

Zagreb – 30 July 2010

T-Hrvatski Telekom

Results for the six months to 30 June 2010

Recession and special taxes continue to affect business, but rate of revenue decline eases, especially in mobile

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 2010.

Group Highlights

- Revenue down 3.9% to HRK 4,042 million (EUR 556 million) as special taxes and recession continue to affect business
 - Combis contributes HRK 53 million (EUR 7 million) revenue after consolidation in May 2010
 - Underlying revenues down 5.2% excluding Combis
 - Q2 Group revenue decline slows to 4.4% yoy (excl. Combis) helped mainly by lower Q2 fall in mobile
- Focus on cost controls continues to mitigate margin erosion
- EBITDA* down 10.5% to HRK 1,721 million (EUR 237 million)
- Net profit down 24.7% to HRK 822 million (EUR 113 million), significantly lower financial income
- Strong operating cash flow, up 28.3% to HRK 1,119 million (EUR 154 million) following working capital improvements
- Combis performing as expected; integration progressing well
- Dividends totalling HRK 2.8 billion (EUR 385 million) paid in May

T-Mobile

- Revenue down 9.8% on H1 2009 but declining at slower rate than in Q1 2010
- Subscribers down 0.7% on Q1 2010
- Postpaid subscribers up 2.3% on Q1 2010, now 34.8% of T-Mobile subscribers
- Prepaid hit by recession and special taxes as well as churn of SIM-only customers acquired in H1 2009 promotion

T-Com

- Strong internet growth continues to offset expected decline in voice
- Internet revenue up 20.4% to HRK 668 million (EUR 92 million), ADSL subscribers up 14.5% to 583,556 (up 1.8% qoq)
- IPTV subscribers up 50.6% to 256,846 (up 2.4% qoq)

* before exceptional items

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

“T-HT has reported a commendable set of results, given the challenges we faced from the continuing fall in GDP and consumer spending, as well as the impact of the 6% tax on mobile services.

“Our efforts to mitigate the effects of the recession helped to slow the revenue decline in the second quarter and we remain focused on retaining and gaining customers while at the same time reducing costs.

“Combis made a good first-time contribution to Group revenues and we intend to grow and develop the ICT business to serve the needs of Croatia’s business customers.”

“We welcome the decision to cancel the Special Tax on Salary, Pensions and Other Income and urge the Government to abandon the Special Tax on Mobile Services in the interests of renewed investment in Croatia that will improve the economic climate for the entire country.”

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

Conference Call

International dial-in	+44 (0) 1452 555 566
UK free call dial in	0800 694 0257
Conference ID	89447220

Replay available until Thursday, 5 August 2010

International dial-in	+44 (0) 1452 550 000
UK free call dial in	0800 953 1533
Access number	89447220#

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

About T-Hrvatski Telekom

T-Hrvatski Telekom (T-HT) is the leading provider of telecommunication services in Croatia, serving more than 1.4 million fixed lines, nearly 2.8 million mobile subscribers and more than 580,000 broadband connections through its Residential and Business divisions.

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

Summary of key financial indicators

in HRK million	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Revenue ¹⁾	4,042	4,208	-3.9%
EBITDA before exceptional items	1,721	1,923	-10.5%
EBITDA after exceptional items ²⁾	1,721	1,919	-10.3%
EBIT (Operating profit)	1,056	1,209	-12.7%
Net profit after minority interest	822	1,092	-24.7%
EBITDA margin			
EBITDA margin before exceptional items	42.6%	45.7%	-3.1 p.p.
EBITDA margin after exceptional items	42.6%	45.6%	-3.0 p.p.
EBIT margin	26.1%	28.7%	-2.6 p.p.
Net profit margin	20.3%	25.9%	-5.6 p.p.
Balance sheet			
in HRK million	At 30 Jun 2010	At 31 Dec 2009	% change 10/09
Cash equivalents and time deposits	2,150	4,195	-48.8%
Total assets	12,198	14,472	-15.7%
Total issued capital and reserves	10,046	12,012	-16.4%
Income statement			
in HRK million	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Net cash flow from operating activities	1,119	872	28.3%

1) Excluding other operating income

2) Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs

Exchange rate information

	Kuna per Euro		Kuna per U.S. dollar	
	Average	Period end	Average	Period end
Six months to 30 June 2009	7.39	7.29	5.55	5.20
Six months to 30 June 2010	7.27	7.19	5.47	5.90

Summary of key performance indicators

T-Mobile	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Subscribers	2,778,714	2,867,094	-3.1%
Minutes of Use (MOU) per average subscriber	109.3	109.4	-0.1%
Blended ARPU	89.8	101.0	-11.0%
Churn rate (%)	2.5	1.6	1.0 p.p.
Market share of subscribers (%)	45.7	47.6	-1.9 p.p.
Market share by revenue (%) ¹⁾	47.6	49.3	-1.7 p.p.
T-Com			
T-Com	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Total (POTS+FGSM+ISDN) mainlines	1,445,780	1,512,747	-4.4%
Total traffic (thousands of minutes)	1,640,259	1,791,366	-8.4%
ADSL mainlines	583,556	509,874	14.5%
ADSL mainlines ARPA	128	123	4.3%
IPTV customers	256,846	170,591	50.6%
ULL (Unbundled Local Loop) ²⁾	125,962	106,950	17.8%

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

²⁾ As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Jun 2010: 138,062 and Jun 2009: 110,670.

Results for the six months ended 30 June 2010

Business and financial review

Introduction

T-Hrvatski Telekom is Croatia's largest telecommunications provider and a market leader in all segments in which it operates. At 30 June 2010, the Group served more than 1.4 million fixed-line customers, nearly 2.8 million mobile subscribers, more than 580,000 broadband connections and provided IPTV services to nearly 257,000 homes. In March 2010, T-HT acquired the ICT company Combis, significantly expanding its ability to provide IT software and services to Croatia's business market.

New corporate structure

On 1 January 2010, the old divisions of T-Com and T-Mobile, serving fixed and mobile markets respectively, were replaced by a new structure based upon Residential and Business units. However, for the duration of 2010, T-HT will continue to provide segmental information based upon the previous structures of T-Com and T-Mobile. Starting with Q1 2011, T-HT will report segmental performance along the new lines, providing prior-year comparisons for the 2010 financial performance of the Residential and Business units.

Economic background

The Croatian economy remains in recession with GDP falling 2.5% in the first quarter of 2010, compared with the same period in 2009, according to the Central Bureau of Statistics. This compares with a 5.8% fall across the whole of 2009. Full-year estimates for 2010 forecast a fall in GDP of 1% to 1.5%. Unemployment remains high at 16.6% in June (June 2009: 14.2%).

Special taxes continue to hit mobile business

The Group's mobile revenue continue to decline as a result of the 6% special tax on mobile services, imposed in August 2009. There is as yet no firm indication as to when this emergency measure will be repealed.

Regulatory environment and risk management

In the period under review the regulatory environment remained unchanged and there were no material changes to the Group's risk profile.

Approval of Combis acquisition

On 14 May 2010 the Croatian Competition Agency approved T-HT's acquisition of the IT services company Combis d.o.o, announced on 26 March 2010 for a cost of between EUR 25.5 million (around HRK 185.3 million) and EUR 31.5 million (around HRK 228.9 million) depending on achievement of business targets for 2010 and 2011.

Combis was formally consolidated into the Group's accounts in May 2010 and its two-month contribution to H1 2010 revenue was HRK 53 million, in line with expectations.

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

Group financial performance

Revenue

in HRK million	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Mobile telephony	1,762	1,935	-9.0%
Fixed telephony	1,169	1,287	-9.2%
Wholesale services	304	331	-8.1%
Internet services	668	554	20.7%
Data services	78	94	-16.9%
Miscellaneous	62	7	734.1%
Revenue	4,042	4,208	-3.9%

Group revenue continues to be affected by the recession and special taxation measures adopted in response. In the six months to 30 June, revenue was down 3.9% to HRK 4,042 million (H1 2009: HRK 4,208 million). Compared with the 6% decline in the first quarter of 2010, the second quarter benefited from a two-month contribution of HRK 53 million in revenue from Combis and lower Q2 fall in mobile.

T-Com revenue fell 3.8% or HRK 96 million. As with previous results, the expected decline in revenue from fixed telephony, down 9.0% to HRK 1,171 million, was offset by a strong increase in revenue from internet services, up 20.4% to HRK 668 million and a maiden contribution from Combis, (classified as Miscellaneous revenue).

At T-Mobile, revenue fell 9.8% to HRK 1,819 million in the first six months of 2010 (H1 2009: HRK 2,017 million). The rate of decline is slightly slower than in the first quarter of 2010, when revenue fell by 12.9% compared with the first quarter of 2009. The impact of the special tax on mobile services remained a significant drain on revenue, to the amount of HRK 77 million in the first six months of 2010.

Operating costs

Following the reorganisation of the Group, T-HT continues to keep a tight control of operating costs, which fell by 1.3% or HRK 32million to HRK 2,421 million.

Material expenses fell by 1.7% or HRK 20 million to HRK 1,116 million, mainly because of lower interconnection costs. Material expenses make up approximately 46% of total operating costs. Other expenses, mainly consulting and advertising costs, fell by 3.2% to HRK 658 million.

Despite the integration of Combis, which added 281 employees (or 273 FTE) in May 2010, total employee benefits fell by 1% to HRK 579 million (H1 2009: HRK 585 million). Employee numbers rose from 6,261 in June 2009 to 6,276 in June 2010, after the consolidation of Combis into the Group.

With the recession still affecting the ability of some customers to pay bills on time, the write-down of assets increased by 28.4% to HRK 68 million (H1 2009: HRK 53 million).

Depreciation and amortisation fell by 6.2% to HRK 666 million (H1 2009: HRK 710 million) because of factors related to the slowdown in the Group's capital investment programme (explained in more detail below).

T-HT Group profitability

in HRK million	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
Revenue ¹⁾	4,042	4,208	-3.9%
EBITDA before exceptional items	1,721	1,923	-10.5%
EBITDA after exceptional items ²⁾	1,721	1,919	-10.3%
EBIT (Operating profit)	1,056	1,209	-12.7%
Net profit after minority interest	822	1,092	-24.7%
EBITDA margin before exceptional items	42.6%	45.7%	-3.1 p.p.
EBITDA margin after exceptional items	42.6%	45.6%	-3.0 p.p.
EBIT margin	26.1%	28.7%	-2.6 p.p.
Net profit margin	20.3%	25.9%	-5.6 p.p.

1) Excluding other operating income

2) Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs

Profitability fell as a result of reduced revenue, with EBITDA before exceptional items falling 10.5% to HRK 1,721 million at a margin of 42.6% (H1 2009: HRK 1,923 million, 45.7%).

Operating profit (EBIT) fell by 12.7% to HRK 1,056 million despite the lower depreciation and amortisation charges.

Net profit for H1 2010 was HRK 822 million (H1 2009: HRK 1,092 million) as a result of EBIT development and a significantly lower net financial result caused by lower interest rates and a one-time impact related to the involvement in HT Mostar to the amount of HRK 32million.

Balance sheet

T-HT's balance sheet remains strong with total assets of HRK 12,198 million. Cash and cash equivalents stand at HRK 2,150 million, compared with HRK 4,762 million at 31 March 2010, following the payment of a dividend totalling HRK 2,788 million and payments related to the acquisition of Combis.

Cash flow

Despite lower profitability, cash flow from operations increased by 28.3% to HRK 1,119 million (H1 2009: HRK 872 million), mostly as a result of good management of working capital.

Capital expenditure

in HRK million	Jan-Jun 2010	Jan-Jun 2009	% change 10/09
T-Com	205	435	-52.8%
T-Mobile	83	177	-52.8%
Total Capital Expenditure	288	611	-52.8%

Capital expenditure was down 52.8% to HRK 288 million. The Group has delayed investments in fiber infrastructure pending the resolution of pricing and competition issues with the regulatory agency Hakom. The Group expects to resume these investments once a satisfactory outcome has been achieved. In addition, cable infrastructure deployments were lower than anticipated owing to delays in obtaining local permits, while some cellular base station deployments were also delayed.

Furthermore, following the merger of T-Com and T-Mobile, the Group has reviewed and optimised the scope of major IT projects in order to achieve the most cost-effective benefits going forward. This has resulted in the delay of some IT investments, which are now likely to be made in the second half of 2010.

Analysis of segment results

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

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

Since 1 January 2010, T-HT Group has been organised along Residential and Business lines with separate divisions for each. However, the Group will present financial results for the new business segments in 2011, with comparative figures for 2010 performance.

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

T-Mobile highlights

T-Mobile remains the leading mobile operator in Croatia with a 45.7% subscriber share in a market where mobile penetration remains high at 136.9%. Demand for mobile internet continues to increase as new laptop/netbook devices are in high demand, as well as new handsets increasingly offer access to the internet through a wide variety of applications.

- Revenue down 9.8% because of special taxes introduced in Q3 2009, recession and lower termination rates effective this year
- Blended ARPU down 11.0% to HRK 89.8
- Total subscribers down 3.1% (down 0.7% compared to Q1)
- Postpaid subscribers up 10.3% (up 2.3% compared to Q1), now 34.8% of subscriber base (H1 2009: 30.5%)

T-Mobile's total subscriber base fell by 3.1% to 2,778,714. Prepaid subscribers were 9.0% lower in H1 2010 mainly as a result of decreasing reliance on secondary telephones and lower consumer spending as well as the absence of SIM-only promotions that boosted prepaid numbers in H1 2009, but many of which accounts were churned in H1 2010.

T-Mobile continues to be successful in signing up new postpaid accounts and migrating prepaid users to postpaid accounts. Special offers, particularly in the second quarter of 2010, helped increase postpaid subscriber numbers to 965,681, which is 34.8% of all T-Mobile accounts.

T-Mobile achieved a net gain of nearly 22,000 postpaid subscribers in the second quarter of 2010 despite an increase in churn rates. Over the six month period, postpaid churn increased from 0.7% in H1 2009 to 1.0% in H1 2010, while prepaid churn increased from 1.9% to 3.3%, reflecting the absence of SIM-only promotions, increased competition and recessionary pressures driving some users to abandon prepaid phones altogether. SAC per gross add increased by 5.0% to HRK 213.9 because of new tariffs and promotions with handsets in the postpaid segment.

Minutes of use (MOU) remained stable at 109.3 minutes (H1 2009: 109.4 minutes), supported by promotions offering more minutes for the same cost. Compared to the 103.8 minutes recorded in Q1 2010, MOU recovered strongly in Q2 as a result of attractive new promotions and the successful introduction of new tariffs.

T-Mobile

in HRK million	Jan-Jun 2010	%	Jan-Jun 2009	%	% change 10/09
Revenue from Postpaid services ¹⁾	1,087	59.7%	1,193	59.1%	-8.9%
Revenue from Prepaid services	539	29.6%	627	31.1%	-14.0%
Other mobile revenue	193	10.6%	197	9.8%	-1.9%
Revenue²⁾	1,819	100.0%	2,017	100.0%	-9.8%
Income from usage of own products	1		0		0
Other operating income	36		51		-29.2%
Operating expenses	1,092		1,172		-6.8%
EBITDA	764	42.0%	896	44.4%	-14.8%
Depreciation and amortization	219		259		-15.5%
EBIT	545	30.0%	637	31.6%	-14.5%

¹⁾Including visitor revenue.

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

Revenue

The recession and its associated special taxation measures continue to affect T-Mobile revenue, which fell by 9.8% to HRK 1,819 million (H1 2009: HRK 2,017 million). Of this fall, approximately HRK 77 million (in H1 2009: nil) can be attributed to the 6% tax on mobile services, which is deducted directly from revenue. In addition, competitive pressures and a cut in mobile termination rates at the end of 2009, have also contributed to the decline.

Postpaid revenue fell by 8.9% to HRK 1,087 million (H1 2009: HRK 1,193 million), while prepaid revenue fell by 14.0% to HRK 539 million (H1 2009: HRK 627 million). Other mobile revenue remained stable at HRK 193 million, compared with HRK 197 million in H1 2009.

Profitability

Operating expenses fell by 6.8% to HRK 1,092 million, mostly as a result of lower service costs. Material expenses fell by 8.7% to HRK 646 million (H1 2009: HRK 708 million) because of lower domestic interconnection costs resulting from the fall in termination prices. In addition, the cost of mobile merchandise was lower following the integration of T-Com and T-Mobile and the reorganisation of retail outlets. Employee costs fell by 7.9% to HRK 110 million (H1 2009: HRK 119 million). Other expenses, including advertising, maintenance and sales commissions, fell by 4.2%.

EBITDA fell by 14.8% to HRK 764 million (H1 2009: HRK 896 million), while EBIT fell by 14.5% to HRK 545 million (H1 2009: HRK 637 million).

Capital expenditure

T-Mobile's capital expenditure fell by 52.8% to HRK 83 million (H1 2009: HRK 177 million) for the reasons outlined earlier, notably the delay of internal IT projects and delays to base station deployments. The capex to revenue ratio fell from 8.8% to 4.6%.

T-Com highlights

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

- 1.45 million mainlines served
- Internet revenue up 20.4%
- ADSL lines up 14.5% to 583,556 (up 1.8% on Q1 2010)
 - ADSL ARPA up 4.3%
- IPTV subscriptions up 50.6% (up 2.4% on Q1 2010)

T-Com

in HRK million	Jan-Jun 2010	%	Jan-Jun 2009	%	% change 10/09
Fixed telephony	1,171	48.6%	1,288	51.4%	-9.0%
Wholesale services	438	18.2%	516	20.6%	-15.1%
Internet services	668	27.7%	555	22.1%	20.4%
Data services	78	3.2%	94	3.7%	-16.9%
Miscellaneous	55	2.3%	53	2.1%	3.5%
Revenue ¹⁾	2,410	100.0%	2,506	100.0%	-3.8%
Income from usage of own products, merchandise and services	21		48		-55.5%
Other operating income	76		93		-18.1%
Operating expenses	1,550		1,623		-4.5%
EBITDA before exceptional items	958	39.7%	1,027	41.0%	-6.8%
Exceptional items ²⁾	0		4		
EBITDA after exceptional items	958	39.7%	1,023	40.8%	-6.4%
Depreciation and amortization	447		451		-0.9%
EBIT	511	21.2%	572	22.8%	-10.7%

¹⁾ Unconsolidated figures; excluding other income

²⁾ Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs.

Revenue

Overall, T-Com revenue fell by 3.8% to HRK 2,410 million (H1 2009: HRK 2,506 million) with a maiden HRK 53 million contribution from Combis and a 20.4% growth in internet revenue helping to offset revenue falls of 9.0% in fixed-line telephony, 15.1% in wholesale and 16.9% in data services.

Fixed-line telephony

The decline in fixed-line telephony remains steady, with 4.5% fewer lines served at the end of June 2010 and total mainlines at 1,453,211 (H1 2009: 1,521,266). Revenue from fixed-line telephony fell by 9.0% to HRK 1,171 million (H1 2009: HRK 1,288 million) and the contribution of fixed telephony has fallen to 48.6% of T-Com revenue, against 51.4% last year. As with previous periods, the decline is the result of increased competition and fixed-to-mobile substitution.

Internet

Internet revenue continues to grow strongly, up 20.4% to HRK 668 million (H1 2009: HRK 555 million). Internet revenue now contributes 27.7% of T-Com revenue, compared with 22.1% in the same period last year. The continuing increase reflects the increasing use of broadband and the growth of new services such as IPTV.

ADSL mainlines increased by 14.5% to 583,556, with more than 10,000 new subscribers in Q2 2010. The increase was driven by new promotions encouraging customers to sign 12 or 24-month contracts, and to recommend friends and family to sign up in return for incentives. ADSL mainlines ARPA rose 4.3% to HRK 128 (H1 2009: HRK 123), mostly because of the expiration of promotional periods and higher flat traffic subscriptions.

MAXtv subscriber growth (together with Iskon's IPTV) remained strong, up 50.6% to 256,846 (H1 2009: 170,591) and driven by continuing promotions and attractive content packages including new films and HBO.

Wholesale

Wholesale revenue fell 15.1% to HRK 438 million and now makes up 18.2% of T-Com revenue (H1 2009: HRK 516 million, 20.6%). The decline resulted from lower international traffic to mobiles and national hubbing services, as well as a cut in termination, origination and DTI revenue following regulatory decisions.

Data

Data revenue fell 16.9% to HRK 78 million and represents 3.2% of T-Com revenue (H1 2009: HRK 94 million, 3.7%). The fall was in line with T-HT's migration of data customers to new IP-based services.

Miscellaneous

For the first time, revenue from Combis contributed to T-Com's performance and has been classified under Miscellaneous revenue. The two-month contribution of HRK 53 million offset the loss of revenue and commissions normally booked under Miscellaneous revenue that resulted from the reorganisation of T-Com and T-Mobile's retail sales outlets following the merger of the two divisions effective 1 January 2010. In future, Combis revenue will be disclosed in a separate P&L line.

Profitability

The fall in T-Com revenue was offset to some degree by a 4.5% reduction in operating costs, notably material expenses. EBITDA before exceptional items stood at HRK 958 million at a divisional EBITDA margin of 39.7% (H1 2009: HRK 1,027 million, 41.0%). EBIT fell 10.7% to HRK 511 million.

Capital expenditure

Capital expenditure fell by 52.8% to HRK 205 million, for reasons already outlined above. T-Com's capex/revenue ratio stood at 8.5%, compared with 17.4% in H1 2009.

T-HT Group Second Quarter 2010 Report

Summary of key financial indicators

in HRK million	Apr-Jun 2010	Apr-Jun 2009	% change 10/09
Mobile telephony	935	1,009	-7.3%
Fixed telephony	582	638	-8.8%
Wholesale services	144	159	-9.3%
Internet services	340	282	20.6%
Data services	37	46	-18.8%
Miscellaneous	61	6	895.9%
Revenue ¹⁾	2,099	2,140	-1.9%
EBITDA before exceptional items ²⁾	902	973	-7.3%
EBITDA after exceptional items	902	969	-7.0%
EBIT (Operating profit)	570	605	-5.7%
Net profit	438	509	-13.9%

1) Excluding other operating income

2) Exceptional items in Q2 2009 only: 4 HRK million. This amount is related to reorganisation costs

In the second quarter of 2010, the rate of revenue decline showed a marked slowdown, with Group revenue falling 1.9% compared with the same period in 2009. This is largely attributable to the two-month contribution of Combis, although continuing strong growth in internet revenue helped to counter falls in mobile and fixed telephony.

On a sequential quarterly basis, this is a significant improvement on the 6.0% decline seen in the first quarter of 2010.

EBITDA before exceptional items fell 7.3% to HRK 902 million, mostly as a result of falling revenue.

Net profit fell by 13.9% to HRK 438 million as a result of EBITDA development and lower financial income.

Group 2010 outlook

Revenue

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

EBITDA

The Group expects some erosion of EBITDA in 2010, but continues to pursue a programme of cost-control initiatives that should mitigate this erosion to some extent.

CAPEX

The Group anticipates lower capital expenditure in 2010, but will review its plans during the year according to prevailing circumstances.

- Investment in the fixed network will focus on optical access network development aiming to increase broadband coverage and migration to the IP network
- Investment in the mobile network will focus mainly on data capacity

Regional Expansion

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

T-HT Group Financial statements

Consolidated Income Statement

in HRK million (IFRS; unaudited)	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09	Apr-Jun 2010	Apr-Jun 2009	% of change 10/09
Mobile telephony	1,762	1,935	-9.0%	935	1,009	-7.3%
Fixed telephony	1,169	1,287	-9.2%	582	638	-8.8%
Wholesale services	304	331	-8.1%	144	159	-9.3%
Internet services	668	554	20.7%	340	282	20.6%
Data services	78	94	-16.9%	37	46	-18.8%
Miscellaneous	62	7	734.1%	61	6	895.9%
Revenue	4,042	4,208	-3.9%	2,099	2,140	-1.9%
Income from usage of own products, merchandise and services	23	56	-59.6%	15	39	-60.6%
Other operating income	77	108	-28.6%	41	44	-6.8%
Total operating revenue	4,142	4,372	-5.3%	2,155	2,223	-3.0%
Operating expenses	2,421	2,453	-1.3%	1,253	1,254	0.0%
Material expenses	1,116	1,136	-1.7%	583	582	0.2%
Employee benefit expenses	579	585	-1.0%	296	298	-0.7%
Other expenses	658	679	-3.2%	339	345	-1.7%
Write down of asset	68	53	28.4%	36	29	21.9%
EBITDA	1,721	1,919	-10.3%	902	969	-7.0%
Depreciation and amortization	666	710	-6.2%	332	364	-9.0%
EBIT	1,056	1,209	-12.7%	570	605	-5.7%
Financial income	37	190	-80.5%	4	60	-92.9%
Loss from investment in joint ventures	6	9	-38.3%	6	7	-10.6%
Financial expenses	71	25	188.1%	40	19	105.3%
Profit before taxes	1,027	1,384	-25.8%	541	652	-17.0%
Taxation	205	292	-29.7%	103	143	-28.2%
Net profit	822	1,092	-24.7%	438	509	-13.9%
Minority interest	0	0	15.4%	0	0	5.7%
Net profit after minority interest	822	1,092	-24.7%	438	509	-13.9%
Exceptional items	0	4	-	0	4	100.0%
EBITDA before exceptional items	1,721	1,923	-10.5%	902	973	-7.3%

Consolidated Balance Sheet

in HRK million (IFRS; unaudited)	At 30 Jun 2010	At 31 Dec 2009	% of change 10/09
Intangible assets	1,160	1,099	5.6%
Property, plant and equipment	6,226	6,507	-4.3%
Non-current financial assets	381	490	-22.3%
Receivables	32	33	-1.8%
Deferred tax asset	39	46	-15.0%
Total non-current assets	7,838	8,175	-4.1%
Inventories	264	255	3.6%
Receivables	1,576	1,505	4.7%
Current financial assets	292	259	12.6%
Cash and cash equivalents	2,150	4,195	-48.8%
Prepayments and accrued income	78	84	-6.7%
Total current assets	4,359	6,297	-30.8%
TOTAL ASSETS	12,198	14,472	-15.7%
Subscribed share capital	8,189	8,189	0.0%
Reserves	409	409	0.0%
Revaluation reserves	-1	-4	-73.9%
Retained earnings	626	1,393	-55.1%
Net profit for the period	822	2,023	-59.4%
Minority interest	1	1	17.2%
Total issued capital and reserves	10,046	12,012	-16.4%
Provisions	416	428	-2.7%
Non-current liabilities	132	128	2.7%
Total non-current liabilities	548	556	-1.4%
Current liabilities	1,355	1,643	-17.5%
Accrued expenses and deferred income	248	261	-4.9%
Total current liabilities	1,604	1,904	-15.8%
Total liabilities	2,152	2,460	-12.5%
TOTAL EQUITY AND LIABILITIES	12,198	14,472	-15.7%

Consolidated Cash Flow Statement

in HRK million (IFRS; unaudited)	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Profit before tax	1,027	1,384	-25.8%
Depreciation and amortization	666	710	-6.2%
Decrease of current receivables	9	0	-
Decrease of inventories	0	0	-
Other cash flow increases	0	0	-
Total increase of cash flow from operating activities	1,701	2,093	-18.7%
Decrease of current liabilities	-354	-603	-41.4%
Increase of current receivables	0	-80	-100.0%
Increase of inventories	-9	-18	-49.2%
Other cash flow decreases	-220	-520	-57.7%
Total decrease of cash flow from operating activities	-583	-1,221	-52.3%
Net cash inflow/outflow from operating activities	1,119	872	28.3%
Proceeds from sale of non-current assets	6	12	-49.4%
Proceeds from sale of non-current financial assets	184	1	-
Proceeds from sale of current financial assets	0	0	-
Interest received	30	179	-83.3%
Dividend received	0	0	-
Other cash inflows from investing activities	0	0	-
Total increase of cash flow from investing activities	220	192	-14.5%
Purchase of non-current asset	-288	-611	-52.8%
Purchase of non-current financial asset	0	-221	-100.0%
Other cash outflows from investing activities	-305	-618	-50.7%
Total decrease of cash flow from investing activities	-593	-1,451	-59.1%
Net cash inflow/outflow from investing activities	-373	-1,259	-70.4%
Total increase of cash flow from financing activities	0	0	-
Repayment of loans and bonds	-2	-1	37.0%
Dividends paid	-2,788	-2,456	13.5%
Repayment of finance lease	0	0	-
Other cash outflows from financing activities	0	0	-
Total decrease of cash flow from financing activities	-2,790	-2,457	13.6%
Net cash inflow/outflow from financing activities	-2,790	-2,457	13.6%
Total increase of cash flow	1,119	872	28.3%
Total decrease of cash flow	-3,164	-3,717	-14.9%
Cash and cash equivalents at the beginning of period	4,195	5,223	-19.7%
Net cash (outflow) / inflow	-2,045	-2,844	-28.1%
Cash and cash equivalents at the end of period	2,150	2,379	-9.6%

Statement of changes in Equity

in HRK million

Position	31 December 2009	Increase	Decrease	30 June 2010
1. Subscribed share capital	8,189			8,189
2. Net income reserves	409			409
3. Retained earnings or loss carried forward	1,393	2,021	-2,788	626
4. Net profit (loss) for the period	2,023	822	-2,023	822
5. Revaluation of available for sale financial assets	-4	3		-1
6. Other changes in equity	1			1
7. Total increase or decrease of equity	12,012	2,846	-4,812	10,046
7a. Attributable to majority owners	12,012	2,846	-4,812	10,042
7b. Attributable to minority interest	1			1

Notes to the condensed consolidated financial statements For the six months ended 30 June 2010

Basis of preparation

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

Significant Accounting Policies

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

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

Dividends

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

Segment information

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

By entry of the merger into the court register, the transferee company, HT d.d. became the universal legal successor of the transferor company and thereby entered into all legal relationships of the

transferor company, whereby T-Mobile ceased to exist with the expiry of 31 December 2009 as the day of the entry in the court register of the merger i.e. did not exist on 1 January 2010.

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

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

T-Mobile provides mobile telephony.

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

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

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

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

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

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

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

Business segments

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

Six months ended 30 June 2010

	T-Com	T-Mobile	Reclassified	Eliminations	Total
	HRK millions				
<i>Revenue</i>					
Fixed telephony	1,169	-	-	-	1,169
Wholesale services	334	-	(30)	-	304
Internet services	668	-	-	-	668
Data services	78	-	-	-	78
Mobile telephony	-	1,736	30	-	1,766
Miscellaneous	55	-	-	-	55
Sales to external customers	2,304	1,736	-	-	4,040
Inter-segment sales	106	84	-	(190)	-
Total revenue	2,410	1,820	-	(190)	4,040
<i>Results</i>					
Segment results	510	546	-	-	1,056
Net finance revenue	(31)	2	-	-	(29)
Profit before income tax	479	548	-	-	1,027
Income tax expense	(99)	(106)	-	-	(205)
Net profit for the year	380	442	-	-	822

As at 31 March 2010

Assets and liabilities

Segment assets	9,016	2,887	-	(44)	11,859
Investment in subsidiaries	1,478	-	-	(1,478)	-
Investment in associates	2	-	-	-	2
Investment in joint venture	337	-	-	-	337
Total assets	10,833	2,887	-	(1,522)	12,198

Six months ended 30 June 2009

	T-Com	T-Mobile	Reclassified	Eliminations	Total
	HRK millions				
<i>Revenue</i>					
Fixed telephony	1,287	-	-	-	1,287
Wholesale services	382	-	(51)	-	331
Internet services	554	-	-	-	554
Data services	94	-	-	-	94
Mobile telephony	-	1,848	87	-	1,935
Miscellaneous	43	-	(36)	-	7
Sales to external customers	2,360	1,848	-	-	4,208
Inter-segment sales	145	169	-	(314)	-
Total revenue	2,505	2,017	-	(314)	4,208
<i>Results</i>					
Segment results	572	637	-	-	1,209
Net finance revenue	112	63	-	-	175
Profit before income tax	684	700	-	-	1,394
Income tax expense	(151)	(141)	-	-	(292)
Net profit for the period	533	559	-	-	1,092

As at 31 December 2009

Assets and liabilities

Segment assets	9,095	5,142	-	(140)	14,097
Investment in subsidiaries	1,478	-	-	(1,478)	-
Investment in associates	2	-	-	-	2
Investment in joint venture	373	-	-	-	373
Total assets	10,948	5,142	-	(1,618)	14,472

Current interim period 1 April 2010 to 30 June 2010	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	583	-	-	-	583
Wholesale services	168	-	(24)	-	144
Internet services	340	-	-	-	340
Data services	37	-	-	-	37
Mobile telephony	-	915	24	-	939
Miscellaneous	54	-	-	-	54
Sales to external customers	1,182	915	-	-	2,097
Inter-segment sales	49	42	-	(91)	-
Total revenue	1,231	957	-	(91)	2,097
<i>Results</i>					
Segment results	257	314	-	-	571
Net finance revenue	(31)	1	-	-	(30)
Profit before income tax	226	315	-	-	541
Income tax expense	(48)	(55)	-	-	(103)
Net profit for the period	178	260	-	-	438

Current interim period 1 April 2009 to 30 June 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	638	-	-	-	638
Wholesale services	185	-	(26)	-	159
Internet services	282	-	-	-	282
Data services	46	-	-	-	46
Mobile telephony	-	964	45	-	1,009
Miscellaneous	25	-	(19)	-	6
Sales to external customers	1,176	964	-	-	2,140
Inter-segment sales	71	63	-	(134)	-
Total revenue	1,247	1,027	-	(134)	2,140
<i>Results</i>					
Segment results	273	332	-	-	605
Net finance revenue	22	25	-	-	47

Profit before income tax	295	357	-	-	652
Income tax expense	(71)	(72)	-	-	(143)
Net profit for the period	224	285	-	-	509

Relations with the governing company and its affiliated companies

In the first six months of 2010 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

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

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six months of 2010 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

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

In the first six months of 2010 the Group generated total revenue from related companies from international traffic to the amount of HRK 56 million (the six months of 2009: HRK 62 million), while total costs of international traffic amounted to HRK 67 million (the first six months of 2009: HRK 79 million).

DTAG companies provided intellectual services to the Group in the amount of HRK 5 million in the first six months of 2010 (the first six months of 2009: HRK 17 million).

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

Compensation of the Supervisory Board

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 of the average monthly net salary of the employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first six months of 2010, the Company paid a total amount of HRK 0.3 million (the first six months of 2009: HRK 0.4 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 2010 the total compensation paid to key management personnel of the Group amounted to HRK 19 million (first six months of 2009: HRK 20 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include Members of the Management Boards of the Company and its subsidiaries and the Operative Directors of the Company, who are employed by the Group.

Selected Operational Data⁽¹⁾

T-MOBILE SEGMENT

Key operational data	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Subscribers			
No. of prepaid subscribers	1,813,033	1,991,817	-9.0%
No. of postpaid subscribers	965,681	875,277	10.3%
Total T-Mobile subscribers	2,778,714	2,867,094	-3.1%
% of postpaid subscribers	34.8	30.5	4.2 p.p.
Minutes of use (MOU)			
MOU per average subscriber	109.3	109.4	-0.1%
Average revenue per user (ARPU) (HRK)			
Blended ARPU (monthly average for the period in HRK) ³⁾	89.8	101.0	-11.0%
Blended non-voice ARPU (monthly average for the period in HRK)	20.7	22.1	-6.2%
SAC per gross add²⁾	213.9	203.7	5.0%
Churn rate (%)			
Churn rate total	2.5	1.6	1.0 p.p.
Churn rate postpaid	1.0	0.7	0.3 p.p.
Churn rate prepaid	3.3	1.9	1.3 p.p.
Penetration (%)			
Market share of subscribers (%) ⁴⁾	45.7	47.6	-1.9 p.p.
Market share by revenue (%) ⁵⁾	47.6	49.3	-1.7 p.p.

T-COM SEGMENT

Key operational data	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Fixed telephony			
Total POTS and FGSM mainlines	1,359,826	1,412,852	-3.8%
Total ISDN mainlines	85,954	99,895	-14.0%
Total (POTS+FGSM+ISDN)	1,445,780	1,512,747	-4.4%
Payphones	7,431	8,519	-12.8%
Total mainlines (POTS+FGSM+ ISDN+Payphones)	1,453,211	1,521,266	-4.5%
Total Traffic (thousands of minutes)	1,640,259	1,791,366	-8.4%
To national fixed network	1,404,766	1,518,313	-7.5%
To national mobile network	136,286	158,807	-14.2%
To VAS	30,789	33,041	-6.8%
To international networks	53,570	60,604	-11.6%
Remaining traffic ⁽⁶⁾	14,847	20,602	-27.9%
Average monthly voice revenue per voice access (ARPA) (HRK)	132	138	-4.3%

Key operational data	Jan-Jun 2010	Jan-Jun 2009	% of change 10/09
Internet services			
Dial-up users	773,487	763,648	1.3%
Active dial - up users	30,273	57,771	-47.6%
ADSL mainlines	583,556	509,874	14.5%
IPTV customers	256,846	170,591	50.6%
Fixed-line customers	1,243	1,092	13.8%
VPN connection points	3,631	3,292	10.3%
ADSL mainlines ARPA (monthly average for the period in HRK)	128	123	4.3%
Active dial-up users ARPU (monthly average for the period in HRK)	52	55	-5.5%
Data services			
Metro Ethernet (connection points)	3,176	2,439	30.2%
Other data lines	2,818	3,072	-8.3%
Total	5,994	5,511	8.8%
Wholesale services			
CPS (Carrier Pre-Selection)	225,099	226,376	-0.6%
NP (Number portability) users/number	376,271	321,003	17.2%
ULL (Unbundled Local Loop) ⁷⁾	125,962	106,950	17.8%

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

⁽²⁾ SAC - Subscriber acquisition costs

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

⁽⁴⁾ Source: Number of subscribers for VIPnet and Tele2 for Jan-Jun 2010 internally estimated. Published VIPnet's and Tele2 quarterly report for Q2 2009.

⁽⁵⁾ Market share by net revenue. National roaming revenue included. Source: Telekom Austria for Q2 2009. Vipnet's and Tele2 total revenue for Q2 2010 are internally estimated. Market shares are based on unconsolidated revenue for T-Mobile. Mobile telephony revenue has been affected by the new government fee of 6% on mobile services imposed in August 2009. (T-Mobile presents revenue figures net of this special tax, while to the best of the Group's knowledge, it is believed that other operators in Croatia treat the amount as an expense)

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

⁽⁷⁾ As of Q2 2010 the methodology for reporting of ULL numbers was changed to show Active lines rather than Realised lines. The Group believes this change gives a better measure of the state of unbundling. Under the previous method of reporting Realised lines, the figures would have been Jun 2010: 138,062 and Jun 2009: 110,670.

Appendix: HT d.d. Financial statements

Income Statement

In HRK thousand

Position	Previous period		Current period	
	Cumm.	Periodical	Cumm.	Periodical
I. OPERATING INCOME	2,602,708	1,293,491	4,015,767	2,070,018
1. Rendering of services	2,467,571	1,228,220	3,917,462	2,013,544
2. Income from usage of own products, merchandise and services	43,931	26,728	21,926	14,495
3. Other operating income	91,206	38,543	76,379	41,979
II. OPERATING COSTS	2,014,570	1,010,527	2,954,540	1,498,747
1. Decrease of work in progress and merchandise	0	0	0	0
2. Increase of work in progress and merchandise	0	0	0	0
3. Material expenses	732,399	366,888	1,051,937	537,143
4. Employee benefits expenses	425,193	212,574	523,329	262,106
5. Depreciation and amortisation	439,788	219,376	649,369	322,897
6. Other expenses	397,674	203,788	655,234	338,662
7. Write down of assets	19,086	10,384	65,912	34,376
8. Provisions	430	-2,483	8,759	3,563
9. Other operating costs	0	0	0	0
III. FINANCIAL INCOME	1,586,186	32,405	42,344	21,103
1. Interest, foreign exchange differences, dividends and similar income from subsidiaries	1,462,249	2,187	5,346	2,701
2. Interest, foreign exchange differences, dividends and similar income from third parties	123,937	30,217	31,217	12,621
3. Income from investments in associates and joint ventures	0	0	5,781	5,781
4. Unrealised gains (income)	0	0	0	0
5. Other financial income	0	0	0	0
IV. FINANCIAL EXPENSES	22,255	15,672	29,575	12,103
1. Interest, foreign exchange differences and similar expenses from subsidiaries	0	0	0	0
2. Interest, foreign exchange differences and similar expenses from third parties	22,255	15,672	29,575	12,103
3. Unrealised losses (expenses) from financial assets	0	0	0	0
4. Other financial expenses	0	0	0	0
V. EXTRAORDINARY - OTHER INCOME	0	0	0	0
VI. EXTRAORDINARY - OTHER EXPENSES	0	0	0	0
VII. TOTAL INCOME	4,188,894	1,325,896	4,058,111	2,091,121
VIII. TOTAL EXPENSES	2,036,825	1,026,199	2,984,115	1,510,850
IX. PROFIT BEFORE TAXES	2,152,069	299,697	1,073,996	580,271
X. LOSS BEFORE TAXES	0	0	0	0
XI. TAXATION	150,401	70,849	203,565	103,742
XII. NET PROFIT FOR THE PERIOD	2,001,668	228,848	870,431	476,529
XIII. LOSS FOR THE PERIOD	0	0	0	0

Balance Sheet

In HRK thousand

Position	Previous period	Current period
ASSETS		
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL		
B) NON-CURRENT ASSETS	7,987,185	8,033,263
I. INTANGIBLE ASSETS	425,213	911,765
II. PROPERTY, PLANT AND EQUIPMENT	5,323,124	6,133,153
III. NON-CURRENT FINANCIAL ASSETS	2,176,015	917,700
IV. RECEIVABLES	26,133	31,335
V. DEFERRED TAX ASSET	36,701	39,310
C) CURRENT ASSETS	3,012,750	4,140,077
I. INVENTORIES	193,377	256,203
II. RECEIVABLES	959,242	1,494,170
III. CURRENT FINANCIAL ASSETS	146,641	270,488
IV. CASH AND CASH EQUIVALENTS	1,713,490	2,119,216
D) PREPAYMENTS AND ACCRUED INCOME	18,515	64,583
E) LOSS ABOVE SUBSCRIBED CAPITAL		
F) TOTAL ASSETS	11,018,450	12,237,923
G) OFF BALANCE SHEET ITEMS		
EQUITY AND LIABILITIES		
A) ISSUED CAPITAL AND RESERVES	9,498,200	10,202,595
I. SUBSCRIBED SHARE CAPITAL	8,188,854	8,188,854
II. CAPITAL RESERVES	0	0
III. LEGAL RESERVES	409,443	409,443
IV. REVALUATION RESERVES	-3,193	-944
V. RETAINED EARNINGS	7,017	734,811
VI. LOSS CARRIED FORWARD	0	0
VII. NET PROFIT FOR THE PERIOD	896,079	870,431
VIII. LOSS FOR THE PERIOD	0	0
IX. MINORITY INTEREST	0	0
B) PROVISIONS	375,616	416,490
C) NON-CURRENT LIABILITIES	19,668	116,698
D) CURRENT LIABILITIES	954,400	1,265,287
E) ACCRUED EXPENSES AND DEFERRED INCOME	170,566	236,853
F) TOTAL EQUITY AND LIABILITIES	11,018,450	12,237,923
G) OFF BALANCE SHEET ITEMS		

Cash Flow Statement

In HRK thousand

Position	Previous period	Current period
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Profit before tax	2,152,069	1,073,996
2. Depreciation and amortisation	439,788	649,369
3. Increase of current liabilities		
4. Decrease of current receivables		
5. Decrease of inventories		
6. Other cash flow increases		
I. Total increase of cash flow from operating activities	2,591,857	1,723,365
1. Decrease of current liabilities	-315,127	-339,257
2. Increase of current receivables	-97,658	-52,849
3. Increase of inventories	-55,174	-63,826
4. Other cash flow decreases	-1,787,683	-172,148
II. Total decrease of cash flow from operating activities	-2,255,643	-628,080
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	336,214	1,095,284
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES		
1. Proceeds from sale of non-current assets	11,451	6,052
2. Proceeds from sale of non-current financial assets	825	183,763
3. Interest received	120,001	29,733
4. Dividend received		
5. Other proceeds from investing activities		
III. Total cash inflows from investing activities	132,276	219,548
1. Purchase of non-current assets	-422,523	-269,942
2. Purchase of non-current financial assets	-74,378	
3. Other cash outflows from investing activities	-169,001	-313,252
IV. Total cash outflows from investing activities	-665,902	-583,194
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES		
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	-533,626	-363,646
CASH FLOW FROM FINANCING ACTIVITIES		
1. Proceeds from issue of equity securities and debt securities		
2. Proceeds from loans and borrowings		
3. Other proceeds from financing activities		
V. Total cash inflows from financing activities		
1. Repayment of loans and bonds	-46	-10
2. Dividends paid	-2,455,837	-2,788,305
3. Repayment of finance lease		
4. Purchase of treasury shares		
5. Other cash outflows from financing activities		
VI. Total cash outflows from financing activities	-2,455,883	-2,788,315
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES		
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	-2,455,883	-2,788,315

Total increases of cash flows	336,214	1,095,284
Total decreases of cash flows	-2,989,510	-3,151,961
Cash and cash equivalents at the beginning of period	3,620,069	4,175,893
Increase of cash and cash equivalents		
Decrease of cash and cash equivalents	-2,653,296	-2,056,677
Cash and cash equivalents at the end of period	966,774	2,119,216

Statement of changes in Equity

In HRK thousand

Position	Previous period	Increase	Decrease	Current period
	31.12. previous year			
1. Subscribed share capital	8,188,854	0	0	8,188,854
2. Capital reserves	0	0	0	0
3. Net income reserves	409,443	0	0	409,443
4. Retained earnings or loss carried forward	7,017	3,516,099	-	734,811
5. Net profit (loss) for the period	896,079	870,431	-896,079	870,431
6. Revaluation of property, plant and equipment	0	0	0	0
7. Revaluation of intangible assets	0	0	0	0
8. Revaluation of available for sale financial assets	-3,193	2,249	0	-944
9. Other revaluation	0	0	0	0
10. Foreign exchange differences from investments abroad	0	0	0	0
11. Current and deferred taxes (part)	0	0	0	0
12. Hedging	0	0	0	0
13. Change of accounting policies	0	0	0	0
14. Change of prior period error	0	0	0	0
15. Other changes in equity	0	0	0	0
16. Total increase or decrease of equity	9,498,200	4,388,779	-	10,202,595

Notes to the condensed financial statements For the six months ended 30 June 2010

Basis of preparation

The condensed financial statements of 30 June 2010 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 2009.

Dividends

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

Segment information

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

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

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

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

T-Mobile provides mobile telephony.

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

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

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

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

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

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

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

Business segments

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

Six months ended 30 June 2010	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	1,169	-	-	-	1,169
Wholesale services	334	-	(30)	-	304
Internet services	668	-	-	-	668
Data services	78	-	-	-	78
Mobile telephony	-	1,736	30	-	1,766
Miscellaneous	55	-	-	-	55
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales to external customers	2,304	1,736	-	-	4,040
Inter-segment sales	106	84	-	(190)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	2,410	1,820	-	(190)	4,040
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Results</i>					
Segment results	510	546	-	-	1,056
Net finance revenue	(31)	2	-	-	(29)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before income tax	479	548	-	-	1,027
Income tax expense	(99)	(106)	-	-	(205)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit for the year	380	442	-	-	822
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 30 June 2010					
<i>Assets and liabilities</i>					
Segment assets	8,954	2,887	-	(44)	11,606

Investment in subsidiaries	1,771			(1,478)	293
Investment in associates	2	-	-	-	2
Investment in joint venture	337	-	-	-	337
Total assets	10,873	2,887	-	(1,522)	12,238

Six months ended 30 June 2009

	T-Com	T-Mobile	Reclassified	Eliminations	Total
	HRK millions				
<i>Revenue</i>					
Fixed telephony	1,288	-	-	-	1,288
Wholesale services	536	-	-	-	536
Internet services	498	-	-	-	498
Data services	94	-	-	-	94
Mobile telephony	-	-	-	-	-
Miscellaneous	52	-	-	-	52
Sales to external customers	2,468	-	-	-	2,468
Inter-segment sales	-	-	-	-	-
Total revenue	2,468	-	-	-	2,468
<i>Results</i>					
Segment results	588	-	-	-	588
Net finance revenue	1,564	-	-	-	1,564
Profit before income tax	2,152	-	-	-	2,152
Income tax expense	(150)	-	-	-	(150)
Net profit for the year	2,002	-	-	-	2,002

As at 31 December 2009

Assets and liabilities

Segment assets	9,101	-	-	-	9,101
Investment in subsidiaries	1,580				1,580
Investment in associates	2	-	-	-	2
Investment in joint venture	335	-	-	-	335
Total assets	11,018	-	-	-	11,018

Current interim period 1 April 2010 to 30 June 2010	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	583	-	-	-	583
Wholesale services	179	-	(24)	-	155
Internet services	299	-	-	-	299
Data services	37	-	-	-	37
Mobile telephony	-	915	24	-	939
Miscellaneous	-	-	-	-	-
Sales to external customers	1,098	915	-	-	2,013
Inter-segment sales	49	42	-	(91)	-
Total revenue	11,147	957	-	(91)	2,013
<i>Results</i>					
Segment results	257	314	-	-	571
Net finance revenue	8	1	-	-	9
Profit before income tax	265	315	-	-	580
Income tax expense	(49)	(55)	-	-	(104)
Net profit for the period	216	260	-	-	476

Current interim period 1 April 2009 to 30 June 2009	T-Com HRK millions	T-Mobile HRK millions	Reclassified HRK millions	Eliminations HRK millions	Total HRK millions
<i>Revenue</i>					
Fixed telephony	638	-	-	-	638
Wholesale services	266	-	-	-	266
Internet services	253	-	-	-	253
Data services	46	-	-	-	46
Mobile telephony	-	-	-	-	-
Miscellaneous	25	-	-	-	25
Sales to external customers	1,229	-	-	-	1,229
Inter-segment sales	-	-	-	-	-
Total revenue	1,229	-	-	-	1,229
<i>Results</i>					
Segment results	283	-	-	-	283
Net finance revenue	17	-	-	-	17

Profit before income tax	300	-	-	-	300
Income tax expense	(71)	-	-	-	(71)
Net profit for the period	229	-	-	-	229

Relations with the governing company and its affiliated companies

In the six three months of 2010 there were no transactions among related parties with a significant impact on the financial position and operations of the Company in the given period.

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

Business relations transacted between HT d.d. in the first six months of 2010 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

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

In the first six months of 2010 the Company generated total revenue from related companies from international traffic to the amount of HRK 56 million (the six months of 2009: HRK 29 million), while total costs of international traffic amounted to HRK 67 million (the first six months of 2009: HRK 44 million).

DTAG companies provided intellectual services to the Company in the amount of HRK 5 million in the first six months of 2010 (the first six months of 2009: HRK 10 million).

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

Compensation of the Supervisory Board

As specified by the Company, the Chairman of the Supervisory Board has a right to receive the remuneration in the amount of 1.5 of the average monthly net salary of the employees of the company paid in the preceding month, Deputy Chairman has a right to receive the amount of 1.25 of the average monthly net salary of the employees of the company paid in the preceding month while Member of the Supervisory Board has a right to receive the amount of 1 of the average monthly net salary of the

employees of the company paid in the preceding month. DTAG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DTAG.

In the first six months of 2010, the Company paid a total amount of HRK 0.3 million (the first six months of 2009: 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 2010 the total compensation paid to key management personnel of the Company amounted to HRK 18 million (first six months of 2009: HRK 11 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include Members of the Management Board and the Operative Directors of the Company.

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

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

The interim management report for the period ended 30 June 2010 contains a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Mr. Ivica Mudrinić, President of the Management Board

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

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

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

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

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

Zagreb, 30 July 2010

Presentation of information

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

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

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

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

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

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

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

Disclaimer

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