

BUSINESS AND FINANCIAL REVIEW JANUARY – MARCH 2018

**ANALYST PRESENTATION
26 APRIL 2018**



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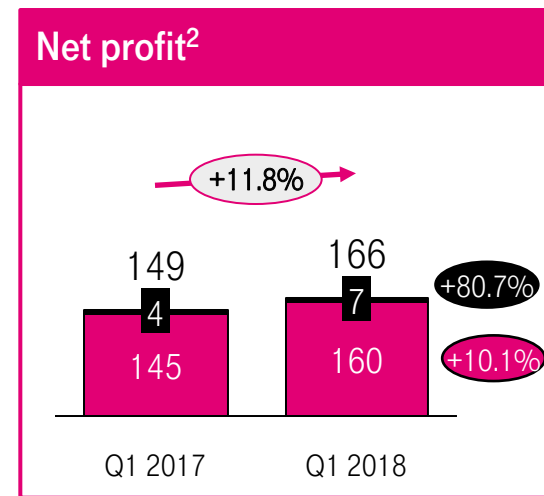
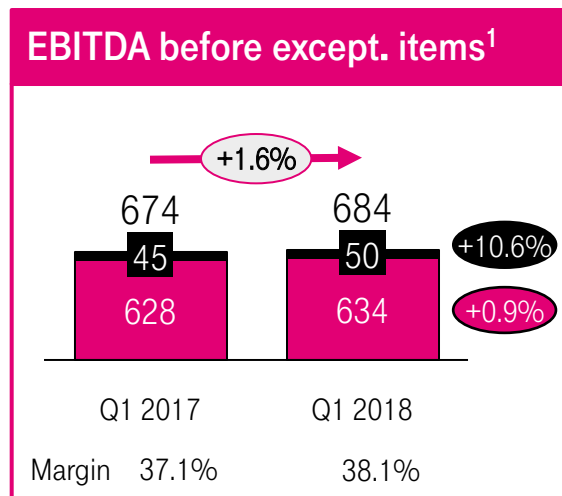
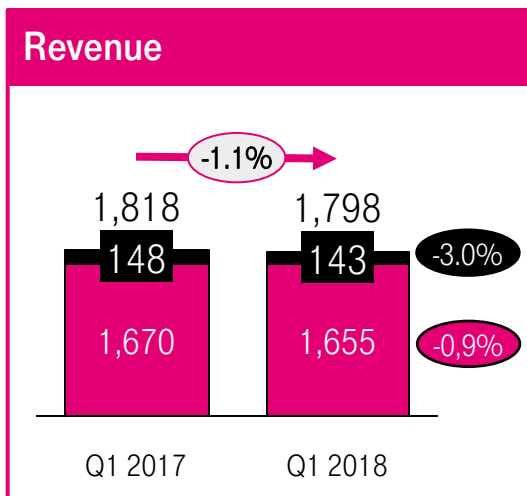
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EBITDA AND NET PROFIT UP AT BOTH HT GROUP AND HT CROATIA; REVENUE SLIGHTLY DOWN

All in HRK million

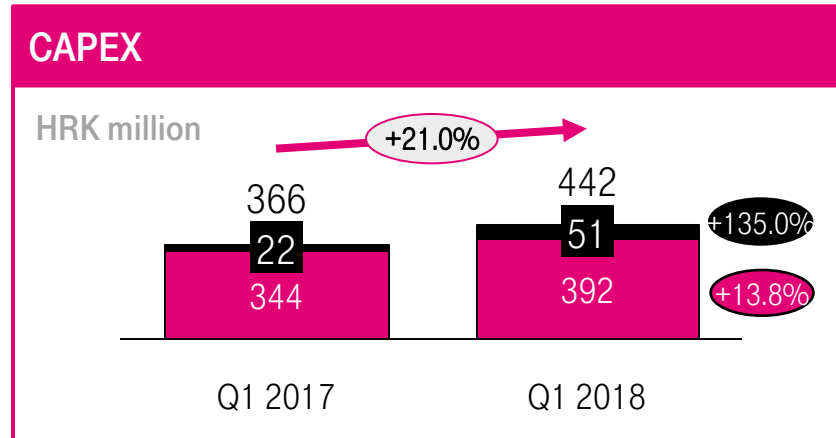
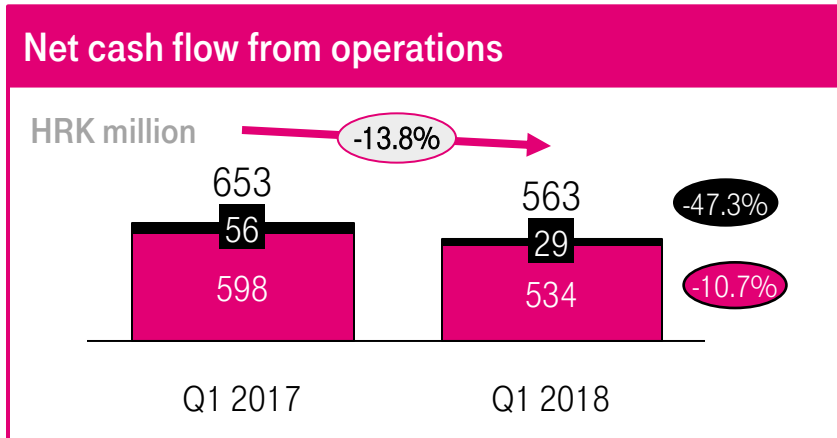
■ CT contribution
■ HT Croatia



- Revenue down 1.1% to HRK 1,798 million
 - Stable performance of HT Croatia mainly due to typically weak tourist period in mobile and unfavourable project dynamics in system solutions; in addition, HT exited from marginally profitable contracts in energy
 - Crnogorski Telekom (CT) revenue, consolidated as of 1 January 2017, remained under pressure; however, negative trends significantly decreased
- EBITDA before exceptional items up 1.6% to HRK 684 million following continued successful transformation of Group, less intensive marketing initiatives and implementation of IFRS 15
 - Margin increased by 1.0 p.p. to 38.1%
- Net profit up 11.8% to HRK 166 million, mainly due to higher EBITDA before exceptionals, lower redundancy costs and higher net financial income following more favourable exchange rate development than in Q1 2017, all in HT Croatia

OPERATING CASH FLOW DECREASES; STRONG INVESTMENT IN NETWORK AND CUSTOMER EXPERIENCE CONTINUES

■ CT contribution ■ HT Croatia



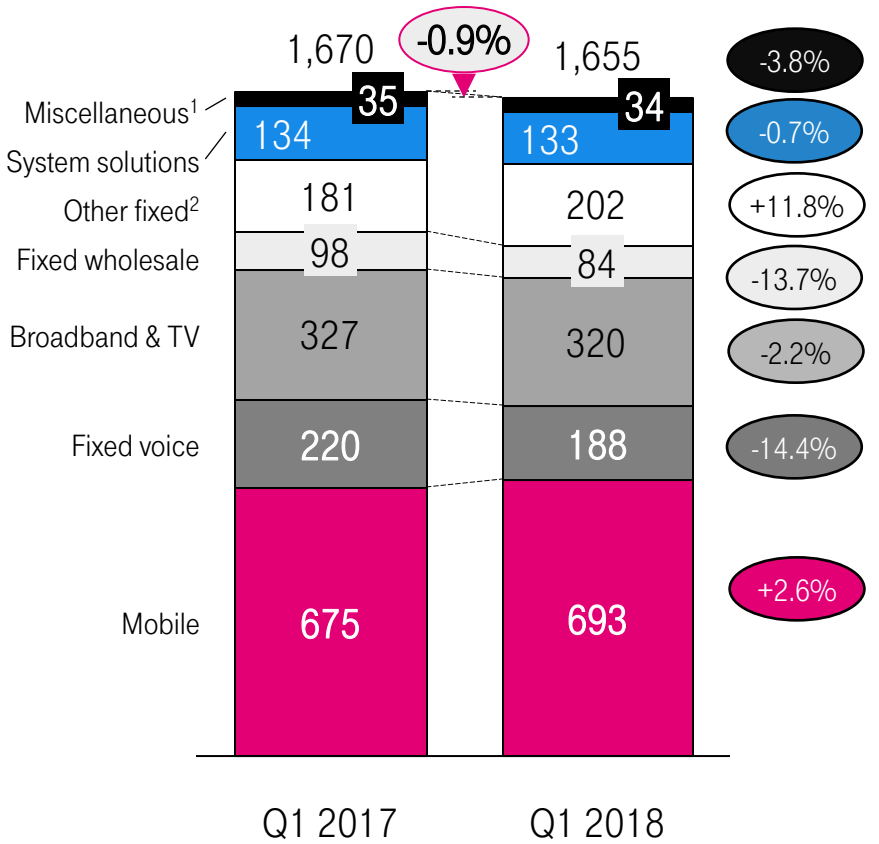
- Cash flow from operating activities down mainly due to higher Capex payments and adverse movements in working capital
- CAPEX up following significant investment in mobile and fixed broadband network, investments in IT transformation and customer premises equipment by HT Croatia, as well as increase in capitalisation of contracts for TV content rights in Crnogorski Telekom
- Outlook 2018 remains unchanged even after IFRS 15 implementation (impact is not material)
- Around 0.3% of total shares bought back by end of 2017 were withdrawn in March 2018

- IFRS 15 implementation as of 1 January 2018:
 - Q1 2017 has not been restated due to usage of simplified initial application
 - Net impact on HT Group’s main financials in Q1 2018:
 - Revenue – almost no impact; EBITDA before exceptional items – increase of HRK 8 million or 1.2%

STABLE REVENUE PERFORMANCE DESPITE NEGATIVE IMPACT OF SEASONALITY OF SOME BUSINESSES AND EXIT FROM MARGINALLY PROFITABLE CONTRACTS IN ENERGY

Revenue breakdown

HRK million



- **Mobile revenue** up largely from higher postpaid revenue (excluding IFRS 15) and handset sales; revenue from visitors slowed rising trend from 2017 as first quarter is not a high tourist season
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** slightly down; growth in TV revenue, following higher customer base and successful Magenta 1 offers, partly offset fall in broadband revenue
- **Fixed wholesale revenue** down mainly due to revenue deduction from H1 Telekom, merged with Optima Telekom as of 1 July 2017
- **Other fixed revenue** up largely on increase in Optima Telekom revenue, resulting from H1 Telekom consolidation
- **System solutions** showed stable performance; however, unfavourable yearly project dynamics in first quarter expected to be compensated in rest of year
- **Miscellaneous revenue** down; exit from marginally profitable contracts made **Energy revenue** fall from HRK 33 million in Q1 2017 to HRK 30 million in Q1 2018

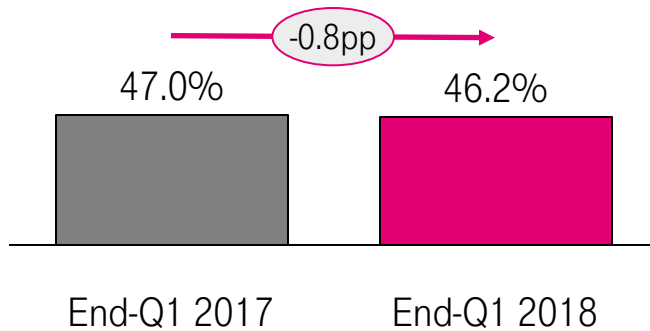


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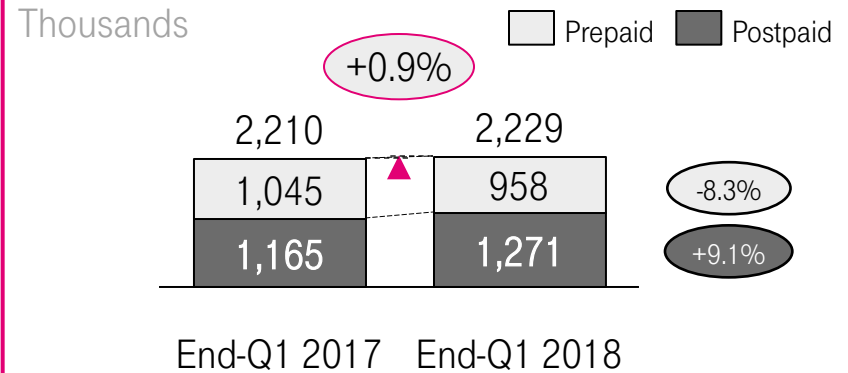
1 Energy and Other non telco services.
2 Optima Telekom revenue included.

MARKET AND TECHNOLOGY LEADERSHIP MAINTAINED

HT market share by subscribers^{1, 2}

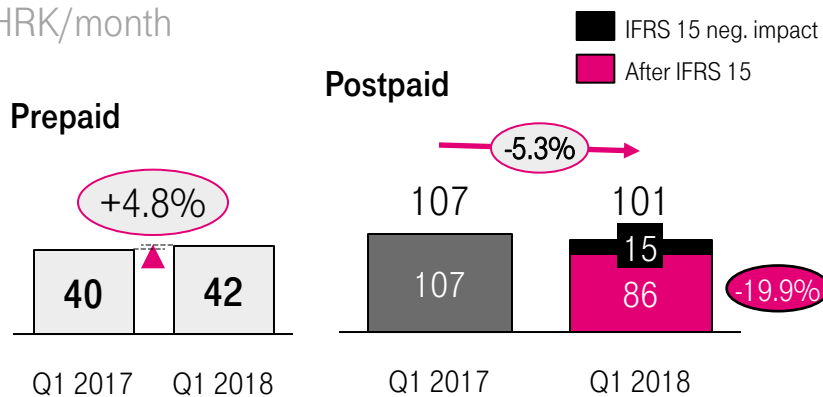


Number of subscribers



ARPU

HRK/month



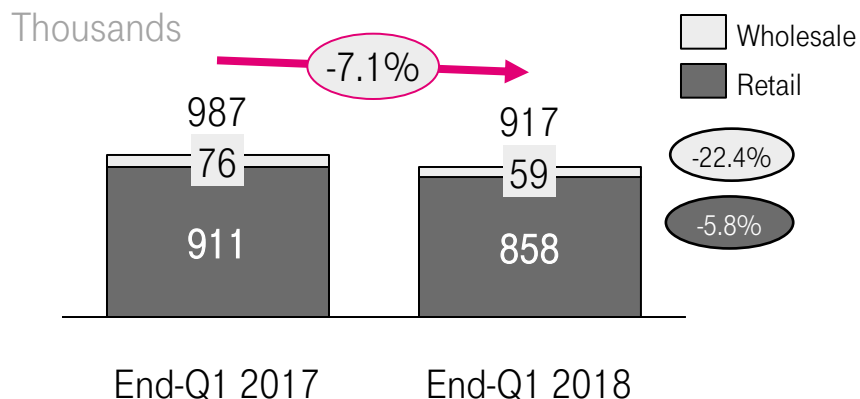
- **Average MOU** (minutes of use) up 5.3% to 220
- **Smartphone proportion** of total handset sales at 90% in postpaid segment (Q1 2017: 80%); **HT smartphone customers** at 57%
- **HT's 4G network** reached 76% population coverage indoors and 98% coverage outdoors
- HT started **modernization of mobile network**; building foundation for introduction of 5G
- **P3 award** for best mobile voice and data network in Croatia at end-2017

1 Internal estimation

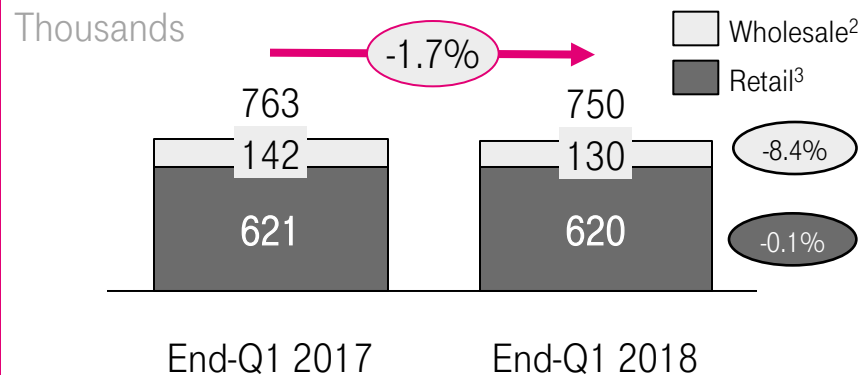
2 Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service”

TV CUSTOMERS RISE; FIXED MAINLINES AND BROADBAND LINES DECREASE

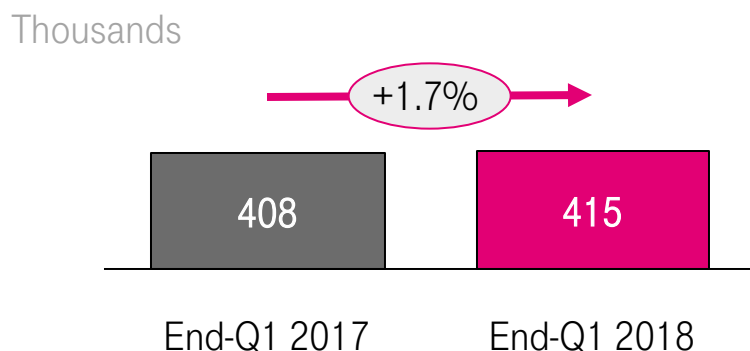
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Fixed voice ARPU** down 9.5% at HRK 72 (excluding IFRS 15: HRK 73, down 8.6%)
- **Broadband retail ARPU** at HRK 111, down 6.1% (excluding IFRS 15: HRK 112, down 4.9%)
- **TV ARPU** stable at HRK 81 (excluding IFRS 15 at HRK 83, up 1.9%)
- **Household coverage in Next Generation Access** (fixed Broadband >30 Mbps) at 58%; **FTTx access** enabled for 380,000 households



¹ Includes PSTN, FGSM and old PSTN voice customers migrated to IP platform and Smart packages for business; payphones excluded

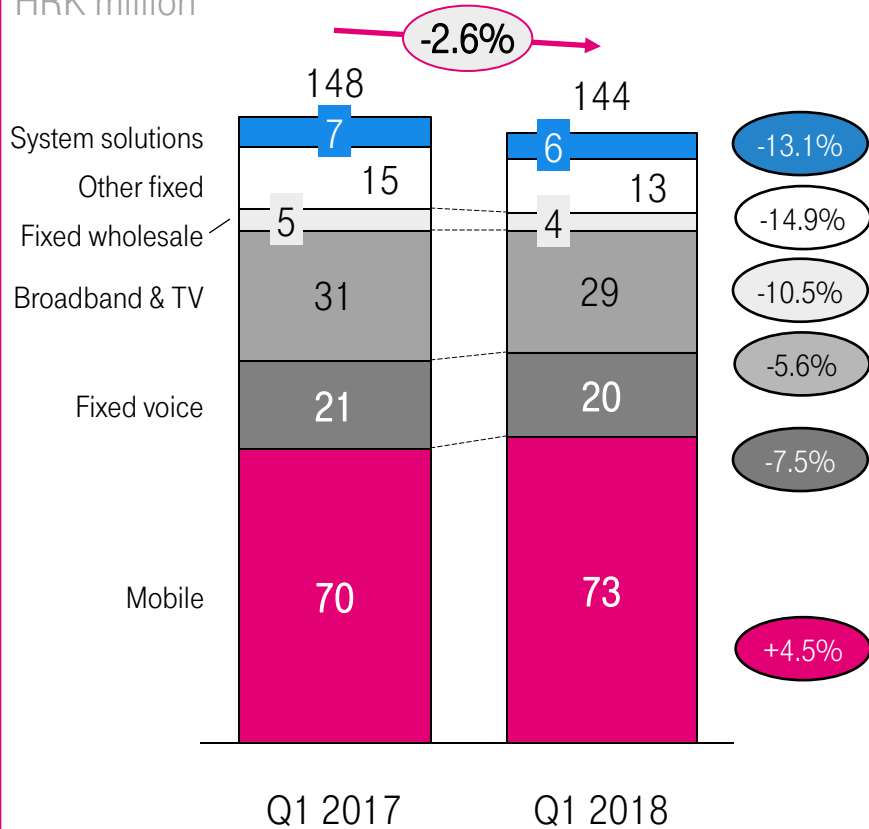
² Includes Naked Bitstream + Bitstream

³ Includes ADSL, VDSL, FTTH, FTTB, FTTC

REVENUE REMAINS UNDER PRESSURE; HOWEVER, NEGATIVE TREND FROM PREVIOUS YEARS SIGNIFICANTLY DECREASED; TRANSFORMATION INITIATIVES BOOST EBITDA MARGIN

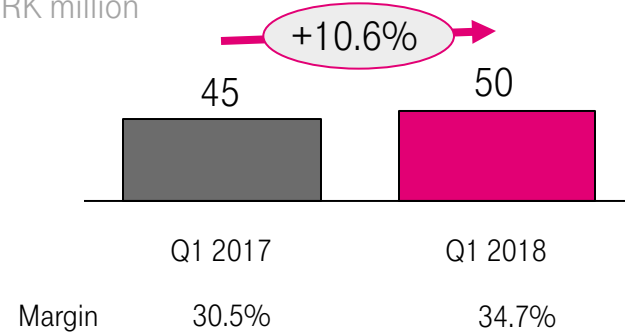
Revenue breakdown

HRK million



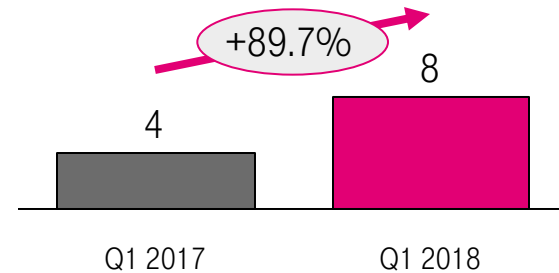
EBITDA before exceptional items

HRK million



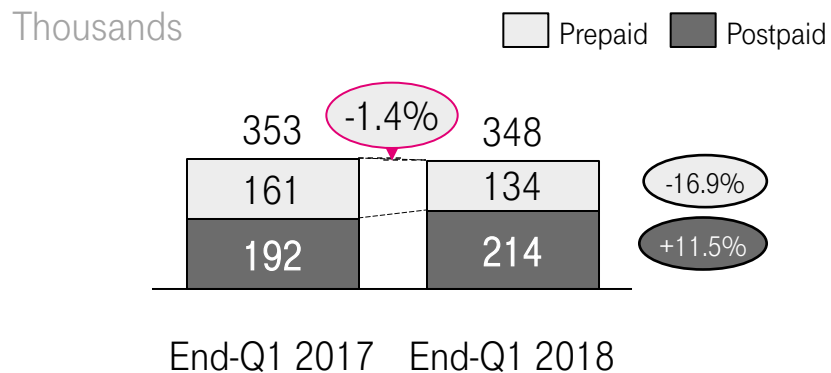
Net profit

HRK million

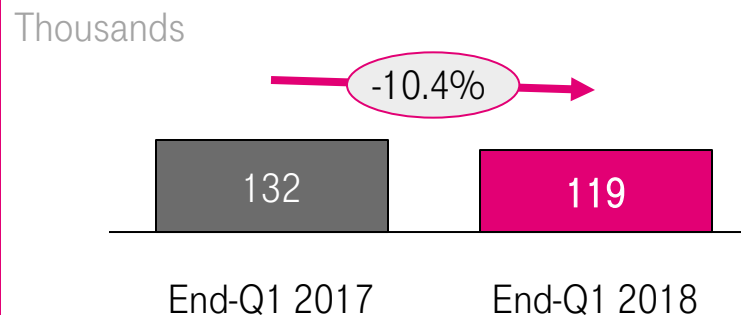


CUSTOMERS AND LINES DECREASE; HOWEVER, LEADING MARKET POSITION MAINTAINED IN MOBILE POSTPAID, FIXED VOICE AND BROADBAND

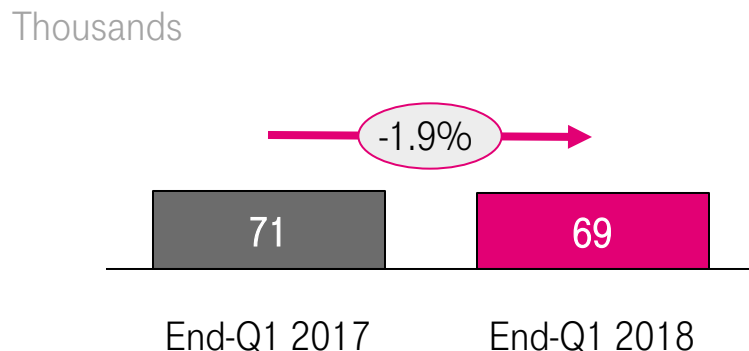
Number of mobile subscribers



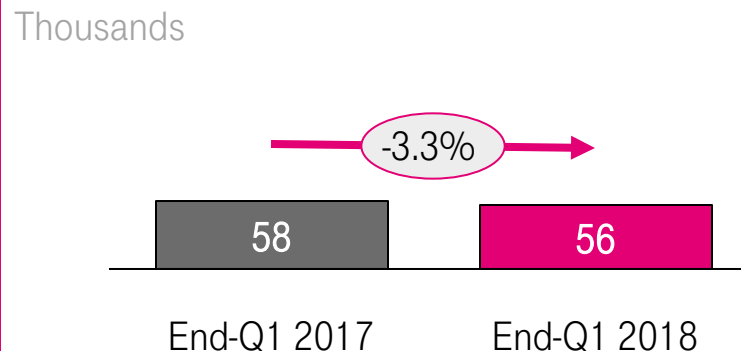
Number of fixed retail mainlines



No. of broadband retail access lines



Number of TV customers



GROUP 2018 OUTLOOK REMAINS UNCHANGED; IFRS 15 IMPLEMENTATION HAS NO MATERIAL IMPACT ON PUBLISHED 2018 OUTLOOK

	2017 Results	Outlook 2018 vs 2017
Revenue	HRK 7,756 million	Slightly higher
EBITDA before exceptional items	Margin of 40.5%	Margin of around 40%
CAPEX	HRK 1,885 million	Slightly lower
Regional expansion	Acquisition of Crnogorski Telekom in Jan 2017	HT is monitoring and evaluating potential M&A opportunities

APPENDIX



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HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million	Q1 2017	Q1 2018	% of change A18/A17
Mobile revenue	745	766	2.8%
Fixed revenue	897	859	-4.2%
System solutions	141	139	-1.3%
Miscellaneous	35	34	-3.8%
Revenue	1,818	1,798	-1.1%
Other operating income	23	26	11.6%
Total operating revenue	1,841	1,823	-0.9%
Operating expenses	1,199	1,162	-3.1%
Material expenses	540	561	3.9%
Employee benefits expenses	266	263	-1.1%
Other expenses	392	352	-10.3%
Work performed by the Group and capitalised	-15	-24	62.8%
Write down of assets	16	11	-32.6%
EBITDA	641	661	3.1%
Depreciation and amortization	412	427	3.7%
EBIT	229	233	2.0%
Financial income	22	14	-38.6%
Income/loss from investment in joint ventures	-1	-3	164.4%
Financial expenses	70	47	-32.8%
Profit before taxes	180	197	9.5%
Taxation	34	37	9.0%
Net profit	146	160	9.6%
Non controlling interests	-2	-6	153.4%
Net profit after non controlling interests	149	166	11.8%
Exceptional items ¹⁾	32	23	-27.7%
EBITDA before exceptional items	674	684	1.6%

1) Mainly related to restructuring redundancy costs



HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2017	At 31 Mar 2018	% of change A18/A17
Intangible assets	2,539	2,548	0.4%
Property, plant and equipment	6,175	6,166	-0.1%
Non-current financial assets	1,333	1,313	-1.5%
Receivables	248	277	11.8%
Contract assets (IFRS 15)	0	38	-
Contract costs (IFRS 15)	0	68	-
Deferred tax asset	91	91	0.2%
Total non-current assets	10,385	10,501	1.1%
Inventories	128	150	17.0%
Receivables	1,631	1,459	-10.5%
Current financial assets	197	42	-78.8%
Contract assets (IFRS 15)	0	158	-
Contract costs (IFRS 15)	0	37	-
Cash and cash equivalents	3,152	3,374	7.0%
Prepayments and accrued income	246	198	-19.3%
Total current assets	5,353	5,418	1.2%
TOTAL ASSETS	15,738	15,919	1.1%
Subscribed share capital	9,823	9,823	0.0%
Reserves	492	492	0.0%
Revaluation reserves	2	-7	-516.2%
Treasury shares	0	-17	-
Retained earnings	1,024	2,063	101.5%
Net profit for the period	863	166	-80.8%
Non controlling interests	369	350	-5.1%
Total issued capital and reserves	12,573	12,870	2.4%
Provisions	73	73	0.6%
Non-current liabilities	617	652	5.7%
Contract liabilities (IFRS 15)	0	13	-
Deferred tax liability	47	46	-3.8%
Total non-current liabilities	737	784	6.4%
Current liabilities	2,310	2,108	-8.7%
Contract liabilities (IFRS 15)	0	45	-
Deferred income	89	92	3.7%
Provisions for redundancy	30	20	-34.5%
Total current liabilities	2,429	2,265	-6.7%
Total liabilities	3,166	3,049	-3.7%
TOTAL EQUITY AND LIABILITIES	15,738	15,919	1.1%



HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	Q1 2017	Q1 2018	% of change A18/A17
Profit before tax	180	197	9.5%
Depreciation and amortization	412	427	3.7%
Increase / decrease of current liabilities	0	-140	-31671.7%
Increase / decrease of current receivables	126	185	47.3%
Increase / decrease of inventories	-36	-28	21.9%
Other cash flow increases / decreases	-30	-79	-166.8%
Net cash inflow/outflow from operating activities	653	563	-13.8%
Proceeds from sale of non-current assets	4	10	123.0%
Proceeds from sale of non-current financial assets	0	0	-0.7%
Interest received	4	6	51.0%
Dividend received	0	0	-
Other cash inflows from investing activities	716	158	-77.9%
Total increase of cash flow from investing activities	725	174	-76.0%
Purchase of non-current assets	-320	-375	-17.4%
Purchase of non-current financial assets	-930	0	100.0%
Other cash outflows from investing activities	-99	0	100.0%
Total decrease of cash flow from investing activities	-1,349	-375	72.2%
Net cash inflow/outflow from investing activities	-624	-201	67.8%
Total increase of cash flow from financing activities			-
Repayment of loans and bonds	-48	-32	33.1%
Dividends paid	-1	0	99.1%
Repayment of finance lease	-51	-1	98.7%
Other cash outflows from financing activities	-75	-104	-38.7%
Total decrease in cash flow from financing activities	-175	-137	21.9%
Net cash inflow/outflow from financing activities	-175	-137	21.9%
Exchange gains/losses on cash and cash equivalents	-13	-4	72.3%
Cash and cash equivalents at the beginning of period	2,734	3,152	15.3%
Net cash (outflow) / inflow	-159	222	239.9%
Cash and cash equivalents at the end of period	2,576	3,374	31.0%

INVESTOR RELATIONS CONTACTS

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Bloomberg: HTRA CZ

