



# **BUSINESS AND UNAUDITED FINANCIAL REVIEW JANUARY – JUNE 2020**

**INVESTOR PRESENTATION  
24 JULY 2020**



**LIFE IS FOR SHARING.**

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## BUSINESS HIGHLIGHTS

### BUSINESS DEVELOPMENTS

- Strong focus on the implementation of NGA and continued testing on 5G technology
- Two Ookla awards for the best mobile network (speed and coverage) for the second year
- Improved customer satisfaction
- The highest ever employee satisfaction in the history of the company with a new and improved Collective agreement

### REGULATORY DEVELOPMENTS

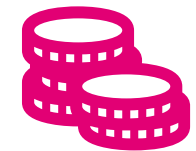
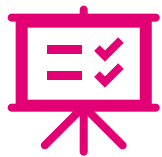
- Reduced fee for radiofrequency spectrum (coming into force 30 June 2020)
- HAKOM decided to move the assignment for frequency bands to H1 2021

### FINANCIALS

- Top line impacted by COVID-19 and seasonal effects
- Excluding one-off EvoTV transaction in 2019, EBITDA AL decreased by 3.7%
- CAPEX/Sales ratio at 23% sales
- Revised outlook for 2020

### CAPITAL ALLOCATION

- In March 2020 the MB adopted amendments to the provisions of the Share Buyback Program
- In H1 2020 HT bought back 355,198 own shares or 0.4% of total shares outstanding
- HRK 8.00 dividend confirmed, which represents a pay-out ratio of 90.2%

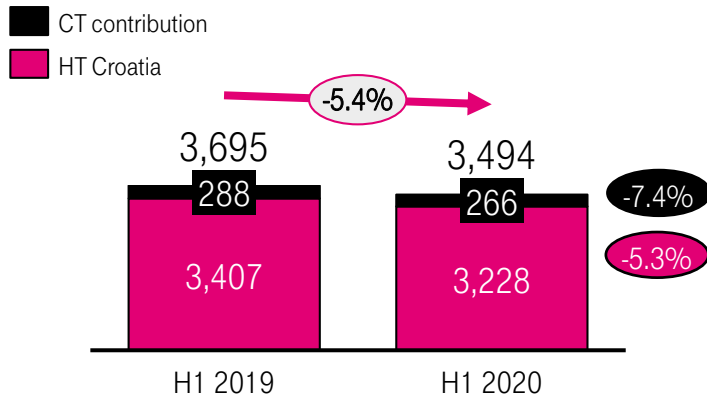




## POSITIVE EARLY 2020 DEVELOPMENTS IMPACTED BY COVID-19 AND SEASONAL EFFECTS

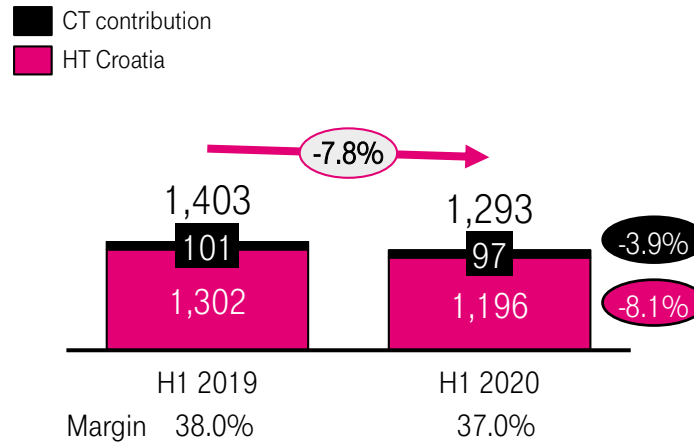
All in HRK million

### REVENUE



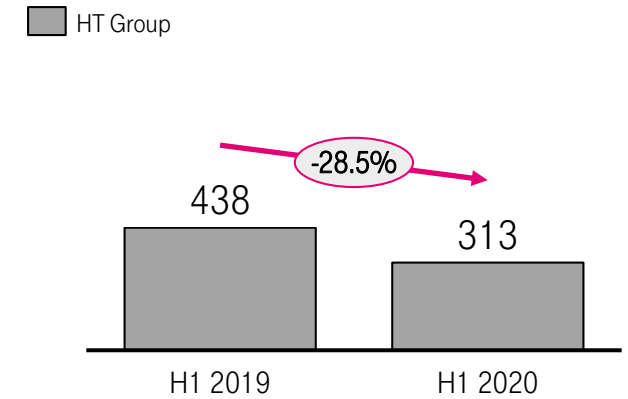
- Growth in postpaid, BB & TV was outweighed by decrease in revenues related to COVID-19 and seasonal effects
- CT revenue down, driven by lower fixed revenue (mostly due to decrease in residential voice), mobile (prepaid and visitors) and wholesale

### EBITDA AL<sup>1</sup>



- EBITDA AL down mainly due to EvoTV transaction in Q1 2019 and lower net revenue
- Excluding one-off EvoTV transaction in Q1 2019, EBITDA AL decreased by 3.7%

### NET PROFIT<sup>2</sup>



- Net profit decrease mainly due to EBITDA AL performance and higher exceptional items
- Higher exceptional items mainly resulting from personnel restructuring conducted in March 2020 (whereas in 2019 this took place in July)

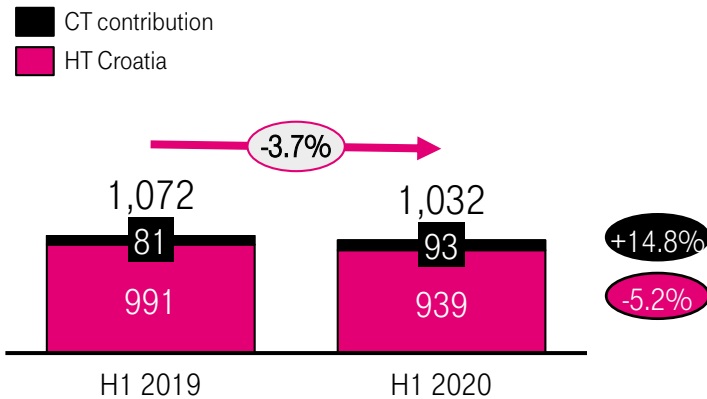
1. EBITDA before exceptional items after leases. Exceptional items mainly refer to restructuring redundancy costs and legal cases.

2. Net profit after non controlling interests.

## STRONG INVESTMENTS IN NETWORK AND CUSTOMER EXPERIENCE CONTINUE

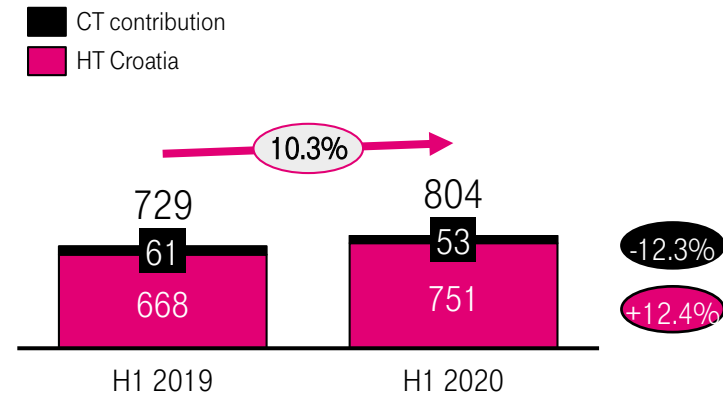
All in HRK million

### NET CASH FLOW FROM OPERATIONS



- Cash flow from operating activities decreased mainly due to lower profit and unfavourable working capital movements

### CAPEX AL

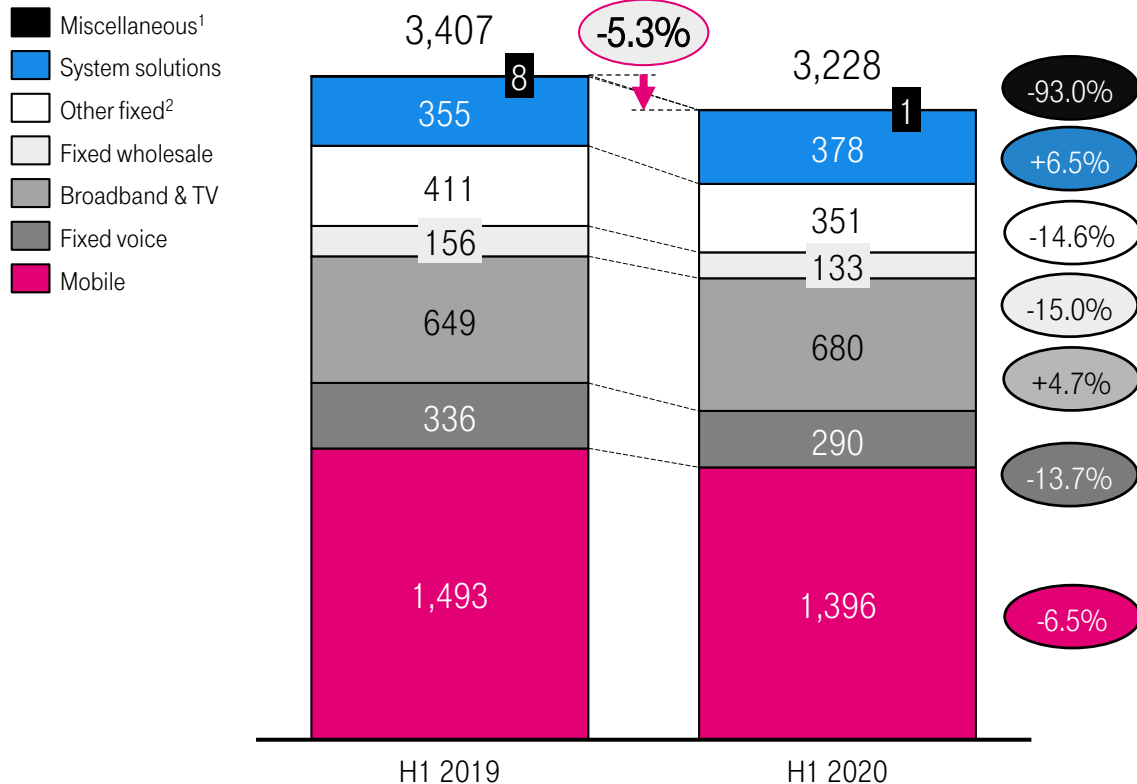


- Capex AL higher yoy driven by seasonality in content capitalization at HT Croatia
- CT capex lower on slowdown in investment in fixed access and LTE

## MOBILE DOWN DUE TO LOWER HANDSET AND VISITORS SALES WHILE BB & TV AND SYSTEM SOLUTIONS SHOWED GOOD PERFORMANCE

All in HRK million

### REVENUE BREAKDOWN



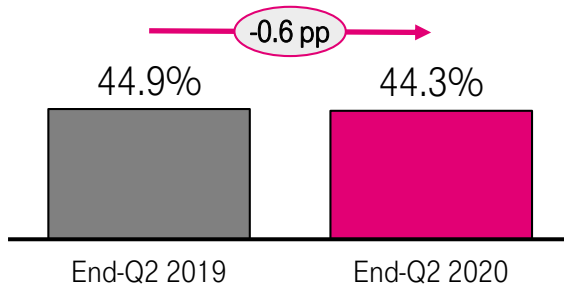
- **Mobile revenue** down, mainly driven by lower handset and visitors sales, partly compensated by strong postpaid
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** up; TV growth supported by higher Evo TV contribution (excluding Evo TV, revenue and ARPU is higher, while CB is lower), as well as broadband growth resulting from higher residential customer base and higher ARPU
- **Fixed wholesale revenue** down as a result of lower WS regulated prices (WACC decrease) and lower transit traffic in Iskon
- **Other fixed revenue** down, mainly driven by lower Optima contribution resulting from cancelation of bilateral telco relationship (mostly EBITDA neutral)
- **System solutions revenue** driven by growth in area of customized ICT solutions & standard ICT portfolio
- **Miscellaneous revenue** down due to E-tours contribution in 2019

<sup>1</sup> Other non telco services.

<sup>2</sup> Optima Telekom revenue included.

# MARKET AND TECHNOLOGY LEADERSHIP MAINTAINED; CONTINUED GROWTH OF POSTPAID ARPU AND CB

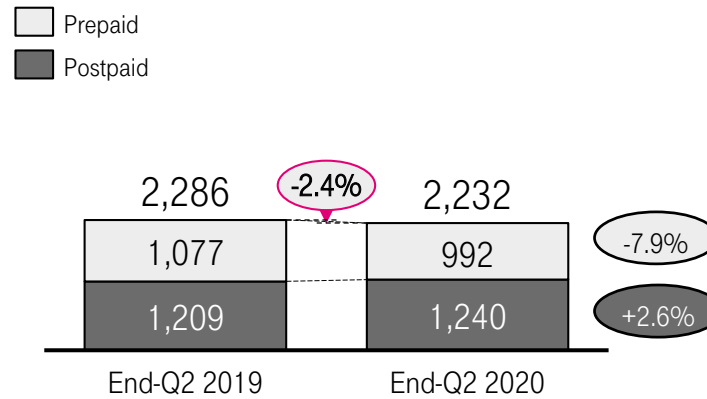
## HT MARKET SHARE BY SUBSCRIBERS<sup>1</sup>



- Stable mobile customer base and SIMs market share

Thousands

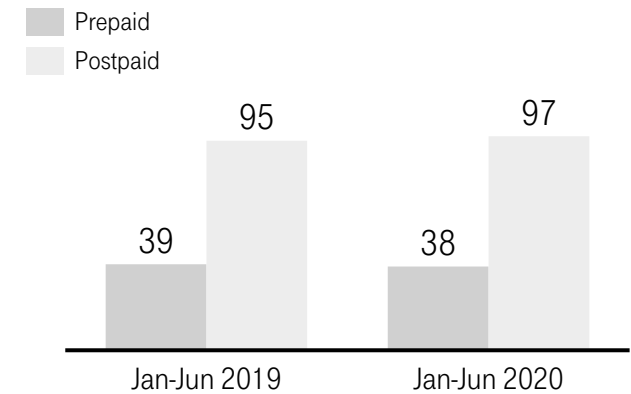
## NUMBER OF SUBSCRIBERS



- Increase in postpaid customers driven by attractive offers on tariffs and handsets as well as marketing campaigns in Bonbon brand's services
- Prepaid down due to overall decline of prepaid market and lower visitors

HRK/month

## ARPU



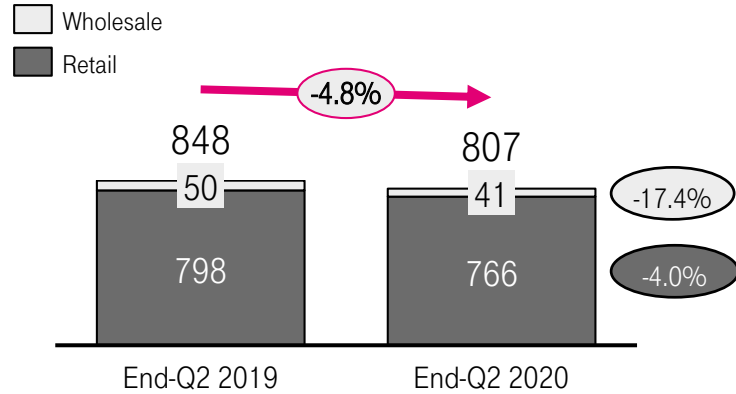
- Increase in postpaid ARPU as a result of successful pre- to post-migration and "more for more" customer base development activities

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“

# GROWTH OF RESIDENTIAL BROADBAND LINES AND TV CUSTOMERS, WHILE CONTRACTION OF FIXED MAIN LINES SLOWED

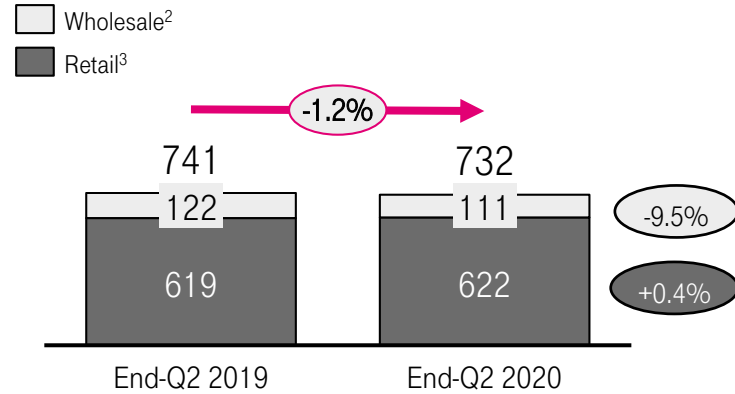
Thousands

NUMBER OF FIXED VOICE SERVICES<sup>1</sup>



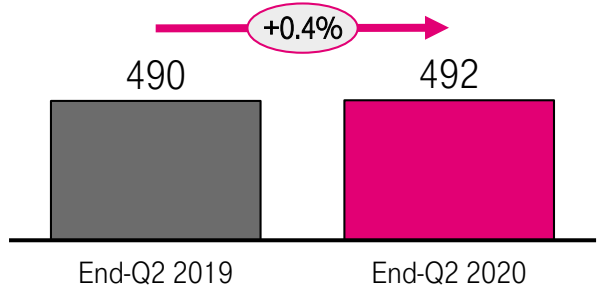
- Ongoing contraction of fixed main lines, but at a lower pace than previous quarters

NUMBER OF BROADBAND SERVICES



- Growth in residential BB base, offset by wholesale base losses as a result of migration to competitive infrastructure including FMS
- Broadband residential ARPU higher due to reduced focus on aggressively priced offers

NUMBER OF TV CUSTOMERS



- Growth in TV customers due to rise in overall customer base, but TV ARPU down by 1.6%

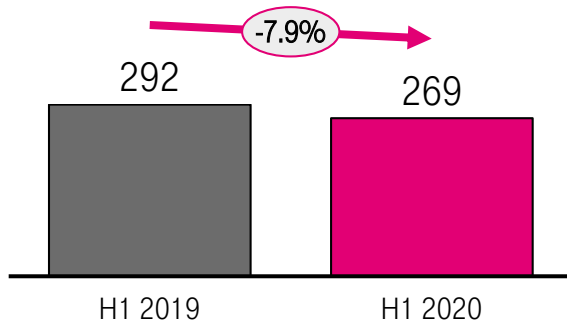
1 Includes PSTN, FGSM and old PSTN voice customers migrated to IP platform and Smart packages for business; payphones excluded  
 2 Includes Naked Bitstream + Bitstream  
 3 Includes ADSL,VDSL, FTTH,FTTB,FTTC



# REVENUE LOWER BUT EBITDA AL MARGIN INCREASED TO 36.1%

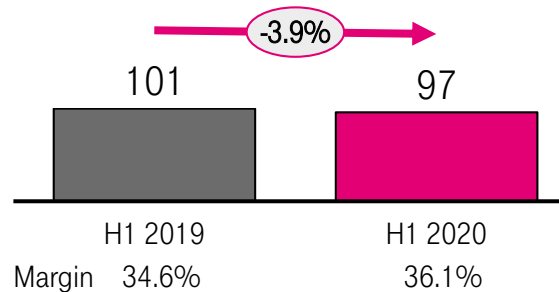
All in HRK million

## REVENUE



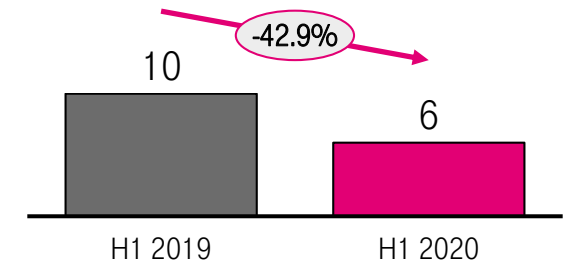
- Fixed revenue decreased mostly due to fall in retail voice revenue, while BB and TV revenue slightly increased
- Decrease in mobile revenues is a combination of lower prepaid and visitors while postpaid remained stable

## EBITDA AL<sup>1</sup>



- EBITDA AL decrease impacted by lower net revenue, partly offset by lower operating expenses
- EBITDA AL margin increased by 150 bp to 36.1%

## NET PROFIT<sup>2</sup>



- Positive effect from net financial result did not offset decrease in net profit, driven by lower EBITDA

1. EBITDA before exceptional items after leases

2. Net profit after non controlling interests

# REVENUE AMENDED TO LOWER, WHILE EBITDA AL MARGIN INCREASED

	2019 Results	"Previous" Outlook 2020	"Revised" Outlook 2020
REVENUE	HRK 7,704 million	Stable to slightly lower	Mid-to-high single digit decrease
EBITDA AL	Margin of 37.7%	Margin of around 38%	Margin of around 39%
CAPEX AL	HRK 1,900 million	Around HRK 1.7 billion	Around HRK 1.7 billion
REGIONAL EXPANSION	Completed purchase of EvoTV	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

# APPENDIX

# UNAUDITED FINANCIAL STATEMENTS



# HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million	H1 2019	H1 2020	% of change A20/A19
Mobile revenue	1,641	1,540	-6.1%
Fixed revenue	1,671	1,566	-6.3%
System solutions	376	388	3.2%
Miscellaneous	8	1	-93.0%
<b>Revenue</b>	<b>3,695</b>	<b>3,494</b>	<b>-5.4%</b>
Other operating income	100	48	-52.0%
<b>Total operating revenue</b>	<b>3,795</b>	<b>3,542</b>	<b>-6.7%</b>
<b>Operating expenses</b>	<b>2,267</b>	<b>2,108</b>	<b>-7.0%</b>
Material expenses	1,151	1,016	-11.8%
Employee benefits expenses	571	602	5.5%
Other expenses	552	481	-12.9%
Work performed by the Group and capitalised	-47	-35	26.2%
Write down of assets	40	44	9.8%
<b>EBITDA</b>	<b>1,528</b>	<b>1,434</b>	<b>-6.2%</b>
Depreciation and amortization	930	1,013	8.9%
<b>EBIT</b>	<b>598</b>	<b>421</b>	<b>-29.6%</b>
Financial income	14	44	214.8%
Income/loss from investment in joint ventures	-4	-7	-65.1%
Financial expenses	70	80	14.8%
<b>Profit before taxes</b>	<b>538</b>	<b>378</b>	<b>-29.8%</b>
Taxation	103	74	-28.4%
<b>Net profit</b>	<b>435</b>	<b>304</b>	<b>-30.1%</b>
Non controlling interests	-3	-9	-189.3%
<b>Net profit after non controlling interests</b>	<b>438</b>	<b>313</b>	<b>-28.5%</b>
Exceptional items <sup>1)</sup>	19	62	226.3%
<b>EBITDA before exceptional items</b>	<b>1,547</b>	<b>1,496</b>	<b>-3.3%</b>
<b>EBITDA before exceptional items after leases</b>	<b>1,403</b>	<b>1,293</b>	<b>-7.8%</b>

<sup>1)</sup> Mainly related to restructuring redundancy costs and legal cases

## HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2019	At 30 Jun 2020	% of change A20/A19
Intangible assets	2,335	2,254	-3.5%
Property, plant and equipment	6,390	6,469	1.2%
Non-current financial assets	388	382	-1.7%
Receivables	347	313	-10.0%
Lessee use rights to leased assets (IFRS 16)	709	717	1.1%
Contract assets (IFRS 15)	51	49	-4.7%
Contract costs (IFRS 15)	98	100	2.1%
Deferred tax asset	129	120	-6.6%
<b>Total non-current assets</b>	<b>10,447</b>	<b>10,403</b>	<b>-0.4%</b>
Inventories	158	157	-1.2%
Assets held for sale	68	0	-100.0%
Receivables	1,520	1,616	6.4%
Current financial assets	928	8	-99.1%
Contract assets (IFRS 15)	231	213	-7.7%
Contract costs (IFRS 15)	71	67	-5.3%
Cash and cash equivalents	2,762	3,669	32.8%
Prepayments and accrued income	142	113	-20.3%
<b>Total current assets</b>	<b>5,880</b>	<b>5,843</b>	<b>-0.6%</b>
<b>TOTAL ASSETS</b>	<b>16,327</b>	<b>16,246</b>	<b>-0.5%</b>

in HRK million	At 31 Dec 2019	At 30 Jun 2020	% of change A20/A19
Subscribed share capital	10,245	10,245	0.0%
Reserves	565	565	0.0%
Revaluation reserves	-10	0	98.9%
Treasury shares	-73	-133	-82.7%
Retained earnings	1,260	2,005	59.1%
Net profit for the period	740	313	-57.6%
Non controlling interests	328	323	-1.6%
<b>Total issued capital and reserves</b>	<b>13,054</b>	<b>13,317</b>	<b>2.0%</b>
Provisions	86	82	-4.0%
Non-current liabilities	246	211	-14.1%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	465	499	7.3%
Contract liabilities (IFRS 15)	0	0	-37.9%
Deferred tax liability	42	49	16.0%
<b>Total non-current liabilities</b>	<b>839</b>	<b>842</b>	<b>0.3%</b>
Current liabilities	2,161	1,844	-14.7%
Contract liabilities (IFRS 15)	85	81	-4.5%
Lessee lease liabilities due <= 1 year (IFRS 16)	183	156	-14.8%
Deferred income	5	5	5.3%
Provisions for redundancy	0	0	0.0%
<b>Total current liabilities</b>	<b>2,434</b>	<b>2,087</b>	<b>-14.3%</b>
<b>Total liabilities</b>	<b>3,273</b>	<b>2,928</b>	<b>-10.5%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,327</b>	<b>16,246</b>	<b>-0.5%</b>



## HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	H1 2019	H1 2020	% of change A20/A19
Profit before tax	538	378	-29.8%
Depreciation and amortization	930	1,013	8.9%
Increase / decrease of current liabilities	-107	-257	-141.0%
Increase / decrease of current receivables	-1	4	465.3%
Increase / decrease of inventories	-17	-2	87.2%
Other cash flow increases / decreases	-271	-103	62.0%
<b>Net cash inflow/outflow from operating activities</b>	<b>1,072</b>	<b>1,032</b>	<b>-3.7%</b>
Proceeds from sale of non-current assets	81	86	6.6%
Proceeds from sale of non-current financial assets	13	1	-95.3%
Interest received	7	5	-26.9%
Dividend received	0	0	-
Other cash inflows from investing activities	113	956	744.7%
<b>Total increase of cash flow from investing activities</b>	<b>214</b>	<b>1,048</b>	<b>390.5%</b>
Purchase of non-current assets	-562	-688	-22.3%
Purchase of non-current financial assets	-113	0	100.0%
Other cash outflows from investing activities	0	0	-
<b>Total decrease of cash flow from investing activities</b>	<b>-675</b>	<b>-688</b>	<b>-1.9%</b>
<b>Net cash inflow/outflow from investing activities</b>	<b>-461</b>	<b>361</b>	<b>178.2%</b>
<b>Total increase of cash flow from financing activities</b>			
Repayment of loans and bonds	-34	-58	-72.1%
Dividends paid	-810	0	100.0%
Repayment of lease	-166	-192	-15.6%
Other cash outflows from financing activities	-207	-232	-11.8%
<b>Total decrease in cash flow from financing activities</b>	<b>-1,217</b>	<b>-482</b>	<b>60.4%</b>
<b>Net cash inflow/outflow from financing activities</b>	<b>-1,217</b>	<b>-482</b>	<b>60.4%</b>
<b>Exchange gains/losses on cash and cash equivalents</b>	<b>-1</b>	<b>-4</b>	<b>-383.4%</b>
Cash and cash equivalents at the beginning of period	3,137	2,762	-11.9%
Net cash (outflow) / inflow	-606	907	249.6%
<b>Cash and cash equivalents at the end of period</b>	<b>2,530</b>	<b>3,669</b>	<b>45.0%</b>

# INVESTOR RELATION CONTACTS

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