). Excluding the contribution of Combis and the impact of the 6% tax on mobile services, Group revenue would have fallen by 3.4%.

T-Com unconsolidated revenue fell by 3.0% or HRK 113 million. As with previous periods, the expected decline in revenue from fixed telephony, down 8.9% to HRK 1,744 million, was offset by a strong increase in revenue from internet services, up 19.9% to HRK 1,016 million and a contribution from Combis.

At T-Mobile, unconsolidated revenue fell 8.9% to HRK 2,944 (Jan-Sep 2009: HRK 3,232 million), with the special tax on mobile services a significant drain on revenue, to the amount of HRK 124 million.

### Operating costs

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

The reason for this change is to increase operational efficiency by enabling higher rates of reuse of CPE, when appropriate, and providing for easier upgrades of customer equipment. In addition, customers will benefit from having ownership and responsibility for maintenance of equipment assumed by T-HT.

The accounting impact of this development is to change from reporting those costs as operating expenses (costs of merchandise) to recognising them as capital expenditures, with corresponding additions to fixed assets.

The amount capitalized in September 2010 was approximately HRK 14 million.

Overall operating costs fell by 3.3% or HRK 125 million to HRK 3,621 million as a result of tight cost control following the reorganisation of the Group, as well as lower costs related to falling usage and reduced interconnection fees.

Material expenses fell by 4.7% or HRK 80 million to HRK 1,628 million, mainly because of lower interconnection costs. Material expenses make up approximately 45% of total operating costs. Other expenses, mainly consulting, advertising and provisions for legal cases, fell by 0.9% to HRK 1,028 million.

Despite the integration of Combis, total employee benefits fell by 3.3% to HRK 876 million, compared with HRK 905 million in Jan-Sep 2009, during which period HRK 33 million of redundancy costs were reported. Following the addition of Combis, which added 284 employees (276 FTE) as of September 2010, employee numbers rose from 6,166 in September 2009 to 6,251 in September 2010.

The write-down of assets fell by 5.9% to HRK 89 million, mostly as a result of the lower write-down of receivables through improved collections.

Depreciation and amortisation fell by 5.7% to HRK 988 million (Jan-Sep 2009: HRK 1,048 million) because of factors related to the slowdown in the Group's capital investment programme (explained in more detail below) and the fact that certain T-Mobile assets were fully depreciated in 2009.

### T-HT Group profitability

in HRK million	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
Revenue <sup>1)</sup>	6,320	6,525	-3.2%
EBITDA before exceptional items	2,858	3,053	-6.4%
EBITDA after exceptional items <sup>2)</sup>	2,858	3,016	-5.2%
EBIT (Operating profit)	1,870	1,968	-5.0%
Net profit after minority interest	1,484	1,747	-15.0%
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EBITDA margin before exceptional items	45.2%	46.8%	-1.6 p.p.
EBITDA margin after exceptional items	45.2%	46.2%	-1.0 p.p.
EBIT margin	29.6%	30.2%	-0.6 p.p.
Net profit margin	23.5%	26.8%	-3.3 p.p.

1) Excluding other operating income

2) Exceptional items amounting to HRK 37 million in 2009 were related to redundancy expenses of HRK 33 million and reorganisation costs of HRK 4 million.

EBITDA before exceptional items fell by 6.4% to HRK 2,858 million at a margin of 45.2% (Jan-Sep 2009: HRK 3,053 million, 46.8%) as a result of falling revenue. Operating profit (EBIT) fell by 5.0% to HRK 1,870 million.

Net profit for Jan-Sep 2010 was HRK 1,484 million (Jan-Sep 2009: HRK 1,747 million), mainly as a result of EBIT development and a significantly lower net financial income caused by lower interest rates and a one-time impact of HRK 32 million related to HT Mostar.



## Balance sheet

T-HT's balance sheet remains strong with total assets of HRK 13,116 million. At 30 September 2010, cash and cash equivalents stood at HRK 2,949 million, compared with HRK 4,195 million at 31 December 2010 due to a dividend paid in May 2010 amounting to HRK 2.8 billion.

## Cash flow

Despite lower profitability, cash flow from operations increased by 34.0% to HRK 2,223 million (Jan-Sep 2009: HRK 1,659 million), mostly as a result of positive movements in working capital.

## Capital expenditure

in HRK million	Jan-Sep 2010	Jan-Sep 2009	% change 10/09
T-Com	460	726	-36.6%
T-Mobile	157	336	-53.2%
<b>Total Capital Expenditure</b>	<b>617</b>	<b>1,063</b>	<b>-41.9%</b>

Capital expenditure was down 41.9% to HRK 617 million. The Group has delayed investments in fiber infrastructure as a result of pricing and competition issues with the regulatory agency Hakom, which are yet to be resolved satisfactorily.

In addition, cable infrastructure deployments were lower than anticipated owing to delays in obtaining local permits, while some cellular base station deployments were also delayed.

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

## Analysis of segment results

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

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

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

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

## T-Mobile highlights

T-Mobile remains the leading mobile operator in Croatia with a 44.9% subscriber share in a market where mobile penetration increased further to 139.4%. Demand for mobile internet continues to increase with new laptop/netbook devices in high demand, as well as an increase in handsets offering access to the internet through a wide variety of applications.

- Revenue down 8.9% because of special taxes introduced in Q3 2009, recession and lower termination rates effective this year
- Slowing decline in both Prepaid and Postpaid revenue
- Blended ARPU down 8.1% to HRK 92.0
- Total subscribers down 3.8% (down 0.2% compared to Q2 2010)
- Postpaid subscribers up 9.6% (up 1.9% compared to Q2 2010), now 35.5% of subscriber base (Sep 2009: 31.1%)
- Launch of Bonbon brand to reach younger consumers
- New Apple iPhone 4 and Dell Streak tablet offer from September 2010.

T-Mobile's total subscriber base fell by 3.8% to 2,773,845. Prepaid subscribers were 9.9% lower in Jan-Sep 2010, mainly as a result of decreasing reliance on secondary handsets and lower consumer spending, as well as the absence of SIM-only promotions that boosted prepaid numbers in Jan-Sep 2009, many of which accounts were churned in Jan-Sep 2010.

T-Mobile continues to be successful in signing up new postpaid subscribers and migrating prepaid users to postpaid accounts. Special offers, particularly in the second quarter of 2010, helped increase postpaid subscriber numbers to 983,741 which is 35.5% of all T-Mobile accounts. T-Mobile achieved a net gain of more than 18,000 postpaid subscribers in the third quarter of 2010.

Postpaid churn increased from 0.7% in Jan-Sep 2009 to 1.0% in Jan-Sep 2010, while prepaid churn increased from 2.1% to 3.2%, reflecting the absence of SIM-only promotions, increased competition and recessionary pressures driving some users to abandon prepaid phones altogether. SAC per gross add decreased by 2.8% to HRK 187.6 because of greater optimisation of handset sales.

Minutes of Use (MOU) increased slightly, rising to 112.2 minutes (Jan-Sep 2009: 111.4 minutes). Compared to the 103.8 minutes recorded in Q1 2010, MOU recovered well in Q2 and Q3 as a result of attractive new promotions and the successful introduction of new tariffs.

## T-Mobile

in HRK million	Jan-Sep 2010	%	Jan-Sep 2009	%	% change 10/09
Revenue from Postpaid services <sup>1)</sup>	1,807	61.4%	1,966	60.8%	-8.1%
Revenue from Prepaid services	841	28.6%	957	29.6%	-12.1%
Other mobile revenue	296	10.1%	310	9.6%	-4.4%
<b>Revenue <sup>2)</sup></b>	<b>2,944</b>	<b>100.0%</b>	<b>3,232</b>	<b>100.0%</b>	<b>-8.9%</b>
Income from usage of own products	1		0		0
Other operating income	45		73		-38.3%
Operating expenses	1,659		1,777		-6.6%
<b>EBITDA</b>	<b>1,331</b>	<b>45.2%</b>	<b>1,528</b>	<b>47.3%</b>	<b>-12.9%</b>
Depreciation and amortization	325		373		-13.0%
<b>EBIT</b>	<b>1,006</b>	<b>34.2%</b>	<b>1,155</b>	<b>35.8%</b>	<b>-12.9%</b>

<sup>1)</sup>Including visitor revenue.

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

### **Launch of bonbon**

On 1 October, after the period end, T-HT strengthened its position in the mobile market with the launch of bonbon, a new prepaid brand aimed at younger, urban consumers.

Though part of T-HT, bonbon will operate autonomously of the Group. It represents a new brand focused on younger consumers, with attractive pricing packages designed to suit their needs.

### **Revenue**

The recession and its associated special taxation measures continue to affect T-Mobile revenue, which fell by 8.9% to HRK 2,944 million (Jan-Sep 2009: HRK 3,232 million). Of this fall, approximately HRK 124 million can be attributed to the 6% tax on mobile services, which is deducted directly from revenue (Jan-Sep 2009: HRK 30 million). In addition, competitive pressures and a cut in mobile termination rates at the end of 2009, have also contributed to the decline.

Postpaid revenue fell by 8.1% to HRK 1,807 million (Jan-Sep 2009: HRK 1,966 million), while prepaid revenue fell by 12.1% to HRK 841 million (Jan-Sep 2009: HRK 957 million). Other mobile revenue decreased by 4.4% to HRK 296 million due to decreased national roaming revenue.

### **Profitability**

Operating expenses fell by 6.6% to HRK 1,659 million, mostly as a result of lower service costs. Material expenses fell by 10.7% to HRK 966 million (Jan-Sep 2009: HRK 1,082 million) because of lower domestic interconnection costs resulting from the fall in termination prices. In addition, the cost of mobile merchandise was lower following the integration of T-Com and T-Mobile and the reorganisation of retail outlets. Employee costs fell by 5.4% to HRK 163 million while other expenses increased by 1.7%.

EBITDA fell by 12.9% to HRK 1,331 million (Jan-Sep 2009: HRK 1,528 million), with EBIT also falling 12.9% to HRK 1,006 million (Jan-Sep 2009: HRK 1,155 million).

### **Capital expenditure**

T-Mobile's capital expenditure fell by 53.2% to HRK 157 million (Jan-Sep 2009: HRK 336 million) for the reasons outlined earlier, notably the delay of internal IT projects and delays in obtaining permits for base stations deployment. The capex to revenue ratio fell from 10.4% to 5.3%.

## T-Com highlights

T-Com remains the leader in all segments, with broadband growing strongly and fixed-line telephony continuing to decline at the expected rate of about 9%.

- 1.44 million mainlines served
- Internet revenue up 19.9% to HRK 1,016 million
- ADSL lines up 13.9% to 600,182 (up 2.8% on Q2 2010)
  - ADSL ARPA up 3.2%
- IPTV subscriptions up 43.3% to 271,382 (up 5.7% on Q2 2010)

## T-Com

in HRK million	Jan-Sep 2010	%	Jan-Sep 2009	%	% change 10/09
Fixed telephony	1,744	47.2%	1,915	50.3%	-8.9%
Wholesale services	708	19.2%	813	21.3%	-12.9%
Internet services	1,016	27.5%	847	22.2%	19.9%
Data services	115	3.1%	139	3.7%	-17.6%
Miscellaneous	113	3.0%	94	2.5%	19.5%
<b>Revenue <sup>1)</sup></b>	<b>3,695</b>	<b>100.0%</b>	<b>3,808</b>	<b>100.0%</b>	<b>-3.0%</b>
Income from usage of own products, merchandise and services	53		76		-29.6%
Other operating income	116		129		-10.7%
Operating expenses	2,337		2,525		-7.5%
<b>EBITDA before exceptional items</b>	<b>1,527</b>	<b>41.3%</b>	<b>1,525</b>	<b>40.0%</b>	<b>0.2%</b>
Exceptional items <sup>2)</sup>	0		37		
<b>EBITDA after exceptional items</b>	<b>1,527</b>	<b>41.3%</b>	<b>1,488</b>	<b>39.1%</b>	<b>2.6%</b>
Depreciation and amortization	664		675		-1.7%
<b>EBIT</b>	<b>863</b>	<b>23.4%</b>	<b>813</b>	<b>21.3%</b>	<b>6.2%</b>

<sup>1)</sup> Unconsolidated figures; excluding other income

<sup>2)</sup> Exceptional items amounting to HRK 37 million in 2009 were related to redundancy expenses of HRK 33 million and reorganisation costs of HRK 4 million.

## Revenue

Overall, T-Com revenue fell by 3.0% to HRK 3,695 million (Jan-Sep 2009: HRK 3,808 million) with a HRK 110 million contribution from Combis and a 19.9% growth in internet revenue helping to offset revenue falls of 8.9% in fixed-line telephony, 12.9% in wholesale and 17.6% in data services.

## Fixed-line telephony

The decline in fixed-line telephony remains steady, with 4.1% fewer lines served at the end of September 2010 and total mainlines at 1,443,668 (September 2009: 1,504,805). Revenue from fixed-line telephony fell by 8.9% to HRK 1,744 million (Jan-Sep 2009: HRK 1,915 million) and the contribution of fixed telephony has fallen to 47.2% of T-Com revenue, against 50.3% last year. As with previous periods, the decline is the result of increased competition and fixed-to-mobile substitution.

## Internet

Internet revenue continues to grow strongly, up 19.9% to HRK 1,016 million (Jan-Sep 2009: HRK 847 million) of which Iskon contributed HRK 120 million (Jan-Sep 2009: HRK 88 million). Internet revenue now contributes 27.5% of T-Com revenue, compared with 22.2% in the same period last year. The continuing increase reflects the rising use of broadband and the growth of new services such as IPTV.

ADSL mainlines increased by 13.9% to 600,182 with more than 16,600 new subscribers in Q3 2010. The increase was driven by new promotions encouraging customers to sign 12 or 24-month contracts and incentivising them to recommend friends and family to sign up. ADSL mainlines ARPA rose 3.2% to HRK 128 (Jan-Sep 2009: HRK 124), mostly because of the expiration of promotional activities and higher flat traffic subscriptions.

MAXtv subscriber growth (together with Iskon's IPTV) remained strong, up 43.3% to 271,382 (Sep 2009: 189,433), driven by continuing promotions and attractive content packages including new films and HBO.

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

## Wholesale

Wholesale revenue fell 12.9% to HRK 708 million and now makes up 19.2% of T-Com revenue (Jan-Sep 2009: HRK 813 million, 21.3%). The decline resulted from lower international traffic to mobiles and national hubbing services, as well as a cut in termination, origination and DTI revenue following regulatory decisions. However, there was higher revenue from providing infrastructure services for other fixed operators, international GIA service and international hubbing traffic.

## Data

Data revenue fell 17.6% to HRK 115 million and represents 3.1% of T-Com revenue (Jan-Sep 2009: HRK 139 million, 3.7%). The fall was in line with T-HT's migration of data customers to new IP-based services.

## Miscellaneous

For the first time, revenue from Combis contributed to T-Com's performance and has been classified under Miscellaneous revenue. The five-month contribution of HRK 110 million offset the loss of revenue and commissions normally booked under Miscellaneous revenue that resulted from the reorganisation of T-Com and T-Mobile's retail sales outlets.

## Profitability

The fall in T-Com revenue was offset to some degree by a 7.5% reduction in operating costs, notably material expenses. EBITDA before exceptional items stood at HRK 1,527 million, at a divisional EBITDA margin of 41.3% (Jan-Sep 2009: HRK 1,525 million, 40.0%). EBIT increased 6.2% to HRK 863 million due to lower depreciation and amortisation as well as exceptional items of zero in Jan-Sep 2010, compared with HRK 37 million in Jan-Sep 2009.

## Capital expenditure

Capital expenditure fell by 36.6% to HRK 460 million, for the reasons already outlined above. T-Com's capex/revenue ratio stood at 12.5%, compared with 19.1% in Jan-Sep 2009.

## T-HT Group Third Quarter 2010 Report

### Summary of key financial indicators

in HRK million	Jul-Sep 2010	Jul-Sep 2009	% change 10/09
Mobile telephony	1,076	1,166	-7.7%
Fixed telephony	572	627	-8.8%
Wholesale services	184	179	2.4%
Internet services	348	291	19.3%
Data services	37	45	-18.9%
Miscellaneous	61	8	683.5%
<b>Revenue <sup>1)</sup></b>	<b>2,277</b>	<b>2,317</b>	<b>-1.7%</b>
EBITDA before exceptional items <sup>2)</sup>	1,137	1,130	0.6%
EBITDA after exceptional items	1,137	1,097	3.6%
EBIT (Operating profit)	814	759	7.3%
Net profit	662	655	1.1%

1) Excluding other operating income

2) Exceptional items in Q3 2009 only: 33 HRK million. This amount is related to redundancy costs

In the third quarter of 2010, revenue declined at the slower rate of 1.7% to HRK 2,277 million, supported by the HRK 57 million contribution from Combis and continuing strong growth in internet revenue, which helped to counter falls in mobile and fixed telephony.

EBITDA rose by 3.6% to HRK 1,137 million as a result of a 7.2% fall in operating expenses (Q3 2009 included redundancy costs of HRK 33 million, classified as an exceptional item). Consequently, EBITDA before exceptional items rose by 0.6% to HRK 1,137.

Although financial income was lower, net profit was up by 1.1% to HRK 662 as a result of EBITDA development and lower depreciation.

## Group 2010 outlook

### Revenue

The ongoing recession in Croatia, high unemployment and the 6% tax on mobile services continue to have an impact on the business. Therefore, even with the consolidation of Combis, the Group continues to expect a moderate decline in revenues in 2010.

### EBITDA

As a result of successfully implemented cost control initiatives, including for example lower subscriber acquisition costs, and other developments like higher than expected roaming revenues, the Group now expects full-year EBITDA to be at about the 2009 level.

### CAPEX

The Group expects lower capital expenditure in 2010:

- Investment in the fixed network is focused on optical access network development to increase broadband coverage and migration to the IP network
- Investment in the mobile network aims to improve data capacity.

### Regional Expansion

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

## T-HT Group Financial statements

### Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2010	Jan-Sep 2009	% of change 10/09	Jul-Sep 2010	Jul-Sep 2009	% of change 10/09
Mobile telephony	2,838	3,102	-8.5%	1,076	1,166	-7.7%
Fixed telephony	1,740	1,914	-9.1%	572	627	-8.8%
Wholesale services	488	510	-4.4%	184	179	2.4%
Internet services	1,016	845	20.2%	348	291	19.3%
Data services	115	139	-17.6%	37	45	-18.9%
Miscellaneous	123	15	708.1%	61	8	683.5%
<b>Revenue</b>	<b>6,320</b>	<b>6,525</b>	<b>-3.2%</b>	<b>2,277</b>	<b>2,317</b>	<b>-1.7%</b>
Income from usage of own products, merchandise and services	55	89	-38.4%	32	33	-2.1%
Other operating income	105	149	-29.4%	28	41	-31.3%
<b>Total operating revenue</b>	<b>6,479</b>	<b>6,763</b>	<b>-4.2%</b>	<b>2,337</b>	<b>2,391</b>	<b>-2.2%</b>
<b>Operating expenses</b>	<b>3,621</b>	<b>3,747</b>	<b>-3.3%</b>	<b>1,200</b>	<b>1,294</b>	<b>-7.2%</b>
Material expenses	1,628	1,708	-4.7%	512	573	-10.6%
Employee benefit expenses	876	905	-3.3%	296	320	-7.5%
Other expenses	1,028	1,038	-0.9%	370	358	3.3%
Write down of asset	89	95	-5.9%	22	42	-48.8%
<b>EBITDA</b>	<b>2,858</b>	<b>3,016</b>	<b>-5.2%</b>	<b>1,137</b>	<b>1,097</b>	<b>3.6%</b>
Depreciation and amortization	988	1,048	-5.7%	323	338	-4.6%
<b>EBIT</b>	<b>1,870</b>	<b>1,968</b>	<b>-5.0%</b>	<b>814</b>	<b>759</b>	<b>7.3%</b>
Financial income	43	250	-83.0%	6	60	-90.8%
Income from investment in joint ventures	6	15	-60.7%	0	5	-100.0%
Financial expenses	63	28	127.6%	-8	3	-370.8%
<b>Profit before taxes</b>	<b>1,855</b>	<b>2,205</b>	<b>-15.9%</b>	<b>828</b>	<b>821</b>	<b>0.8%</b>
Taxation	370	458	-19.1%	165	166	-0.4%
<b>Net profit</b>	<b>1,485</b>	<b>1,747</b>	<b>-15.0%</b>	<b>662</b>	<b>655</b>	<b>1.1%</b>
Minority interest	0	0	32.0%	0	0	130.1%
<b>Net profit after minority interest</b>	<b>1,484</b>	<b>1,747</b>	<b>-15.0%</b>	<b>662</b>	<b>655</b>	<b>1.1%</b>
Exceptional items	0	37	-	0	33	-100.0%
<b>EBITDA before exceptional items</b>	<b>2,858</b>	<b>3,053</b>	<b>-6.4%</b>	<b>1,137</b>	<b>1,130</b>	<b>0.6%</b>



### Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 Sep 2010	At 31 Dec 2009	% of change 10/09
Intangible assets	1,133	1,099	3.1%
Property, plant and equipment	6,265	6,507	-3.7%
Non-current financial assets	413	490	-15.8%
Receivables	26	33	-20.5%
Deferred tax asset	43	46	-6.0%
<b>Total non-current assets</b>	<b>7,879</b>	<b>8,175</b>	<b>-3.6%</b>
Inventories	261	255	2.4%
Receivables	1,636	1,505	8.7%
Current financial assets	247	259	-4.8%
Cash and cash equivalents	2,949	4,195	-29.7%
Prepayments and accrued income	145	84	72.2%
<b>Total current assets</b>	<b>5,237</b>	<b>6,297</b>	<b>-16.8%</b>
<b>TOTAL ASSETS</b>	<b>13,116</b>	<b>14,472</b>	<b>-9.4%</b>
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-2	-4	-51.4%
Retained earnings	623	1,393	-55.3%
Net profit for the period	1,484	2,023	-26.6%
Minority interest	1	1	22.9%
<b>Total issued capital and reserves</b>	<b>10,705</b>	<b>12,012</b>	<b>-10.9%</b>
Provisions	421	428	-1.5%
Non-current liabilities	124	128	-2.9%
<b>Total non-current liabilities</b>	<b>546</b>	<b>556</b>	<b>-1.8%</b>
Current liabilities	1,607	1,643	-2.2%
Accrued expenses and deferred income	258	261	-1.0%
<b>Total current liabilities</b>	<b>1,865</b>	<b>1,904</b>	<b>-2.0%</b>
Total liabilities	2,411	2,460	-2.0%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,116</b>	<b>14,472</b>	<b>-9.4%</b>

## Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Sep 2010	Jan-Sep 2009	% of change 10/09
Profit before tax	1,855	2,205	-15.9%
Depreciation and amortization including value adjustment	988	1,048	-5.7%
Decrease of current receivables	0	0	-
Decrease of inventories	0	23	-
Other cash flow increases	0	0	-
<b>Total increase of cash flow from operating activities</b>	<b>2,843</b>	<b>3,276</b>	<b>-13.2%</b>
Decrease of current liabilities	-147	-549	-73.3%
Increase of current receivables	-148	-247	-40.0%
Increase of inventories	-6	0	-
Other cash flow decreases	-320	-822	-61.1%
<b>Total decrease of cash flow from operating activities</b>	<b>-620</b>	<b>-1,617</b>	<b>-61.6%</b>
<b>Net cash inflow/outflow from operating activities</b>	<b>2,223</b>	<b>1,659</b>	<b>34.0%</b>
Proceeds from sale of non-current assets	5	30	-81.8%
Proceeds from sale of non-current financial assets	437	1	-
Proceeds from sale of current financial assets	0	0	-
Interest received	38	235	-83.9%
Dividend received	0	4	-100%
Other cash inflows from investing activities	150	0	-
<b>Total increase of cash flow from investing activities</b>	<b>630</b>	<b>271</b>	<b>132.2%</b>
Purchase of non-current asset	-617	-1,063	-41.9%
Purchase of non-current financial asset	-290	-647	-55.1%
Other cash outflows from investing activities	-399	0	-
<b>Total decrease of cash flow from investing activities</b>	<b>-1,307</b>	<b>-1,710</b>	<b>-23.5%</b>
<b>Net cash inflow/outflow from investing activities</b>	<b>-678</b>	<b>-1,439</b>	<b>-52.9%</b>
<b>Total increase of cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>-</b>
Repayment of loans and bonds	-2	-2	-12.7%
Dividends paid	-2,788	-2,456	13.5%
Repayment of finance lease	-1	0	-
Other cash outflows from financing activities	0	-1	-100%
<b>Total decrease of cash flow from financing activities</b>	<b>-2,791</b>	<b>-2,459</b>	<b>13.5%</b>
<b>Net cash inflow/outflow from financing activities</b>	<b>-2,791</b>	<b>-2,459</b>	<b>13.5%</b>
Total increase of cash flow	2,223	1,659	34.0%
Total decrease of cash flow	-3,468	-3,898	-11.0%
Cash and cash equivalents at the beginning of period	4,195	5,223	-19.7%
Net cash (outflow) / inflow	-1,245	-2,239	-44.4%
<b>Cash and cash equivalents at the end of period</b>	<b>2,949</b>	<b>2,984</b>	<b>-1.2%</b>

## Statement of changes in Equity

in HRK million

Position	31 December 2009	Increase	Decrease	30 September 2010
1. Subscribed share capital	8,189			8,189
2. Net income reserves	409			409
3. Retained earnings or loss carried forward	1,393	2,019	-2,788	623
4. Net profit (loss) for the period	2,023	1,484	-2,023	1,484
5. Revaluation of available for sale financial assets	-4	3	-1	-2
6. Other changes in equity	1			1
<b>7. Total increase or decrease of equity</b>	<b>12,012</b>	<b>3,506</b>	<b>-4,812</b>	<b>10,704</b>
7a. Attributable to majority owners	12,012	3,506	-4,812	10,704
7b. Attributable to minority interest	1			1

## Notes to the condensed consolidated financial statements For period ended 30 September 2010

### Basis of preparation

The condensed consolidated financial statements of 30 September 2010 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

### Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of T-HT's consolidated financial statements for the year ended 31 December 2009.

### Dividends

Dividend in the amount of HRK 2,788 million (HRK 34,05 per share) was paid to the shareholders on 17 May 2010.

### Segment information

On 29 October 2009 a Merger Agreement was signed by HT d.d. and T-Mobile and upon the decision of the Assembly of the transferor company by which the merger was approved, and the merger was entered into the court register of the Commercial Court in Zagreb on 31 December 2009.

By entry of the merger into the court register, the transferee company, HT d.d. became the universal legal successor of the transferor company and thereby entered into all legal relationships of the transferor company, whereby T-Mobile ceased to exist with the expiry of 31 December 2009 as the day of the entry in the court register of the merger i.e. did not exist on 1 January 2010.

The primary segment reporting format is determined to be business segments as the T-HT's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

T-Com segment provides fixed telephony, wholesale services, internet services and data services.

T-Mobile provides mobile telephony.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transactions between business segments. Those transactions are eliminated in consolidation.

T-HT's geographical segments are based on the geographical location of its customers.

Revenue from mobile terminating calls transited through T-Com's network are disclosed as revenue from wholesale services in T-Com segment, while on Group level they are reclassified to revenue from mobile telephony.

During 2009, revenue from sale of mobile trade goods through T-Com's shops was disclosed as miscellaneous revenue in T-Com segment, while on Group level they were reclassified to revenue from mobile telephony.

In 2010 model of treatment of mobile trade goods in shops is changed in a way that segment which is the owner of such trade goods recognises all revenues and costs.

T-Com segment assets include T-Mobile's subscribed capital that was valid as of 31 December 2009.

Due to tourist season, higher revenues and operating profits are usually expected in the summer months for T-Mobile segment.

### *Business segments*

The following tables present revenue and profit and certain assets information regarding the T-HT's business segments:

Period ended 30 September 2010	<b>T-Com</b>	<b>T-Mobile</b>	<b>Reclassified</b>	<b>Eliminations</b>	<b>Total</b>
	<b>HRK millions</b>	<b>HRK millions</b>	<b>HRK millions</b>	<b>HRK millions</b>	<b>HRK millions</b>
<i>Revenue</i>					
Fixed telephony	1,740	-	-	-	1,740
Wholesale services	532	-	(44)	-	488
Internet services	1,016	-	-	-	1,016
Data services	115	-	-	-	115
Mobile telephony	-	2,800	37	-	2,837
Miscellaneous	113	-	10	-	123

Sales to external customers	3,516	2,800	3	-	6,319
Inter-segment sales	179	144	-	(323)	-
<b>Total revenue</b>	<b>3,695</b>	<b>2,944</b>	<b>3</b>	<b>(323)</b>	<b>6,319</b>
<i>Results</i>					
Segment results	863	1,006	-	-	1,869
Net finance revenue	(18)	3	-	-	(15)
Profit before income tax	846	1,009	-	-	1,854
Income tax expense	(181)	(189)	-	-	(370)
<b>Net profit for the year</b>	<b>664</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>1,484</b>
As at 30 September 2010					
<i>Assets and liabilities</i>					
Segment assets	9,291	3,529	-	(43)	12,777
Investment in subsidiaries	1,478	-	-	(1,478)	-
Investment in associates	2	-	-	-	2
Investment in joint venture	337	-	-	-	337
<b>Total assets</b>	<b>11,108</b>	<b>3,529</b>	<b>-</b>	<b>(1,521)</b>	<b>13,116</b>

Period ended 30 September 2009	<b>T-Com HRK millions</b>	<b>T-Mobile HRK millions</b>	<b>Reclassified HRK millions</b>	<b>Eliminations HRK millions</b>	<b>Total HRK millions</b>
<i>Revenue</i>					
Fixed telephony	1,914	-	-	-	1,814
Wholesale services	592	-	(82)	-	510
Internet services	845	-	-	-	845
Data services	139	-	-	-	139
Mobile telephony	-	2,965	137	-	3,102
Miscellaneous	70	-	(55)	-	15
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales to external customers	3,560	2,965	-	-	6,525
Inter-segment sales	248	267	-	(515)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<u>3,808</u>	<u>3,232</u>	<u>-</u>	<u>(515)</u>	<u>6,525</u>
<i>Results</i>					
Segment results	813	1,156	-	-	1,969
Net finance revenue	136	100	-	-	236
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before income tax	949	1,256	-	-	2,205
Income tax expense	(206)	(252)	-	-	(458)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net profit for the period</b>	<u>743</u>	<u>1,004</u>	<u>-</u>	<u>-</u>	<u>1,747</u>
As at 31 December 2009					
<i>Assets and liabilities</i>					
Segment assets	9,095	5,142	-	(140)	14,097
Investment in subsidiaries	1,478	-	-	(1,478)	-
Investment in associates	2	-	-	-	2
Investment in joint venture	373	-	-	-	373
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>10,948</u>	<u>5,142</u>	<u>-</u>	<u>(1,618)</u>	<u>14,472</u>

Current interim period 1 July 2010 to 30 September 2010	<b>T-Com</b> HRK millions	<b>T-Mobile</b> HRK millions	<b>Reclassified</b> HRK millions	<b>Eliminations</b> HRK millions	<b>Total</b> HRK millions
<i>Revenue</i>					
Fixed telephony	571	-	-	-	571
Wholesale services	198	-	(14)	-	184
Internet services	348	-	-	-	348
Data services	37	-	-	-	37
Mobile telephony	-	1,064	7	-	1,071
Miscellaneous	58	-	10	-	68
Sales to external customers	1,212	1,064	3	-	2,279
Inter-segment sales	73	60	-	(133)	-
<b>Total revenue</b>	<b>1,285</b>	<b>1,124</b>	<b>3</b>	<b>(133)</b>	<b>2,279</b>
<i>Results</i>					
Segment results	353	460	-	-	813
Net finance revenue	13	1	-	-	14
Profit before income tax	366	461	-	-	827
Income tax expense	(82)	(83)	-	-	(165)
<b>Net profit for the period</b>	<b>284</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>662</b>

Current interim period 1 July 2009 to 30 September 2009	<b>T-Com</b> HRK millions	<b>T-Mobile</b> HRK millions	<b>Reclassified</b> HRK millions	<b>Eliminations</b> HRK millions	<b>Total</b> HRK millions
<i>Revenue</i>					
Fixed telephony	627	-	-	-	627
Wholesale services	210	-	(31)	-	179
Internet services	291	-	-	-	291
Data services	45	-	-	-	45
Mobile telephony	-	1,117	50	-	1,167
Miscellaneous	27	-	(19)	-	8
Sales to external customers	1,200	1,117	-	-	2,317
Inter-segment sales	102	98	-	(200)	-
<b>Total revenue</b>	<b>1,302</b>	<b>1,215</b>	<b>-</b>	<b>(200)</b>	<b>2,317</b>
<i>Results</i>					
Segment results	241	519	-	-	760
Net finance revenue	24	37	-	-	61

Profit before income tax	265	556	-	-	821
Income tax expense	(55)	(111)	-	-	(166)
<b>Net profit for the period</b>	<b>210</b>	<b>445</b>	<b>-</b>	<b>-</b>	<b>655</b>

### Relations with the governing company and its affiliated companies

In the first nine months of 2010 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 2010 there were no changes in transactions among related parties which were specified in the annual financial report for 2009 and which had a significant impact on the financial position and operations of the Group in the first nine months of 2010.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first nine months of 2010 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 2010 the Group generated total revenue from related companies from international traffic to the amount of HRK 131 million (the first nine months of 2009: HRK 121 million), while total costs of international traffic amounted to HRK 95 million (the first nine months of 2009: HRK 107 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 8 million in the first nine months of 2010 (the first nine months of 2009: HRK 24 million).

Further, the Group provides telecommunications services to the Government of the Republic of Croatia, its departments and agencies, and companies owned by the Republic of Croatia on normal commercial terms and conditions, such as are no more favorable than those available to other customers. These telecommunications services do not represent a significant component of the Group's revenue.

#### *Compensation of the Supervisory Board*

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 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 2010, the Company paid a total amount of HRK 0.5 million (the first nine months of 2009: HRK 0.6 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 2010 the total compensation paid to key management personnel of the Group amounted to HRK 28 million (first nine months of 2009: HRK 37 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 Operative Directors of the Company, who are employed by the Group.

## Selected Operational Data<sup>(1)</sup>

### T-MOBILE SEGMENT

Key operational data	Jan-Sep 2010	Jan-Sep 2009	% of change 10/09
<b>Subscribers</b>			
No. of prepaid subscribers	1,790,104	1,987,148	-9.9%
No. of postpaid subscribers	983,741	897,363	9.6%
Total T-Mobile subscribers	2,773,845	2,884,511	-3.8%
% of postpaid subscribers	35.5	31.1	4.4 p.p.
<b>Minutes of use (MOU)</b>			
MOU per average subscriber	112.2	111.4	0.7%
<b>Average revenue per user (ARPU) (HRK)</b>			
Blended ARPU (monthly average for the period in HRK) <sup>3)</sup>	92.0	100.0	-8.1%
Blended non-voice ARPU (monthly average for the period in HRK)	20.9	21.4	-2.5%
SAC per gross add <sup>2)</sup>	187.6	193.0	-2.8%
<b>Churn rate (%)</b>			
Churn rate total	2.5	1.7	0.8 p.p.
Churn rate postpaid	1.0	0.7	0.3 p.p.
Churn rate prepaid	3.2	2.1	1.1 p.p.
<b>Penetration (%)</b>			
Market share of subscribers (%) <sup>4)</sup>	44.9	47.2	-2.3 p.p.
Market share by revenue (%) <sup>5)</sup>	47.6	49.0	-1.4 p.p.

### T-COM SEGMENT

Key operational data	Jan-Sep 2010	Jan-Sep 2009	% of change 10/09
<b>Fixed telephony</b>			
Total POTS and FGSM mainlines	1,353,292	1,400,087	-3.3%
Total ISDN mainlines	83,442	96,508	-13.5%
<b>Total (POTS+FGSM+ISDN)</b>	<b>1,436,734</b>	<b>1,496,595</b>	<b>-4.0%</b>
Payphones	6,934	8,210	-15.5%
<b>Total mainlines (POTS+FGSM+ ISDN+Payphones)</b>	<b>1,443,668</b>	<b>1,504,805</b>	<b>-4.1%</b>
<b>Total Traffic (thousands of minutes)</b>	<b>2,387,044</b>	<b>2,587,715</b>	<b>-7.8%</b>
To national fixed network	2,023,602	2,176,883	-7.0%
To national mobile network	207,816	238,182	-12.7%
To VAS	45,489	48,169	-5.6%
To international networks	81,390	90,739	-10.3%
Remaining traffic <sup>(6)</sup>	28,746	33,741	-14.8%
<b>Average monthly voice revenue per voice access (ARPA) (HRK)</b>	<b>132</b>	<b>138</b>	<b>-4.6%</b>

Key operational data	Jan-Sep 2010	Jan-Sep 2009	% of change 10/09
<b>Internet services</b>			
Dial-up users	907,642	764,495	18.7%
Active dial - up users	22,898	48,814	-53.1%
ADSL mainlines	600,182	526,722	13.9%
IPTV customers	271,382	189,433	43.3%
Fixed-line customers	1,254	1,089	15.2%
VPN connection points	3,775	3,454	9.3%
ADSL mainlines ARPA (monthly average for the period in HRK)	128	124	3.2%
Active dial-up users ARPU (monthly average for the period in HRK)	54	55	-1.6%
<b>Data services</b>			
Metro Ethernet (connection points)	3,364	2,589	29.9%
Other data lines	2,624	3,355	-21.8%
Total	5,988	5,944	0.7%
<b>Wholesale services</b>			
CPS (Carrier Pre-Selection)	223,993	227,209	-1.4%
NP (Number portability) users/number	398,878	326,449	22.2%
ULL (Unbundled Local Loop) <sup>7)</sup>	129,645	111,235	16.6%

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

<sup>(2)</sup> SAC - Subscriber acquisition costs

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

<sup>(4)</sup> Source: Number of subscribers for VIPnet and Tele2 for Jan-Sep 2010 internally estimated. Published VIPnet's and Tele2 quarterly report for Q3 2009.

<sup>(5)</sup> Market share by net revenue. National roaming revenue included. Source: Telekom Austria for Q3 2009. Vipnet's and Tele2 total revenue for Q3 2010 are internally estimated. Market shares are based on unconsolidated revenue for T-Mobile. Mobile telephony revenue has been affected by the government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)

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

<sup>(7)</sup> As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Sep 2010: 141,510 and Sep 2009: 116,232.

## Appendix: HT d.d. Financial statements

### Income Statement

In HRK

Position	Previous period		Current period	
	Cummulative	Periodical	Cummulative	Periodical
<b>I. OPERATING INCOME</b>	<b>3.947.948.854</b>	<b>1.345.241.302</b>	<b>6.264.286.542</b>	<b>2.248.519.085</b>
1. Rendering of services	3.745.650.450	1.278.079.386	6.110.469.807	2.193.007.897
2. Income from usage of own products, merchandise and services	75.274.136	31.343.216	51.875.538	29.949.717
3. Other operating income	127.024.268	35.818.700	101.941.197	25.561.471
<b>II. OPERATING COSTS</b>	<b>3.112.416.363</b>	<b>1.097.847.681</b>	<b>4.389.268.326</b>	<b>1.434.728.369</b>
1. Decrease of work in progress and merchandise	0	0	0	0
2. Increase of work in progress and merchandise	0	0	0	0
3. Material expenses	1.111.753.554	379.354.475	1.534.852.481	482.915.306
4. Employee benefits expenses	704.386.182	279.193.659	820.772.809	297.443.553
5. Depreciation and amortisation	658.431.854	218.644.073	962.755.291	313.385.823
6. Other expenses	583.517.074	185.843.476	965.494.529	310.260.427
7. Write down of assets	41.930.947	22.844.987	87.479.236	21.567.699
8. Provisions	12.396.752	11.967.011	17.913.980	9.155.561
9. Other operating costs	0	0	0	0
<b>III. FINANCIAL INCOME</b>	<b>155.944.564</b>	<b>-1.430.241.249</b>	<b>54.854.518</b>	<b>12.510.405</b>
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	6.421.034	-1.455.827.578	8.197.906	2.851.427
2. Interest, foreign exchange differences, dividends and similar income from third parties	145.055.842	21.118.641	40.876.056	9.658.978
3. Income form investments in associates and joint ventures	4.467.688	4.467.688	5.780.556	0
4. Unrealised gains (income)	0	0	0	0
5. Other financial income	0	0	0	0
<b>IV. FINANCIAL EXPENSES</b>	<b>23.832.991</b>	<b>1.578.212</b>	<b>30.561.831</b>	<b>986.764</b>
1. Interest, foreign exchange differences and similar expenses from subsidiaries	0	0	0	0
2. Interest, foreign exchange differences and similar expenses from third parties	23.832.991	1.578.212	30.561.831	986.764
3. Unrealised losses (expenses) from financial assets	0	0	0	0
4. Other financial expenses	0	0	0	0
<b>V. EXTRAORDINARY - OTHER INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VI. EXTRAORDINARY - OTHER EXPENSES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VII. TOTAL INCOME</b>	<b>4.103.893.418</b>	<b>-84.999.947</b>	<b>6.319.141.060</b>	<b>2.261.029.490</b>
<b>VIII. TOTAL EXPENSES</b>	<b>3.136.249.354</b>	<b>1.099.425.893</b>	<b>4.419.830.157</b>	<b>1.435.715.133</b>
<b>IX. PROFIT BEFORE TAXES</b>	<b>967.644.064</b>	<b>-1.184.425.840</b>	<b>1.899.310.903</b>	<b>825.314.357</b>
<b>X. LOSS BEFORE TAXES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XI. TAXATION</b>	<b>205.378.532</b>	<b>54.977.120</b>	<b>369.964.699</b>	<b>164.042.175</b>
<b>XII. NET PROFIT FOR THE PERIOD</b>	<b>762.265.532</b>	<b>-1.239.402.960</b>	<b>1.529.346.204</b>	<b>661.272.182</b>
<b>XIII. LOSS FOR THE PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Balance Sheet**

In HRK

<b>Position</b>	<b>Previous period</b>	<b>Current period</b>
<b>ASSETS</b>		
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>7.987.185.265</b>	<b>8.078.496.429</b>
I. INTANGIBLE ASSETS	425.212.932	880.435.628
II. PROPERTY, PLANT AND EQUIPMENT	5.323.123.708	6.170.417.746
III. NON-CURRENT FINANCIAL ASSETS	2.176.014.796	958.965.618
IV. RECEIVABLES	26.133.268	25.230.494
V. DEFERRED TAX ASSET	36.700.561	43.446.943
<b>C) CURRENT ASSETS</b>	<b>3.012.749.953</b>	<b>4.913.887.959</b>
I. INVENTORIES	193.376.779	244.665.505
II. RECEIVABLES	959.242.467	1.524.564.628
III. CURRENT FINANCIAL ASSETS	146.640.781	230.475.944
IV. CASH AND CASH EQUIVALENTS	1.713.489.926	2.914.181.882
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>18.514.687</b>	<b>131.438.266</b>
<b>E) LOSS ABOVE SUBSCRIBED CAPITAL</b>	<b>0</b>	<b>0</b>
<b>F) TOTAL ASSETS</b>	<b>11.018.449.905</b>	<b>13.123.822.654</b>
<b>G) OFF BALANCE SHEET ITEMS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>A) ISSUED CAPITAL AND RESERVES</b>	<b>9.498.199.613</b>	<b>10.861.079.315</b>
I. SUBSCRIBED SHARE CAPITAL	8.188.853.500	8.188.853.500
II. CAPITAL RESERVES	0	
III. LEGAL RESERVES	409.442.675	409.442.675
IV. REVALUATION RESERVES	-3.193.287	-1.755.800
V. RETAINED EARNINGS	7.017.278	735.192.736
VI. LOSS CARRIED FORWARD	0	
VII. NET PROFIT FOR THE PERIOD	896.079.447	1.529.346.204
VIII. LOSS FOR THE PERIOD	0	
IX. MINORITY INTEREST	0	0
<b>B) PROVISIONS</b>	<b>375.615.899</b>	<b>420.933.402</b>
<b>C) NON-CURRENT LIABILITIES</b>	<b>19.668.167</b>	<b>110.547.830</b>
<b>D) CURRENT LIABILITIES</b>	<b>954.400.400</b>	<b>1.484.518.994</b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>170.565.826</b>	<b>246.743.113</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>11.018.449.905</b>	<b>13.123.822.654</b>
<b>G) OFF BALANCE SHEET ITEMS</b>		

**Cash Flow Statement**

In HRK

Position	Previous period	Current period
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
1. Profit before tax	967.644.064	1.899.310.903
2. Depreciation and amortisation	658.431.854	962.755.291
3. Increase of current liabilities	0	
4. Decrease of current receivables	0	
5. Decrease of inventories	0	
6. Other cash flow increases	0	
<b>I. Total increase of cash flow from operating activities</b>	<b>1.626.075.918</b>	<b>2.862.066.194</b>
1. Decrease of current liabilities	-378.439.238	-147.050.270
2. Increase of current receivables	-63.399.463	-121.922.138
3. Increase of inventories	-12.498.206	-52.126.145
4. Other cash flow decreases	-391.693.697	-324.076.451
<b>II. Total decrease of cash flow from operating activities</b>	<b>-846.030.604</b>	<b>-645.175.003</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>780.045.314</b>	<b>2.216.891.191</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
1. Proceeds from sale of non-current assets	15.435.490	5.483.592
2. Proceeds from sale of non-current financial assets	1.242.361	436.615.610
3. Interest received	142.097.419	37.836.340
4. Dividend received	4.467.688	-5.780.556
5. Other proceeds from investing activities	0	149.708.351
<b>III. Total cash inflows from investing activities</b>	<b>163.242.958</b>	<b>623.863.336</b>
1. Purchase of non-current assets	-703.171.593	-588.850.829
2. Purchase of non-current financial assets	-206.205.298	-290.406.481
3. Other cash outflows from investing activities	-51.567.043	-434.898.488
<b>IV. Total cash outflows from investing activities</b>	<b>-960.943.935</b>	<b>-1.314.155.799</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-797.700.977</b>	<b>-690.292.463</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
1. Proceeds from issue of equity securities and debt securities		
2. Proceeds from loans and borrowings		
3. Other proceeds from financing activities		
<b>V. Total cash inflows from financing activities</b>		
1. Repayment of loans and bonds	12.088	-5.178
2. Dividends paid	-2.455.837.165	-2.788.304.617
3. Repayment of finance lease		
4. Purchase of treasury shares		
5. Other cash outflows from financing activities		
<b>VI. Total cash outflows from financing activities</b>	<b>-2.455.825.077</b>	<b>-2.788.309.794</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-2.455.825.077</b>	<b>-2.788.309.794</b>
Total increases of cash flows	<b>780.045.314</b>	<b>2.216.891.191</b>
Total decreases of cash flows	<b>-3.253.526.053</b>	<b>-3.478.602.257</b>
Cash and cash equivalents at the beginning of period	3.620.069.147	4.175.892.949

Increase of cash and cash equivalents		
Decrease of cash and cash equivalents	-2.473.480.739	-1.261.711.067
Cash and cash equivalents at the end of period	<b>1.146.588.408</b>	<b>2.914.181.882</b>

### Statement of changes in Equity

Position	In HRK			
	Previous period 31.12. previous year	Increase	Decrease	Current period
1. Subscribed share capital	8.188.853.500	0	0	8.188.853.500
2. Capital reserves	0	0	0	0
3. Net income reserves	409.442.675	0	0	409.442.675
4. Retained earnings or loss carried forward	7.017.278	3.516.480.075	-2.788.304.617	735.192.736
5. Net profit (loss) for the period	896.079.447	1.529.346.204	-896.079.447	1.529.346.204
6. Revaluation of property, plant and equipment	0	0	0	0
7. Revaluation of intangible assets		0	0	0
8. Revaluation of available for sale financial assets	-3.193.287	2.755.589	-1.318.102	-1.755.800
9. Other revaluation	0	0	0	0
10. Foreign exchange differences from investments abroad		0	0	0
11. Current and deferred taxes (part)		0	0	0
12. Hedging		0	0	0
13. Change of accounting policies		0	0	0
14. Change of prior period error		0	0	0
15. Other changes in equity		0	0	0
<b>16. Total increase or decrease of equity</b>	<b>9.498.199.613</b>	<b>5.048.581.868</b>	<b>-3.685.702.166</b>	<b>10.861.079.315</b>

## Notes to the condensed financial statements For the nine months ended 30 September 2010

### Basis of preparation

The condensed financial statements of 30 September 2010 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 2009.

#### **Dividends**

Dividend in the amount of HRK 2,788 million (HRK 34,05 per share) was paid to the shareholders on 17 May 2010.

#### **Segment information**

On 29 October 2009 a Merger Agreement was signed by HT d.d. and T-Mobile and upon the decision of the Assembly of the transferor company by which the merger was approved, and the merger was entered into the court register of the Commercial Court in Zagreb on 31 December 2009.

By entry of the merger into the court register, the transferee company, HT d.d. became the universal legal successor of the transferor company and thereby entered into all legal relationships of the transferor company, whereby T-Mobile ceased to exist with the expiry of 31 December 2009 as the day of the entry in the court register of the merger i.e. did not exist on 1 January 2010.

The primary segment reporting format is determined to be business segments as the T-HT's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

T-Com segment provides fixed telephony, wholesale services, internet services and data services.

T-Mobile provides mobile telephony.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transactions between business segments. Those transactions are eliminated in consolidation

T-HT's geographical segments are based on the geographical location of its customers.

Revenue from mobile terminating calls transited through T-Com's network are disclosed as revenue from wholesale services in T-Com segment, while on Company's level they are reclassified to revenue from mobile telephony.

During 2009, revenue from sale of mobile trade goods through T-Com's shops was disclosed as miscellaneous revenue in T-Com segment, while on Company's level they were reclassified to revenue from mobile telephony.

In 2010 model of treatment of mobile trade goods in shops is changed in a way that segment which is the owner of such trade goods recognises all revenues and costs.

T-Com segment's investment in subsidiaries include T-Mobile's subscribed capital that was valid as of 31 December 2009.



Due to tourist season, higher revenues and operating profits are usually expected in the summer months for T-Mobile segment. Interim financial statements for the six months ended on 30 June 2009 were not effected by seasonality.

### *Business segments*

The following tables present revenue and profit and certain assets information regarding the T-HT's business segments:

Nine months ended 30 September 2010	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,740	-	-	-	1,740
Wholesale services	555	-	(44)	-	511
Internet services	896	-	-	-	896
Data services	115	-	-	-	115
Mobile telephony	-	2,800	37	-	2,837
Miscellaneous	1	-	10	-	11
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales to external customers	3,307	2,800	3	-	6,110
Inter-segment sales	179	144	-	(323)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<b>3,486</b>	<b>2,944</b>	<b>3</b>	<b>(323)</b>	<b>6,110</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Results</i>					
Segment results	869	1,006	-	-	1,875
Net finance revenue	21	3	-	-	24
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before income tax	890	1,009	-	-	1,899
Income tax expense	(181)	(189)	-	-	(370)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net profit for the year</b>	<b>790</b>	<b>820</b>	<b>-</b>	<b>-</b>	<b>1,529</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 30 September 2010					
<i>Assets and liabilities</i>					
Segment assets	9,029	3,529	-	(66)	12,492
Investment in subsidiaries	1,771	-	-	(1,478)	293
Investment in associates	2	-	-	-	2
Investment in joint venture	337	-	-	-	337
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b>11,139</b>	<b>3,529</b>	<b>-</b>	<b>(1,544)</b>	<b>13,124</b>

Nine months ended 30 September 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,915	-	-	-	1,915
Wholesale services	840	-	-	-	840
Internet services	759	-	-	-	759
Data services	139	-	-	-	139
Mobile telephony	-	-	-	-	-
Miscellaneous	93	-	-	-	93
Sales to external customers	3,746	-	-	-	3,746
Inter-segment sales	-	-	-	-	-
<b>Total revenue</b>	<b>3,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,746</b>
<i>Results</i>					
Segment results	835	-	-	-	835
Net finance revenue	1,132	-	-	-	1,132
Profit before income tax	967	-	-	-	967
Income tax expense	(205)	-	-	-	(205)
<b>Net profit for the year</b>	<b>762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>762</b>
As at 31 December 2009					
<i>Assets and liabilities</i>					
Segment assets	9,101	-	-	-	9,101
Investment in subsidiaries	1,580	-	-	-	1,580
Investment in associates	2	-	-	-	2
Investment in joint venture	335	-	-	-	335
<b>Total assets</b>	<b>11,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,018</b>

Current interim period 1 July 2010 to 30 September 2010	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	571	-	-	-	571
Wholesale services	210	-	(14)	-	196
Internet services	307	-	-	-	307
Data services	37	-	-	-	37
Mobile telephony	-	1,064	7	-	1,071
Miscellaneous	1	-	10	-	11
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales to external customers	1,126	1,064	3	-	2,193
Inter-segment sales	73	60	-	(133)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<b>1,199</b>	<b>1,124</b>	<b>3</b>	<b>(133)</b>	<b>2,193</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Results</i>					
Segment results	354	460	-	-	814
Net finance revenue	10	1	-	-	11
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before income tax	364	461	-	-	825
Income tax expense	(83)	(83)	-	-	(166)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net profit for the period</b>	<b>281</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>659</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Current interim period 1 July 2009 to 30 September 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	627	-	-	-	627
Wholesale services	304	-	-	-	304
Internet services	261	-	-	-	261
Data services	45	-	-	-	45
Mobile telephony	-	-	-	-	-
Miscellaneous	41	-	-	-	41
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales to external customers	1,278	-	-	-	1,278
Inter-segment sales	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<b>1,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,278</b>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Results</i>					

Segment results	247	-	-	-	247
Net finance revenue	(1,432)	-	-	-	(1,432)
Profit before income tax	(1,185)	-	-	-	(1,185)
Income tax expense	(55)	-	-	-	(55)
<b>Net profit for the period</b>	<b>(1,240)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,240)</b>

## Relations with the governing company and its affiliated companies

In the first nine months of 2010 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 2010 there were no changes in transactions among related parties which were specified in the annual financial report for 2009 and which had a significant impact on the financial position and operations of the Company in the first nine months of 2010.

Business relations transacted between HT d.d. in the first nine months of 2010 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 2010 the Company generated total revenue from related companies from international traffic to the amount of HRK 131 million (the nine months of 2009: HRK 48 million), while total costs of international traffic amounted to HRK 95 million (the first nine months of 2009: HRK 61 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 8 million in the first nine months of 2010 (the first nine months of 2009: HRK 15 million).

Further, the Company provides telecommunications services to the Government of the Republic of Croatia, its departments and agencies, and companies owned by the Republic of Croatia on normal commercial terms and conditions, such as are no more favorable than those available to other customers. These telecommunications services do not represent a significant component of the Company's revenue.

### *Compensation of the Supervisory Board*

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 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 2010, the Company paid a total amount of HRK 0.5 million (the first nine months of 2009: 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 2010 the total compensation paid to key management personnel of the Company amounted to HRK 28 million (first nine months of 2009: HRK 22 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include Members of the Management Board and the Operative Directors of the Company.

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

To the best of our knowledge, financial statements of the company Hrvatski Telekom d.d. (hereinafter: "Company") and 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 interim management report for the period ended 30 September 2010 contains a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Mr. Ivica Mudrinić, President of the Management Board

Mr. Jürgen P. Czapran, Member of the Management Board and Chief Financial Officer

Mr. Johan Busé, Member of the Management Board and Chief Operating Officer Residential

Ms. Irena Jolić Šimović, Member of the Management Board and Chief Operating Officer Business

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

Ms. Branka Skaramuča, Member of the Management Board and Chief Human Resources Officer

Zagreb, 29 October 2010

### **Presentation of information**

Unless the context otherwise requires, references in this publication to “T-HT Group” or “the Group” or “T-HT” are to the Company Hrvatski Telekom d.d., together with its subsidiaries.

References to “HT” or the “Company” are to the Company Hrvatski Telekom d.d. Following the merger of T-Mobile d.o.o. with Hrvatski Telekom (HT d.d.), effective 1 January 2010, the Group is now organized into two business units: Business and Residential.

Therefore, references to “T-Mobile” are to business operations performed in previous periods by the Company’s wholly-owned subsidiary, T-Mobile Croatia d.o.o.,

References to “T-Com” are to business operations including the fixed network, wholesale, broadband, data, on-line services and ICT solutions that were in previous years performed by the Company’s business Unit T-Com.

References to “Iskon” are to the Company’s wholly-owned subsidiary, Iskon Internet d.d.

References to “Combis” are to the Company’s wholly-owned subsidiary, Combis d.o.o.

References in this publication to “Agency” are to the Croatian National Regulatory Authority, the Agency for Post and Electronic Communications.

### **Disclaimer**

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional information concerning important factors that could cause actual results to differ materially is available in the Group's reports which may be found at [www.t.ht.hr](http://www.t.ht.hr)