

BUSINESS AND FINANCIAL REVIEW

JANUARY – JUNE 2018

ANALYST PRESENTATION
26 JULY 2018



LIFE IS FOR SHARING.

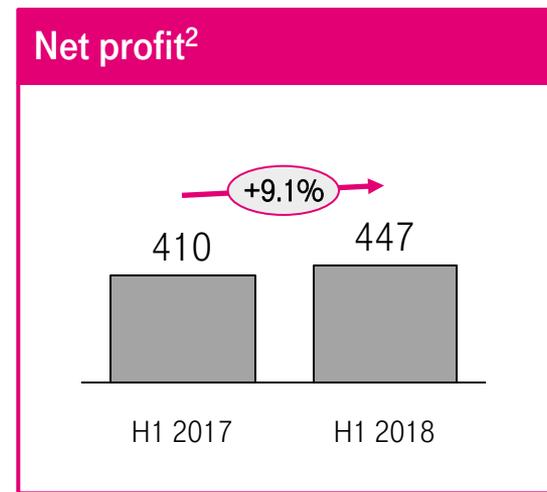
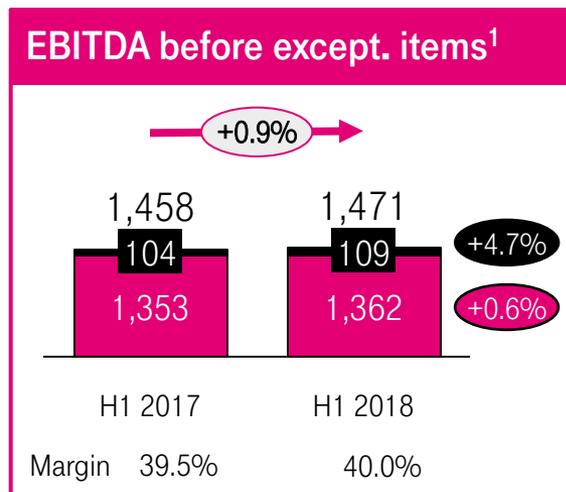
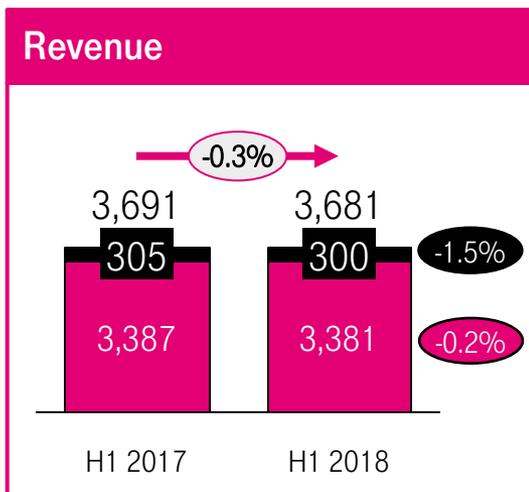
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- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required 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

EBITDA AND NET PROFIT UP AT BOTH HT GROUP AND HT CROATIA; REVENUE BROADLY STABLE

All in HRK million

CT contribution
 HT Croatia
 HT Group

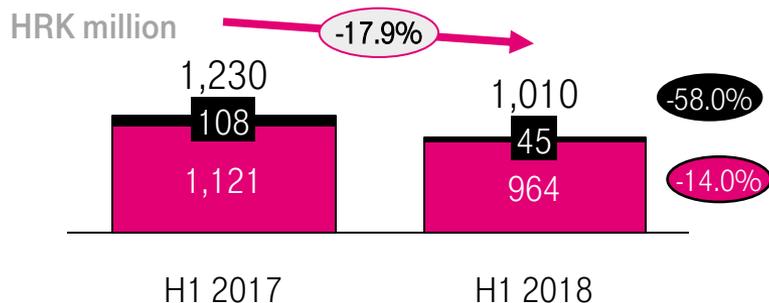


- Revenue at HRK 3,681 million
 - Stable performance at HT Croatia despite exit from marginally profitable contracts in energy
 - Crnogorski Telekom (CT) revenue, consolidated as of 1 January 2017, remained under pressure; however, negative trends significantly decreased
- EBITDA before exceptional items up 0.9% to HRK 1,471 million following continued successful transformation of Group, recently reduced spectrum fee (effective 1 Jan 2018) and implementation of IFRS 15
 - Margin increased by 0.5 p.p. to 40.0%
- Net profit up 9.1% to HRK 447 million, mainly due to higher EBITDA before exceptionals, lower redundancy costs and higher net financial income following more favourable exchange rate development, all in HT Croatia

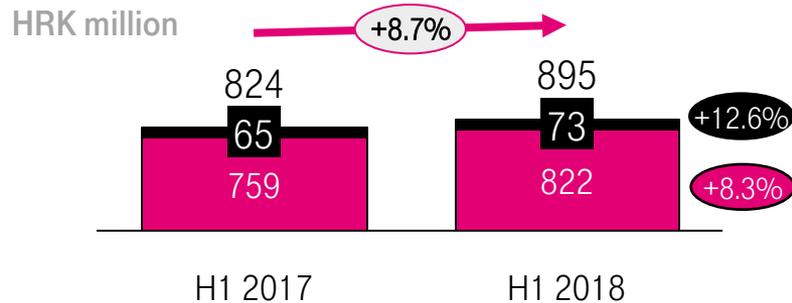
OPERATING CASH FLOW DECREASES; STRONG INVESTMENT IN NETWORK AND CUSTOMER EXPERIENCE CONTINUES

■ CT contribution ■ HT Croatia

Net cash flow from operations



CAPEX



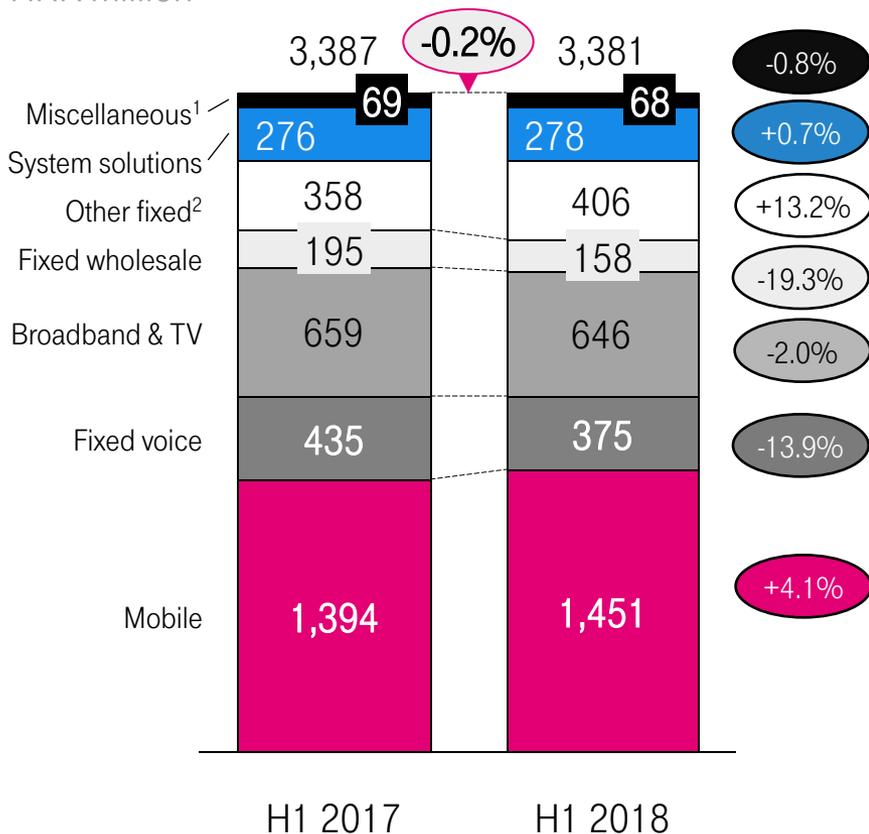
- Cash flow from operating activities down mainly due to adverse movements in working capital
- CAPEX up following significant investment in mobile and fixed broadband network, investments in IT transformation and product development by HT Croatia
- Outlook 2018 remains unchanged following IFRS 15 implementation (impact is not material)

- IFRS 15 implementation as of 1 January 2018:
 - H1 2017 has not been restated due to usage of simplified initial application
 - Net impact on HT Group's main financials in H1 2018: Revenue – decrease of HRK 13 million or 0.3%; EBITDA before exceptional items – increase of HRK 25 million or 1.7%

STABLE REVENUE PERFORMANCE DESPITE EXIT FROM MARGINALLY PROFITABLE CONTRACTS IN ENERGY; GOOD MOBILE AND SYSTEM SOLUTIONS PERFORMANCE

Revenue breakdown

HRK million

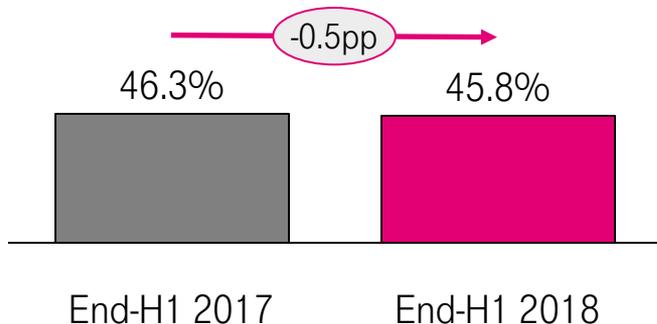


- **Mobile revenue** up largely from higher postpaid revenue (excluding IFRS 15), visitors to Croatia and handset sales
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** slightly down; growth in TV revenue, following higher customer base and successful Magenta 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** in Q2 reversed Q1 trend and on a track to show good growth for FY 2018
- **Miscellaneous revenue** slightly down; exit from marginally profitable contracts resulted in **Energy revenue** fall from HRK 64 million in H1 2017 to HRK 59 million in H1 2018

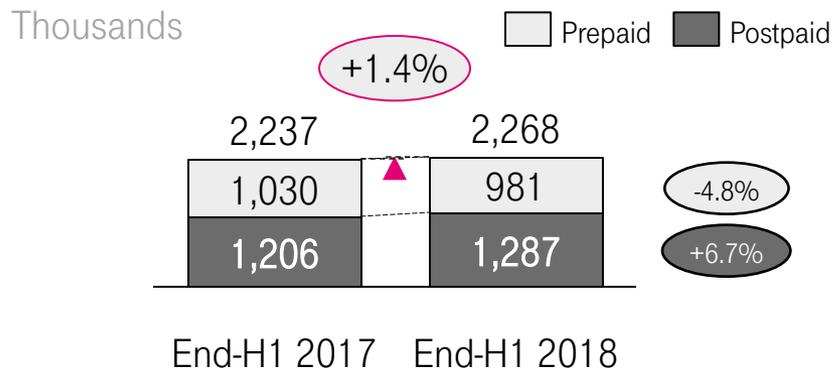


MARKET AND TECHNOLOGY LEADERSHIP MAINTAINED

HT market share by subscribers^{1, 2}

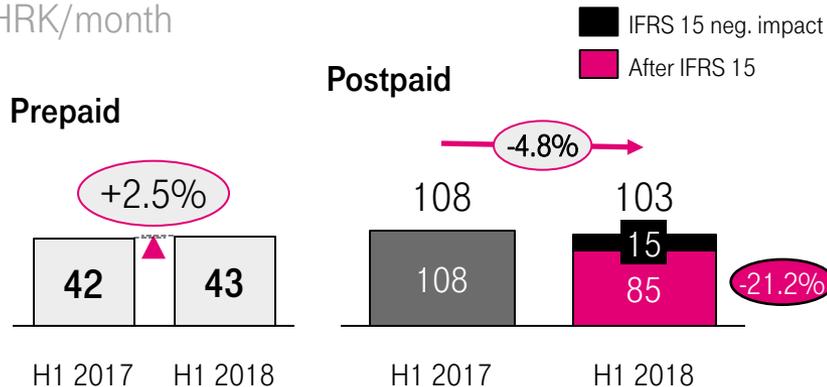


Number of subscribers



ARPU

HRK/month



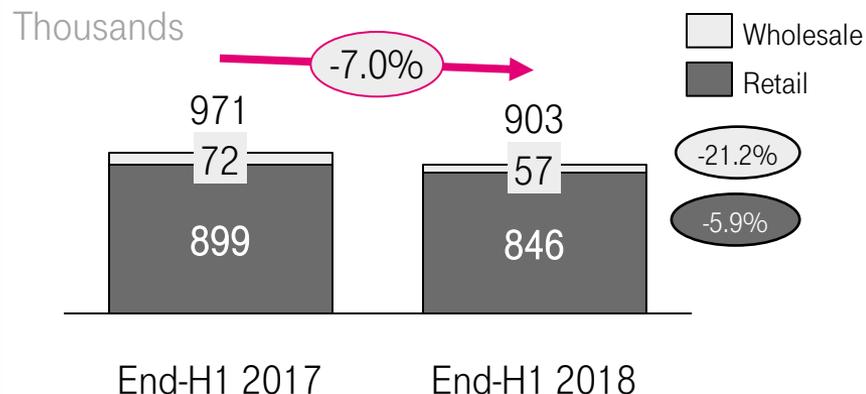
- **Average MOU** (minutes of use) up 5.6% to 226
- **Smartphone proportion** of total handset sales at 90% in postpaid segment (H1 2017: 81%)
- **HT's 4G network** reached 78% population coverage indoors and 98% coverage outdoors
- HT started **modernization of mobile network**; building foundation for introduction of 5G

¹ Internal estimation

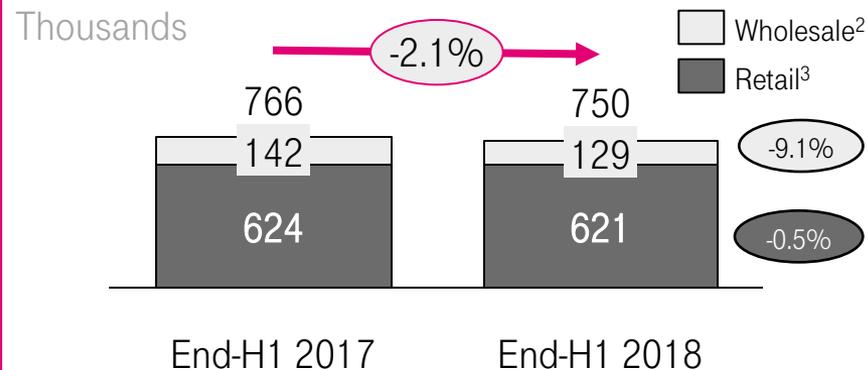
² Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service”

TV CUSTOMERS AND ARPU RISE; FIXED MAINLINES AND BROADBAND LINES DECREASE

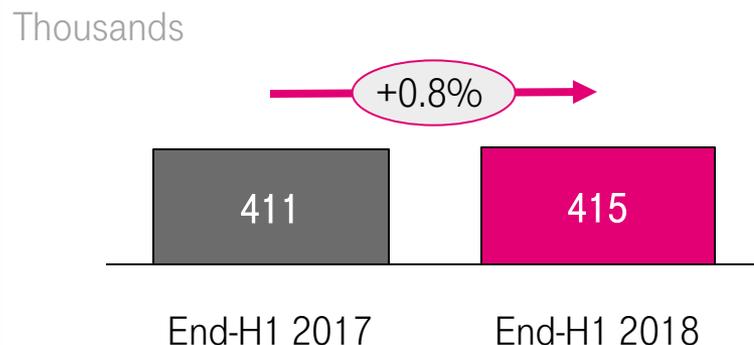
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Fixed voice ARPU** down 8.7% at HRK 72.7 (excluding IFRS 15: HRK 73.4, down 7.8%)
- **Broadband retail ARPU** at HRK 111, down 5.7% (excluding IFRS 15: HRK 112, down 4.8%)
- **TV ARPU** up 1.5% to HRK 83 (excluding IFRS 15: HRK 84, up 2.8%)
- **Household coverage in Next Generation Access** (fixed Broadband >30 Mbps) at 58%; **FTTx access** enabled for 388,000 households

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

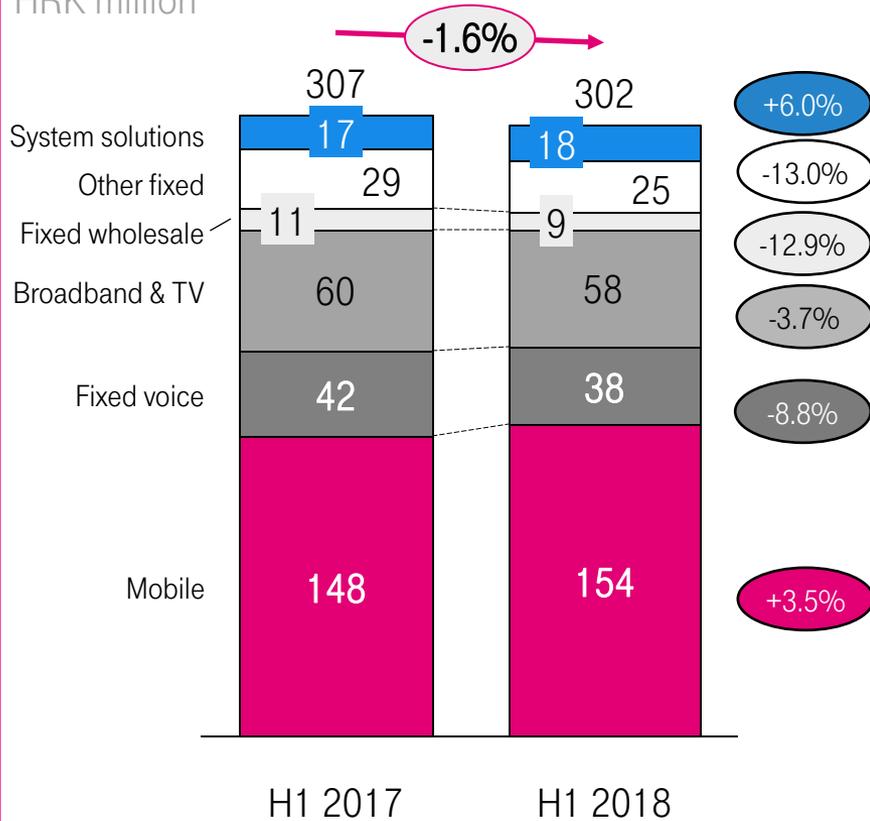
² Includes Naked Bitstream + Bitstream

³ Includes ADSL, VDSL, FTTH, FTTB, FTTC

REVENUE TREND STABILISES; TRANSFORMATION INITIATIVES BOOST EBITDA MARGIN

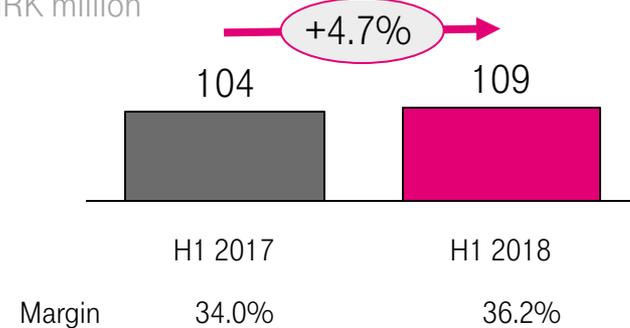
Revenue breakdown

HRK million



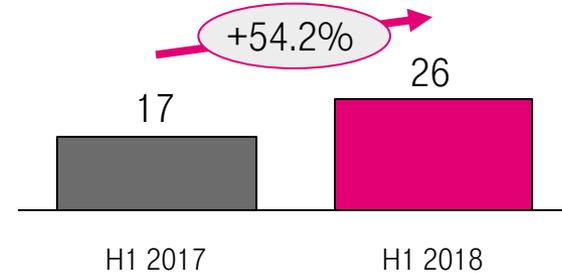
EBITDA before exceptional items

HRK million



Net profit

HRK million

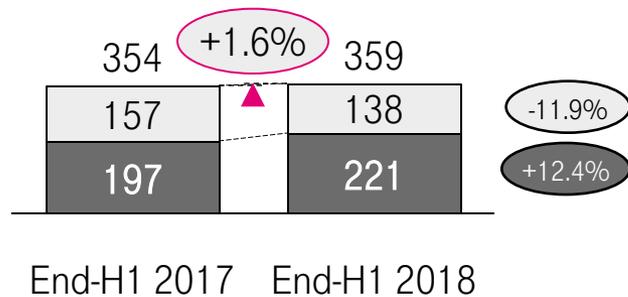


MOBILE CUSTOMERS RISE; FIXED MAINLINES, BROADBAND LINES AND TV CUSTOMERS DECREASE

Number of mobile subscribers

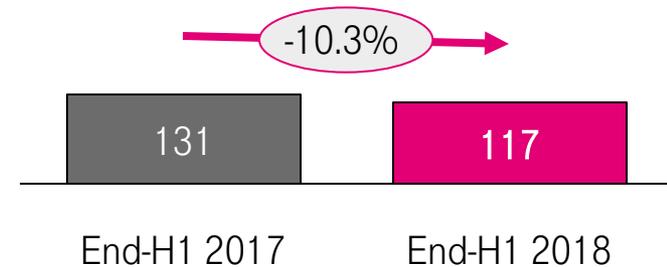
Thousands

Prepaid Postpaid



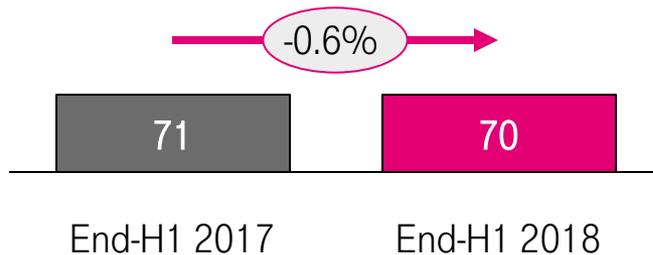
Number of fixed retail mainlines

Thousands



No. of broadband retail access lines

Thousands



Number of TV customers

Thousands



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



LIFE IS FOR SHARING.

HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million	H1 2017	H1 2018	% of change A18/A17
Mobile revenue	1,542	1,605	4.1%
Fixed revenue	1,788	1,713	-4.2%
System solutions	292	295	1.0%
Miscellaneous	69	68	-0.8%
Revenue	3,691	3,681	-0.3%
Other operating income	61	56	-7.2%
Total operating revenue	3,752	3,737	-0.4%
Operating expenses	2,345	2,300	-1.9%
Material expenses	1,077	1,121	4.1%
Employee benefits expenses	514	539	4.9%
Other expenses	763	672	-12.0%
Work performed by the Group and capitalised	-46	-59	29.2%
Write down of assets	37	27	-25.7%
EBITDA	1,406	1,437	2.2%
Depreciation and amortization	825	840	1.8%
EBIT	582	597	2.6%
Financial income	30	24	-20.5%
Income/loss from investment in joint ventures	1	0	-68.6%
Financial expenses	114	82	-27.8%
Profit before taxes	498	538	8.1%
Taxation	90	98	8.8%
Net profit	408	440	7.9%
Non controlling interests	-2	-7	245.9%
Net profit after non controlling interests	410	447	9.1%
Exceptional items ¹⁾	51	34	-33.0%
EBITDA before exceptional items	1,458	1,471	0.9%

¹⁾ Mainly related to restructuring redundancy costs



HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2017	At 30 Jun 2018	% of change A18/A17
Intangible assets	2,539	2,491	-1.9%
Property, plant and equipment	6,175	6,245	1.1%
Non-current financial assets	1,333	1,310	-1.7%
Receivables	248	330	33.3%
Contract assets (IFRS 15)	0	39	-
Contract costs (IFRS 15)	0	73	-
Deferred tax asset	91	96	5.8%
Total non-current assets	10,385	10,584	1.9%
Inventories	128	119	-7.2%
Receivables	1,631	1,525	-6.4%
Current financial assets	197	1	-99.6%
Contract assets (IFRS 15)	0	158	-
Contract costs (IFRS 15)	0	39	-
Cash and cash equivalents	3,152	2,964	-6.0%
Prepayments and accrued income	246	174	-29.2%
Total current assets	5,353	4,980	-7.0%
TOTAL ASSETS	15,738	15,564	-1.1%
Subscribed share capital	9,823	9,823	0.0%
Reserves	530	492	-7.2%
Revaluation reserves	2	-14	-943.2%
Treasury shares	-38	-39	1.5%
Retained earnings	1,024	1,573	53.6%
Net profit for the period	863	447	-48.2%
Non controlling interests	369	339	-8.1%
Total issued capital and reserves	12,573	12,620	0.4%
Provisions	73	75	3.0%
Non-current liabilities	617	596	-3.5%
Contract liabilities (IFRS 15)	0	9	-
Deferred tax liability	47	45	-5.7%
Total non-current liabilities	737	724	-1.7%
Current liabilities	2,310	2,083	-9.8%
Contract liabilities (IFRS 15)	0	37	-
Deferred income	89	96	7.8%
Provisions for redundancy	30	2	-92.8%
Total current liabilities	2,429	2,219	-8.6%
Total liabilities	3,166	2,943	-7.0%
TOTAL EQUITY AND LIABILITIES	15,738	15,564	-1.1%



HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	H1 2017	H1 2018	% of change A18/A17
Profit before tax	498	538	8.1%
Depreciation and amortization	825	840	1.8%
Increase / decrease of current liabilities	45	-282	-725.2%
Increase / decrease of current receivables	28	142	406.3%
Increase / decrease of inventories	-44	-3	93.6%
Other cash flow increases / decreases	-122	-226	-85.0%
Net cash inflow/outflow from operating activities	1,230	1,010	-17.9%
Proceeds from sale of non-current assets	27	23	-14.9%
Proceeds from sale of non-current financial assets	1	1	-6.5%
Interest received	6	8	39.6%
Dividend received	0	0	.
Other cash inflows from investing activities	2,406	199	-91.7%
Total increase of cash flow from investing activities	2,440	230	-90.6%
Purchase of non-current assets	-701	-671	4.3%
Purchase of non-current financial assets	-924	0	100.0%
Other cash outflows from investing activities	-1,244	0	100.0%
Total decrease of cash flow from investing activities	-2,869	-671	76.6%
Net cash inflow/outflow from investing activities	-429	-441	-2.7%
Total increase of cash flow from financing activities			
Repayment of loans and bonds	-57	-43	23.8%
Dividends paid	-493	-489	0.8%
Repayment of finance lease	-51	-1	97.9%
Other cash outflows from financing activities	-142	-221	-55.8%
Total decrease in cash flow from financing activities	-743	-755	-1.6%
Net cash inflow/outflow from financing activities	-743	-755	-1.6%
Exchange gains/losses on cash and cash equivalents	-22	-2	91.3%
Cash and cash equivalents at the beginning of period	2,734	3,152	15.3%
Net cash (outflow) / inflow	35	-188	-630.1%
Cash and cash equivalents at the end of period	2,770	2,964	7.0%

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