

# **BUSINESS AND FINANCIAL REVIEW JANUARY – SEPTEMBER 2017**

**ANALYST PRESENTATION  
26 OCTOBER 2017**



**LIFE IS FOR SHARING.**

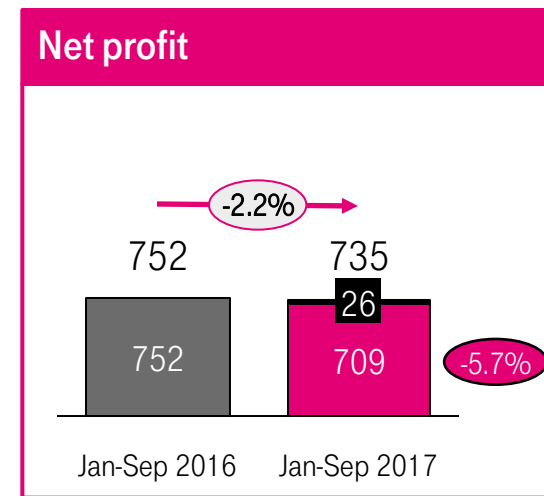
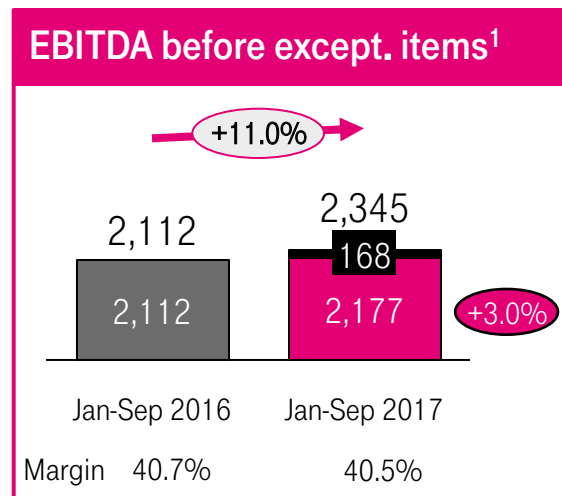
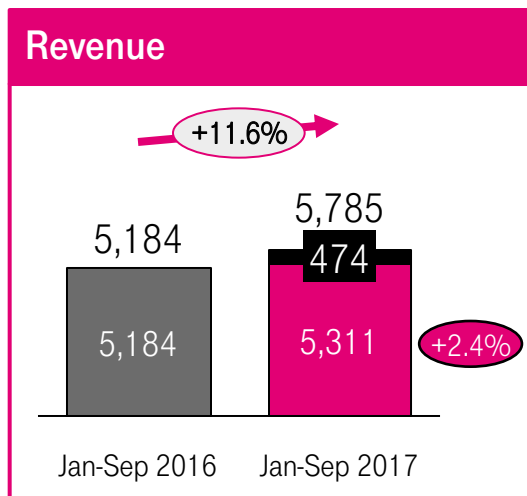
# DISCLAIMER

- These materials and the oral presentation do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company nor should they or any part of them or the fact of their distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto
- In particular, these materials and the oral presentation are not an offer of securities for sale in the United States. The Company's securities have not been, and will not be, registered under the US Securities Act of 1933, as amended
- The third party information contained herein has been obtained from sources believed by the Company to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated herein are complete and accurate and that the opinions and expectations contained herein are fair and reasonable, no representation or warranty, expressed or implied, is made by the Group or its advisors, with respect to the completeness or accuracy of any information and opinions contained herein
- These materials and the oral presentation contain 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 detailed information concerning important factors that could cause actual results to differ materially is available in the Group's Annual Report
- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required under IFRS. In addition, some key performance indicators utilised by the Company may be calculated differently by other companies operating in the sector. Therefore the non-IFRS measures and key performance indicators used in these materials may not be directly comparable to those of the Group's competitors

## REVENUE AND EBITDA UP AT BOTH HT GROUP AND HT CROATIA; NET PROFIT SLIGHTLY DOWN

All in HRK million

■ CT contribution  
■ HT Croatia



- Revenue up 11.6% to HRK 5,785million
  - Strong Q3 2017 performance and consolidation of H1 Telekom (H1), which was merged with Optima Telekom, as of 1 July, 2017, helped HT Croatia return to growth in revenue, which rose 2.4%. Excluding H1, revenue up 2.1%
  - Crnogorski Telekom (CT) revenue, consolidated as of 1 January, 2017, remained under pressure; however, EBITDA margin has improved following number of efficiency initiatives
- EBITDA before exceptional items up 11.0% to HRK 2,345 million following CT and H1 consolidation, revenue increase in HT Croatia and real estate sales as well as continued successful transformation of the Group; despite lower profitability at CT, margin stable at industry-leading level of 40.5%.
  - HT Croatia EBITDA before exceptional items rose 3.0%. Excluding H1, it increased 2.7%.
- Net profit down 2.2% to HRK 735 million mainly due to higher depreciation and financial expenses as well as larger exceptional items including extraordinary impairment of receivables, all in HT Croatia

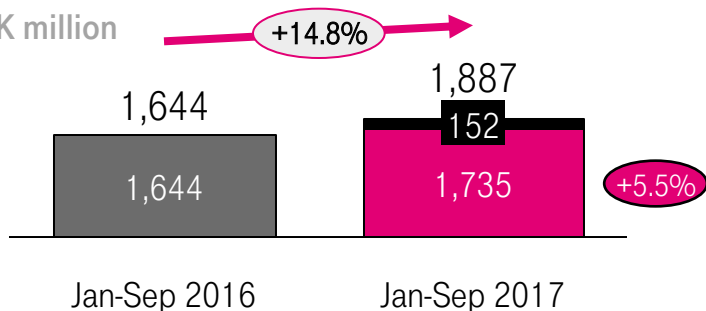


# OPERATING CASH FLOW INCREASES; STRONG INVESTMENT IN NETWORK CONTINUES

■ CT contribution  
■ HT Croatia

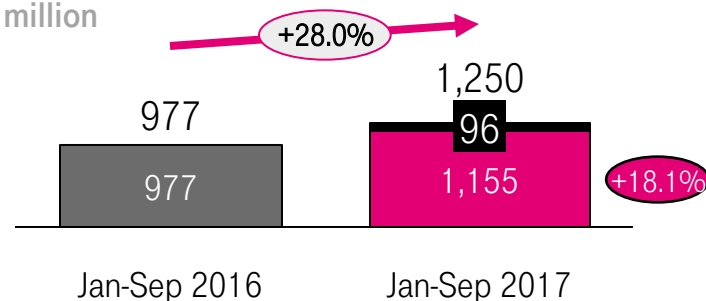
## Net cash flow from operations

HRK million



## CAPEX

HRK million



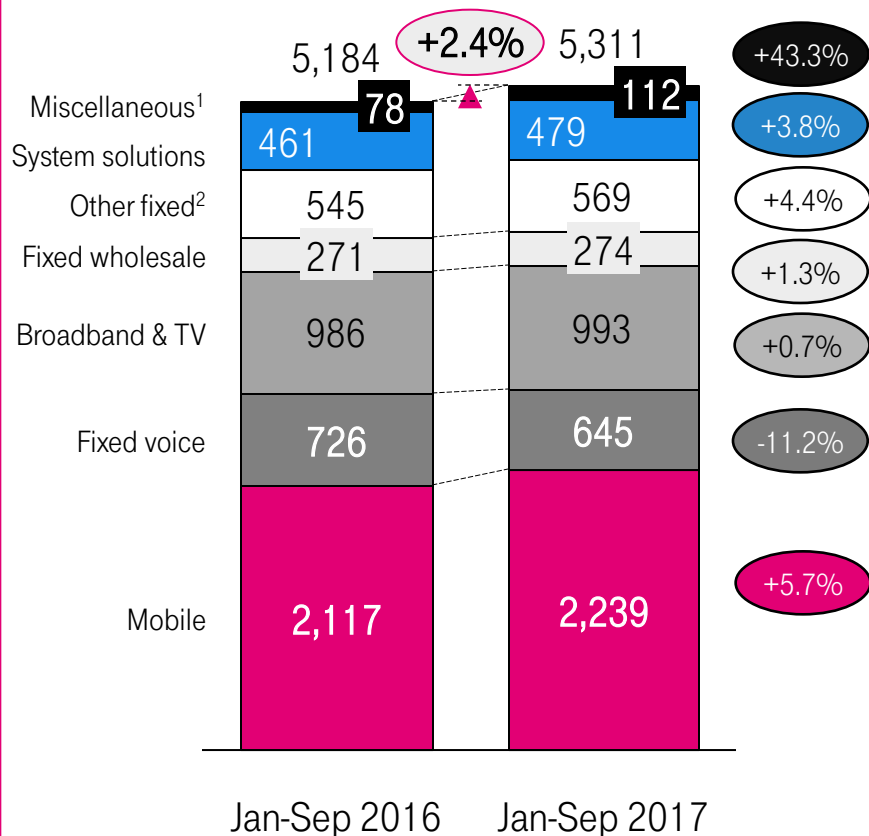
- Cash flow from operating activities up due to consolidation of Crnogorski Telekom and improved working capital management in HT Croatia
- CAPEX up following consolidation of Crnogorski Telekom, significant investment in mobile and fixed broadband network and investments in IT transformation by HT Croatia, as well as increase in capitalisation of contracts for TV content
- Despite modest half year contribution of H1 Telekom, Outlook 2017 unchanged: “Revenue around 10% higher”, “EBITDA margin before exceptionals maintained at around 40%” and “CAPEX moderately higher”

- Number of innovative services introduced: for example, voice over LTE (VoLTE), Next TV platform and Hybrid Access
- Four-year Share Buyback Programme launched with a maximum of 2.5 million shares scheduled for acquisition - 3% of total number of shares outstanding

## TURNAROUND TO GROWTH IN YEAR TO DATE REVENUE PRIMARILY DUE TO VERY STRONG Q3 VISITORS AND SYSTEM SOLUTIONS PERFORMANCE AS WELL AS CONSOLIDATION OF H1

### Revenue breakdown

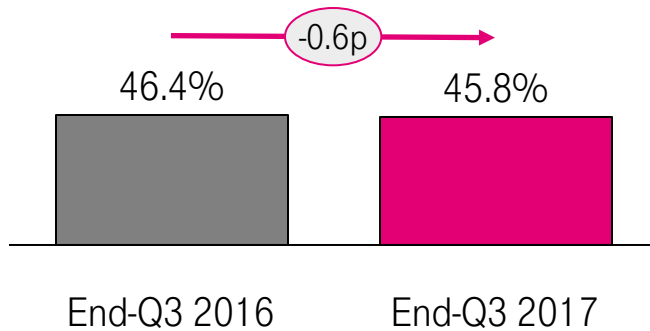
HRK million



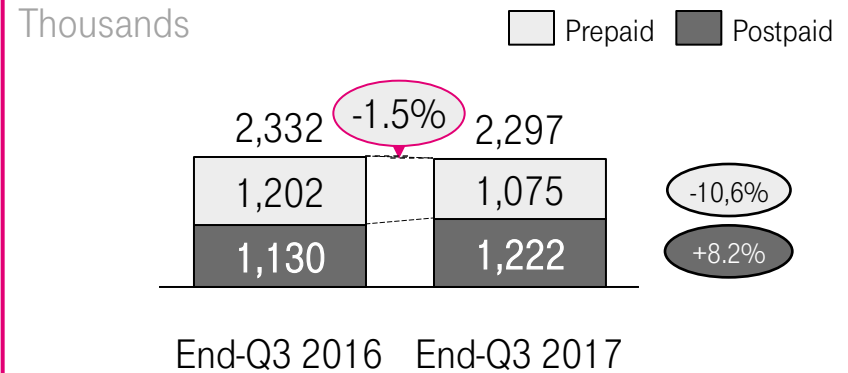
- **Mobile revenue** up largely from higher postpaid revenue, visitors to Croatia and handsets sales
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** up; broadband revenue stable while TV revenue showed slight growth following rise in customer base
- **Fixed wholesale revenue** slightly up due to higher infrastructure revenue and new regulated price model for NBSA, applied as of 1 January 2017, offset by revenue deduction from H1 Telekom, consolidated as of 1 July, 2017
- **Other fixed revenue** up mainly following increase in Optima Telekom revenue, resulting from H1 Telekom consolidation
- **System solutions** is back on track following strong growth in Q3 2017
- **Miscellaneous revenue** boosted by development in **Energy revenue**: Jan-Sep 2017 at HRK 105 million vs Jan-Sep 2016 at HRK 71 million

# CONTINUED FOCUS ON MOBILE DATA BUNDLES AND CUSTOMER EXPERIENCE

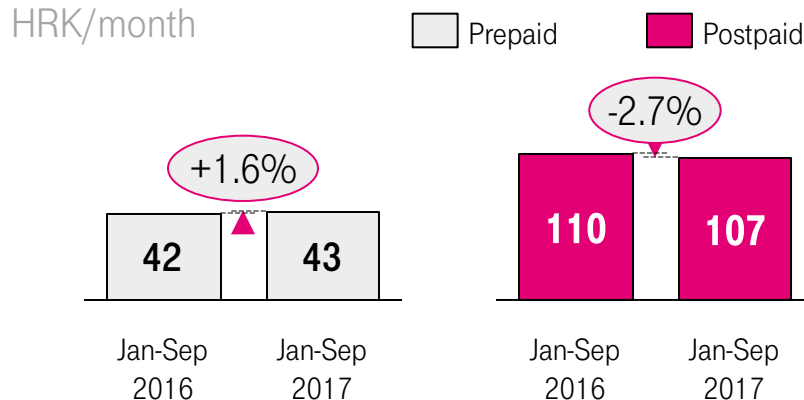
## HT market share by subscribers<sup>1,2</sup>



## Number of subscribers



## ARPU



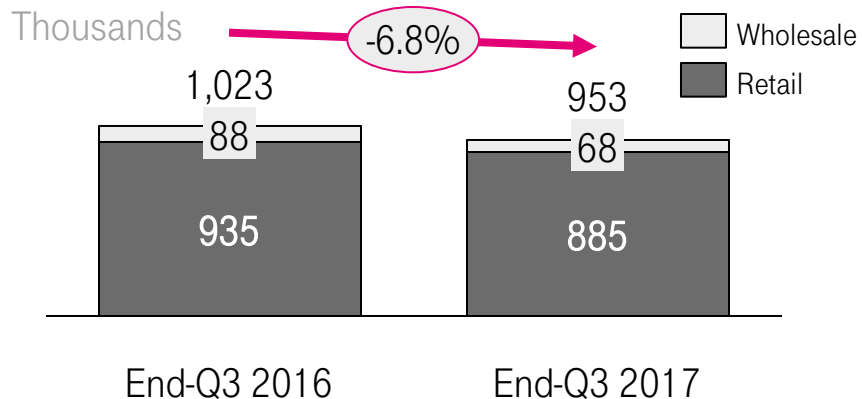
- **Average MOU** (minutes of use) up 8.2% to 216
- **Smartphone proportion** of total handset sales at 80% in postpaid segment (Q3 2016: 80%); **HT smartphone customers** at 61%
- **HT's 4G network** reached 75% population coverage indoors and 98% coverage outdoors
  - Average speeds continuously increasing despite notable increase in mobile network traffic following EU RLH regulation

1 Internal estimation

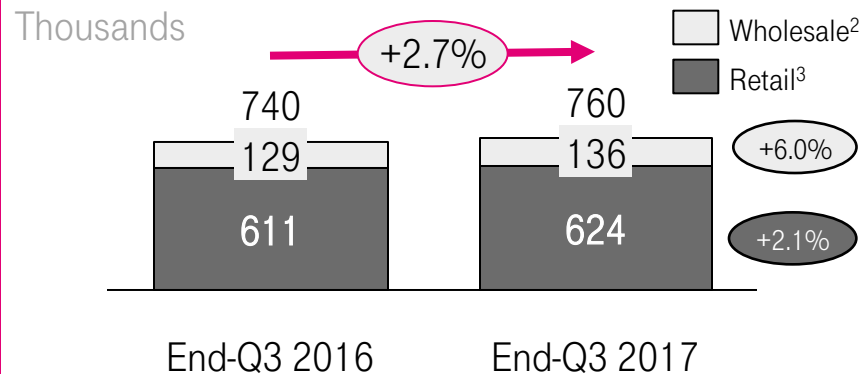
2 Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service”

# BROADBAND LINES AND TV CUSTOMERS RISE; FIXED MAINLINES DECREASE

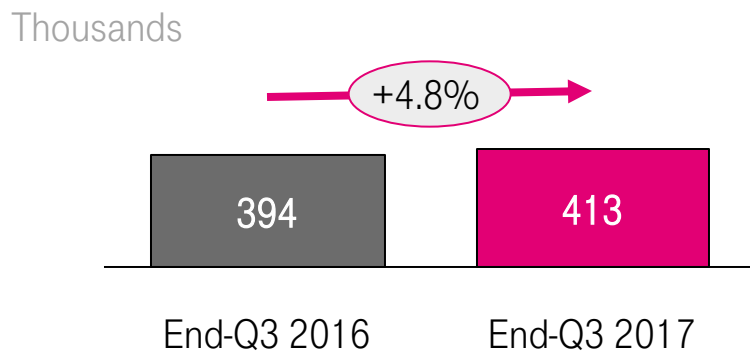
## Number of fixed mainlines<sup>1</sup>



## No. of broadband access lines



## Number of TV customers



- **Fixed voice ARPU** down 6.7% at HRK 79
- **Broadband retail ARPU** at HRK 118, down 3.4%
- **TV ARPU** down 1.1% at HRK 81
- **Household coverage in Next Generation Access** (fixed Broadband >30 Mbps) at 57%; 18% of households enabled by speeds of 100 Mbps

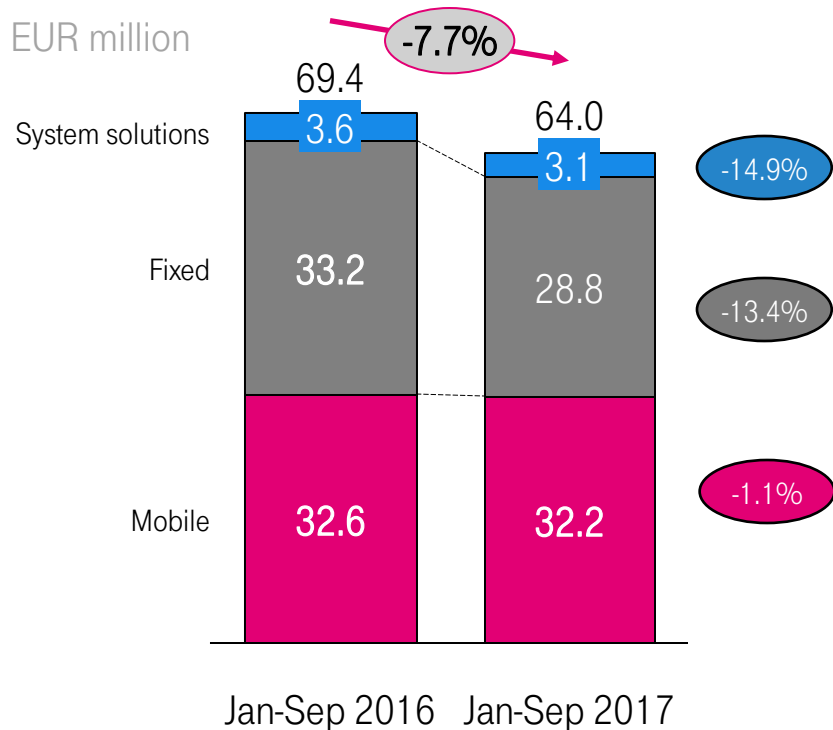
1 Includes PSTN, FGSM and old PSTN voice customers migrated to IP platform; payphones excluded  
 2 Includes Naked Bitstream + Bitstream  
 3 Includes ADSL, FTTH and Naked DSL

# REVENUE STILL UNDER PRESSURE DUE TO REGULATORY ENVIRONMENT AND AGGRESSIVE OFFERS FROM COMPETITORS

*Note: Crnogorski Telekom standalone revenue; Jan-Sep 2016 data presented for illustrative purposes to indicate key trends in Crnogorski Telekom performance versus Jan-Sep 2017; EUR is the official reporting currency of Crnogorski Telekom*

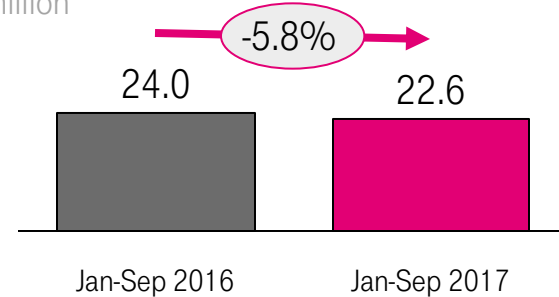
## Revenue breakdown

EUR million



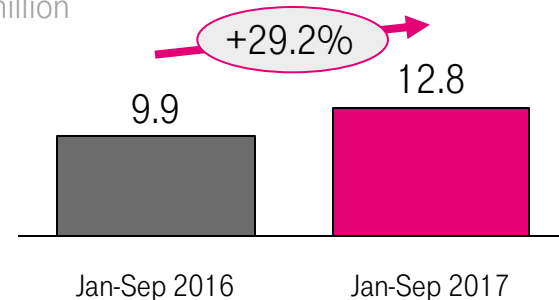
## EBITDA before exceptional items

EUR million



## CAPEX

EUR million



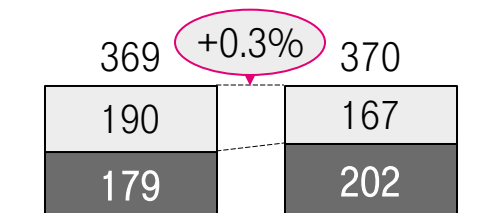


# MOBILE CUSTOMERS RISE SLIGHTLY; FIXED MAINLINES, BROADBAND LINES AND TV CUSTOMERS DECREASE

## Number of mobile subscribers

Thousands

Prepaid Postpaid



End-Q3 2016 End-Q3 2017

## Number of fixed retail mainlines

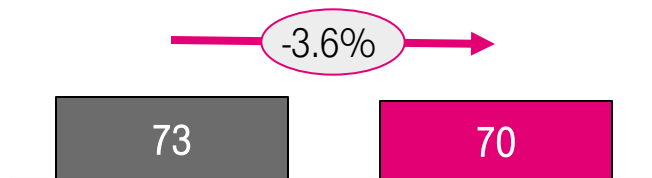
Thousands



End-Q3 2016 End-Q3 2017

## No. of broadband retail access lines

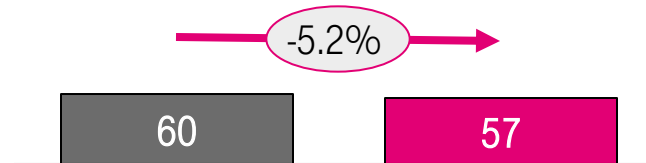
Thousands



End-Q3 2016 End-Q3 2017

## Number of TV customers

Thousands



End-Q3 2016 End-Q3 2017

# GROUP 2017 OUTLOOK, INCLUDING CRNOGORSKI TELEKOM AND H1 TELEKOM

	2016 Results (w/o CT)	Outlook 2017 vs 2016 (with CT and H1)
Revenue	HRK 6,970 million	Around 10% higher
EBITDA before exceptional items	Margin of 40.5%	Margin of around 40%
CAPEX	HRK 1,608 million	Moderately higher
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

# APPENDIX



LIFE IS FOR SHARING.

# HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million (IFRS)	3Q 2016	3Q 2017	% of change A17/A16
Mobile revenue	2,117	2,478	17.0%
Fixed revenue	2,527	2,693	6.6%
System solutions	461	501	8.7%
Miscellaneous	78	112	43.3%
<b>Revenue</b>	<b>5,184</b>	<b>5,785</b>	<b>11.6%</b>
Other operating income	93	121	30.3%
<b>Total operating revenue</b>	<b>5,277</b>	<b>5,906</b>	<b>11.9%</b>
<b>Operating expenses</b>	<b>3,227</b>	<b>3,663</b>	<b>13.5%</b>
Material expenses	1,508	1,736	15.1%
Employee benefits expenses	725	769	6.0%
Other expenses	1,028	1,149	11.7%
Work performed by the Group and capitalised	-64	-91	41.3%
Write down of assets	29	100	242.1%
<b>EBITDA</b>	<b>2,050</b>	<b>2,243</b>	<b>9.4%</b>
Depreciation and amortization	1,038	1,255	20.9%
<b>EBIT</b>	<b>1,012</b>	<b>988</b>	<b>-2.4%</b>
Financial income	35	31	-11.4%
Income/loss from investment in joint ventures	4	6	51.3%
Financial expenses	123	138	12.6%
<b>Profit before taxes</b>	<b>928</b>	<b>887</b>	<b>-4.5%</b>
Taxation	184	161	-12.7%
<b>Net profit</b>	<b>744</b>	<b>726</b>	<b>-2.5%</b>
Non controlling interests	-8	-9	19.5%
<b>Net profit after non controlling interests</b>	<b>752</b>	<b>735</b>	<b>-2.2%</b>
Exceptional items <sup>1)</sup>	62	102	63.3%
<b>EBITDA before exceptional items</b>	<b>2,112</b>	<b>2,345</b>	<b>11.0%</b>

1) Mainly related to restructuring redundancy costs, extraordinary impairment of receivables, legal cases and costs related to H1 Telekom consolidation



# HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2016	At 30 Sep 2017	% of change A17/A16
Intangible assets	1,738	2,463	41.8%
Property, plant and equipment	5,619	6,237	11.0%
Non-current financial assets	1,352	1,336	-1.2%
Receivables	121	210	73.7%
Deferred tax asset	59	57	-4.2%
<b>Total non-current assets</b>	<b>8,889</b>	<b>10,302</b>	<b>15.9%</b>
Inventories	111	144	29.5%
Receivables	1,327	1,659	25.0%
Current financial assets	1,189	159	-86.6%
Cash and cash equivalents	2,676	2,876	7.5%
Prepayments and accrued income	262	122	-53.4%
<b>Total current assets</b>	<b>5,566</b>	<b>4,960</b>	<b>-10.9%</b>
<b>TOTAL ASSETS</b>	<b>14,455</b>	<b>15,263</b>	<b>5.6%</b>
Subscribed share capital	9,823	9,817	-0.1%
Reserves	492	470	-4.5%
Revaluation reserves	2	6	155.8%
Retained earnings	633	1,061	67.7%
Net profit for the period	934	735	-21.3%
Non controlling interests	163	434	166.2%
<b>Total issued capital and reserves</b>	<b>12,046</b>	<b>12,523</b>	<b>4.0%</b>
Provisions	53	61	15.1%
Non-current liabilities	472	590	24.8%
Deferred tax liability	35	48	35.7%
<b>Total non-current liabilities</b>	<b>561</b>	<b>699</b>	<b>24.6%</b>
Current liabilities	1,741	1,942	11.5%
Deferred income	89	97	9.1%
Provisions for redundancy	17	2	-88.8%
<b>Total current liabilities</b>	<b>1,847</b>	<b>2,041</b>	<b>10.5%</b>
<b>Total liabilities</b>	<b>2,408</b>	<b>2,740</b>	<b>13.8%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,455</b>	<b>15,263</b>	<b>5.6%</b>



# HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	3Q 2016	3Q 2017	% of change A17/A16
Profit before tax	928	887	-4.5%
Depreciation and amortization	1,038	1,255	20.9%
Increase / decrease of current liabilities	-141	64	145.6%
Increase / decrease of current receivables	68	8	-87.5%
Increase / decrease of inventories	-32	-60	-88.8%
Other cash flow increases / decreases	-217	-267	-23.0%
<b>Net cash inflow/outflow from operating activities</b>	<b>1,644</b>	<b>1,887</b>	<b>14.8%</b>
Proceeds from sale of non-current assets	46	91	96.9%
Proceeds from sale of non-current financial assets	1	1	-2.8%
Interest received	13	7	-42.0%
Dividend received	3	0	-100.0%
Other cash inflows from investing activities	1,121	1,306	16.4%
<b>Total increase of cash flow from investing activities</b>	<b>1,185</b>	<b>1,405</b>	<b>18.7%</b>
Purchase of non-current assets	-957	-1,080	-12.8%
Purchase of non-current financial assets	-75	-924	
Other cash outflows from investing activities	-1,156	-266	77.0%
<b>Total decrease of cash flow from investing activities</b>	<b>-2,187</b>	<b>-2,270</b>	<b>-3.8%</b>
<b>Net cash inflow/outflow from investing activities</b>	<b>-1,003</b>	<b>-865</b>	<b>13.8%</b>
<b>Total increase of cash flow from financing activities</b>			-
Repayment of loans and bonds	-14	-57	-304.7%
Dividends paid	-491	-493	-0.4%
Repayment of finance lease	-7	-52	
Other cash outflows from financing activities	-219	-260	-18.9%
<b>Total decrease in cash flow from financing activities</b>	<b>-731</b>	<b>-862</b>	<b>-17.9%</b>
<b>Net cash inflow/outflow from financing activities</b>	<b>-731</b>	<b>-862</b>	<b>-17.9%</b>
<b>Exchange gains/losses on cash and cash equivalents</b>	<b>-13</b>	<b>-19</b>	<b>-50.3%</b>
Cash and cash equivalents at the beginning of period	3,175	2,734	-13.9%
Net cash (outflow) / inflow	-103	141	237.9%
<b>Cash and cash equivalents at the end of period</b>	<b>3,072</b>	<b>2,876</b>	<b>-6.4%</b>

# INVESTOR RELATIONS CONTACTS

- Marina Bengez Sedmak
  - Elvis Knežević
- Tel: + 385 1 4911 114

- e-mail: [ir@t.ht.hr](mailto:ir@t.ht.hr)
- [www.t.ht.hr/eng/investors/](http://www.t.ht.hr/eng/investors/)

Zagreb Stock Exchange Share trading symbol: HT-R-A

Reuters: HT.ZA

Bloomberg: HTRA CZ

