Zagreb – 26 July 2013

T-Hrvatski Telekom
Results for the six months ended 30 June 2013

Robust results in challenging operating environment

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

Group Highlights

- Revenue down 5.9% to HRK 3,435 million or EUR 454 million (H1 2012: HRK 3,649 million, EUR 484 million)
    - Non voice revenue up 2.9%
        - Fixed broadband ARPA up 2.3% to HRK 127
        - Smartphone sales at 56.0 % of total postpaid handsets sold
- EBITDA down 17.8% to HRK 1,362 million (EUR 180 million) and margin at 39.7% (H1 2012: HRK 1,657 million or EUR 220 million, 45.4%)
- EBITDA before exceptional items down 14.2% to HRK 1,422 million (EUR 188 million), margin at 41.4% (H1 2012: HRK 1,657 million or EUR 220 million, 45.4%)
- Net profit down 29.4% at HRK 570 million (EUR 75 million), margin at 16.6% (H1 2012: HRK 808 million or EUR 107 million, 29.4%)
- Operating cash flow down 7.9% to HRK 1,073 million (EUR 142 million)
- Capex up 64.9% to HRK 612 million

Residential Segment

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 0.6% (up 2.0% on Q1 2013)
- 521,901 broadband retail access lines, down 1.2% (down 0.4% on Q1 2013), and 353,232 TV customers, up 8.1% (up 1.5% on Q1 2013)
- Revenue down 3.1%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 1,325 million, down 5.9%

Business Segment

- Substantial customer base across all segments and products
- Mobile subscribers down 3.5% (up 0.7% on Q1 2013)
- 109,550 broadband retail access lines, up 3.4% (flat on Q1 2013) and 21,062 TV customers, up 6.2% (up 0.6% on Q1 2013)
- Revenue down 9.3%, due largely to lower voice revenues in mobile and fixed
- Contribution to EBITDA of HRK 822 million, down 18.3%

Ivica Mudrinić, President of the Management Board (CEO), *said:* „We have delivered a resilient set of results and maintained our leading market position despite continued pressure from the challenging operating environment in the second quarter of 2013. We are extending our portfolio of services and investing in our future.

"Our focus on improving Group network capabilities continues alongside a range of e-transformation projects underway across the business. Development of the Group's LTE coverage is making good progress, the innovative TeraStream project remains on track and we have closed the first local exchange following the migration of all of its customers to an IP based voice delivery platform.

"At the same time, we have addressed more immediate issues such as Croatia's accession to the EU, introducing special tourist offers, amongst others. Whilst monitoring progress in the business during the important third quarter, the Group maintains its full year financial outlook for 2013."

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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	18972313

A replay of the call will be available until Thursday, 1 August 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	18972313

A presentation covering results for the first six 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 June 2013, the Group served nearly 1.3 million fixed-line customers, 2.4 million mobile subscribers, 631,451 broadband access lines and provided TV services to 374.294 customers.

1.2 Market overview

Negative economic trends, as well as flat rate tariff and mobile Internet offers, including incentives such as tablets, all impacted the mobile market in Q2 2013The fixed broadband market continued to grow, while consolidation in pay TV market further intensified the competitive landscape.

A major mobile competitor acquired local cable operators as well as residential infrastructure assets from a fixed line competitor to T-HT. Also, in March 2013, it acquired a local satellite TV operator in an effort to strengthen its converged offer of communications and TV services.

As reported on 1 July 2013, T-HT filed a notification to the Croatian Competition Agency (AZTN), based on the proposal of financial and operational restructuring of Optima Telekom ("OT") within the pre-bankruptcy settlement process, as one of OT's largest creditors.

Another fixed line competitor also faces financial difficulties and entered the pre-bankruptcy settlement procedure in May 2013.

Further consolidation in the telecommunications market is expected, especially as a result of the financial challenges some small alternative operators are facing.

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 20.7% in Q1 2013 vs. Q1 2012, following similar global trends.

1.2.2 Mobile telecommunications

Through a range of brands, the Group maintained a leading market position in a saturated mobile market, served by three operators since 2005. Mobile penetration is estimated to reach 118.0% and the Company's share of total mobile customers is estimated at 47% at the end of June 2013. All mobile operators intensified efforts to increase market share of postpaid customers.

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. Total Croatian mobile market minutes of use (MOU) increased by 22.6% and the number of SMSs sent increased by 11.4% in Q1 2013 compared with Q1 2012.[1] Demand for mobile Internet continued to grow with all three mobile operators promoting voice-messaging-data bundled tariff offers alongside increasing smartphone and tablet offers. In May 2013, T-HT launched a new LTE based mobile offer for prepaid customers as the first prepaid LTE offer in the market.

1.2.3 Internet

The Croatian fixed broadband market continued to grow with 900,509 fixed broadband connections reported at the end of Q1 2013.[2] The market grew 3.6% compared with Q1 2012.[3] DSL remains the dominant broadband technology.
At the end of Q2 2013, T-HT Group had 631,451 broadband access lines.
The Croatian broadband market still represents a growth opportunity for T-HT with an estimated 49% of Croatian households connected to fixed broadband network compared to an average of 73% in Western Europe.[4]

The Croatian pay TV market grew by 5.8% in Q1 2013 vs. Q1 2012, reaching 642,770 customers[2].
The Group reported 374,294 TV customers at the end of June 2013, representing 59.3 % 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 remained high in the first half of 2013. The number of broadband wholesale customers (BSA and Naked BSA) reached 33,326 at the end of June 2013. In addition, significant demand for Unbundled Local Loop (ULL) continued, and the number of customers increased to 169,244 at the end of June 2013. As of 1 January 2013, wholesale prices were amended for the following regulated services: call origination, fixed and mobile call termination.

1.3 Economic background[5)]

As the ongoing economic recession worsens for the fifth consecutive year, industrial production and personal consumption have declined, consumer spending remains weak, unemployment remains high and there is no expectation of an upturn in 2013.

Croatian GDP continued to decline down 1.5% in Q1 2013 vs. Q1 2012 owing to falling personal consumption and a decline in foreign direct investments (FDIs). Economic drivers indicate a further decline in GDP in Q2 2013: industrial production fell by 0.6% in the first five months of 2013 vs. the same period in 2012, retail trade was lower and export activities decreased significantly.

Due to seasonal employment in Q2 2013, official statistics record an increase in employment from March till June. Consequently, the registered unemployment rate reached 18.6% in June 2013.

The continued economic downturn had a negative impact on real income. In April 2013 net average income was 5,478 HRK, which is in real terms 1.8% lower than the net average income calculated in April 2012.

The inflation rate, measured by the Consumer Price Index (CPI), significantly weakened in Q2 2013 vs. the previous quarter and was 2.0% in June 2013. Croatian accession to EU is not expected to cause any dramatic increase in prices due to the alignment of local prices with average EU levels.

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1) Source: Croatian Central Bureau of Statistics
2) Croatian Post and Electronic Communications Agency, July 2013
3) T-HT estimates
4) Source: Informa
5) Source: Raiffeisen Research, July 2013,Croatian Central Bureau of Statistics

1.4 Information about 6% fee on mobile network services

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

The impact of the 6% tax in H1 2012 was HRK 53 million and for the whole of 2012 (applicable from 26 January 2012 to 9 July 2012) was HRK 56 million.

1.5 Regulatory environment

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

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

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.

1.6 Segmental reporting

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

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

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

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

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

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

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

1.7 Change in the definition of mobile data subscribers

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

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

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

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

With respect to the volume of replacement equipment in relation to the customer base with CPE, the expected lifetime is estimated at seven years. This change resulted in a HRK 24 million decrease in depreciation in H1 2013.

1.9 Change in recognition of content provider costs

In December 2012 the Group has changed the recognition of the content provider cost to align the treatment of it with new industry practice. As a consequence, the Group has changed the accounting policy of content provider costs making reconciliation of the following positions in the presented financial statement for first half of the 2012: Material expenses (HRK -37 million), Depreciation and amortization (HRK +26 million), Financial expenses (HRK +11 million) and Capital expenditure (HRK +26 million).

Operating expenses per segment for 2012 changed in comparison to numbers originally reported in 2012 due to the changed recognition of content provider costs at the end of 2012 and organisational changes in 2013.

1.10 Summary of key financial indicators

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Revenue	1,740	1,843	*-5.6%*	3,435	3,649	*-5.9%*
EBITDA before exceptional items	753	877	*-14.0%*	1,422	1,657	*-14.2%*
Exceptional items	0	0	-	60	0	-
EBITDA after exceptional items	753	877	*-14.0%*	1,362	1.657	*-17.8%*
EBIT (Operating profit)	433	534	*-18.8%*	725	976	*-25.7%*
Net profit after minority interest	332	443	*-25.1%*	570	808	*-29.4%*
EBITDA margin before exceptional items	43.3%	47.6%	*-4.3 p.p.*	41.4%	45.4%	*-4.0 p.p.*
EBITDA margin after exceptional items	43.3%	47.6%	*-4.3 p.p.*	39.7%	45.4%	*-5.8 p.p.*
EBIT margin	24.9%	29.0%	*-4.1 p.p.*	21.1%	26.7%	*-5.6 p.p.*
Net profit margin	19.1%	24.1%	*-5.0 p.p.*	16.6%	22.1%	*-5.5 p.p.*

in HRK million	At 30 Jun 2013	At 31 Dec 2012	change
Cash and cash equivalents	4,064	3,146	*29.2%*
Total assets	13,785	13,113	*5.1%*
Total issued capital and reserves	9,803	10,899	*-10.1%*

in HRK million	Q2 2013	Q2 2012	change	Jan-Jun 2013	Jan-Jun 2012	change
Net cash flow from operating activities	612	595	*2.8%*	1,073	1,166	*-7.9%*

RESIDENTIAL SEGMENT

in HRK million	Q2 2013	Q2 2012	change	Jan-Jun 2013	Jan-Jun 2012	change
Revenue	993	1,015	*-2.2%*	1,966	2,028	*-3.1%*
Contribution to EBITDA before SI	685	692	*-1.0%*	1,325	1,409	*-5.9%*

BUSINESS SEGMENT

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Revenue	747	828	*-9.8%*	1,469	1,621	*-9.3%*
Contribution to EBITDA before SI	426	518	*-17.9%*	822	1,006	*-18.3%*

NETWORK & SUPPORT FUNCTIONS

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Contribution to EBITDA before SI	-357	-334	*-7.0%*	-725	-758	*4.3%*

1.11 Exchange rate information

	Kuna per EURO		Kuna per U.S dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2012	7.54	7.51	5.81	5.97
Six months to 30 June 2013	7.57	7.45	5.76	5.71

1.12 Selected Operational Data

Key operational data	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Mobile subscribers in 000						
Number of subscribers	2,350	2,378	*-1.2%*	2,350	2,378	*-1.2%*
- Residential	1,884	1,895	*-0.6%*	1,884	1,895	*-0.6%*
- Business	466	482	*-3.5%*	466	482	*-3.5%*
Number of postpaid subscribers	1,023	1,025	*-0.2%*	1,023	1,025	*-0.2%*
Number of prepaid subscribers	1,326	1,353	*-2.0%*	1,326	1,353	*-2.0%*
Minutes of use (MOU) per average subscriber	179	143	*25.3%*	171	137	*24.8%*
- Residential	161	116	*38.7%*	151	110	*37.8%*
- Business	253	248	*2.0%*	249	242	*2.6%*
Blended ARPU (monthly average for the period in HRK)	86	91	*-5.0%*	84	90	*-6.3%*
- Residential	72	73	*-1.0%*	70	72	*-2.1%*
- Business	141	159	*-11.0%*	140	161	*-12.9%*
Blended non-voice ARPU (monthly average for the period in HRK)	30	26	*18.0%*	30	26	*13.3%*
SAC per gross add in HRK	111	86	*30.0%*	108	90	*19.9%*
Churn rate (%)	3	2	*0.1 p.p.*	3	3	*-0.1 p.p.*
Penetration (%) [1]	118	119	*-1.3 p.p.*	118	119	*-1.3p.p.*
Market share of subscribers (%) [1]	47	46	*0.2 p.p.*	47	46	*0.2 p.p.*
Data subscribers (in 000) [2]	1,248	1,066	*17.0%*	*1,248*	*1,066*	*17.0%*

1) Source: VIPnet's quarterly report for 2Q 2012 and Tele2's quarterly report for 2Q 2012. Number of subscribers for VIPnet and Tele2 for 2Q 2013 are internally estimated.
2) Mobile Data Subscriber refers to SIM cards with recurring or non-recurring data usage, allowing access to internet and data services through the mobile network infrastructure. Recurring data usage refers to the PSD access data share of voice & data bundle price plans or options for smartphones or comparable devices with recurring payments (> 1month) and a predefined data volume (incl. flat). Non-recurring data usage referes to revenues from pay-for-use customers using smartphones or comparable devices. The Q2 2012 data is estimated.
3)

Key operational data	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Fixed mainlines in 000						
Fixed mainlines - retail [1]	**1,174**	**1,210**	***-3.0%***	**1,174**	**1,210**	***-3.0%***
- Residential	1.004	1.028	*-2.3%*	1.004	1,028	*-2.3%*
- Business	170	182	*-6.8%*	170	182	*-6.8%*
Fixed mainlines - wholesale (WLR)	**108**	**132**	***-18.2%***	**108**	**132**	***-18.2%***
- Residential	90	113	*-20.6%*	90	113	*-20.6%*
- Business	18	19	*-3.7%*	18	19	*-3.7%*
Total Traffic (mill. of minutes) [5]	**503**	**602**	***-16.5%***	**1,053**	**1,270**	***-17.1%***
- Residential	396	458	*-13.6%*	831	967	*-14.0%*
- Business	107	144	*-25.9%*	221	303	*-27.0%*
ARPA voice per access (monthly average for the period in HRK) [2]	**105**	**116**	***-10.0%***	**106**	**118**	***-10.1%***
- Residential	90	97	*-7.2%*	**91**	**98**	***-7.1%***
- Business	189	222	*-14.8%*	**191**	**225**	***-15.1%***
IP mainlines/customers in 000						
Broadband access lines - retail [3]	**631**	**634**	***-0.4%***	**631**	**634**	***-0.4%***
- Residential	522	528	*-1.2%*	522	528	*-1.2%*
- Business	110	106	*3.4%*	110	106	*3.4%*
Broadband access lines – wholesale [4]	**33**	**19**	***80.1%***	**33**	**19**	***80.1%***
- Business	33	19	*80.1%*	33	19	*80.1%*
TV customers	**374**	**347**	***8.0%***	**374**	**347**	***8.0%***
- Residential	353	327	*8.1%*	353	327	*8.1%*
- Business	21	20	*6.2%*	21	20	*6.2%*
thereof IPTV	**336**	**323**	***4.0%***	**336**	**323**	***4.0%***
- Residential	316	304	*4.1%*	316	304	*4.1%*
- Business	20	19	*3.5%*	20	19	*3.5%*
thereof Cable TV	**6**	**6**	***-0.1%***	**6**	**6**	***-0.1%***
- Residential	6	6	*-0.1%*	6	6	*-0.1%*
- Business	0	0	*-6.8%*	0	0	*-6.8%*
thereof Satellite TV	**32**	**17**	***83.7%***	**32**	**17**	***83.7%***
- Residential	31	17	*82.9%*	31	17	*82.9%*
- Business	1	0	*112.8%*	1	0	*112.8%*

Fixed-line customers	1	1	*4.9%*	1	1	*4.9%*
VPN connection points	4	4	*2.1%*	4	4	*2.1%*
Broadband retail ARPA (monthly average for the period in HRK)	128	125	*2.4%*	127	125	*2.3%*
- Residential	127	123	*3.3%*	126	123	*2.9%*
- Business	131	134	*-1.9%*	133	134	*-0.7%*

Data lines in 000						
Total data lines	5	5	*-2.8%*	5	5	*-2.8%*

Wholesale customers in 000						
CPS (Carrier Pre-Selection)	27	51	*-46.6%*	27	51	*-46.6%*
NP (Number portability) users/number	687	592	*16.1%*	687	592	*16.1%*
ULL (Unbundled Local Loop)	169	161	*5.3%*	169	161	*5.3%*

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	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Voice revenue [1)]	858	990	*-13.3%*	1,681	1,935	*-13.1%*
Non voice revenue[1)]	695	661	*5.2%*	1,365	1,327	*2.9%*
Other service revenue	115	110	*4.5%*	222	232	*-4.2%*
Terminal equipment	51	48	*5.3%*	104	94	*9.7%*
Miscellaneous	22	35	*-37.4%*	63	60	*4.4%*
Revenue	**1,740**	**1,843**	***-5.6%***	**3,435**	**3,649**	***-5.9%***

[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 H1 2013, revenue decreased by 5.9% to HRK 3,435 million from HRK 3,649 million in the same period of 2012. Underlying revenue decreased 7.2%, excluding impact of 6% fee applicable to period from Jan 26 to June 30 2012.

The fall in revenue is the result of the protracted economic recession, now in its fifth consecutive year, increased competitive pressure from bundled telecommunications offers and downward pressure on pricing.

Revenue decline was primarily driven by lower voice revenue coming from lower number of retail mainlines and lower usage in fixed, while in mobile decline was driven by lower ARPU and subscribers although higher average minutes per subscriber was reported. Fixed wholesale voice revenue decline was largely driven by lower international hubbing traffic as a result of increased competition and lower national voice, owing to lower interconnection prices starting from 1 January 2013 and lower traffic. The fall in voice revenue was accompanied by a decline in other service revenues due to a higher number of subscribers on bundle tariffs and the consequent revenue recognition in voice and non voice services. A decline in voice and other revenues was slightly offset by an increase in non voice revenue, terminal equipment revenue and miscellaneous revenue. Non voice revenue increased due to higher mobile data revenue as well as the higher number of TV customers and higher broadband retail ARPA. Higher terminal equipment revenue came primarily from the lower subsidy on handsets and prolonged Christmas promotion activities in 2013.

The impact of the 6% tax in H1 2012 was HRK 53 million and for the whole of 2012 (applicable from 26 January 2012 to 9 July 2012) was HRK 56 million.

The contribution of subsidiaries to Group revenue was as follows: Iskon: HRK 161 million (2012: HRK 148 million) and Combis: HRK 153 million (2012: HRK 151 million).

In the second quarter of 2013, revenue declined 5.6% primarily due to a 13.3% fall in voice revenue. Lower voice revenue resulted from the factors mentioned above affecting voice revenue for the six month period. 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 (increasing share of data revenue). Miscellaneous revenue decreased as a result of lower business miscellaneous revenue due to the new national roaming agreement signed. Other service revenue increased due to the higher ICT revenue.

2.2 Operating expenses

Total consolidated operating expenses before depreciation and amortization increased by 3.5% to HRK 2,172 million in H1 2013 (2012: HRK 2,099 million). This was primarily a result of accrued costs for redundancy payments (HRK 60 million) in 2013, which were treated as exceptional items; and higher material expenses, which were partly offset by lower other expenses and asset write downs.

2.2.1 Material expenses

Material expenses increased to HRK 950 million in H1 2013 from HRK 904 million in H1 2012, mainly as a result of higher merchandise cost partially offset by lower services expenses. Merchandise costs increased due to a higher number of customers acquired and more intensive contract prolongation activities as well as the impact of Christmas promotions into 2013.

A decrease in services expenses by 7.0% resulted from lower international telecommunication costs due to lower traffic and lower average unit costs.

2.2.2 Employee benefits expenses

Total employee benefits expenses increased by 7.8% to HRK 603 million in H1 2013 from HRK 559 million in H1 2012. Costs for redundancy in 2013 were booked in March 2013 to the amount of HRK 60 million. Excluding redundancy cost, employee benefits expenses decreased by HRK 16 million mainly because of lower number of FTE (H1 2013: 5,609 vs. H1 2012:5,713) primarily due to the headcount reduction program in 2013.

2.2.3 Other expenses

Other expenses decreased by 1.0% to HRK 605 million in H1 2013 from HRK 611 million in H1 2012 mainly due to lower provisions, postal charges and sales commissions partially compensated by higher maintenance, licences and external employment costs.
Postal charges decreased due to improvements in billing procedures (one bill, e-bill) and resulted in a lower number of printed invoices more along with more favorable rates for invoice delivery. A decline in sales commissions resulted from a lower volume of sales transactions through indirect sales channel as a result of increased direct sales channel activity introduced in 2013.

Maintenance cost increased as a result of a greater number of fault repairs in H1 2013 than in H1 2012 due to poor weather conditions. License costs increased owing to the purchase of spectrum license in 2013. External employment costs increased due to increased tele sales and e-business activities.

2.3 Write down of assets

Asset write-downs decreased by 22.2% to HRK 42 million in H1 2013 from HRK 53 million in H1 2012, mainly due to the lower value adjusted inventories, slightly offset by the increase in the adjusted value of receivables mainly as a consequence of value adjusted receivables from companies undergoing a pre-bankruptcy process.

2.4 Depreciation and amortization

Depreciation and amortization was 6.5% lower than in H1 2012 (H1 2013: HRK 637 million; H1 2012: HRK 681 million). This resulted mainly from the change in useful life introduced in July 2012 for customer premises equipment to 7 years from 3 and 5 years, which resulted in lower depreciation in 2013. In addition, in 2012 there was one time adjustment relating to obsolete 2G equipment with its replacement contributing to lower depreciation in 2013.

2.5 T-HT Group profitability

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Revenue	1,740	1,843	*-5.6%*	3,435	3,649	*-5.9%*
EBITDA before exceptional items	753	877	*-14.0%*	1,422	1,657	*-14.2%*
Exceptional items [1)]	0	0	-	60	0	-
EBITDA after exceptional items	753	877	*-14.0%*	1,362	1,657	*-17.8%*
EBIT (Operating profit)	433	534	*-18.8%*	725	976	*-25.7%*
Net profit after minority interest	332	443	*-25.1%*	570	808	*-29.4%*
EBITDA margin before exceptional items	43.3%	47.6%	*-4.3 p.p.*	41.4%	45.4%	*-4.0 p.p.*
EBITDA margin after exceptional items	43.3%	47.6%	*-4.3 p.p.*	39.7%	45.4%	*-5.8 p.p.*
EBIT margin	24.9%	29.0%	*-4.1 p.p.*	21.1%	26.7%	*-5.6 p.p.*
Net profit margin	19.1%	24.1%	*-5.0 p.p.*	16.6%	22.1%	*-5.5 p.p.*

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

As a result of decreased revenue and increased operating expenses resulting largely from redundancy costs booked in Q1 2013, EBITDA fell 17.8% to HRK 1,362 million in H1 2013 (H1 2012: HRK 1,657 million) with the margin at 39.7% (H1 2012: 45.4%).

EBITDA before exceptional items decreased by 14.2% to HRK 1,422 million in H1 2013 from HRK 1,657 million in H1 2012. This resulted from a fall in net revenue of 5.9%, a decline in other operating income of 7.5% and a 0.6% rise in operating expenses.

Consolidated operating profit decreased by 25.7% to HRK 725 million in H1 2013 from HRK 976 million in H1 2012 as a result of factors related to EBITDA, slightly offset by lower depreciation and amortization.

Consolidated net profit decreased by 29.4% to HRK 570 million in H1 2013 from HRK 808 million in H1 2012. This decrease was primarily the result of factors related to EBITDA combined with a decline in net financial income.

In the Q2 2013, EBITDA fell 14.0% largely as a result of lower revenue. With lower EBITDA and higher financial expenses, net profit fell 25.1%

2.6 Balance sheet

The total value of assets increased by 5.1% at the end of June 2013 compared with the 31 December 2012, as a result of higher current assets.

The increase in current assets primarily resulted from a change in current financial assets and cash and cash equivalents due to changes in the investment portfolio structure.

Total issued capital and reserves decreased to HRK 9,803 million at 30 June 2013 from HRK 10,899 million at 31 December 2012, primarily as a result of approval of the dividend for 2012 in the amount of HRK 1,680 million that was paid on 8 July 2013.

Total current liabilities increased to HRK 3,664 million at 30 June 2013 from HRK 1,935 million at 31 December 2012, mainly due to the dividend payable in the amount of HRK 1,680 million as of 30 June 2013.

2.7 Cash flow

Net cash flow from operating activities decreased by 7.9% from the same period the previous year, due primarily to lower net profit but partially offset by working capital. Net cash flow from investing activities increased by 83.5% over the previous year mainly as a result of significant lower investments in financial assets in H1 2013.

2.8 Capital expenditure

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012*	*change*
Business	76	29	*165.6%*	111	49	*128.0%*
Residential	233	97	*139.9%*	306	160	*91.6%*
Network and Support Functions	82	118	*-30.7%*	195	163	*19.8%*
T-HT Group	**392**	**244**	***60.3%***	**612**	**371**	***64.9%***
Capex / Revenue ratio	22.5%	13.3%	*9.2 p.p.*	17.8%	10.2%	*7.6 p.p.*

* Due to changed recognition of content provider costs, capex 2012 restated as HRK 26 million (residential HRK 25 million and business HRK 2 million).

Capital expenditure in the first half of 2013 was significantly higher than in H1 2012, largely as a result of the capitalization of content provider costs, higher investments in IT, the refurbishment of a building for call centre reallocation and the refurbishment of a building to house a new data centre. The increase also resulted from ongoing strategic projects (PSTN migration, mobile broadband deployment), projects that were rescheduled in the first half of 2012.

In the Residential segment, capital expenditure was higher in H1 2013 compared to H1 2012, largely due to higher capitalization of content provider cost, investments in IT, the refurbishment of a building for reallocating a call centre and the refurbishment of a building to house a new data centre.

In the Business segment, capital expenditure for H1 2013 was higher than H1 2012, again largely due to the two building refurbishment projects outlined above and higher investments in IT projects relating to the Business segment.

3. Analysis of segment results

3.1 Residential Segment

Highlights

- T-HT maintained its leading position in all three markets (mobile, fixed line and IP)
- Mobile subscribers down 0.6% (up 2.0% on Q1 2013)
- 521,901 broadband retail access lines, down 1.2% (down 0.4% on Q1 2013), and 353,232 TV customers, up 8.1% (up 1.5% on Q1 2013)
- Revenue down 3.1%, due mainly to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 1,325 million, down 5.9%
- bonbon launched new offer for postpaid segment
- Launch of MAXadsl “double speed” offer for T-HT’s fixed segment
- Promotions of 4G mobile internet tariffs and attractive devices
- Continued growth in IPTV and Satellite TV

Key Operational Data	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Mobile subscribers in 000						
Number of subscribers	1,884	1,895	*-0.6%*	1,884	1,895	*-0.6%*
Minutes of use (MOU) per average subscriber	161	116	*38.7%*	151	110	*37.8%*
Blended ARPU (monthly average for the period in HRK)	72	73	*-1.0%*	70	72	*-2.1%*
Fixed mainlines in 000						
Fixed mainlines - retail [1]	1,004	1,028	*-2.3%*	1,004	1,028	*-2.3%*
Fixed mainlines - wholesale (WLR)	90	113	*-20.6%*	90	113	*-20.6%*
Total Traffic (mill. of minutes)[3]	396	458	*-13.6%*	831	967	*-14.0%*
ARPA voice per access (monthly average for the period in HRK)	90	97	*-7.2%*	91	98	*-7.1%*
IP mainlines/customers in 000						
Broadband access lines - retail [2]	522	528	*-1.2%*	522	528	*-1.2%*
TV customers	353	327	*8.1%*	353	327	*8.1%*
thereof IPTV	316	304	*4.1%*	316	304	*4.1%*
thereof Cable TV	6	6	*-0.1%*	6	6	*-0.1%*
thereof Satellite TV	31	17	*82.9%*	31	17	*82.9%*
Broadband retail ARPA (monthly average for the period in HRK)	127	123	*3.3%*	126	123	*2.9%*

[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 the first half of 2013, T-HT was delighted to receive recognition of the quality services it provides from T-HT customers. QUDAL research, published in May, awarded T-HT with golden medal as the best quality provider in 11 different categories.

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

The launch of the PLAN tariffs was followed by the launch of the Mobile net tariff campaign introduced in May. Mobile net promotions included double data packages for T-HT customers and were accompanied by attractive offers on 3G tablets.

With continued focus on innovation in sales channels, commenced in 2012, the first half of the year for prepaid segment was characterised by the provision of greater value for T-HT customers. From the beginning of February, all prepaid customers received an additional 20% of their recharged amount for any top up they made in T-HT centres, through HT web, SMS and fixed telephone – HALO bon service.

In addition, in a special summer deal for prepaid customers, the Pričaj pricing option was introduced in June offering free calls after the first minute (for a total of 1000 minutes) as well as 500 MB per month until the end of August after the first monthly top up.

Prior to Croatian EU accession and new roaming regulation, T-HT also launched, both for the prepaid and the postpaid segment, the new Travel & Talk and Travel & Work options offering calls and surfing abroad at affordable prices to allow stress free communication across borders.

Simpa continued its successful “Prejaka opcija” option – including unlimited text messages, 1GB mobile internet and 1,000 minutes of cross net calls at affordable price levels. The “Prejaka opcija” was also promoted through a campaign launched in April, which was accompanied by a prize winning game for Simpa customers and attractive handsets promotions.
In June, bonbon introduced a new postpaid offer - voice, text and data packages combined according to customers’ needs. Amongst a range of other bonbon benefits, new postpaid users can also receive 1,000 minutes and 1,000 SMS until 2020 and can set their spending limit according to their own budgets. In this way, the bonbon postpaid offer brings additional value, but allows the customer to avoid unexpectedly high bills.

In addition, bonbon continued its success in the prepaid segment in first six months of 2013 with a promotion offering 1,000 on net minutes for only 1HRK until the end of 2014. Moreover, bonbon customers can receive a 50% discount on the first monthly package for every top up to the value of 80 HRK or 50 % discount on two monthly packages for every top up to the value of 160 HRK.

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

The MaxADSL “double speed” promotion was launched in May providing all new and existing T-HT MaxADSL customers, Max2 Internet and Max3 customers more affordable internet usage at speeds two times faster. Furthermore, a new permanent offer was introduced offering two months of surfing with higher speeds for the price of the lower speed feature.

The mobile subscriber base decreased by 0.6%, to 1,883,937 subscribers in the first half of 2013 from 1,895,208 subscribers in the first half of 2012, mainly as a result of the decrease in customers with double SIM cards as a result of favorable cross net offers.

Minutes of usage per average subscriber at the end of June 2013 increased by 37.8% compared to the same period in 2012 due to the introduction of flat offers and bundles with a large number of minutes in postpaid and prepaid tariffs.

Blended ARPU decreased by 2.1% at the end of the first half of 2013 against the previous year, as a result of discounted offers.

By the end of June 2013, total fixed access mainlines were at 1,004,192, down 2.3% from the same period last year. The decline was in line with trends across the telecommunication market of fixed to mobile and IP substitution and migration to alternative operators. Fixed telephony users generated 831 million of minutes from January 2013 to June 2013, down 14.0% on the previous year, again resulting from the substitution of fixed traffic with mobile and IP traffic.

Fixed voice ARPA decreased by 7.1% in H1 2013 from the same period the previous year and as a result of general market trends outlined above.

At the end of June 2013, the number of broadband retail accesses was 521,901, down 1.2% from the same period last year. At the same time broadband retail ARPA increased by 2.9% due to an increased share of customers with packages including higher traffic and higher access speed (contributing higher subscription fees).

The TV customer base continues to show steady growth. At the end of June, the Group had 353,232 customers, up 8.1% higher from the same period in 2012.
Satellite TV, which is an extension of the IPTV service, continues to grow with continuous improvements providing more value for customers, and is expected to contribute significantly to the overall success of the Group's TV services.

3.1.2 Residential Segment financial performance

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Voice revenue	536	584	*-8.2%*	1.058	1.154	*-8.3%*
Non voice revenue	415	389	*6.7%*	822	783	*5.1%*
Other service revenue	0	5	*-90.4%*	1	17	*-93.3%*
Terminal equipment	38	35	*8.1%*	75	69	*9.7%*
Miscellaneous	4	3	*47.7%*	9	6	*55.7%*
Total Revenue	**993**	**1,015**	***-2.2%***	**1,966**	**2,028**	***-3.1%***
Operating expenses [1)]	**308**	**323**	***-4.6%***	**641**	**619**	***3.4%***
Contribution to EBITDA before EI [1)]	**685**	**692**	***-1.0%***	**1,325**	**1,409**	***-5.9%***

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

Financial review

In In the first half of 2013, total residential revenue declined by 3.1% compared to the same period last year to HRK 1,966 million. This decrease was mainly caused by lower voice revenues in the fixed and mobile network in combination with lower other service revenue (due to the changed accounting treatment of subscription fees).

This continues the trend displayed the previous year and is to a large extent the result of a challenging macro-economic environment, regulatory measures and an intensely competitive market.

Voice revenue

The decline in total revenue in the first half of 2013 from the first half of 2012 mentioned above was driven by a fall in voice revenue of HRK 96 million.

Revenue declines were seen in both the fixed and mobile network. Fixed voice revenue declined by 9.0% over the H1 2012 as a result of a lower number of retail mainlines, as well as the substitution of fixed services with mobile and internet services which pushed down the number of minutes by 14.0%. These factors allied with intensifying competitive pressure meant that ARPA declined by 7.1%.

There was an addition decrease from the mobile segment due to lower retail revenue. The fall in retail revenue was caused by lower average revenue per subscriber, down 2.1% compared with H1 2012. In addition the introduction of flat tariffs lowered ARPU and increased minutes of use by 37.8%. Falling retail revenue was offset to a degree by higher voice mobile termination revenue, up HRK 10 million on attractive cross net/off net tariffs offered by all mobile service providers.

Non voice revenue

Non voice revenue increased 5.1% (HRK 40 million) in H1 2013 from H1 2012 as a result of higher revenue from fixed and mobile services.

Increase in Fixed IP revenue for 2.6% was driven by higher broadband retail ARPA (H1 2013: HRK 126 vs. H1 2012: HRK 123) and a higher number of TV subscribers. In a 12 month period, the TV customer base has increased to 26,397 customers (up 8.1%).

Mobile services rose 10.3%. Mobile was characterised by the redistribution of non-voice revenue in favor of data revenue. The share of data revenue in total non-voice revenue increased to 43.1% in the first half of 2013 from 34.5% in H1 2102. This is in line with global trends (and supported by offers whereby tariffs increasingly include data traffic in the basic package), with the average mobile user increasingly utilising advanced services such as data transmission and over traditional non voice services such as SMS.

Other service revenue

As a result of a higher number of subscribers in bundle tariffs, where revenue is recorded based on voice and non voice usage (not as a subscription fee), other service revenues dropped by HRK 16 million compared to H1 2012.

Terminal equipment

Revenue from terminal equipment rose 9.7%, or HRK 7 million, from the previous year driven by both the mobile and fixed business. The increase in the mobile segment was caused by lower subsidies on handsets than in the first half of 2012, while growth in the fixed segment was the result of extended Christmas promotions.

Contribution to EBITDA

The contribution to EBITDA in the first half of 2013 was down by HRK 84 million from the first half of 2012 as a result of lower total revenue (HRK 62 million) and higher total costs (HRK 21 million). Costs were primarily hit by higher merchandise costs, mainly from the fixed segment due to the higher number of acquired customers and the impact of Christmas promotions into the first quarter. The mobile segment also reported increased costs due to higher number of new customers. Higher merchandise costs are to a large extent offset by lower sales commission costs and lower indirect costs.

3.2 Business Segment

Highlights

- Substantial customer base across all segments and products
- Mobile subscribers down 3.5% (up 0.7% on Q1 2013)
- 109,550 broadband retail access lines, up 3.4% (flat on Q1 2013) and 21,062 TV customers, up 6.2% (up 0.6% on Q1 2013)
- Revenue down 9.3%, due largely to lower voice revenue in mobile and fixed
- Contribution to EBITDA of HRK 822 million, down 18.3%
- Broadband customer base is growing
- Further development of Cloud services portfolio and market place
- Enhanced mobile tariff portfolio for business customers

Key Operational Data	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Mobile subscribers in 000						
Number of subscribers	466	482	*-3.5%*	466	482	*-3.5%*
Minutes of use (MOU) per average subscriber	253	248	2.0%	249	242	*2.6%*
Blended ARPU (monthly average for the period in HRK)	141	159	-11.0%	140	161	*-12.9%*
Fixed mainlines in 000						
Fixed mainlines - retail [1]	170	182	*-6.8%*	170	182	*-6.8%*
Fixed mainlines - wholesale (WLR)[3]	18	19	*-3.7%*	18	19	*-3.7%*
Total Traffic (mill. of minutes)[4]	107	144	*-25.9%*	221	303	*-27.0%*
ARPA voice per access (monthly average for the period in HRK)	189	222	-14.8%	191	225	*-15.1%*
IP mainlines/customers in 000						
Broadband access lines - retail [2]	110	106	*3.4%*	110	106	*3.4%*
Broadband access lines-wholesale[3]	33	19	*80.1%*	33	19	*80.1%*
TV customers	21	20	*6.2%*	21	20	*6.2%*
thereof IPTV	20	19	*3.5%*	20	19	*3.5%*
thereof Cable TV	0	0	*-6.8%*	0	0	*-6.8%*
thereof Satellite TV	1	0	*112.8%*	1	0	*112.8%*
Fixed-line customers	1	1	*4.9%*	1	1	*4.9%*
VPN connection points	4	4	*2.1%*	4	4	*2.1%*
Broadband retail ARPA (monthly average for the period in HRK)	131	134	-1.9%	133	134	*-0.7%*

Data lines in 000						
Total data lines	**5**	**5**	***-2.8%***	**5**	**5**	***-2.8%***
Wholesale customers in 000						
CPS (Carrier Pre-Selection)	27	51	*-46.6%*	27	51	*-46.6%*
NP (Number portability) users/number	687	592	*16.1%*	687	592	*16.1%*
ULL (Unbundled Local Loop)	169	161	*5.3%*	169	161	*5.3%*

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

Mobile customer base is 3.5% lower than last year. Minutes of use per average subscriber in H1 2013 were 2.6% higher than the previous year due to significant growth in termination minutes per subscriber, while originating minutes are decreasing. Due to the tough economic situation, blended ARPU was 12.9% lower. However, blended non-voice ARPU increased 16.6% on the back of greater smartphone penetration.

A new tariff portfolio for business customers' entitled "Plan za posao" was launched at the end of Q1 2013. New tariffs offer unlimited calls to the T-Com and T-Mobile customer community, flat Internet and attractive packages of messages and minutes to other networks, depending on the tariff model. In additional, higher tariffs include roaming and international minutes, mobile phone insurance and flat email rates. Lower tariffs include an automatically activated internet option that prevents large phone bills.

A new flat rate option was also launched, offering unlimited calls and messages to all networks. With the new tariff portfolio, business customers are offered a number of discounts depending whether they are prolonging their contract, transferring their number from another network and can choose a tariff model without purchasing a mobile phone.

In April, the "Plan za posao" tariffs were further enhanced with the "Plan za poslovnu obitelj" special offer, enabling business customers to add prepaid users to their postpaid group accounts, targeting seasonal workers and family members.

The "4G" Option was also introduced to enable 4G surfing on LTE mobile devices.

Under a promotion for Mobile Internet launched in May, all new and existing business customers willing to sign a contract for Mobile net S, M, L, XL tariff received double the amount of data traffic during the entire period of the contract, an option valid only for existing customers. In addition, all new and existing customers signing up for the Ultra Mobile net L, XL tariffs received discounted monthly fees during entire period of the contract.

In addition, all new and existing business mobile customers were offered the "Podijeli net" service with additional data included in the existing voice tariff monthly fee.

T-HT's fixed retail customer base has developed in line with general trends in the telecommunication market, due to fixed to mobile substitution and IP migration and is heavily impacted by the tough economic situation. It fell 6.8% to 169,694 lines in H1 2013.

As result of the lower customer base, total fixed traffic was 27.0% lower than last year. Fixed voice ARPA decreased 15.1% to HRK 191.

The broadband retail subscriber base rose 3.4% from the previous year to reach 109,550. ARPA was slightly down in H1 2013 from the same period in 2012.

The Group introduced a new retail package as a universal service for broadband Internet access with at least 144 kbit/s access speeds, named MAXnet mini in H1 2013.

Changes in the ADSL access price and offers for business customers were launched in April. Current ADSL access speeds offer 'up to 10Mbit/s / 640kbit/s' and 'up to 20Mbit/s / 768kbit/s' are replaced with following speeds 'up to 10Mbit/s / 1Mbit/s' and 'up to 20Mbit/s/ 1Mbit/s'. The new permanent offer has been introduced to business customers of ADSL access speeds up to 10Mbit/s. Customers can use for a two month period the 10Mbit/s ADSL access at the price of the 4Mbit/s ADSL service or 20Mbit/s at the price of the 10Mbit/s ADSL.

Also in April, the Group launched its "Poslovni Ultra" packages, based on FttH technology.

The TV subscriber base rose 6.2% to 21,062 customers as a result of continuous service and program offer improvements.
Since the start of 2013, the Group has run a promotion targeting new DTH (direct-to-home satellite dish) users. Customers signing a 24 month contract during this offer received 50% off monthly fees for the first 12 months with a minimum contract of 12 months or 24 months.

Promotions were also available on the Mali HotelTV service, offering discounted monthly fees.
For the new Hotel TV business, customers signing 24 months contracts for HOTEL TV were able to receive installation for a HRK 99 fee.

For existing IPTV customers, a promotion offers customers three months free access to one of the following packages: Sports plus package, Plus or Kids package.

The IP fixed line customer base increased by 4.9% and VPN connection points by 2.1% in H1 2013. The number of data lines was down 2.8% however on H1 2012. Traditional data lines have been decreasing as T-HT continues to promote migration to IP-based products. Consequently, the Metro Ethernet service is showing further growth.

More than 1,300 companies and about 9,000 end users now use T-HT Cloud services. The ICT Marketplace offers the Virtual server, Virtual desktop, Cloud Exchange mail and Sharepoint, Spontania video meeting, Spontania Classroom, SugarCRM, and free apps (FileZilla, AbiWord, WinRar, Opera). Combis and T-HT have successfully delivered customized ICT solutions. An Automated Incident management tool as also been implemented for ICT services to increase customer satisfaction and decrease the time required for fault repairs.

Wholesale

The ULL market continues to grow, with the net adds of 7,476 new ULL lines in H1 2013. At the end of June 2013 there were 169,244 registered active ULL lines compared to 160,693 at the end of June

2012. Operators are still very much focused on fully unbundled local loop which provides (as infrastructure) a favourable option for broadband services, especially given that operators intend to utilise existing collocation rooms as much as possible.

The number of wholesale bitstream lines on copper infrastructure increased to a total of 33,326 wholesale DSL and naked DSL lines. As a consequence of the WLR offer, the number of "pure" CPS customers was reduced to a figure in the region of 27,197 at the end of the period ended 30 June 2013. New CPS activations were primarily connected with WLR activations and contributed to WLR gross adds (but do not count towards CPS gross adds). The number of WLR lines at the end of June 2013 was 107,926 (24,006 down from the same period in 2012).
At the end of June 2013, 686,677 ported numbers from T-HT's fixed network to other fixed networks were recorded, compared to 591,609 at the end of June 2012. The decrease in the number of WLR and CPS customers combined with the lower ARPU value of new CPS customers resulted in a 42% decline in originated minutes compared to H1 2012. At the same time, the number of terminated minutes from other fixed lines into the T-HT network was 10% lower.

Sales of international voice termination to foreign operators accounted for 62% of all revenue gained in the international market in 1H 2013. Total international voice traffic terminated into domestic networks decreased by 9% compared to H1 2012, but revenue remained at the same level due to the higher price of termination into Croatian mobile networks.

Voice traffic generated by foreign roaming visitors in T-HT's mobile network in H1 2013 decreased by 3% from H1 2012. However, SMS traffic increased by 2%, and roaming data traffic increased by 74%. Sale of data and IP services to international operators increased by 7% reaching 214 Gb in total by the end of June 2013.

On the cost side, international outbound voice traffic from T-HT retail decreased by 11% compared H1 2012. At the same time T-HT's own mobile subscribers generated 25% less voice traffic in roaming in foreign countries, 20% less SMS and also 7% less mobile data traffic.

3.2.2 Business Segment financial performance

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Voice revenue [1]	322	406	*-20.7%*	623	780	*-20.2%*
Non voice revenue [1]	281	272	*3.1%*	543	545	*-0.4%*
Other service revenue	114	105	*9.0%*	221	215	*2.9%*
Terminal equipment	13	13	*-1.9%*	28	26	*9.7%*
Miscellaneous	18	32	*-44.9%*	54	55	*-0.9%*
Total Revenue	**747**	**828**	***-9.8%***	**1,469**	**1,621**	***-9.3%***
Operating expenses [2]	**322**	**310**	*3.8%*	**647**	**614**	***5.3%***
Contribution to EBITDA before EI [2]	**426**	**518**	***-17.9%***	**822**	**1,006**	***-18.3%***

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 changed restated due to changed recognition of content provider costs at the end of 2012 and due to organisational changes in 2013.

Financial review
In H1 2013, total business revenue fell 9.3% to HRK 1,469 million. This fall was mainly the result of lower voice revenue in the mobile and in fixed network.

Voice revenue
In H1 2013, voice revenue decreased 20.2%, or HRK 158 million, compared with H1 2012.

A major driver of the decline was fixed retail voice revenue, which reported a 21.5% fall, mainly due to the decrease in total minutes, which down 27.0% partly as a result of the decline in total mainlines.

Fixed wholesale revenue fell 17.8%. The fall resulted from lower revenue from international voice services, which were down largely on a fall in international transit traffic due to increased competition activities. In addition, national voice revenues declined primarily as a result of lower IC prices from 1 January 2013, and lower traffic.

Mobile voice revenue was down HRK 76 million in H1 2013 from H1 2012. A decline in retail mobile voice revenue was mainly driven by lower voice ARPU, while average minutes per subscriber rose 2.6%. Revenue experienced additional pressure from a 3.5% fall in subscribers. Mobile termination revenue dropped by 15.6% as a result of a decline in the mobile termination rate. In addition, visitors revenue declined against H1 2012 by HRK 2 million due to lower prices and lower voice traffic generated by foreign roaming visitors in T-HT's mobile network.

Non voice revenue
Non-voice revenue in H1 2013 decreased by HRK 2 million (0.4%) from H1 2012, as a result of lower wholesale revenue (HRK 13 million) and lower fixed retail revenues (HRK 8 million). This was partially offset by revenue growth in mobile (HRK 20 million).

Wholesale non voice revenue decreased, largely due to lower revenue from international global internet access as a result of market price reductions. Revenue from national and international data was lower on decreased capacity and lower prices.

In fixed retail part, the fall was driven by a HRK 6 million decline in revenue from traditional data (due to migration to IP data) and by a HRK 2 million decrease in IP and Internet revenue.

The increase in mobile was the result of by higher data revenues and higher visitor revenue as a result of increased traffic.

Other service revenue
Other service other service revenue increased by HRK 6 million, driven by a HRK 23 million increase in ICT revenue with postpaid subscription revenue down HRK 16 million. The increase in ICT revenue was driven by a greater level of delivery of ICT solutions in 2013.

Terminal equipment
Revenue from terminal equipment increased 9.7% (HRK 3 million) in H1 2013.

Contribution to EBITDA

The contribution to EBITDA decreased 18.3% in H1 2013 due to lower total revenue of HRK 151 million and higher operating expenses of HRK 33 million. Costs mainly increased on higher merchandise costs, due to the additional focus on contract extension efforts by the Group.

3.3 t.portal

Reaching around 40% of Croatian internet users, t-portal ranks among the top five Croatian news portals, with around 1 million unique visitors per month according to Gemius, an independent Internet traffic research agency.

With the assistance of the MAXtv promotion team, the multimedia and editorial team are developing a new and improved version of t-portal's MAXtv channel. The number of t-portal's Facebook page followers continues to grow, and is currently approaching 298,000 fans, establishing the portal's positioning in social networks and further its improving statistical parameters.

Content is available through PDAs, mobile devices, SMS information alerts and the T-Mobile WAP portal, and on social networks such as Facebook and Twitter. In addition, T-Mobile iPhone users enjoy a customized interface when browsing the t-portal.

3.4 Network and support functions financial performance

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Other Operating income	63	66	*-3.9%*	99	107	*-7.5%*
Operating expenses[1)]	420	399	*5.2%*	824	865	*-4.7%*
Contribution to EBITDA before EI[1)]	-357	-334	*-7.0%*	-725	-758	*4.3%*

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

Other operating income decreased by 7.5% in H1 2013, mainly on lower income from dunning letters due to the adoption of a new law in July 2012 that does not allow charging of dunning letters to residential customers.

Operating expenses excluding exceptional items fell 11.7% in H1 2013. The fall was largely driven by lower employee benefits of HRK 14 million as a result of a lower number of full time employees following the headcount reduction program, along with lower indirect costs such as decreased 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. 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

T-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, T-HT sent to the Agency (HAKOM) a proposal for the standard offer for the FTTC model, which will be the base for the FTTC rollout, after final confirmation. In Q2 all the required preparations for the pilot location Strmica were completed. In addition, project documentation is being prepared, as well as permits for building ECI for the FTTN/FTTC infrastructure required in preparation for an intensive rollout in 2014.

Within the program of Fault Repair transformation, an action plan for the reconstruction of cable routes with the highest number of recorded disturbances in 2012 in underway, to assist with designing remediation of the access network in order to raise its quality and enable new broadband services.

Evolution and modernization of 2G radio access network

The SingleRAN project is targeted at modernizing the 2G network. In H1 2013, the process of exchanging the former base transceiver stations with new technology continued, and by end of Q2 2013, 70% 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 rapidly increasing volumes of data traffic.

During Q1 2013 intensive implementation of UMTS 900 technology started at locations in Istria and in North-West Croatia. In Q2 2013, UMTS 900 technology implementation was finished in following the areas: Dubrovačka-neretvanska, Splitsko-dalmatinska, Šibensko-kninska, Zadarska, Ličko-senjska, Primorsko-goranska and Karlovačka, by which 3G became available on the coastline, islands, in smaller cities, on mayor highways and in rural areas, where broadband services had not been hitherto available. At the end of Q2 2013, the 3G signal covered 73.63% of the population with download data speeds of up to 42 Mbps.

LTE radio access network

In H1 2013, the Group continued to develop the first commercial LTE (Long Term Evolution or 4G) network in Croatia on the 1800 MHz frequency band and on the digital dividend, 800 MHz frequency band. At the end of Q2 2013, the LTE signal covered 16% of the population with download data speeds of up to 75 Mbps.

IP Transformation

As part of its IP transformation program, T-HT achieved migration of 32% retail customers by the end of Q2 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 -1.0% 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 economic environment and revenue trend outlined above will impact EBITDA accordingly. However, the EBITDA margin for 2013 is anticipated to remain robust at between 43% and 45%, supported by continuing cost management initiatives.

CAPEX

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

Regional expansion

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

6. T-HT Group Financial statements

6.1 Consolidated Income Statement

in HRK million (IFRS HT accounting policies)	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Voice revenue [1]	858	990	-13.3%	1,681	1,935	*-13.1%*
Non voice revenue [1]	695	661	5.2%	1,365	1,327	*2.9%*
Other service revenue	115	110	4.5%	222	232	*-4.2%*
Terminal equipment	51	48	5.3%	104	94	*9.7%*
Miscellaneous	22	35	-37.4%	63	60	*4.4%*
Revenue	**1,740**	**1,843**	**-5.6%**	**3,435**	**3,649**	***-5.9%***
Other operating income	63	66	-3.9%	99	107	*-7.5%*
Total operating revenue	**1,803**	**1,909**	**-5.5%**	**3,534**	**3,755**	***-5.9%***
Operating expenses	**1,050**	**1,032**	**1.7%**	**2,172**	**2,099**	***3.5%***
Material expenses [2]	458	466	-1.7%	950	904	*5.0%*
Merchandise, material and energy expenses	228	214	6.6%	491	411	*19.5%*
Services expenses	230	252	-8.8%	459	493	*-7.0%*
Employee benefits expenses	277	275	0.8%	603	559	*7.8%*
Other expenses	308	291	5.9%	605	611	*-1.0%*
Work performed by the Group and capitalised	-20	-19	3.8%	-27	-29	*5.9%*
Write down of assets	26	19	35.5%	42	53	*-22.2%*
EBITDA	**753**	**877**	**-14.0%**	**1,362**	**1,657**	***-17.8%***
Depreciation and amortization [2]	320	343	-6.6%	637	681	*-6.5%*
EBIT	**433**	**534**	**-18.8%**	**725**	**976**	***-25.7%***
Financial income	10	11	-13.7%	29	45	*-36.8%*
Income/loss from investment in joint ventures	7	2	188.7%	10	7	*35.7%*
Financial expenses [2]	34	6	435.6%	48	31	*56.7%*
Profit before taxes	**416**	**541**	**-23.1%**	**716**	**998**	***-28.3%***
Taxation	84	98	-14.1%	146	190	*-23.3%*
Net profit	**332**	**444**	**-25.1%**	**570**	**808**	***-29.4%***
Exceptional items	0	0	-	60	0	-
EBITDA before exceptional items	**753**	**877**	***-14.0%***	**1.422**	**1,657**	***-14.2%***

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 Jun 2013	At 31 Dec 2012	*change*
Intangible assets	1,171	1,142	*2.5%*
Property, plant and equipment	5,676	5,734	*-1.0%*
Non-current financial assets	898	897	*0.2%*
Receivables	20	21	*-5.4%*
Deferred tax asset	60	65	*-7.7%*
Total non-current assets	7,825	7,858	*-0.4%*
Inventories	200	155	*28.8%*
Receivables	1,349	1,219	*10.7%*
Current financial assets	187	586	*-68.0%*
Cash and cash equivalents	4,064	3,146	*29.2%*
Prepayments and accrued income	159	148	*7.3%*
Total current assets	5,960	5,254	*13.4%*
TOTAL ASSETS	13,785	13,113	*5.1%*
Subscribed share capital	8,189	8,189	*0.0%*
Reserves	409	409	*0.0%*
Revaluation reserves	-2	-1	*-62.6%*
Retained earnings	637	606	*5.0%*
Net profit for the period	570	1,696	*-66.4%*
Total issued capital and reserves	9,803	10,899	*-10.1%*
Provisions	193	227	*-14.8%*
Non-current liabilities	122	52	*132.7%*
Deferred tax liability	4	0	-
Total non-current liabilities	318	279	*14.1%*
Current liabilities	1,777	1,667	*6.6%*
Dividend payable	1,680	0	-
Deferred income	127	122	*4.8%*
Provisions for redundancy	80	146	*-45.2%*
Total current liabilities	3,664	1,935	*89.4%*
Total liabilities	3,983	2,214	*79.9%*
TOTAL EQUITY AND LIABILITIES	13,785	13,113	*5.1%*

6.3 Consolidated Cash Flow Statement

in HRK million (IFRS HT accounting policies)	Jan-Jun 2013	Jan-Jun 2012	*change*
Profit before tax	716	998	*-28.3%*
Depreciation and amortization [1]	637	681	*-6.5%*
Increase / decrease of current liabilities [1]	179	-178	*200.6%*
Increase / decrease of current receivables	-120	-50	*-139.3%*
Increase / decrease of inventories	-45	-1	*-3562.1%*
Other cash flow decreases [1]	-294	-284	*-3.7%*
Net cash inflow/outflow from operating activities	**1,073**	**1,166**	***-7.9%***
Proceeds from sale of non-current assets	44	2	*1780.0%*
Proceeds from sale of non-current financial assets	1	1	*-3.1%*
Interest received	16	34	*-52.0%*
Dividend received	0	0	-
Other cash inflows from investing activities	493	590	*-16.5%*
Total increase of cash flow from investing activities	**554**	**627**	***-11.7%***
Purchase of non-current assets [1]	-612	-371	*-64.9%*
Purchase of non-current financial assets	-75	0	-
Other cash outflows from investing activities	-7	-1,106	*99.4%*
Total decrease of cash flow from investing activities	**-694**	**-1,477**	*53.0%*
Net cash inflow/outflow from investing activities	**-140**	**-850**	***83.5%***
Total increase of cash flow from financing activities	**0**	**0**	-
Repayment of loans and bonds	-2	-3	*41.7%*
Dividends paid	0	-1,813	*100.0%*
Repayment of finance lease	-3	-3	*-10.1%*
Other cash outflows from financing activities	0	0	-
Total decrease in cash flow from financing activities	**-5**	**-1.819**	***99.7%***
Net cash inflow/outflow from financing activities	**-5**	**-1,819**	***99.7%***
Exchange gains/losses on cash and cash equivalents	-10	-1	*-679.9%*
Cash and cash equivalents at the beginning of period	3,146	3,704	*-15.1%*
Net cash (outflow) / inflow	918	-1,505	*161.0%*
Cash and cash equivalents at the end of period	**4.064**	**2,199**	***84.9%***

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

6.4 Consolidated EBITDA reconciliation

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Segment Result (Contribution to EBITDA)						
Residential Segment	685	692	*-1.0%*	1,325	1,409	*-5.9%*
Business Segment	426	518	*-17.9%*	822	1,006	*-18.3%*
Network and Support Functions	-357	-334	*7.0%*	-725	-758	*4.3%*
Total Contribution to EBITDA before SI of the Segments	**753**	**877**	***-14.0%***	**1,422**	**1,657**	***-14.2%***
Special influences	0	0	-	60	0	-
Total EBITDA	**753**	**877**	***-14.0%***	**1,362**	**1,657**	***-17.8%***

6.5 Group's revenue breakdown under former reporting structure

in HRK million	Q2 2013	Q2 2012	*change*	Jan-Jun 2013	Jan-Jun 2012	*change*
Mobile	714	765	*-6.7%*	1.386	1.482	*-6.4%*
Fixed Telephony	366	417	*-12.3%*	744	846	*-12.1%*
Wholesale	142	162	*-12.1%*	277	318	*-12.9%*
IP Revenue	389	382	*1.8%*	776	767	*1.2%*
Data	26	29	*-10.7%*	53	59	*-10.5%*
ICT	101	87	*16.3%*	195	172	*13.4%*
Miscellaneous	2	1	*83.1%*	4	5	*-20.4%*
Revenue	**1,740**	**1,843**	***-5.6%***	**3,435**	**3,649**	***-5.9%***

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	569.790.061
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	-1.694.374
9. Other revaluation	**009**	0	0
10. Total equity and reserves (AOP 001 to 009)	**010**	10.898.867.720	9.802.511.062
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 six months ended on 30 June 2013

Notes to the condensed consolidated financial statements

For the six months ended on 30 June 2013

Basis of preparation

The condensed consolidated financial statements as of 30 June 2013 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of HT's consolidated financial statements for the year ended 31 December 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 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 June 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*2,028*	*1,621*	-	*3,649*
Service revenues	1,954	1,540	-	3,494
Terminal equipment	69	26	-	95
Other	5	55	-	60
Usage related direct costs	(144)	(217)	-	(361)
Income and losses on accounts receivable	(10)	(28)	-	(38)
Contribution margin I	1,874	1,376	-	3,250
Non-usage related direct costs, restated	(252)	(198)	-	(450)
Segment result, restated	1,622	1,178	-	2,800
Other income	-	-	107	107
Other operating expenses, restated	(213)	(172)	(865)	(1,250)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(681)	(681)
Operating profit, restated	1,409	1,006	(1,439)	976
Capital expenditure, restated	159	49	163	371

1 April 2012 to 30 June 2012				
Segment revenue	*1,015*	*828*	-	*1,843*
Service revenues	978	783	-	1,761
Terminal equipment	35	13	-	48
Other	2	32	-	34
Usage related direct costs	(74)	(112)	-	(186)
Income and losses on accounts receivable	(4)	(16)	-	(20)
Contribution margin I	937	700	-	1,637
Non-usage related direct costs, restated	(138)	(101)	-	(239)

	Residential	Business	Network & Support functions	Total
Segment result, restated	799	599	-	1,398
Other income	-	-	66	66
Other operating expenses, restated	(107)	(81)	(399)	(587)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(343)	(343)
Operating profit, restated	692	518	(676)	534
Capital expenditure, restated	97	29	118	244

Period ended 30 June 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,966*	*1,469*	-	*3,435*
Service revenues	1,882	1,386	-	3,268
Terminal equipment	75	28	-	103
Other	9	55	-	64
Usage related direct costs	(150)	(177)	-	(327)
Income and losses on accounts receivable	(7)	(34)	-	(41)
Contribution margin I	1,809	1,258	-	3,067
Non-usage related direct costs	(279)	(238)	-	(517)
Segment result	1,530	1,020	-	2,550
Other income	-	-	99	99
Other operating expenses	(205)	(198)	(884)	(1,287)
Depreciation, amortisation and impairment of non-current assets	-	-	(637)	(637)
Operating profit	1,325	822	(1,422)	725
Capital expenditure	306	111	195	612

1 April 2013 to 30 June 2013				
Segment revenue	*993*	*747*	-	*1,740*
Service revenues	952	716	-	1,668
Terminal equipment	37	13	-	50
Other	4	18	-	22
Usage related direct costs	(76)	(92)	-	(168)
Income and losses on accounts receivable	-	(27)	-	(27)
Contribution margin I	917	628	-	1,545
Non-usage related direct costs	(123)	(110)	-	(233)
Segment result	794	518	-	1,312
Other income	-	-	63	63
Other operating expenses	(109)	(92)	(421)	(622)
Depreciation, amortisation and impairment of non-current assets	-	-	(320)	(320)
Operating profit	685	426	(678)	433

Capital expenditure	233	77	82	392

Relations with the governing company and its affiliated companies

In the first six 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 six 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 six months of 2013.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six 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 six months of 2013 the Group generated total revenue from related companies from international traffic to the amount of HRK 47 million (the first six months of 2012: HRK 36 million), while total costs of international traffic amounted to HRK 31 million (the first six months of 2012: HRK 35 million).

DTAG companies provided technical assistance to the Group in the amount of HRK 5.5 million in the first six months of 2013 (the first six months of 2012: HRK 5 million).

Compensation of the Supervisory Board

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

In the first six months of 2013 the Company paid a total amount of HRK 0.4 million (the first six months of 2012: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2013 the total compensation paid to key management personnel of the Group amounted to HRK 26 million (first six months of 2012: HRK 26 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**	3.486.172.605	1.771.628.157	3.260.288.703	1.661.993.970
1. Rendering of services	**112**	3.387.271.587	1.709.874.522	3.169.487.589	1.603.350.057
2. Other operating income	**113**	98.901.018	61.753.635	90.801.114	58.643.913
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	2.506.392.149	1.238.551.527	2.544.719.229	1.235.549.460
1. Change in inventories of work in progress	**115**				
2. Material expenses (117 do 119)	**116**	748.923.906	384.651.862	799.433.569	379.482.757
a) Costs of raw materials	**117**	78.258.016	34.927.684	79.513.464	42.811.082
b) Cost of goods sold	**118**	219.858.290	119.880.299	304.710.144	131.045.758
c) Other material expenses	**119**	450.807.600	229.843.879	415.209.961	205.625.917
3. Employee benefits expenses (121 do 123)	**120**	471.630.910	229.381.019	458.442.411	236.289.748
a) Net salaries	**121**	265.625.932	130.087.531	258.148.806	132.974.778
b) Tax and contributions from salary expenses	**122**	139.624.044	68.461.181	140.086.625	72.523.837
c) Contributions on salary	**123**	66.380.934	30.832.307	60.206.980	30.791.133
4. Depreciation and amortisation	**124**	636.735.114	314.558.186	615.007.780	310.553.429
5. Other expenses	**125**	570.691.402	284.278.795	571.320.284	291.755.651
6. Write down of assets (127+128)	**126**	62.954.891	30.270.394	39.274.830	25.315.338
a) non-current assets (except financial assets)	**127**	12.233.925	12.233.925	0	0
b) current assets (except financial assets)	**128**	50.720.966	18.036.469	39.274.830	25.315.338

7. Provisions	**129**	15.455.926	-4.588.729	61.240.355	-7.847.463
8. Other operating costs	**130**	0	0	0	0
III. FINANCIAL INCOME (132 do 136)	**131**	46.616.685	12.141.511	30.265.482	11.182.994
1. Interest, foreign exchange differences, dividens and similar income from related parties	**132**	3.679.032	1.857.212	4.549.881	2.248.981
2. Interest, foreign exchange differences, dividens and similar income from third parties	**133**	42.937.653	10.284.299	25.715.216	8.934.013
3. Income from investments in associates and joint ventures	**134**	0	0	0	0
4. Unrealised gains (income) from financial assets	**135**	0	0	0	0
5. Other financial income	**136**	0	0	385	0
IV. FINANCIAL EXPENSES (138 do 141)	**137**	28.830.154	5.384.415	45.472.899	33.074.264
1. Interest, foreign exchange differences, dividens and similar income from related parties	**138**	0	0	0	0
2. Interest, foreign exchange differences, dividens and similar income from third parties	**139**	24.389.600	3.567.202	42.660.622	31.498.010
3. Unrealised losses (expenses) from financial assets	**140**	216.000	216.000	0	0
4. Other financial expenses	**141**	4.224.554	1.601.213	2.812.277	1.576.254
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**	3.532.789.290	1.783.769.668	3.290.554.185	1.673.176.964
X. TOTAL EXPENSES (114+137+143+145)	**147**	2.535.222.303	1.243.935.942	2.590.192.128	1.268.623.724
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	997.566.987	539.833.726	700.362.057	404.553.240
1. Profit before taxes (146-147)	**149**	997.566.987	539.833.726	700.362.057	404.553.240
2. Loss before taxes (147-146)	**150**	0	0	0	0
XII. TAXATION	**151**	189.274.512	97.110.161	149.483.994	88.293.686
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	808.292.475	442.723.565	550.878.063	316.259.554
1. Profit for the period (149-151)	**153**	808.292.475	442.723.565	550.878.063	316.259.554
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**	808.292.475	442.723.565	550.878.063	316.259.554
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	**158**	1.262.870	278.795	-652.042	-1.949.837
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**	1.262.870	278.795	-652.042	-1.949.837
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**	1.262.870	278.795	-652.042	-1.949.837
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	809.555.345	443.002.360	550.226.021	314.309.717

Balance sheet

Position	AOP	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	**001**	0	0
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**	8.072.917.345	8.063.694.642
I. INTANGIBLE ASSETS (004 do 009)	**003**	927.670.541	963.493.947
1. Expenditure for development	**004**	0	0
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	**005**	893.868.252	900.917.282
3. Goodwill	**006**	0	0
4. Advances for purchase of intangible assets	**007**	0	0
5. Intangible assets in progress	**008**	33.802.289	62.576.665
6. Other intangible assets	**009**	0	0
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	**010**	5.602.559.163	5.543.997.552
1. Land	**011**	50.245.441	52.606.849
2. Buildings	**012**	3.384.048.845	3.400.737.058
3. Plant and equipement	**013**	1.551.425.887	1.586.486.989
4. Tools, working inventory and transportation assets	**014**	120.218.329	111.273.940
5. Biological assets	**015**	0	0
6. Advances for purchase of tangible assets	**016**	38.335.927	3.768.409
7. Tangible assets in progress	**017**	453.394.669	384.419.468
8. Other tangible assets	**018**	4.890.065	4.704.839
9. Investment in real-estate	**019**	0	0
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	**020**	1.458.647.085	1.478.229.832
1. Share in related parties	**021**	858.360.887	858.360.887
2. Loans to related parties	**022**	101.282.313	129.314.165
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	484.218.505
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	19.492.048

1. Receivables from related parties	**030**	0	0
2. Receivables arising from sales on credit	**031**	16.177.748	15.070.844
3. Other receivables	**032**	4.421.204	4.421.204
V. DEFERRED TAX ASSET	**033**	63.441.604	58.481.263
C) CURRENT ASSETS (035+043+050+058)	**034**	4.916.777.646	5.595.064.692
I. INVENTORIES (036 do 042)	**035**	133.057.437	179.406.272
1. Raw materials and supplies	**036**	77.908.213	89.206.623
2. Production in progress	**037**	0	0
3. Finished products	**038**	0	0
4. Merchandise	**039**	55.130.843	90.174.926
5. Advances for inventories	**040**	18.381	24.723
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	1.240.083.669
1. Receivables from related parties	**044**	29.606.087	19.707.462
2. Receivables from end-customers	**045**	1.004.954.664	1.133.873.788
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	48.064.370
6. Other receivables	**049**	62.323.109	38.438.049
III. CURRENT FINANCIAL ASSETS (051 do 057)	**050**	575.368.432	173.401.058
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	74.556.770
6. Loans, deposits, etc.	**056**	499.768.976	98.844.288
7. Other financial assets	**057**	0	0
IV. CASH AND CASH EQUIVALENTS	**058**	3.103.603.253	4.002.173.693
D) PREPAYMENTS AND ACCRUED INCOME	**059**	131.343.617	119.644.783
E) TOTAL ASSETS (001+002+034+059)	**060**	13.121.038.608	13.778.404.117
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	9.914.157.437
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	-1.694.374
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	550.878.063
1. Net profit for the period	**076**	1.680.044.488	550.878.063
2. Net loss for the period	**077**	0	0

VII. MINORITY INTEREST	**078**	0	0
B) PROVISIONS (080 do 082)	**079**	372.512.446	272.939.576
1. Provisions for pensions, severance pay and similar libabilities	**080**	285.591.296	204.104.004
2. Provisions for tax liabilities	**081**	0	0
3. Other provisions	**082**	86.921.150	68.835.572
C) NON-CURRENT LIABILITIES (084 do 092)	**083**	46.805.463	121.126.742
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	117.584.942
9. Deferred tax liabilities	**092**	0	3.541.800
D) CURRENT LIABILITIES (094 do 105)	**093**	1.552.960.382	3.343.970.549
1. Liabilites to related parties	**094**	80.752.892	40.443.867
2. Liabilities for loans, deposits, etc.	**095**	288.308	405.945
3. Liabilities to banks and other financial institutions	**096**	0	0
4. Liabilities for advances	**097**	857.963	2.971.268
5. Trade payables	**098**	1.212.813.481	1.301.673.364
6. Commitments on securities	**099**	0	0
7. Liabilities to companies with participating interest	**100**	0	0
8. Liabilities to emloyees	**101**	149.738.894	113.985.281
9. Taxes, contributions and similar liabilities	**102**	36.500.886	122.840.525
10. Liabilities arising from share in the result	**103**	0	1.679.533.853
11. Liabilities arising from non-current assets held for sale	**104**	0	0
12. Other current liabilities	**105**	72.007.958	82.116.446
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	119.334.224	126.209.813
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	13.121.038.608	13.778.404.117
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**	997.566.988	700.362.057
2. Depreciation, amortisation and write down	**002**	648.969.039	615.007.780
3. Increase of current liabilities	**003**		178.900.597
4. Decrease of current receivables	**004**		
5.Decrease of inventories	**005**		
6. Other cash flow increases	**006**		
I. Total increase of cash flow from operating activities	**007**	**1.646.536.027**	**1.494.270.434**
1. Decrease of current liabilities	**008**	136.858.028	0
2. Increase of current receivables	**009**	94.185.270	124.695.816
3. Increase of inventories	**010**	2.678.665	46.348.835
4. Other cash flow decreases	**011**	288.598.286	267.259.027

II. Total decrease of cash flow from operating activities	**012**	**522.320.249**	**438.303.678**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	**013**	**1.124.215.778**	**1.055.966.756**
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**	2.490.511	43.931.151
2. Proceeds from sale of non-current financial assets	**016**	1.107.963	1.120.071
3. Interest received	**017**	36.914.573	15.692.451
4. Dividend received	**018**	0	0
5. Other proceeds from investing activities	**019**	581.320.010	475.733.336
III. Total cash inflows from investing activities	**020**	**621.833.057**	**536.477.009**
1. Purchase of non-current assets	**021**	351.404.631	595.799.212
2. Purchase of non-current financial assets	**022**	0	75.005.322
3. Other cash outflows from investing activities	**023**	1.106.308.682	23.481.971
IV. Total cash outflows from investing activities	**024**	**1.457.713.313**	**694.286.505**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**025**	**0**	**0**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	**026**	**835.880.256**	**157.809.496**
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	831.739
V. Total cash inflows from financing activities	**030**	**0**	**831.739**
1. Repayment of loans and bonds	**031**	0	0
2. Dividends paid	**032**	1.813.027.063	0
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**	**1.813.027.063**	**418.558**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**037**	**0**	**413.181**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	**038**	**1.813.027.063**	**0**
Total increases of cash flows	**039**	**0**	**898.570.441**
Total decreases of cash flows	**040**	**1.524.691.541**	**0**
Cash and cash equivalents at the beginning of period	**041**	3.664.596.307	3.103.603.253
Increase of cash and cash equivalents	**042**	**0**	**898.570.441**
Decrease of cash and cash equivalents	**043**	**1.524.691.541**	**0**
Cash and cash equivalents at the end of period	**044**	**2.139.904.766**	**4.002.173.694**

Notes to the condensed financial statements
For period ended 30 June 2013

Basis of preparation

The condensed financial statements of 30 June 2013 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 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 June 2012	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,950*	*1,438*	-	*3,388*
Service revenues	1,877	1,357	-	3,234
Terminal equipment	69	26	-	95
Other	4	55	-	59
Usage related direct costs	(137)	(193)	-	(330)
Income and losses on accounts receivable	(8)	(26)	-	(34)
Contribution margin I	1,805	1,219	-	3,024
Non-usage related direct costs, restated	(240)	(96)	-	(336)
Segment result, restated	1,565	1,123	-	2,688
Other income	-	-	99	99
Other operating expenses, restated	(199)	(118)	(841)	(1,158)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(649)	(649)
Operating profit, restated	1,366	1,005	(1,391)	980
Capital expenditure, restated	150	45	156	351

1 April 2012 to 30 June 2012				
Segment revenue	*976*	*734*	-	*1,710*
Service revenues	939	689	-	1,628
Terminal equipment	35	13	-	48
Other	2	32	-	34
Usage related direct costs	(71)	(99)	-	(170)
Income and losses on accounts receivable	(3)	(14)	-	(17)
Contribution margin I	902	621	-	1,523
Non-usage related direct costs, restated	(132)	(45)	-	(177)
Segment result, restated	770	576	-	1,346
Other income	-	-	62	62
Other operating expenses, restated	(101)	(58)	(389)	(548)
Depreciation, amortisation and impairment of non-current assets, restated	-	-	(327)	(327)
Operating profit, restated	669	518	(654)	533
Capital expenditure, restated	89	26	113	228

Period ended 30 June 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*1,874*	*1,295*	-	*3,169*
Service revenues	1,792	1,213	-	3,005
Terminal equipment	75	28	-	103
Other	7	54	-	61
Usage related direct costs	(146)	(151)	-	(297)
Income and losses on accounts receivable	(5)	(33)	-	(38)
Contribution margin I	1,723	1,111	-	2,834
Non-usage related direct costs	(267)	(142)	-	(409)
Segment result	1,456	969	-	2,425
Other income	-	-	91	91
Other operating expenses	(190)	(131)	(864)	(1,185)
Depreciation, amortisation and impairment of non-current assets	-	-	(615)	(615)
Operating profit	1,266	838	(1,388)	716
Capital expenditure	298	108	190	596

1 April 2013 to 30 June 2013	Residential HRK millions	Business HRK millions	Network & Support functions HRK millions	Total HRK millions
Segment revenue	*946*	*657*	-	*1,603*
Service revenues	906	627	-	1,533
Terminal equipment	37	13	-	50
Other	3	17	-	20
Usage related direct costs	(74)	(77)	-	(151)
Income and losses on accounts receivable	-	(26)	-	(26)
Contribution margin I	872	554	-	1,426
Non-usage related direct costs	(117)	(60)	-	(177)
Segment result	755	494	-	1,249
Other income	-	-	59	59
Other operating expenses	(101)	(60)	(409)	(570)
Depreciation, amortisation and impairment of non-current assets	-	-	(311	(311)
Operating profit	654	434	(661)	427
Capital expenditure	73	225	77	375

Relations with the governing company and its affiliated companies

In the first six 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 six 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 six months of 2013.

Business relations transacted between HT d.d. in the first six 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 six months of 2013 the Company generated total revenue from related companies from international traffic to the amount of HRK 47 million (the six months of 2012: HRK 36 million), while total costs of international traffic amounted to HRK 31 million (the first six months of 2012: HRK 35 million).

DTAG companies provided technical assistance to the Company in the amount of HRK 5.5 million in the first six months of 2013 (the first six months of 2012: HRK 5 million).

Compensation of the Supervisory Board

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

In the first six months of 2013, the Company paid a total amount of HRK 0.4 million (the first six months of 2012: HRK 0.3 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2013 the total compensation paid to key management personnel of the Company amounted to HRK 20 million (first six months of 2012: HRK 20.5 million Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and the operating directors of the Company, who are employed by the Company.

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

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

The management report for the first half 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, 26 July 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