

BUSINESS AND FINANCIAL REVIEW JANUARY – SEPTEMBER 2018

**ANALYST PRESENTATION
31 OCTOBER 2018**



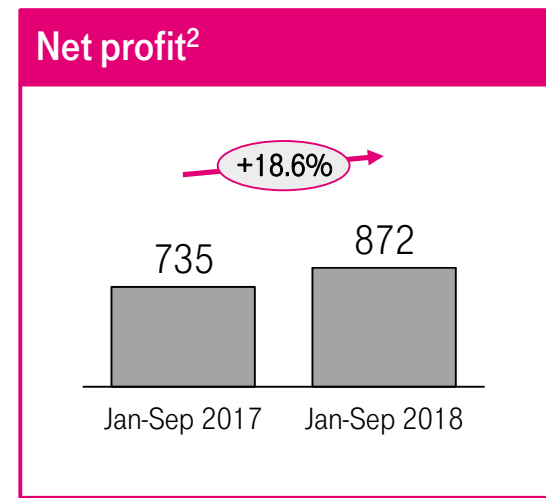
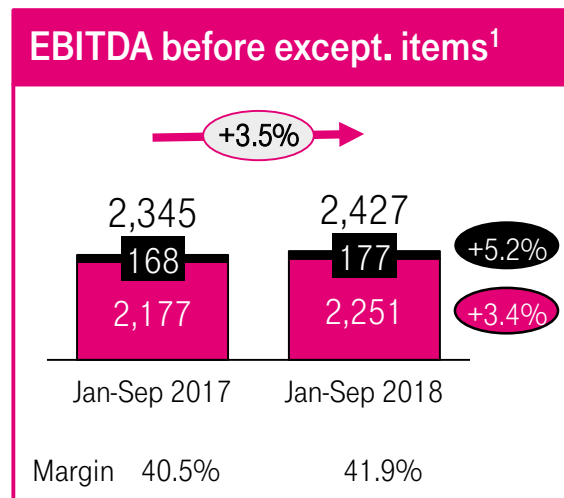
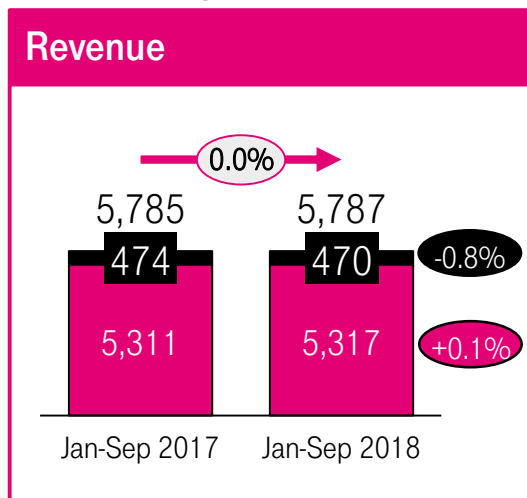
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- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required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

All in HRK million

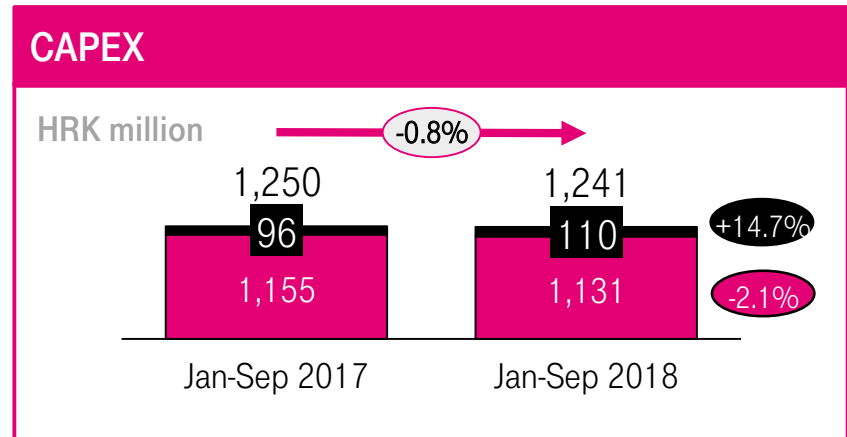
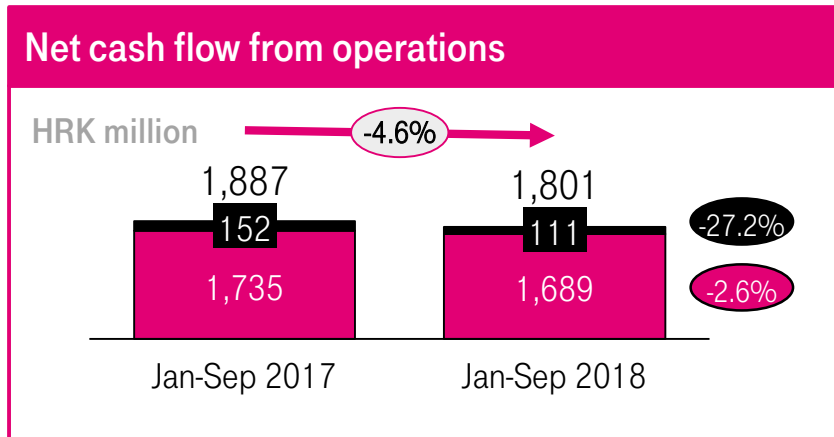


- Revenue stable at HRK 5,787 million
 - Flat revenue performance at HT Croatia despite exit from marginally profitable contracts in energy and slowing of extra high growth rates in visitors data traffic
 - Crnogorski Telekom (CT) revenue fully stabilised; however, it remains under pressure from a tough competitive and regulatory environment
- EBITDA before exceptional items up 3.5% to HRK 2,427 million with margin of 41.9%, both as a result of:
 - continued successful transformation and cost saving measures implemented across the Group, reduction in notably high spectrum fees in Croatia (effective 1 Jan 2018) including certain amount attributable to prior periods and implementation of IFRS 15³
- Net profit up 18.6% to HRK 872 million, mainly due to higher EBITDA before exceptionals, absence of extraordinary receivables impairment and higher net financial income, all in HT Croatia

1. Mainly related to restructuring redundancy costs, extraordinary impairment of receivables, legal cases and costs related to H1 Telekom consolidation. 2. Net profit after non controlling interests 3. IFRS 15 net impact on HT Group's main financials in Jan-Sep 2018: Revenue – increase of HRK 30 million or 0.5%; EBITDA before exceptional items – increase of HRK 46 million or 1.9%

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

■ CT contribution ■ HT Croatia

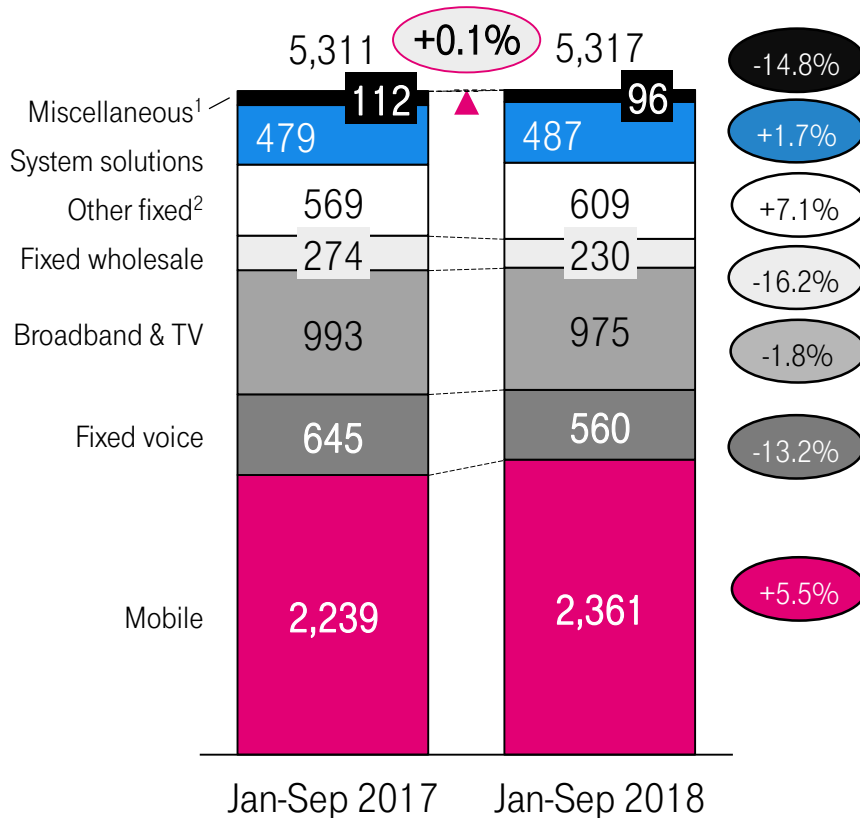


- Cash flow from operating activities down mainly due to adverse movements in working capital
- CAPEX slightly decreased; continued significant investments in mobile and fixed broadband network, investments in IT transformation, product development and regulatory related CAPEX by HT Croatia. Crnogorski Telekom increased access investments.

STABLE REVENUE DESPITE EXIT FROM MARGINALLY PROFITABLE CONTRACTS IN ENERGY AND LOWER GROWTH RATES IN VISITORS DATA TRAFFIC; GOOD MOBILE AND SYSTEM SOLUTIONS PERFORMANCE

Revenue breakdown

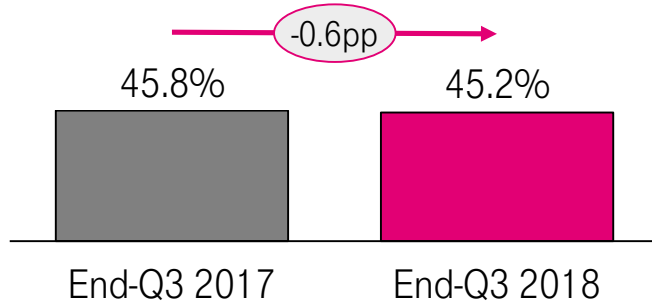
HRK million



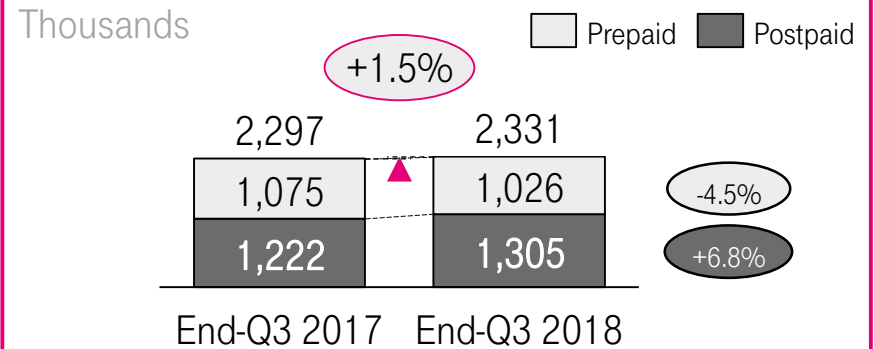
- **Mobile revenue** up largely from higher postpaid revenue (excluding IFRS 15), visitors to Croatia and handset sales
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** slightly down; growth in TV revenue partly offset fall in broadband revenue
- **Fixed 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** on track to show good growth for FY 2018
- **Miscellaneous revenue** down; exit from marginally profitable contracts at Q1 2018 as well as its divestment in Q3 2018 resulted in **Energy business revenue** fall from HRK 105 million in Jan-Sep 2017 to HRK 80 million in Jan-Sep 2018

MARKET AND TECHNOLOGY LEADERSHIP MAINTAINED

HT market share by subscribers^{1,2}

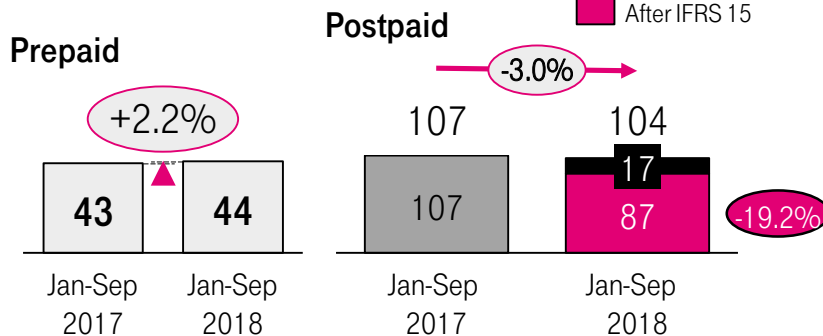


Number of subscribers



ARPU

HRK/month



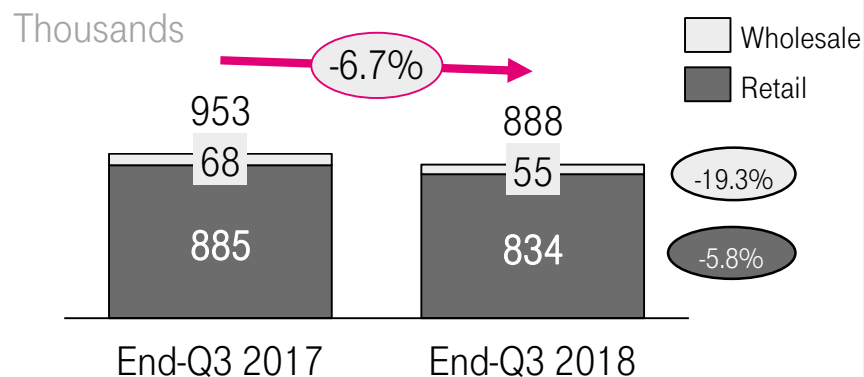
- **Average MOU** (minutes of use) up 3.2% to 223
- **Smartphone proportion** of total handset sales at 91% in postpaid segment (Jan-Sep 2017: 80%); **HT smartphone customers** at 66%
- **HT's 4G network** reached 79% population coverage indoors and 98% coverage outdoors
- **Modernization and capacity extension of mobile network** continued; building foundation for introduction of 5G

1 Internal estimation

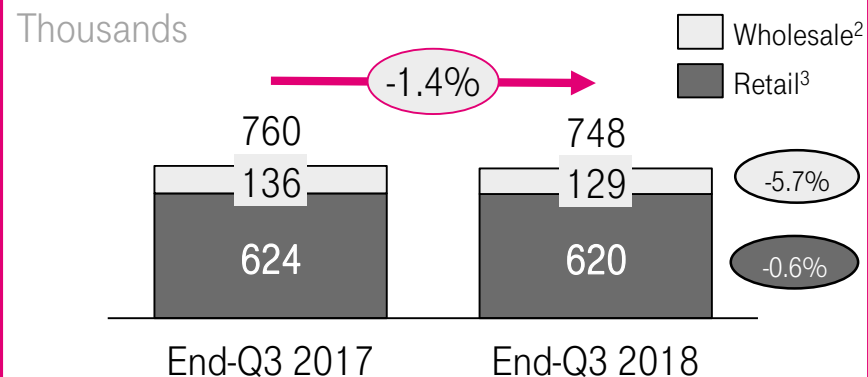
2 Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service”

TV CUSTOMERS STABLE WHILE TV ARPU RISES; FIXED MAINLINES AND BROADBAND LINES DECREASE

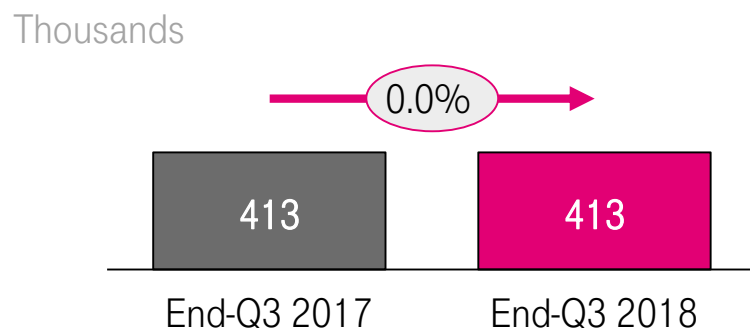
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Fixed voice ARPU** down 7.9% at HRK 73 (excluding IFRS 15: HRK 74, down 7.1%)
- **Broadband retail ARPU** at HRK 112, down 5.4% (excluding IFRS 15: HRK 113, down 4.6%)
- **TV ARPU** up 2.2% to HRK 83 (excluding IFRS 15: HRK 84, up 3.4%)
- **Household coverage in Next Generation Access** (fixed Broadband >30 Mbps) at 58.1%; **FTTx access** enabled for 399,000 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

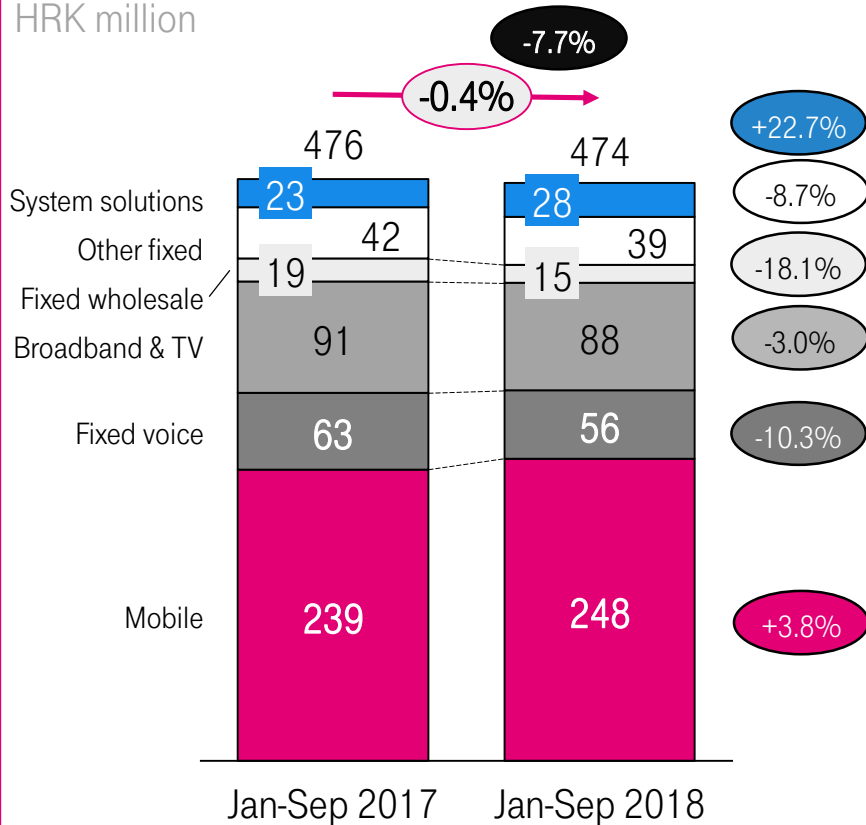
³ Includes ADSL, VDSL, FTTH, FTTB, FTTC

REVENUE STABLE FOLLOWING GOOD PERFORMANCE IN MOBILE AND SYSTEM SOLUTIONS; TRANSFORMATION INITIATIVES BOOST EBITDA MARGIN

Jan-Sep 2017 / Jan-Sep 2016 growth rate %

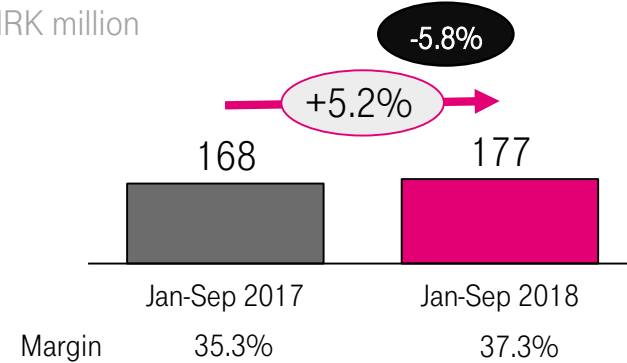
Revenue breakdown

HRK million



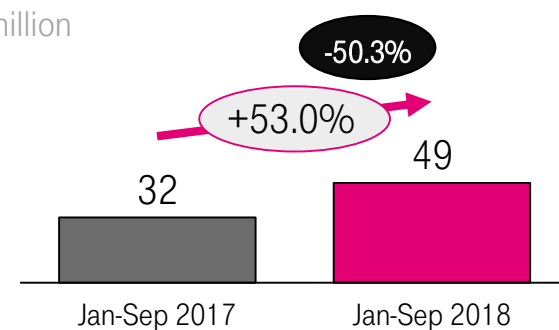
EBITDA before exceptional items

HRK million



Net profit

HRK million

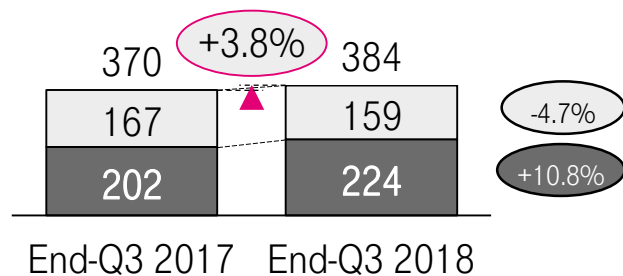


RISE IN ALL CUSTOMER SEGMENTS EXCEPT FIXED MAINLINES

Number of mobile subscribers

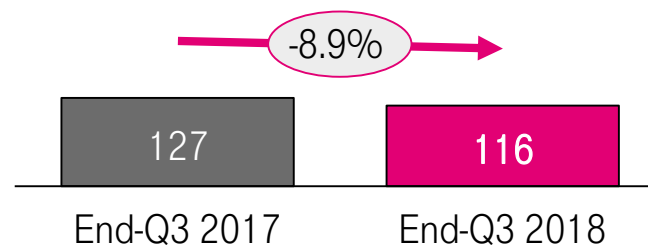
Thousands

Prepaid Postpaid



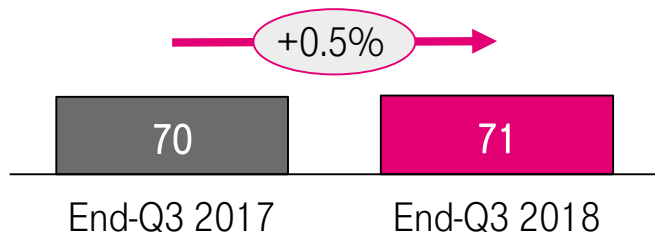
Number of fixed retail mainlines

Thousands



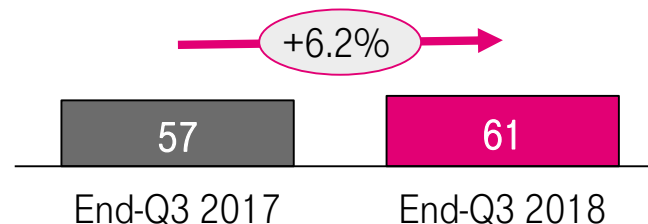
No. of broadband retail access lines

Thousands



Number of TV customers

Thousands



GROUP 2018 OUTLOOK: REVENUE AMENDED FROM „SLIGHTLY HIGHER” TO „AROUND 2017 LEVEL”

	2017 Results	Outlook 2018 vs 2017
Revenue	HRK 7,756 million	Around 2017 level
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	3Q 2017	3Q 2018	% of change A18/A17
Mobile revenue	2,478	2,609	5.3%
Fixed revenue	2,693	2,568	-4.7%
System solutions	501	515	2.6%
Miscellaneous	112	96	-14.8%
Revenue	5,785	5,787	0.0%
Other operating income	121	110	-8.9%
Total operating revenue	5,906	5,897	-0.1%
Operating expenses	3,663	3,508	-4.2%
Material expenses	1,736	1,758	1.3%
Employee benefits expenses	769	800	4.1%
Other expenses	1,149	996	-13.3%
Work performed by the Group and capitalised	-91	-95	4.9%
Write down of assets	100	49	-50.9%
EBITDA	2,243	2,389	6.5%
Depreciation and amortization	1,255	1,266	0.9%
EBIT	988	1,123	13.7%
Financial income	31	25	-20.8%
Income/loss from investment in joint ventures	6	4	-29.7%
Financial expenses	138	97	-30.0%
Profit before taxes	887	1,055	19.0%
Taxation	161	190	18.4%
Net profit	726	864	19.1%
Non controlling interests	-9	-8	-17.2%
Net profit after non controlling interests	735	872	18.6%
Exceptional items ¹⁾	102	38	-62.4%
EBITDA before exceptional items	2,345	2,427	3.5%

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 HRKmillion	At 31 Dec 2017	At 30 Sep 2018	% of change A18/A17
Intangible assets	2,539	2,464	-2.9%
Property, plant and equipment	6,175	6,198	0.4%
Non-current financial assets	1,333	1,320	-1.0%
Receivables	248	348	40.5%
Contract assets (IFRS 15)	0	44	
Contract costs (IFRS 15)	0	77	
Deferred tax asset	91	91	0.1%
Total non-current assets	10,385	10,541	1.5%
Inventories	128	131	2.2%
Receivables	1,631	1,650	1.2%
Current financial assets	197	394	99.6%
Contract assets (IFRS 15)	0	158	
Contract costs (IFRS 15)	0	39	
Cash and cash equivalents	3,152	2,933	-6.9%
Prepayments and accrued income	246	108	-56.2%
Total current assets	5,353	5,413	1.1%
TOTAL ASSETS	15,738	15,954	1.4%
Subscribed share capital	9,823	9,823	0.0%
Reserves	530	492	-7.2%
Revaluation reserves	2	16	
Treasury shares	-38	-61	58.4%
Retained earnings	1,024	1,548	51.2%
Net profit for the period	863	872	1.0%
Non controlling interests	369	339	-8.0%
Total issued capital and reserves	12,573	13,030	3.6%
Provisions	73	73	0.1%
Non-current liabilities	617	574	-7.0%
Contract liabilities (IFRS 15)	0	6	
Deferred tax liability	47	43	-8.8%
Total non-current liabilities	737	696	-5.6%
Current liabilities	2,310	2,100	-9.1%
Contract liabilities (IFRS 15)	0	30	
Deferred income	89	96	7.5%
Provisions for redundancy	30	2	-92.9%
Total current liabilities	2,429	2,228	-8.3%
Total liabilities	3,166	2,924	-7.6%
TOTAL EQUITY AND LIABILITIES	15,738	15,954	1.4%



HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	3Q 2017	3Q 2018	% of change A18/A17
Profit before tax	887	1,055	19.0%
Depreciation and amortization	1,255	1,266	0.9%
Increase / decrease of current liabilities	64	-255	
Increase / decrease of current receivables	8	66	
Increase / decrease of inventories	-60	-19	68.8%
Other cash flow increases / decreases	-267	-312	-16.7%
Net cash inflow/outflow from operating activities	1,887	1,801	-4.6%
Proceeds from sale of non-current assets	91	25	-72.7%
Proceeds from sale of non-current financial assets	1	1	-3.3%
Interest received	7	10	32.3%
Other cash inflows from investing activities	1,306	202	-84.5%
Total increase of cash flow from investing activities	1,405	238	-83.1%
Purchase of non-current assets	-1,080	-990	8.3%
Purchase of non-current financial assets	-924	0	100.0%
Other cash outflows from investing activities	-266	-394	-48.2%
Total decrease of cash flow from investing activities	-2,270	-1,384	39.0%
Net cash inflow/outflow from investing activities	-865	-1,147	-32.6%
Total increase of cash flow from financing activities			
Repayment of loans and bonds	-57	-43	24.6%
Dividends paid	-493	-497	-0.8%
Repayment of finance lease	-52	-2	96.8%
Other cash outflows from financing activities	-260	-331	-27.1%
Total decrease in cash flow from financing activities	-862	-872	-1.2%
Net cash inflow/outflow from financing activities	-862	-872	-1.2%
Exchange gains/losses on cash and cash equivalents	-19	0	98.7%
Cash and cash equivalents at the beginning of period	2,734	3,152	15.3%
Net cash (outflow) / inflow	141	-219	-254.5%
Cash and cash equivalents at the end of period	2,876	2,933	2.0%

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Zagreb Stock Exchange Share trading symbol: HT

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