

BUSINESS AND FINANCIAL REVIEW JANUARY – DECEMBER 2015

**ANALYST PRESENTATION
24 FEBRUARY 2016**



LIFE IS FOR SHARING.

DISCLAIMER

- These materials and the oral presentation do not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of the Company nor should they or any part of them or the fact of their distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto
- In particular, these materials and the oral presentation are not an offer of securities for sale in the United States. The Company's securities have not been, and will not be, registered under the US Securities Act of 1933, as amended
- The third party information contained herein has been obtained from sources believed by the Company to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated herein are complete and accurate and that the opinions and expectations contained herein are fair and reasonable, no representation or warranty, expressed or implied, is made by the Group or its advisors, with respect to the completeness or accuracy of any information and opinions contained herein
- These materials and the oral presentation contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the Group's Annual Report
- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an 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

1. SUMMARY



LIFE IS FOR SHARING.

HIGHLIGHTS JAN-DEC 2015

Financial

- 2015 delivery in line with Outlook; financial turnaround highly visible

- Further positive revenue and EBITDA development
 - Revenue up 0.2% to HRK 6,919 million
 - Excl. Optima Telekom, revenue down 2.0% vs 4.0% decline in 2014
 - EBITDA before exceptional items increasingly stable at HRK 2,783 million (-0,4%), even after increase in new regulatory driven costs
 - Excl. Optima Telekom, EBITDA before exceptional items down 2.2% vs 10.8% decline in 2014
 - EBITDA before exceptional items margin 40.2%

- Net profit at HRK 925 million, down 19.1% in the absence of tax deductible profit undertaken in 2014; excluding impact of tax deductible profit reinvestment, net profit down 3.0%

- Outlook 2016: “further revenue stabilisation” and “EBITDA margin before exceptionals again at around 40%”

- Dividend of HRK 6 per share proposed to be paid out of 2015 net profit
 - Minimum dividend of HRK 6 per share currently expected to be paid out of 2016 net profit

HIGHLIGHTS JAN-DEC 2015 (CONT'D)

Operational

- Leading market position across all areas of business maintained; transformation initiatives ongoing
 - Strong focus on customer satisfaction continues
 - HT launched several initiatives to stabilise both fixed and mobile market
 - Strategic program HORIZONT is delivering tangible results; new initiatives started
- Strong investment in mobile and fixed broadband networks
 - Ambitious EOY 2015 targets achieved:
 - Target 1) Household coverage in Next Generation Access (fixed Broadband >30Mbps) to reach around 50%; result: rose from 34% at EOY 2014 to 50% at EOY 2015
 - Target 2) 4G population coverage indoors to reach around 60%; result: rose from 45% at EOY 2014 to 65% at EOY 2015
 - In July HT was awarded “Best in test” certificate by independent and respected company P3 Communications for the highest speed mobile Internet and the best mobile network in Croatia
 - As a third operator in EU, in November 2015 HT migrated all of its customers and services to All IP network architecture; this enables HT to undertake further efficiencies including participation in PAN-NET project

FY 2015 OUTLOOK AND RESULTS

	Outlook (as of 29 Oct 2015)	Results delivered
Revenue	Revenue stabilisation	Up 0.2% 
EBITDA before exceptional items	Margin of around 40%	40.2% 
CAPEX	Around HRK 1,350 million	HRK 1,463 million 
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	

2. OVERVIEW 2015



TELECOM AND ICT MARKET IN CROATIA

Mobile

- At end Q4 2015 mobile SIM penetration rate at 113.2%; down 0.8pp yoy due mainly to decrease in customers with double SIM cards
- Consistent growth in contract customers
- Demand for mobile data accelerates; growth in mobile minutes slowed to 1.9% yoy in Jan-Sep 2015 while number of SMSs sent decreased by 8.7% in the same period

Fixed Voice

- Minutes of use decreased by 13.5% yoy in Jan-Sep 2015

Fixed Broadband and PayTV

- Growth trend in both markets continues
- Total fixed broadband market lines at 972k (end Q3 2015); +3% yoy
- Total PayTV customers: 750k (end Q3 2015); + 3% yoy
- Convergent and bundled offers are key market drivers

ICT

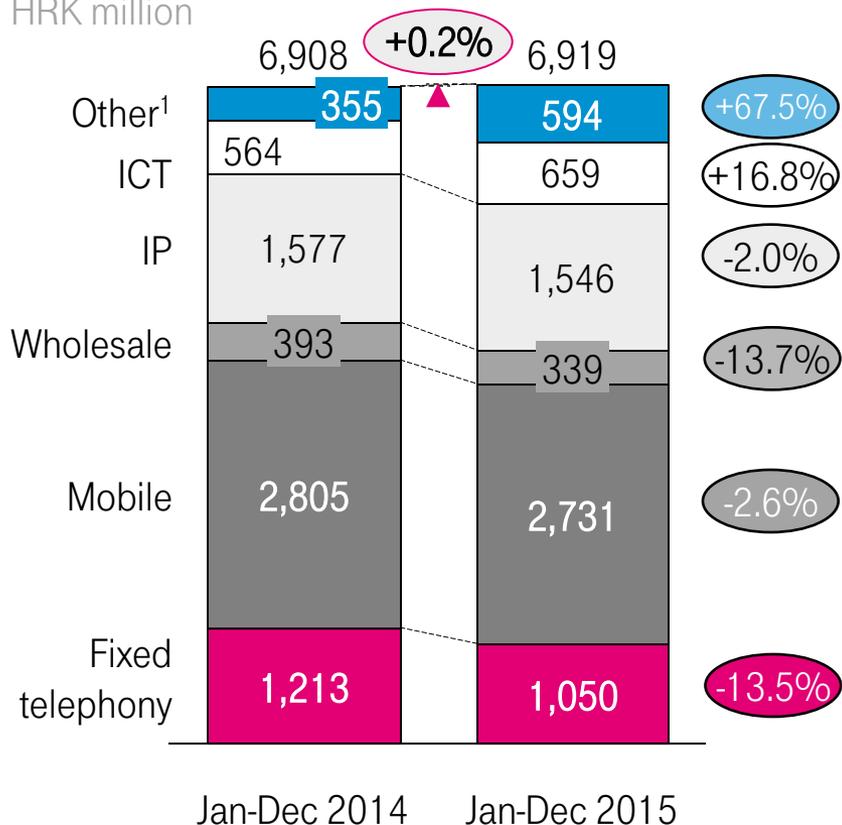
- Croatian ICT market is expected to grow by 2.9% in 2015, with all 3 segments growing (Packaged Software, IT services and Hardware)

Sources: Official competitor reports, NRA reports (HAKOM) and IDC Adriatics for ICT market. Q4 2015 figures for the whole market published by HAKOM are still outstanding.

REVENUE UP 0.2%, SUPPORTED BY OPTIMA TELEKOM CONSOLIDATION AND GROWTH IN ICT AND ENERGY

Revenue breakdown

HRK million



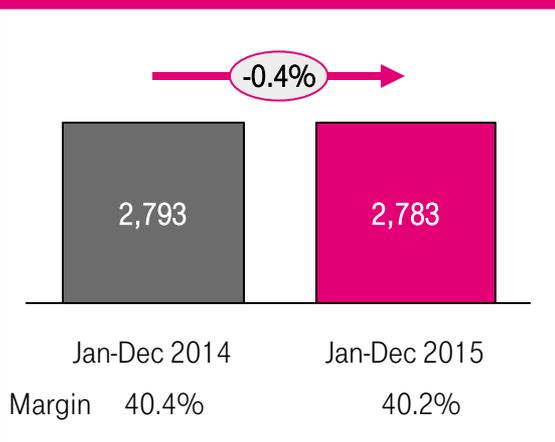
- **Fixed telephony down** due to fall in mainlines, traffic and ARPA
- **Mobile revenue under pressure** mostly from EU roaming regulation, cut in termination rates and flat rate tariff offers, offset by positive development in mobile data and terminal equipment revenues
- **Wholesale revenue decrease** mainly due to wholesale revenues from Optima now considered internal transactions so not recognised (around HRK 30 million quarterly), excluding impact of Optima, wholesale revenue slightly up; in addition, general prices and traffic declined, offset by de-regulation of certain non EU termination rates effective from 1 April 2015
- **IP:** lower broadband revenue offset by higher TV ARPU
- **16.8% growth in ICT** mainly in IP communications and ICT solutions as well as in cloud and managed services
- **Net revenue impact of Optima consolidation² totals HRK 296 million** (Jul-Dec 2014: HRK 149 million); excluding Optima, Group revenue decline of 2.0% (vs Jan-Dec 2014 decline of 4.0%)
- **Revenues from Energy at HRK 47 million** (2014: HRK 12 million)



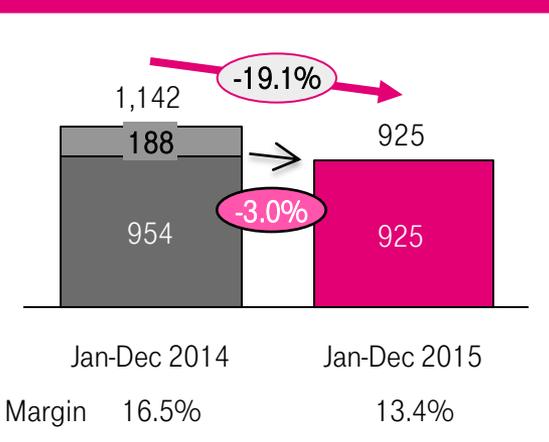
OPERATING CASH FLOW GROWING, EBITDA STABLE - BUT NET PROFIT DOWN BECAUSE OF HIGHER TAX OBLIGATION

All in HRK million, except where stated differently

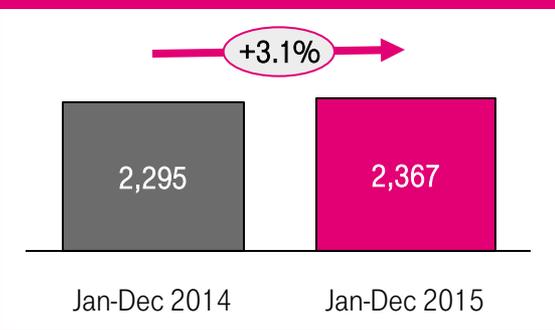
EBITDA before except. items¹



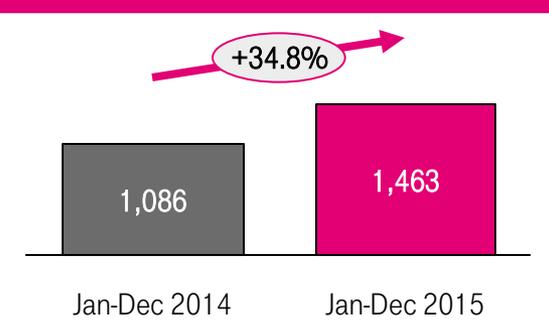
Net profit



Net cash flow from operations



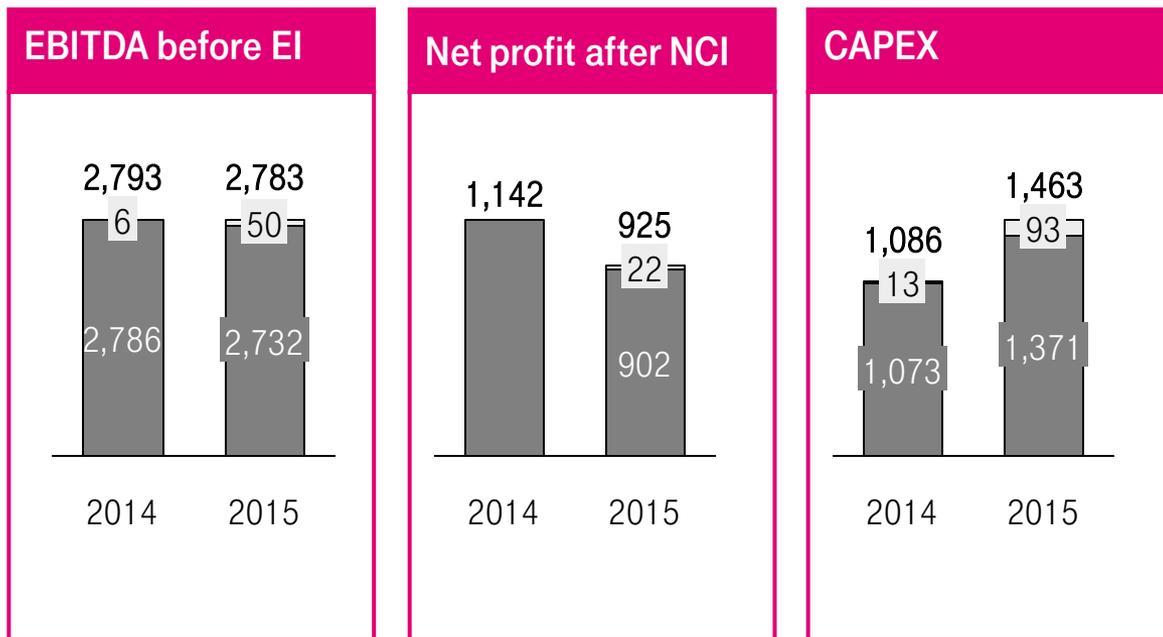
CAPEX



- EBITDA before exceptional items at **2.783 billion** supported by strong transformation initiatives and Optima consolidation
 - Excl. Optima Telekom², **EBITDA before exceptional items fell 2.2% vs 10.8%** decline in 2014
- Net profit 19.1% down** mainly due to higher depreciation and higher tax expense (as in 2014 HRK 940 million of net profit was “reinvested” and hence tax deductible) offset by lower exceptional items; **excl. profit reinvestment tax benefits of HRK 188 million, net profit down 3.0%**
- Net cash flow from operations up** mainly due to positive working capital movements and lower tax advances
- CAPEX higher** following significant investments in mobile and fixed broadband networks and IP transformation along with change in accounting policy

DISCLOSURE ON EFFECT OF VOLUNTARY CHANGE OF ACCOUNTING POLICY REGARDING ECI* COSTS

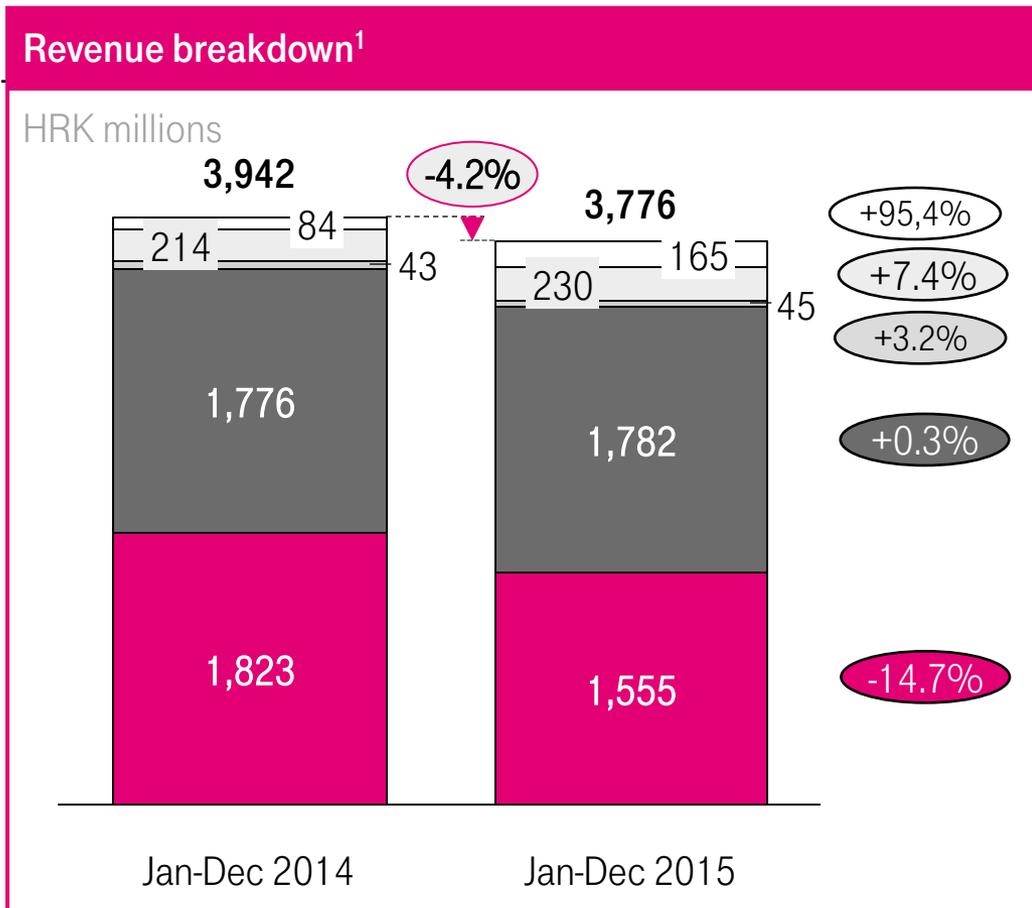
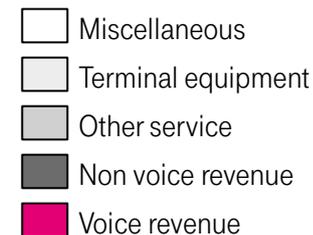
HRK millions



* Electronic Communication Infrastructure

- Due to regulatory requirements, **accounting policy regarding costs related to the Electronic Communication Infrastructure (ECI) was voluntarily changed in 2015**
- The change in accounting policy in 2015 resulted in:
 - EBITDA before EI rose by HRK 50 million (2014: HRK 6 million)
 - Net profit after NCI increased by HRK 22 million
 - CAPEX rose by HRK 93 million (2014: HRK 13 million)

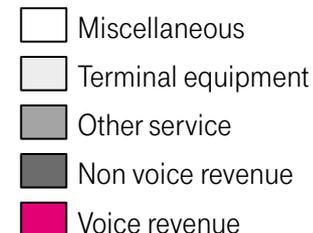
RESIDENTIAL SEGMENT REVENUE DOWN WITH MISCELLANEOUS REVENUE STRONGLY UP



- Revenue down 4.2% mainly as a result of:
 - **14.7% fall in voice revenue, in both fixed** (general usage trends) **and mobile** (EU roaming regulation, cut in termination rates and flat rate tariff offers)
 - **Non voice revenue stable** as higher mobile data compensated for a lower broadband revenue
- **Miscellaneous revenue up 95.4%** mainly as new spectrum fees were passed on to customers from July 2014 and energy revenues

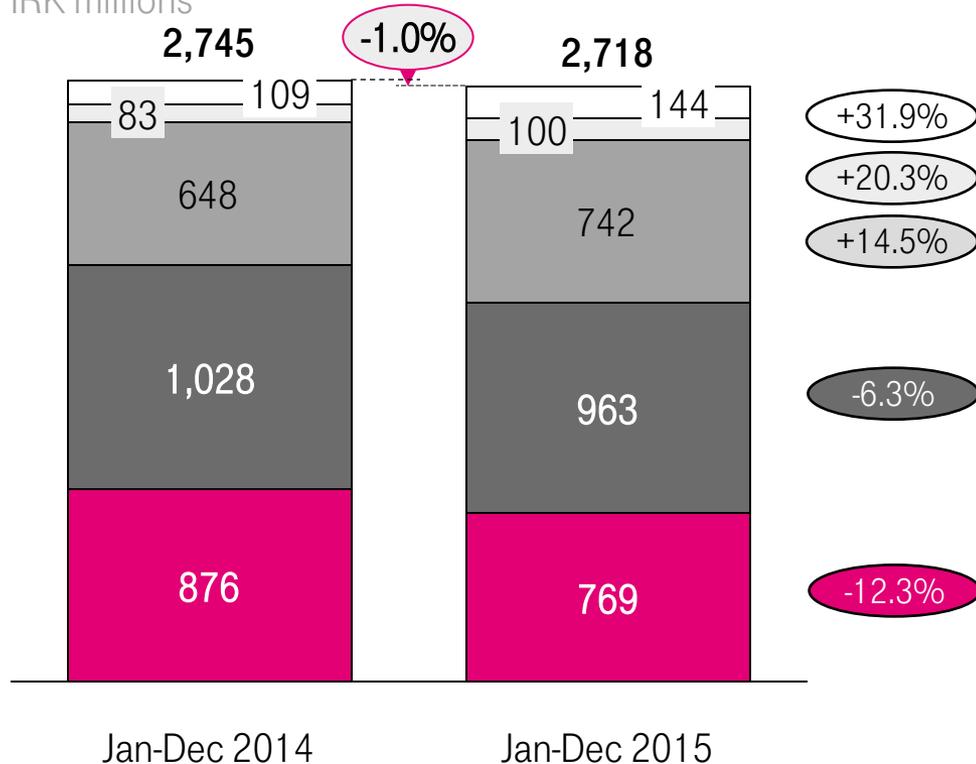
¹⁾ In 2015 revenue from dunning letters and default interests presented in Other service revenue, restatement from Miscellaneous (HRK -37 million) to Other service revenue (HRK +37 million) was made for 2014

FALL IN VOICE AND NON VOICE REVENUE OFFSET MAINLY BY STRONG ICT PERFORMANCE



Revenue breakdown¹

HRK millions



- Revenue down 1.0% vs decrease of 10.0% in 2014, mainly as a result of:
 - Voice revenue 12.3% lower** with contribution from both, mobile and fixed
 - Non voice revenue decreased 6.3%**, mainly following significantly lower wholesale revenue (general decrease in prices and traffic and absence of revenues from Optima after consolidation as of Q3 2014)
 - Other revenue, mainly driven by ICT, up 14.5%**
 - Growth achieved also in Terminal equipment** (mobile) and **Miscellaneous** (energy and increased prices in mobile)



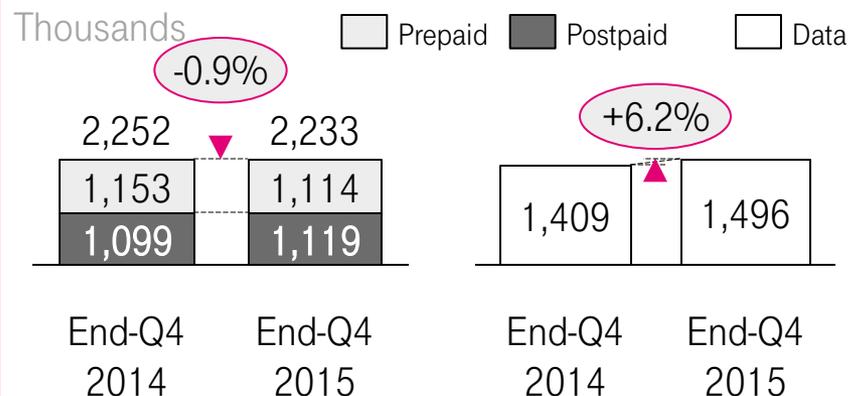
¹In 2015 revenue from dunning letters and default interests presented in Other service revenue, restatement from Miscellaneous (HRK -26 million) to Other service revenue (HRK +26 million) was made for 2014

CONTINUED FOCUS ON MOBILE DATA BUNDLES AND CUSTOMER EXPERIENCE; SPEEDS OFFERED UP TO 225 MBPS

HT market share by subscribers¹

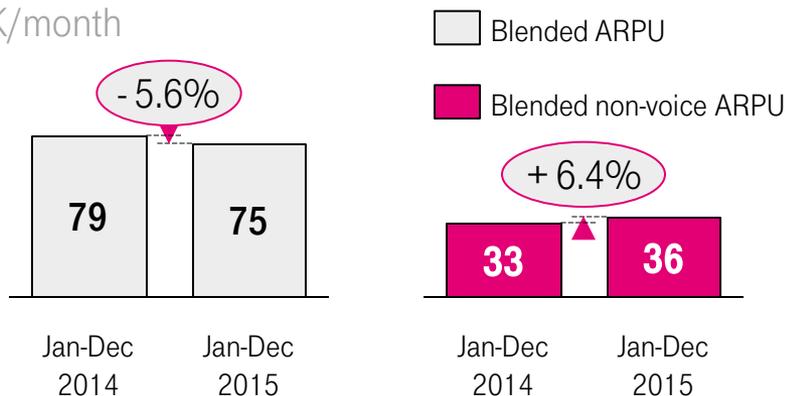


Number of subscribers



ARPU²

HRK/month

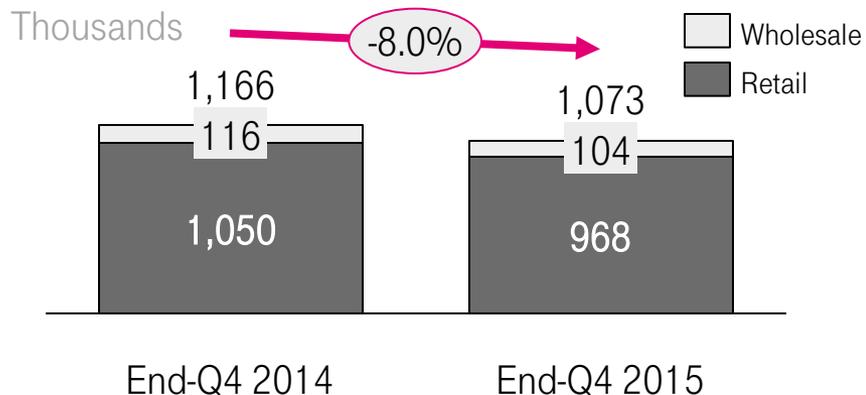


- **Average MOU** (minutes of use) up 3.8% to 195
- **Smartphone proportion** of total handset sales at 79% in postpaid segment (Jan-Dec 2014: 73%); **HT smartphone penetration 51%**
- **HT's 4G network** reached 65% and its **3G network** achieved 77% **population coverage indoors**
- **Acquired spectrum** enabled download speed in mobile network of up to 225 Mbps in some urban areas

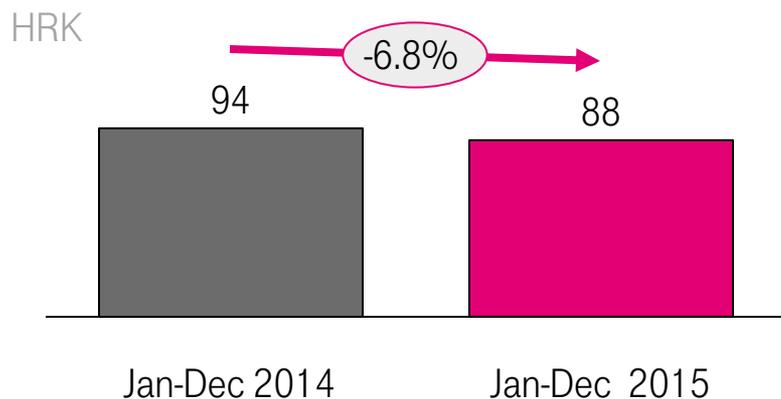


NUMBER OF FIXED LINES AND ARPA DECLINE; MARKETING INITIATIVES CONTINUE

Number of mainlines¹

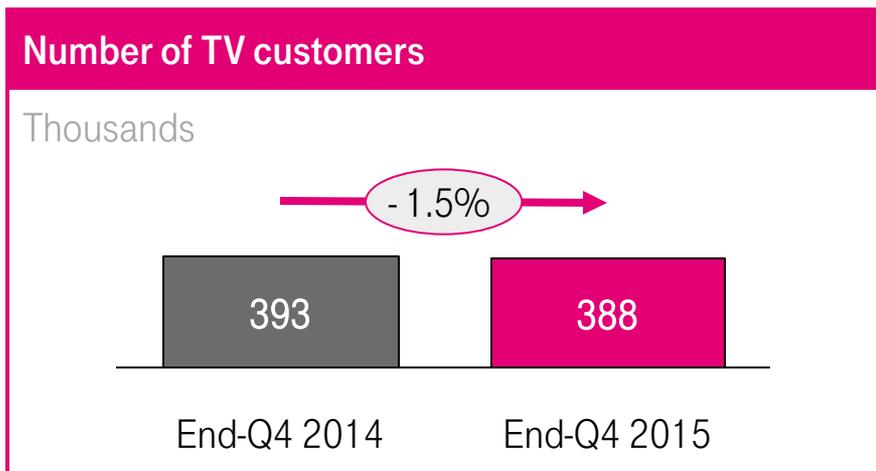
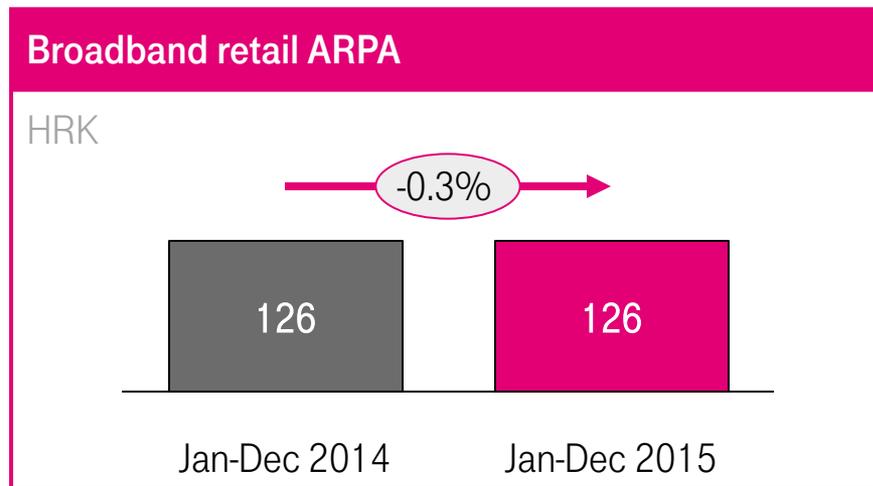
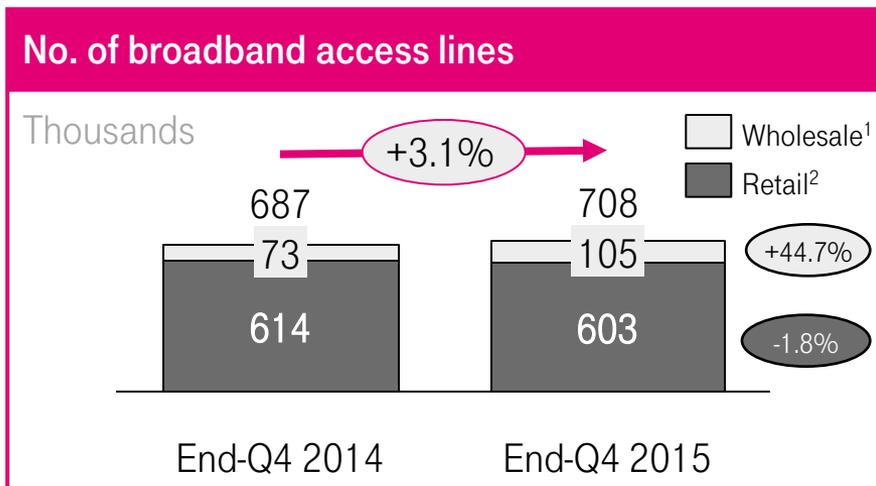


ARPA²



- Retail mainlines continue decline at rate seen in Jan-Dec 2014
- Continued proactive and reactive churn prevention offers and activities
 - Phone connection for HRK 1 with 24 MCD accompanied by new attractive fixed line tariffs
 - Double and Triple play offers

BROADBAND LINES CONTINUE TO SHOW GROWTH



- **Exclusive TV content:** Pickbox, MAX Auto Moto GP (Formula One) and HBO premium TV packages
- Marketing activities include **promotion of TV DTH and mobile offerings**
- **TV content repackaging** and **addressing low-end TV segment** underway

3. OUTLOOK & DIVIDEND 2016



STRATEGIC PRIORITIES OUTLINED TWO YEARS AGO HAVE NOW BEEN DELIVERED; FURTHER INITIATIVES UNDERWAY IN 2016

2014: Build credibility

- Deliver results ✓
- Reorganize ✓
- Deliver projects ✓

2014 RESULTS

2015: Focus on customers

- Transform CX ✓
- Drive market ✓
- Invest in network ✓
- Reenergize organization ✓

2015 RESULTS &
2015 CAPITAL MARKETS DAY

2016+: Grow topline

- Stabilize core & non-core growth (organically/ M&A)
- Business model adjustments
- Efficiency measures and CX Improvements

GROUP FOCUS TODAY

HT EXTREMELY WELL PLACED TO LEVERAGE ITS KNOW-HOW, TECHNOLOGY LEADERSHIP AND CUSTOMER BASE

Key core & non core growth areas*

ICT

- HT outperforming market for many years
- Internet of Things: Dubrovnik Smart city

MOBILE DATA

- Solid revenue growth
- Portfolio set to capture future traffic increase

ENERGY

- Focused approach delivered strong growth
- Competitive advantages and good strategic fit

Core stabilisation

NEW PROPOSITIONS TO THE MARKET

- HT aims to leverage its leading market share in terms of household spending
- Selection of services, simplicity & premium customer care to strengthen customer loyalty

MULTIBRANDING

- HT already has easily recognizable brands and reputation for superior quality
- All market segments to be addressed with comprehensive Group brand / product strategy

TWO KEY BUSINESS MODEL AMENDMENTS UNDERWAY THAT WILL FURTHER STRENGTHEN HT'S MARKET POSITION

Changes in wholesale prices

- In December 2015 the Regulator approved higher ULL monthly fees (which may also lead to fee increase in NBSA), in alignment with "cost oriented prices" principle; new fees would be applied not earlier than 1 Jan 2017
- This would enable HT to protect its investment in infrastructure / network and increase the value of the total telecom market

Participation in PAN-NET

- From a global perspective, PAN-NET – or Pan-European network – is a "frontrunner" concept aimed at increasing the competitiveness and efficiency of all companies across the DT Group, including HT, through group-wide cooperation
- Benefits for HT: fast time-to-market, differentiation via best in class service portfolio, radically simplified CX and easy to partner (with OTT partners, for example)

EFFICIENCY REMAINS PRIORITY; CX IS KEY FOCUS OF CONTINUED INTENSIVE INVESTMENT IN NETWORK

Efficiency

HEADCOUNT REDUCTION

- Workforce rationalization continues in face of continued challenging environment
- Approximately 220 employee reduction program underway

CONSTANT COST DISCIPLINE

- Tangible results so far following range of different initiatives
- In 2016 Horizont umbrella project has been expanded with several new initiatives

Network investments

MOBILE BROADBAND

- Continuous mobile BB deployment will result in increased coverage and higher speeds
- HT has successfully tested voice over LTE (VoLTE) in lab environment

FIXED BROADBAND

- Group aims to increase NGA coverage by smart fiber rollout and by enhancing copper performance
- Key investment conditions related to fibre deployment agreed with the Regulator

GROUP 2016 OUTLOOK

	2015 Results	Outlook 2016 vs 2015
Revenue	HRK 6,919 million	Within range 0% – (-2%)
EBITDA before exceptional items	Margin of 40.2%	Margin of around 40%
CAPEX	HRK 1,463 million	Moderately lower but above HT's long term average of approximately HRK 1.1 billion
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

DIVIDEND 2016

Current Dividend Policy, Prospectus 2007

“The future dividend policy... shall range from 50% to 100% of the Company’s distributable profits... and shall depend on the overall financial position of the Company and its working capital needs... and other factors ...”

Dividend Policy Addition from CMD in November 2015

HT will in the future, at the beginning of the year, announce a minimum target dividend for each year, within the policy range, in recognition of investors' longer term perspective
– In Feb 2016 expected minimum dividend from full year 2016 profit to be announced

Dividend Expectation for year 2016

HT currently expects to pay out a minimum dividend of HRK 6 per share

APPENDIX I

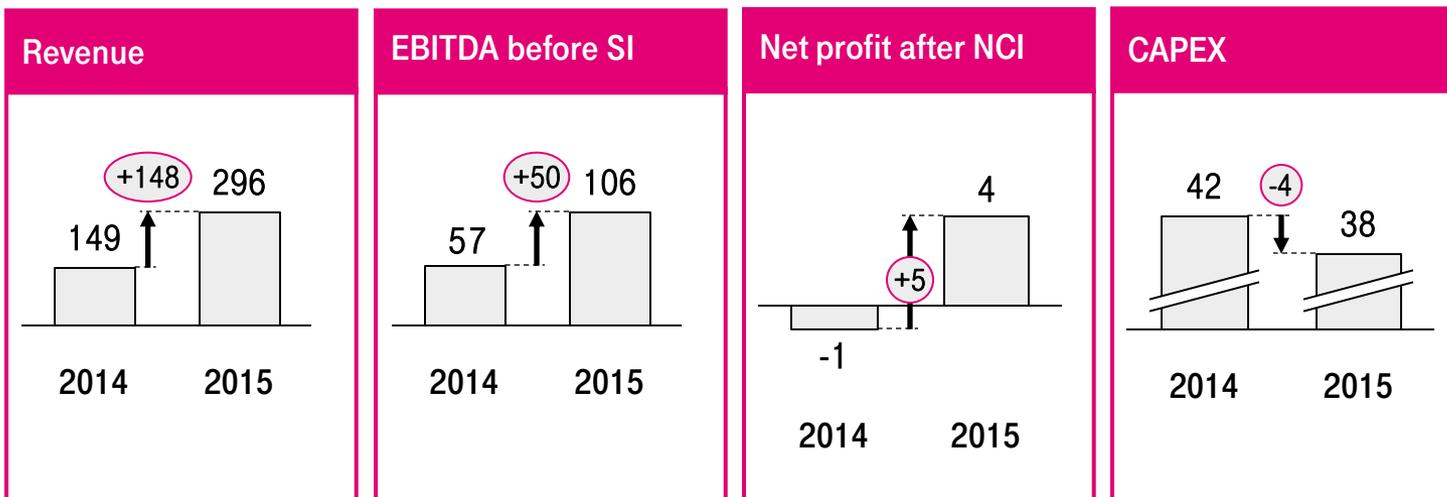


LIFE IS FOR SHARING.

BEING CONSOLIDATED FROM 1 JULY 2014, OPTIMA TELEKOM IMPACTS DIFFERENTLY HT GROUP ACCOUNTS 2014 & 2015

HRK millions

OPTIMA TELEKOM NET CONTRIBUTION TO HT GROUP BY RESPECTIVE KPI



Note: Consolidation of Optima Telekom financial figures has been started since July 1st 2014, respectively Optima Telekom contribution in 2014 includes six months period result, while in 2015 includes result for twelve months.



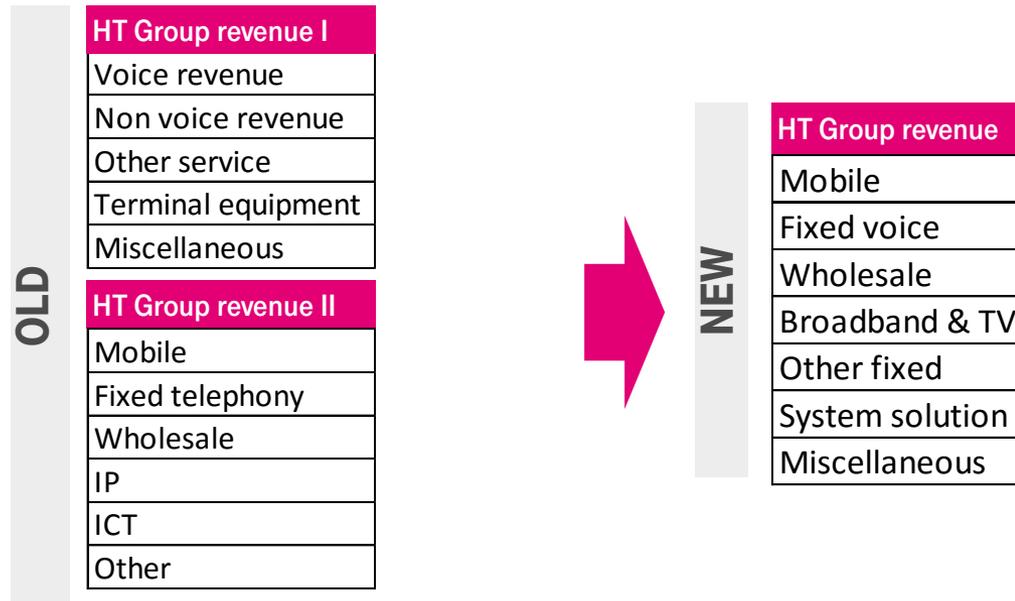
APPENDIX II



LIFE IS FOR SHARING.

ANNOUNCEMENT OF CHANGES IN REPORTED REVENUE STRUCTURE TO BE INTRODUCED AS OF Q1 2016

- Change to reported revenue structure in Q1 2016 will be introduced to facilitate less complex and more unified reporting
 - As a reflection of technological advances, new revenue structure will be focused on service types, independently of technology used in providing the service (e.g. voice service provided over IP technology was disclosed as internet revenue while other voice services were shown under fixed telephony revenue)
 - New revenue structure will be more in line with the revenue structure used in peer reporting, ensuring comparison of overall trends reported publicly



- Historical periods will be restated to allow „like for like” comparison

APPENDIX III



LIFE IS FOR SHARING.

CONSOLIDATED INCOME STATEMENT

HRK million

in HRK million	2014	2015	% of change 15/14
Mobile	2,805	2,731	-2.6%
Fixed telephony	1,213	1,050	-13.5%
Wholesale	393	339	-13.7%
IP Revenue	1,577	1,546	-2.0%
Data	83	84	0.5%
ICT	564	659	16.8%
Miscellaneous	255	455	78.4%
Energy	12	47	301.6%
Other non telco services	5	9	77.4%
Revenue	6,908	6,919	0.2%
Other operating income	124	98	-21.2%
Total operating revenue	7,032	7,017	-0.2%
Operating expenses	4,391	4,326	-1.5%
Material expenses	1,947	1,982	1.8%
Employee benefits expenses	1,128	1,023	-9.3%
Other expenses ¹⁾	1,311	1,342	2.4%
Work performed by the Group and capitalised	-90	-88	1.7%
Write down of assets	95	67	-29.7%
EBITDA	2,641	2,691	1.9%
Depreciation and amortization ¹⁾	1,416	1,492	5.4%
EBIT	1,225	1,199	-2.2%
Financial income	36	53	49.4%
Income/loss from investment in joint ventures	14	4	-72.6%
Financial expenses ¹⁾	89	88	-1.6%
Profit before taxes	1,185	1,168	-1.5%
Taxation	47	227	379.6%
Net profit	1,138	941	-17.3%
Non controlling interests	-4	16	468.0%
Net profit after non controlling interests	1,142	925	-19.1%
Exceptional items ²⁾	152	91	-39.8%
EBITDA before exceptional items	2,793	2,783	-0.4%

1) Other expenses, Depreciation and amortization, as well as Financial expenses are restated for 2014 due to voluntary change of accounting policy related to Electronic Communication Infrastructure (ECI) costs in 2015

2) Related to redundancy restructuring costs. In 2014, special influence in addition included transformation consultancy costs.



CONSOLIDATED BALANCE SHEET

HRK million

in HRK million	At 31 Dec 2014	At 31 Dec 2015	% of change 15/14
Intangible assets ¹⁾	1,722	1,651	-4.1%
Property, plant and equipment	5,577	5,616	0.7%
Non-current financial assets	735	1,033	40.6%
Receivables	121	98	-18.9%
Deferred tax asset	51	46	-9.3%
Total non-current assets	8,206	8,443	2.9%
Inventories	115	104	-9.5%
Receivables	1,525	1,215	-20.3%
Current financial assets	1,539	869	-43.5%
Cash and cash equivalents	2,192	3,175	44.8%
Prepayments and accrued income	264	272	3.0%
Total current assets	5,635	5,636	0.0%
TOTAL ASSETS	13,841	14,079	1.7%
Subscribed share capital	8,883	9,823	10.6%
Reserves	409	445	8.6%
Revaluation reserves	2	4	100.8%
Retained earnings	673	268	-60.1%
Net profit for the period	1,142	925	-19.1%
Non controlling interests ¹⁾	166	177	6.4%
Total issued capital and reserves	11,276	11,641	3.2%
Provisions	71	68	-4.2%
Non-current liabilities ¹⁾	533	443	-16.9%
Deferred tax liability	50	45	-10.7%
Total non-current liabilities	654	556	-15.1%
Current liabilities ¹⁾	1,764	1,775	0.7%
Deferred income	111	103	-7.4%
Provisions for redundancy	35	4	-88.3%
Total current liabilities	1,910	1,882	-1.5%
Total liabilities	2,564	2,438	-4.9%
TOTAL EQUITY AND LIABILITIES	13,841	14,079	1.7%

¹⁾ Intangible assets, Non controlling interests, Non-current and Current liabilities are restated for 2014 due to voluntary change of accounting policy related to Electronic Communication Infrastructure (ECI) costs in 2015 and reclassification coming from Optima Telekom restatement of balance sheet for 2014



LIFE IS FOR SHARING.

CONSOLIDATED CASH FLOW STATEMENT

HRK million

in HRK million	2014	2015	% of change 15/14
Profit before tax	1,185	1,168	-1.5%
Depreciation and amortization	1,416	1,492	5.4%
Increase / decrease of current liabilities	159	13	-91.7%
Increase / decrease of current receivables	-98	-6	93.9%
Increase / decrease of inventories	1	11	737.0%
Other cash flow increases / decreases	-368	-312	15.2%
Net cash inflow/outflow from operating activities	2,295	2,367	3.1%
Proceeds from sale of non-current assets	13	25	94.3%
Proceeds from sale of non-current financial assets	3	2	-44.2%
Interest received	16	18	14.6%
Dividend received	17	0	-100.0%
Other cash inflows from investing activities	1,585	2,411	52.1%
Total increase of cash flow from investing activities	1,633	2,455	50.3%
Purchase of non-current assets	-939	-990	-5.4%
Purchase of non-current financial assets	-243	-384	-58.1%
Other cash outflows from investing activities	-1,670	-1,639	1.8%
Total decrease of cash flow from investing activities	-2,852	-3,012	-5.6%
Net cash inflow/outflow from investing activities	-1,218	-557	54.3%
Total increase of cash flow from financing activities	0	0	.
Repayment of loans and bonds	-16	-43	-161.2%
Dividends paid	-736	-573	22.1%
Repayment of finance lease	-7	-4	37.6%
Other cash outflows from financing activities	-171	-212	-24.0%
Total decrease in cash flow from financing activities	-930	-832	10.5%
Net cash inflow/outflow from financing activities	-930	-832	10.5%
Exchange gains/losses on cash and cash equivalents	6	5	-7.7%
Cash and cash equivalents at the beginning of period	2,039	2,192	7.5%
Net cash (outflow) / inflow	152	983	544.7%
Cash and cash equivalents at the end of period	2,192	3,175	44.8%

Note: 2014 Cash flow restated, changes were made on Net cash inflow/ outflow from operating activities and Net cash inflow/ outflow from financing activities due to voluntary change of accounting policy related to Electronic Communication Infrastructure (ECI) costs in 2015



LIFE IS FOR SHARING.

INVESTOR RELATIONS CONTACTS

- Marina Bengez Sedmak

- Elvis Knežević

Tel: + 385 1 4911 114

- e-mail: ir@t.ht.hr

- www.t.ht.hr/eng/investors/

Zagreb Stock Exchange Share trading symbol: HT-R-A

Reuters: HT.ZA

Bloomberg: HTRA CZ

