

BUSINESS AND UNAUDITED FINANCIAL REVIEW JANUARY – DECEMBER 2019

**ANALYST PRESENTATION
18 FEBRUARY 2020**



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HIGHLIGHTS

Business

- High capital investments in mobile and fixed broadband networks with the goal of ensuring technology to every corner of Croatia so that all citizens have an equal opportunity for a quality life:
 - Radio access network modernization program successfully completed with 98% of HT mobile locations equipped with LTE at end-2019, and network capacity increased by 3x and user throughput by 75%. Awarded OOKLA certificates for fastest mobile network and best mobile coverage
 - In addition to 4G performance improvement, prerequisites for successful 5G network introduction also established
 - Fiber rollout more than doubled over previous year bringing improved fixed network and significant progress with penetration of fiber speeds in customer base
 - Coverage achieved of 60.2% households with technologies enabling speed >30 Mbps of which 23.6% with technologies that enable speed >100 Mbp. Optical based access network (FTTx) available for 438 thousand households at end-2019
 - Won 75% of the EU funded BB projects, committing to cover 149K HH and businesses in semi urban and rural Croatia
- Substantially reduced customer complaints -22% and waste calls -14% to our residential and business call center while also reducing the number of technical faults as a result of network modernisation, process improvements and proactive customer management
- Growth of digital channels, further increase in the number of Magenta 1 users:
 - Strong growth in use of My Telecom application - more than 370,000 users or 32% of the base
 - The number of users of the converged offering, Magenta 1, continues to grow, with 244,000 households or 57% of HH (4Q 2018: 191,000 or 45% of HH) and 31,000 business users today or 31% of Businesses (4Q 2018: 21,000 or 20%)
- Improving customer satisfaction reversing trends in fixed operational KPIs leading, for example, to a rise in BB customers
- Best employee satisfaction in the last 3 years recorded at the end of the year



HIGHLIGHTS - CONT'D

Financial

- 2019 delivery in line with Outlook
- Growth in Mobile, TV and System Solutions almost offset revenue decline following exit from Energy business and Fixed voice decline
- EBITDA before exceptional items AL down 4.1% yoy mainly due to shift in revenue mix and increased personnel costs
- CAPEX/Sales ratio at the peak level of 25% sales
- Based on four-year Share Buyback Programme launched in June 2017 with maximum of 2.5 million shares scheduled for acquisition - 3% of total number of shares outstanding:
 - In 2019 HT bought back 453,318 own shares or 0.6% of total shares within the Share Buyback Programme
 - In total, we bought 1.1 million own shares or 1.4% of total shares since started the programme in 2017

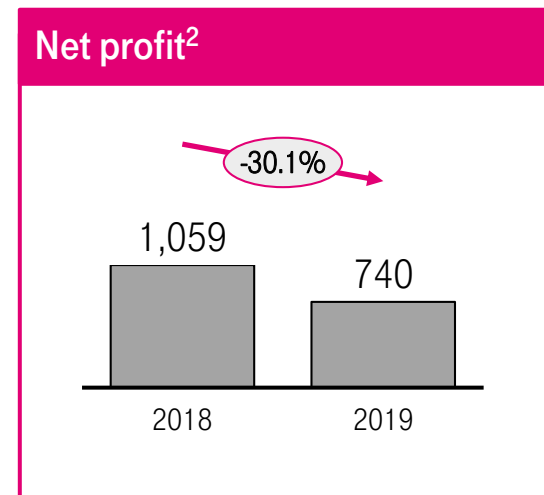
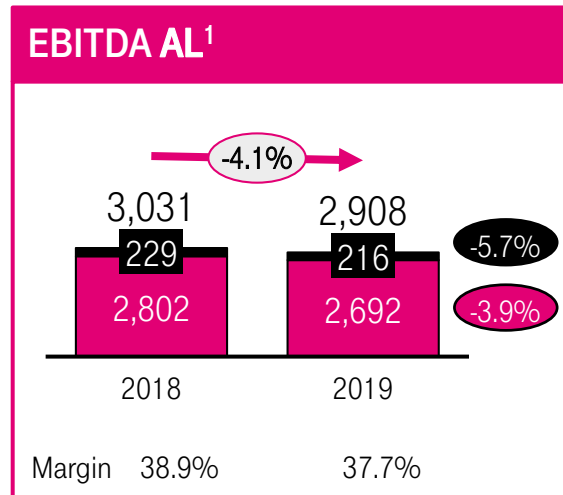
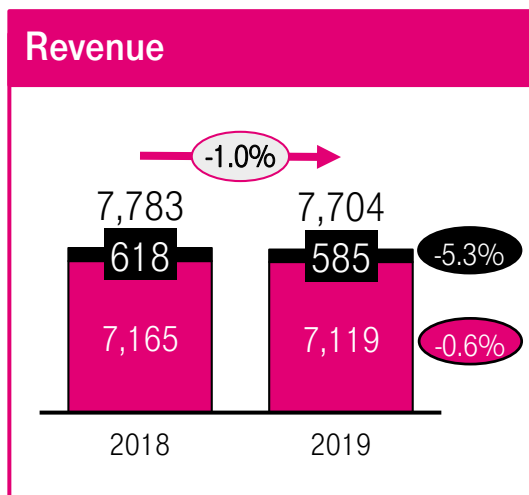
FY 2019 OUTLOOK AND RESULTS

	Outlook (amended as of 31 Oct 2019)	Results delivered	
Revenue	Slightly lower	HRK 7,704 million (-1.0%)	✓
EBITDA AL	Margin of around 38%	37.7% (-0.3p.p.)	✓
CAPEX	Around 2018 level	HRK 1,900 million (+4.1%)	✓
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	Completed purchase of EVO TV	✓

REVENUES SLIGHTLY LOWER, WHILE MARGINS REMAINED STRONG

All in HRK million

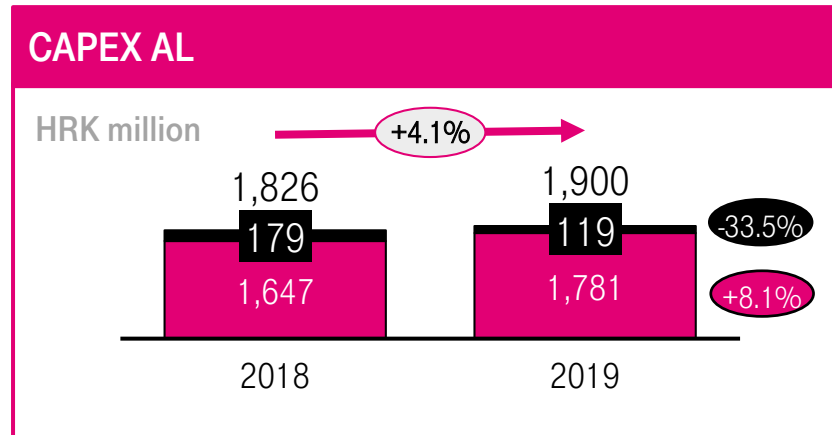
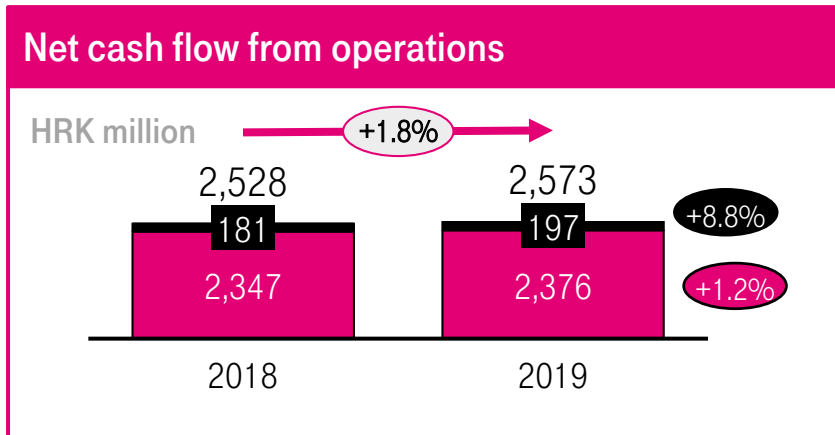
CT contribution
 HT Group
 HT Croatia



- Revenue down 1.0% to HRK 7,704 million
 - Small decrease in revenue at HT Croatia mainly due to exit from energy business and declining fixed voice partially offset by higher system solutions and mobile revenue.
 - Crnogorski Telekom (CT) revenue growth in postpaid and TV were not able to offset decrease following negative development in fixed voice and mobile prepaid
- EBITDA AL down 4.1% to HRK 2,908 million, following revenue decline outlined above, as well as higher employee benefits, partially offset by higher other operating income
 - EBITDA AL margin decreased by 1.2p.p. to 37.7%
- Net profit fell 30.1% to HRK 740 million, mainly following above mentioned EBITDA AL performance and higher depreciation and exceptional items

OPERATING CASH FLOW INCREASES DUE TO FAVOURABLE WC DEVELOPMENT; STRONG INVESTMENT IN NETWORK AND CUSTOMER EXPERIENCE CONTINUES

■ CT contribution ■ HT Croatia

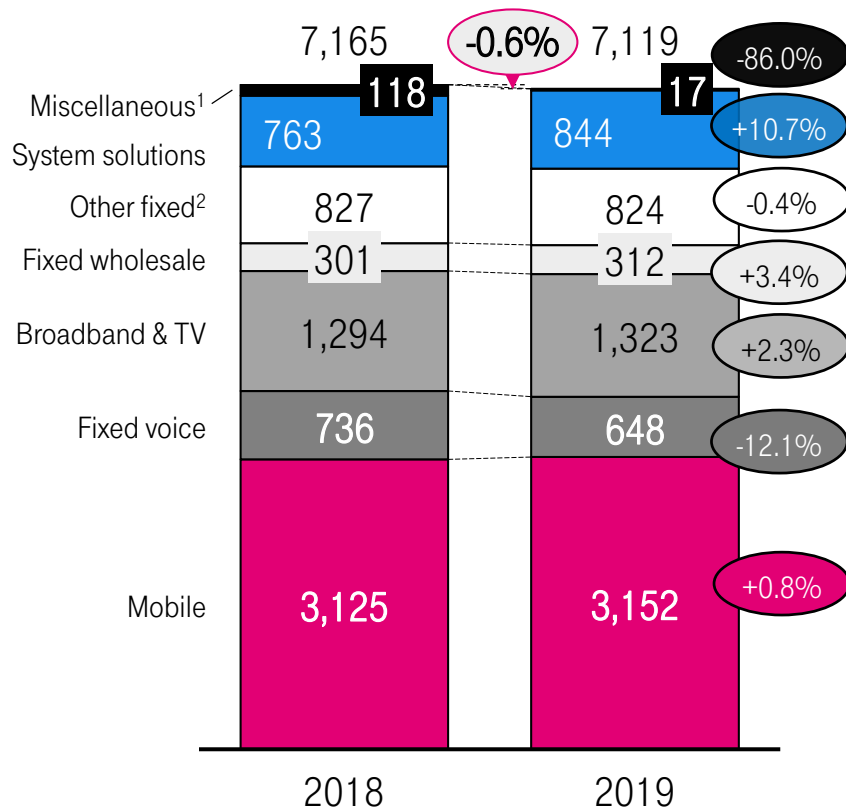


- Cash flow from operating activities increased mainly due to favourable working capital development (trade receivables and payables positively contributed)
- Investments in 2019 are higher than in 2018 mainly due to significant investment in mobile and fixed broadband network:
 - Completed radio access network modernization program
 - Doubled the fiber rollout vs. the previous year

GOOD PERFORMANCE IN MOBILE AND SYSTEM SOLUTIONS ALMOST OFFSET REVENUE DECLINE FOLLOWING EXIT FROM ENERGY BUSINESS AND FIXED VOICE DEVELOPMENT

Revenue breakdown

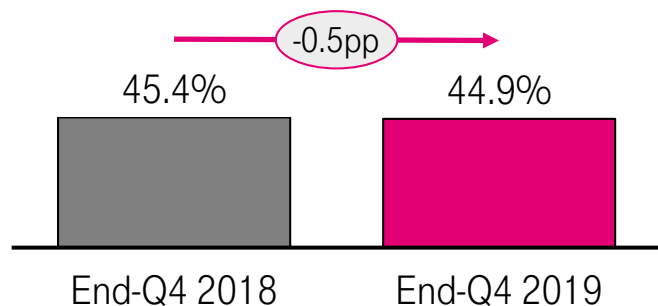
HRK million



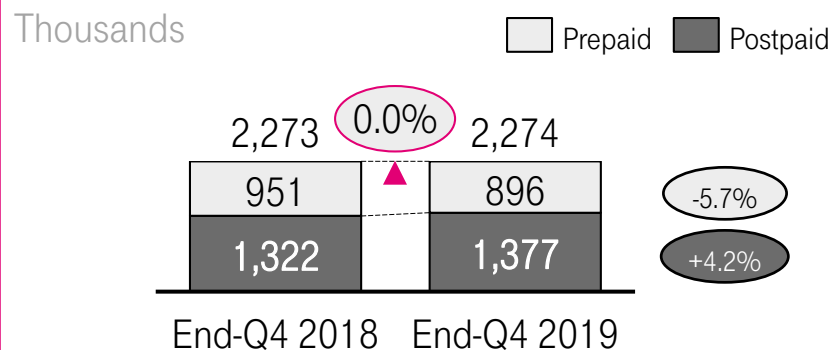
- **Mobile revenue** up, boosted by higher postpaid revenue, following increase in both customer base and ARPU, and handset sales; partly offset by revenue decrease due to cancellation of network access fee
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** up; TV growth driven by higher customer base and higher ARPU supported by Evo TV. Excluding Evo TV organic revenue is higher due to ARPU and CB growth. Broadband revenue down despite higher customer base as a result of ARPU pressure
- **Fixed wholesale revenue** up mainly due to higher transit traffic
- **Other fixed revenue** down, due to lower realisation of data communication and VAS revenue, partially offset by higher terminal equipment sales
- **System solutions** showed good growth
- **Miscellaneous revenue** down following withdrawal from **Energy business** as of Q3 2018

MARKET AND TECHNOLOGY LEADERSHIP MAINTAINED

HT market share by subscribers¹

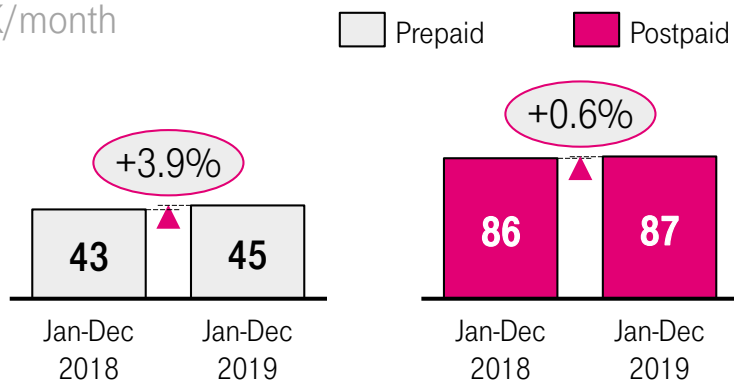


Number of subscribers



ARPU

HRK/month



- **Stable mobile customer base** and SIMs market share
- Increasing postpaid base as a result of successful pre to post migration and "more for more" customer base development activities, **driving YoY ARPU growth**
- **Smartphone proportion** of total handset sales at 91% in postpaid segment (Jan-Dec 2018: 91%); **HT smartphone customers** at 70% driving mobile data driven ARPU growth

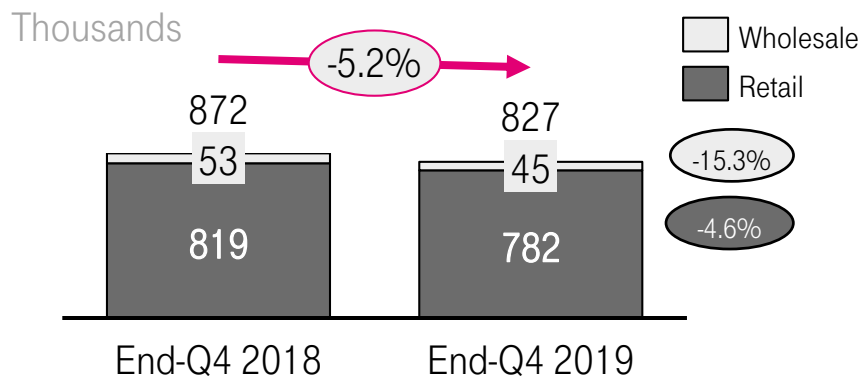


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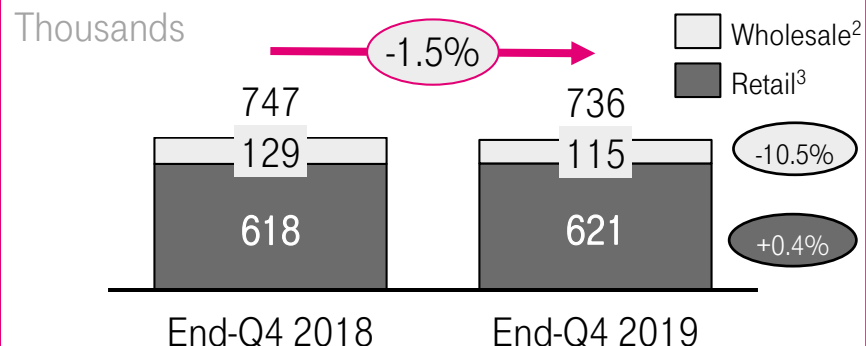
¹ Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service“

RETAIL BROADBAND LINES TURNED TO GROWTH; EVOTV ACQUISITION BOOSTS TV CUSTOMER NUMBERS

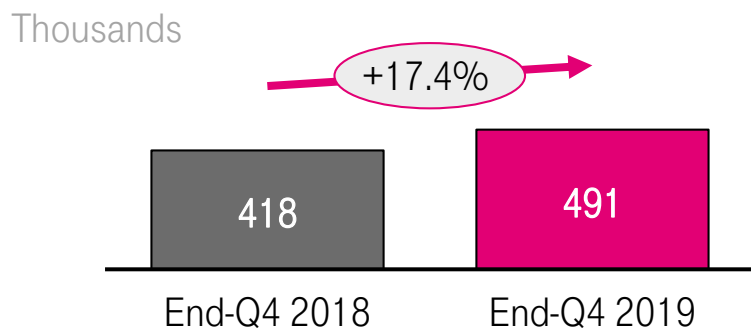
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Ongoing contraction of fixed main lines**, still at a lower pace to last year
- **Growing retail BB base**, offset by wholesale base losses as a result of migration to competitive infrastructure including FMS
- **Fixed voice and BB ARPU** contraction by 6.8% and 5.6% respectively as a result of fixed voice usage reduction and competitive pricing pressures
- **Growing TV base** as a result of Evo TV consolidation and organic base growth, with TV ARPU growing by 2%



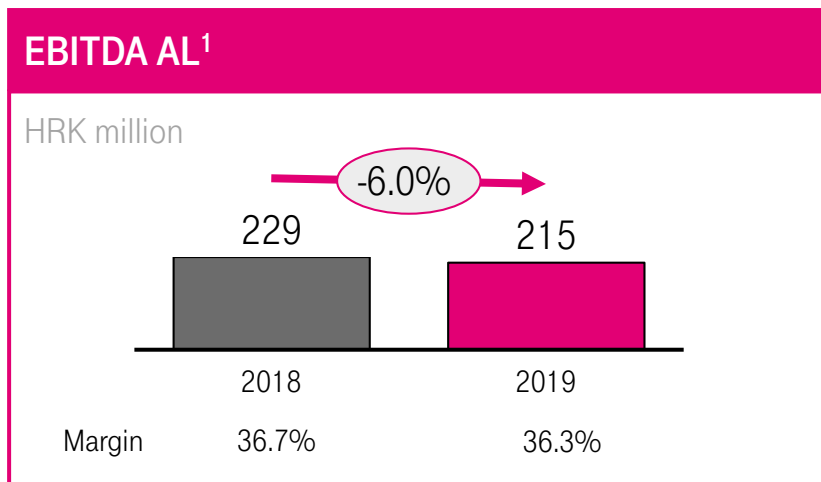
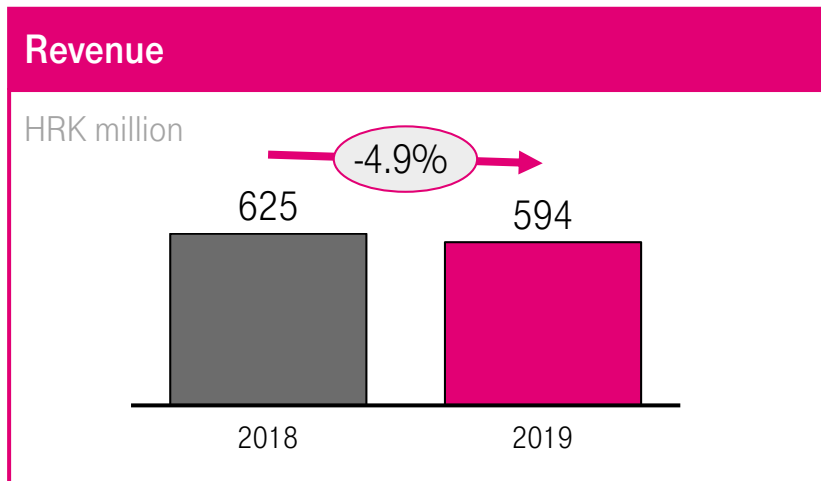
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1 Includes PSTN, FGSM and old PSTN voice customers migrated to IP platform and Smart packages for business; payphones excluded

2 Includes Naked Bitstream + Bitstream

3 Includes ADSL, VDSL, FTTH, FTTB, FTTC

REVENUE AND PROFITABILITY DECLINE IN 2019



- **Revenue** down mainly following negative development in **Fixed Voice** and **Mobile Prepaid**
- Market leadership in **Mobile Postpaid** maintained
- **Broadband and TV revenue** stable
- Decline in **EBITDA** due to revenue development outlined above and the absence of one-off positive effects reported in 2018 (sale of real estates and accounting standards change).

GROUP 2020 OUTLOOK

	2019 Results	Outlook 2020 vs 2019
Revenue	HRK 7,704 million	Stable to slightly lower
EBITDA AL	Margin of 37.7%	Margin of around 38%
CAPEX AL	HRK 1,900 million	Around HRK 1.7 billion
Regional expansion	Completed purchase of EVO TV	HT is monitoring and evaluating potential M&A opportunities

APPENDIX

FINANCIAL STATEMENTS



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HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million	2018 reported	2018 adjusted	2019	% of change A19/A18 adjusted	Q4 2018 reported	Q4 2018 adjusted	Q4 2019	% of change A19/A18 adjusted
Mobile revenue	3,450	3,450	3,464	0.4%	840	840	841	0.1%
Fixed revenue	3,415	3,415	3,344	-2.1%	847	847	830	-2.1%
System solutions	801	801	880	10.0%	286	286	316	10.5%
Miscellaneous	118	118	17	-86.0%	22	22	5	-78.0%
Revenue	7,783	7,783	7,704	-1.0%	1,996	1,996	1,992	-0.2%
Other operating income	167	167	181	8.3%	57	57	61	6.4%
Total operating revenue	7,950	7,950	7,885	-0.8%	2,052	2,053	2,052	0.0%
Operating expenses	4,819	4,607	4,726	2.6%	1,311	1,256	1,276	1.6%
Material expenses	2,461	2,438	2,463	1.0%	703	694	707	1.8%
Employee benefits expenses	1,087	1,087	1,171	7.7%	287	287	281	-1.9%
Other expenses	1,315	1,126	1,148	1.9%	319	274	328	20.0%
Work performed by the Group and capitalised	-128	-128	-133	4.5%	-32	-32	-57	75.1%
Write down of assets	83	83	78	-5.9%	34	34	16	-52.5%
EBITDA	3,131	3,343	3,159	-5.5%	742	796	776	-2.5%
Depreciation and amortization	1,730	1,921	2,147	11.8%	463	469	676	44.1%
EBIT	1,401	1,422	1,012	-28.8%	278	327	100	-69.3%
Financial income	28	26	22	-16.3%	3	0	5	1276.9%
Income/loss from investment in joint ventures	3	3	0	-	-1	-1	3	-547.9%
Financial expenses	139	167	134	-19.8%	42	49	40	-17.5%
Profit before taxes	1,293	1,284	900	-29.9%	239	278	69	-75.3%
Taxation	235	228	161	-29.3%	44	42	5	-89.0%
Net profit	1,059	1,056	739	-30.0%	194	236	64	-72.8%
Non controlling interests	-3	-3	-1	-71.5%	5	5	1	-75.3%
Net profit after non controlling interests	1,061	1,059	740	-30.1%	189	231	63	-72.7%
Exceptional items ¹⁾	55	55	115	109.9%	17	17	26	56.2%
EBITDA before exceptional items	3,186	3,398	3,274	-3.6%	758	813	803	-1.3%
EBITDA before exceptional items after leases		3,031	2,908	-4.1%		680	670	-1.5%

¹⁾ Mainly related to restructuring redundancy costs and legal cases

Note: 2018 proforma adjusted for 2019 IFRS 16 effects

HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2018	At 31 Dec 2019	% of change A19/A18
Intangible assets	2,539	2,334	-8.1%
Property, plant and equipment	6,218	6,390	2.8%
Non-current financial assets	1,312	388	-70.4%
Receivables	391	347	-11.2%
Lessee use rights to leased assets (IFRS 16)	0	709	-
Contract assets (IFRS 15)	58	51	-12.9%
Contract costs (IFRS 15)	81	98	20.6%
Deferred tax asset	94	129	36.3%
Total non-current assets	10,694	10,447	-2.3%
Inventories	136	158	16.8%
Assets held for sale	0	68	-
Receivables	1,549	1,519	-1.9%
Current financial assets	112	928	728.6%
Contract assets (IFRS 15)	146	231	57.9%
Contract costs (IFRS 15)	57	72	24.6%
Cash and cash equivalents	3,137	2,762	-11.9%
Prepayments and accrued income	201	141	-29.7%
Total current assets	5,337	5,880	10.2%
TOTAL ASSETS	16,031	16,327	1.8%
Subscribed share capital	9,823	10,245	4.3%
Reserves	562	565	0.5%
Revaluation reserves	-14	-10	-24.0%
Treasury shares	-71	-73	2.4%
Retained earnings	1,503	1,260	-16.2%
Net profit for the period	1,061	740	-30.3%
Non controlling interests	344	328	-4.6%
Total issued capital and reserves	13,208	13,054	-1.2%
Provisions	70	85	22.4%
Non-current liabilities	384	245	-36.1%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	0	465	-
Contract liabilities (IFRS 15)	0	0	-
Deferred tax liability	44	42	-3.4%
Total non-current liabilities	498	839	68.6%
Current liabilities	2,223	2,160	-2.8%
Contract liabilities (IFRS 15)	76	85	11.3%
Lessee lease liabilities due <= 1 year (IFRS 16)	0	183	-
Deferred income	14	6	-61.0%
Provisions for redundancy	13	0	-98.0%
Total current liabilities	2,326	2,434	4.7%
Total liabilities	2,823	3,273	15.9%
TOTAL EQUITY AND LIABILITIES	16,031	16,327	1.8%

HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	2018 reported	2018 adjusted	2019	% of change A19/A18 adjusted	Q4 2018 reported	Q4 2018 adjusted	Q4 2019	% of change A19/A18 adjusted
Profit before tax	1,293	1,284	900	-29.9%	239	278	69	-75.3%
Depreciation and amortization	1,730	1,921	2,147	11.8%	463	469	676	44.1%
Increase / decrease of current liabilities	-181	-181	-104	42.7%	74	74	84	12.3%
Increase / decrease of current receivables	11	11	51	343.1%	-54	-54	130	340.2%
Increase / decrease of inventories	-28	-28	-36	-25.7%	-9	-9	-8	18.7%
Other cash flow increases / decreases	-480	-480	-386	19.6%	-168	-168	-43	74.6%
Net cash inflow/outflow from operating activities	2,345	2,528	2,573	1.8%	545	590	908	54.0%
Proceeds from sale of non-current assets	38	38	41	7.4%	13	13	-46	-440.9%
Proceeds from sale of non-current financial assets	1	1	0	-100.0%	0	0	-11	-3110.8%
Interest received	8	8	10	26.9%	-2	-2	1	166.5%
Dividend received	0	0	0	-	0	0	0	-
Other cash inflows from investing activities	625	625	112	-82.1%	422	422	1	-99.7%
Total increase of cash flow from investing activities	672	672	163	-75.8%	434	434	-54	-112.4%
Purchase of non-current assets	-1,536	-1,536	-1,459	5.0%	-546	-546	-552	-1.0%
Purchase of non-current financial assets	0	0	0	-	0	0	113	-
Other cash outflows from investing activities	-504	-504	-29	94.1%	-110	-110	-29	73.2%
Total decrease of cash flow from investing activities	-2,040	-2,040	-1,489	27.0%	-656	-656	-469	28.6%
Net cash inflow/outflow from investing activities	-1,368	-1,368	-1,326	3.1%	-222	-222	-523	-135.9%
Total increase of cash flow from financing activities								
Repayment of loans and bonds	-58	-58	-66	-14.0%	-15	-15	-24	-54.3%
Dividends paid	-497	-497	-818	-64.6%	0	0	-1	-397.4%
Repayment of lease	-2	-277	-345	-24.3%	0	-138	-96	30.9%
Other cash outflows from financing activities	-435	-343	-395	-15.4%	-104	-12	-100	-764.4%
Total decrease in cash flow from financing activities	-992	-1,175	-1,625	-38.3%	-120	-165	-220	-33.1%
Net cash inflow/outflow from financing activities	-992	-1,175	-1,625	-38.3%	-120	-165	-220	-33.1%
Exchange gains/losses on cash and cash equivalents	0	0	3	1364.0%	0	0	0	-1508.7%
Cash and cash equivalents at the beginning of period	3,152	3,152	3,137	-0.5%	0	0	0	-98.8%
Net cash (outflow) / inflow	-15	-15	-374	-2324.4%	203	203	165	-18.6%
Cash and cash equivalents at the end of period	3,137	3,137	2,762	-11.9%	203	203	165	-18.6%

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Bloomberg: HT CZ

