

BUSINESS AND FINANCIAL REVIEW

JANUARY – MARCH 2017

ANALYST PRESENTATION
28 APRIL 2017



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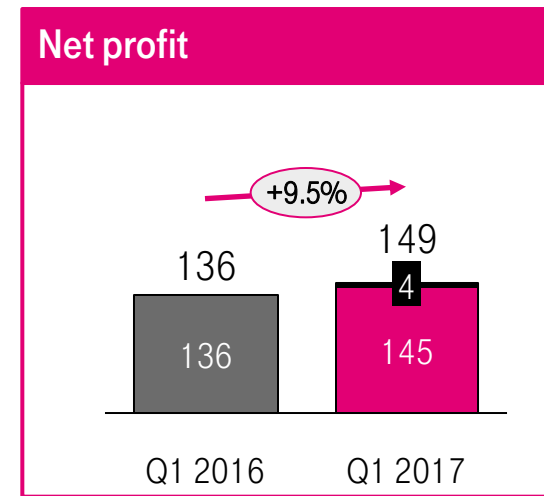
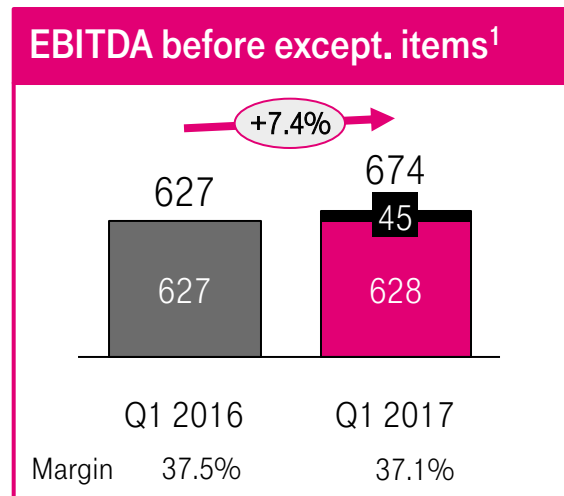
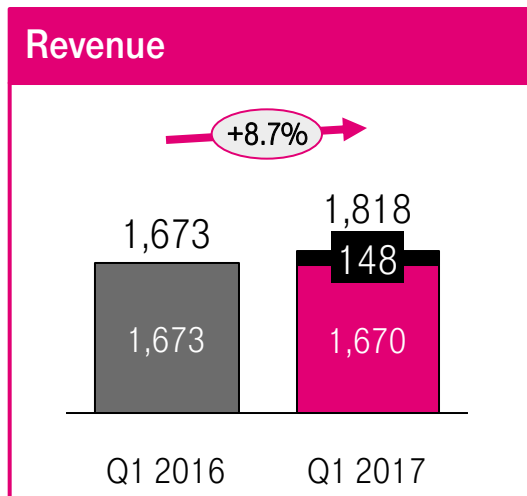
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GOOD Q1 RESULTS WITH HIGHER REVENUE, EBITDA AND NET PROFIT

All in HRK million

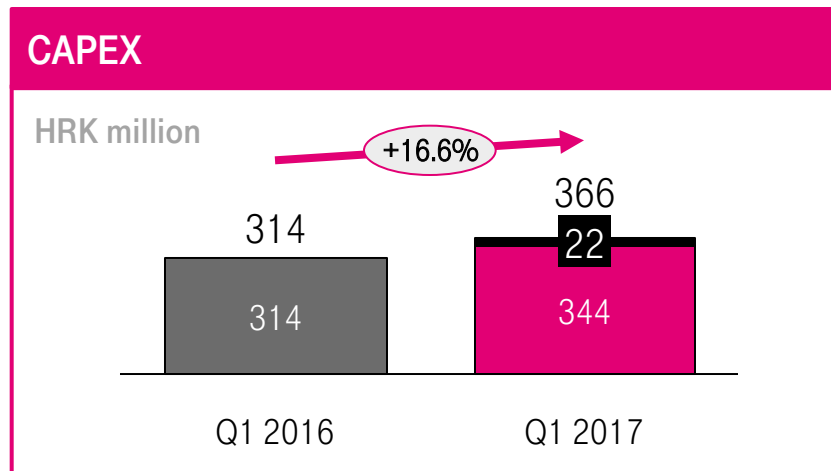
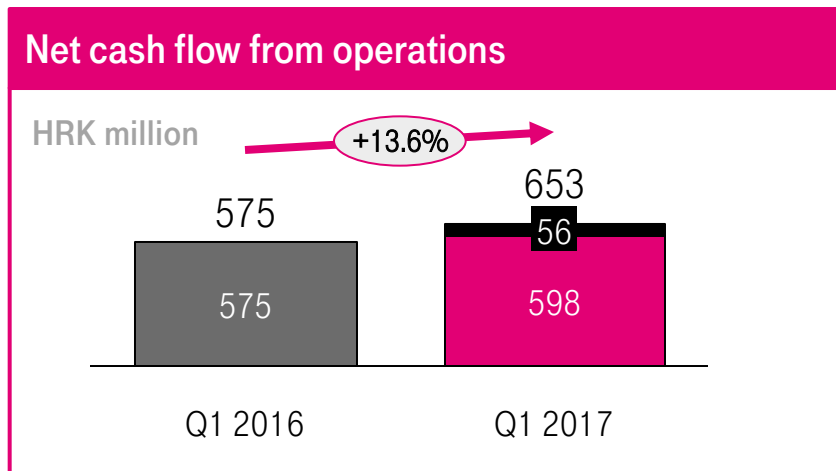
■ Segment CT consol.
■ HT Croatia



- Consolidation of Crnogorski Telekom (CT) as of 1 January 2017 positively impacted Group's financial results in Q1 2017:
 - Revenue up 8.7% to HRK 1,818 million
 - Encouraging trends in HT Croatia in mobile, broadband & TV continue
 - Crnogorski Telekom revenue remained under pressure
 - EBITDA before exceptional items up 7.4% to HRK 674 million; despite continued successful transformation, consolidation of CT, the absence of sale of certain real estates from Q1 2016 and increased cost associated with energy business impacted the margin
 - Net profit up 9.5% to HRK 149 million mainly due to lower redundancy costs in HT Croatia
- Updated Outlook 2017: "revenue around 10% higher", "EBITDA margin before exceptionals maintained at around 40%" and „CAPEX slightly lower"

OPERATING CASH FLOW INCREASES; STRONG INVESTMENT IN NETWORK CONTINUES

Segment CT consol.
 HT Croatia

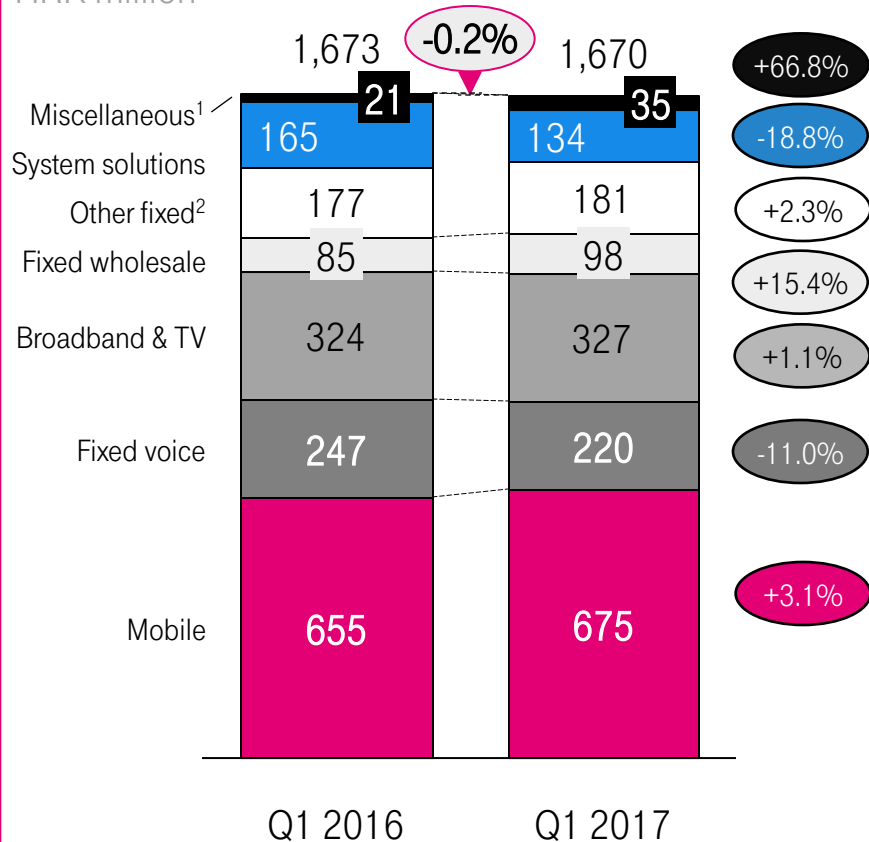


- Cash flow from operating activities up 13.6% due to consolidation of Crnogorski Telekom and improved working capital management in HT Croatia
- CAPEX up following consolidation of Crnogorski Telekom and significant investment in mobile and fixed broadband network by HT Croatia, as well as increase in capitalisation of contracts for TV content

MOMENTUM IN MOBILE, BROADBAND & TV CONTINUES; REVENUE STABLE DESPITE FEWER PROJECTS CLOSING IN SYSTEM SOLUTIONS

Revenue breakdown

HRK million



- **Mobile revenue** up largely from higher postpaid revenue, data revenue and low margin handsets sales
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** up: broadband revenue stable while TV revenue showed slight growth following rise in customer base
- **Fixed wholesale revenue** up due to higher infrastructure revenue, higher transit and national hubbing traffic
- **Other fixed revenue** slightly up; Optima Telekom revenue stable
- **System solutions** down following unfavourable yearly project dynamics vs last year
- **Miscellaneous revenue** boosted by development in **Energy revenue**: Q1 2017 at HRK 33 million vs Q1 2016 at HRK 19 million

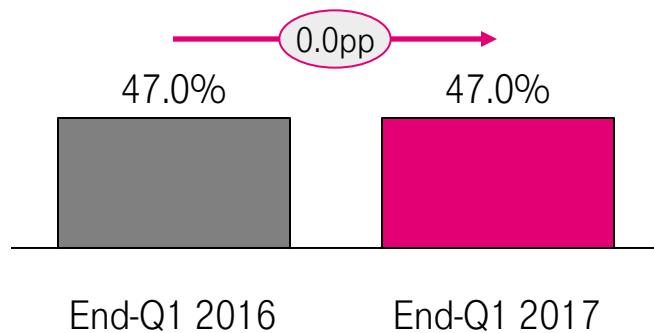


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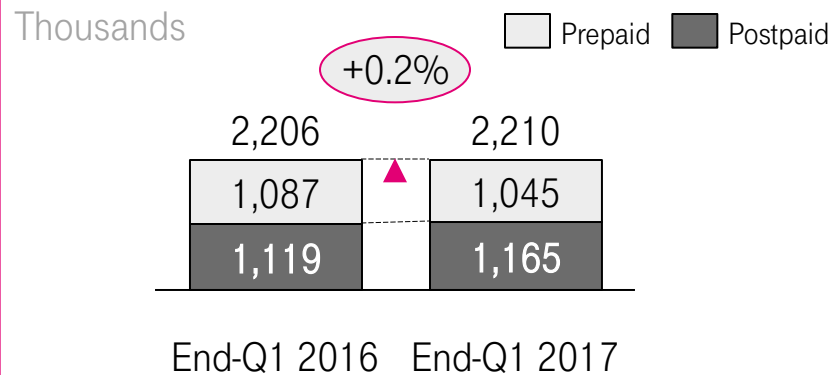
1 Energy and Other non telco services.
2 Optima Telekom revenue included.

CONTINUED FOCUS ON MOBILE DATA BUNDLES AND CUSTOMER EXPERIENCE; SPEEDS OFFERED UP TO 262 MBPS

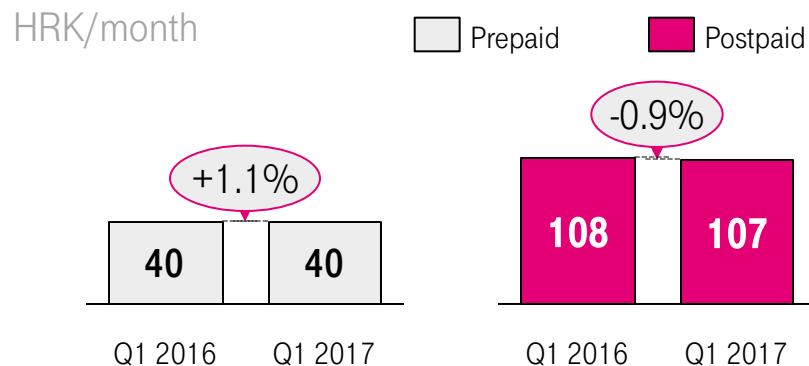
HT market share by subscribers¹



Number of subscribers



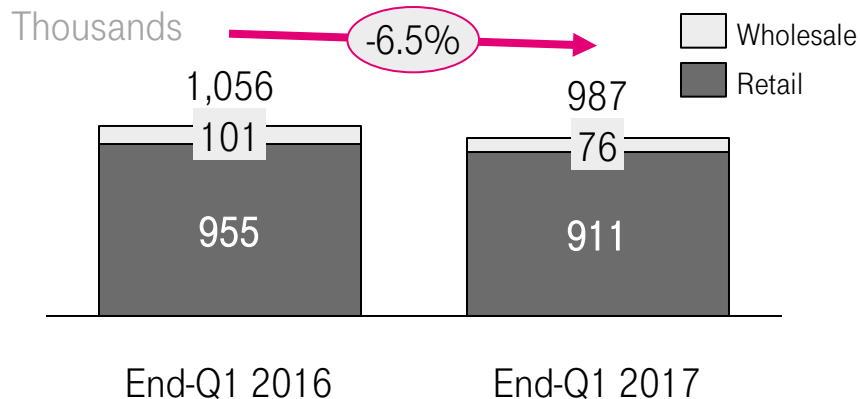
ARPU



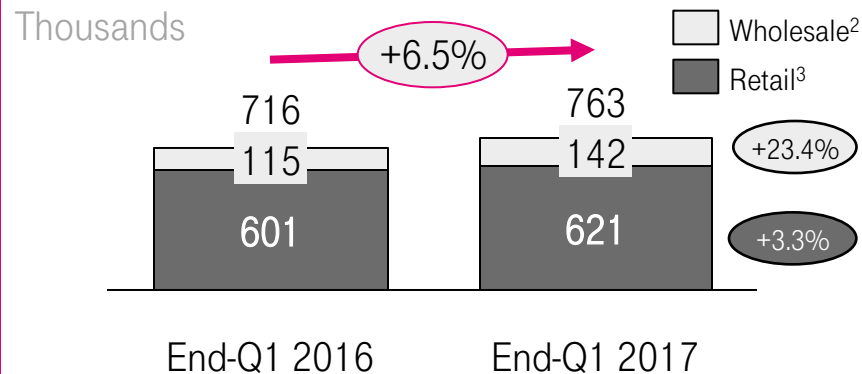
- **Average MOU** (minutes of use) up 6.3% to 209
- **Smartphone proportion** of total handset sales at 80% in postpaid segment (Q1 2016: 80%); **HT smartphone penetration** 55%
- **HT's 4G network** reached 71.8% population coverage indoors and 97.6% coverage outdoors
 - 4G population coverage with download speed of up to 225 Mbps at 52%

BROADBAND LINES AND TV CUSTOMERS RISE; FIXED MAINLINES DECREASE

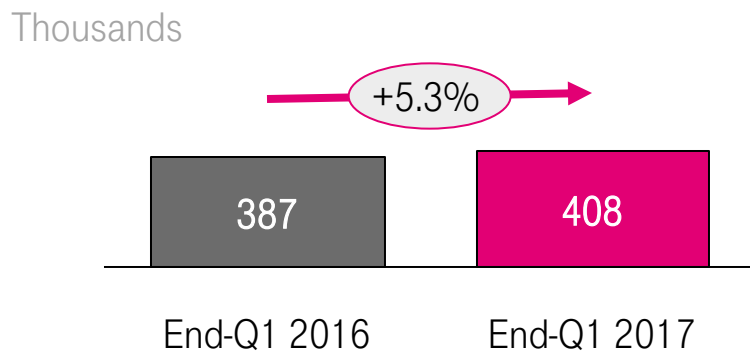
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Fixed line ARPU** down 6.7% at HRK 80
- **Broadband retail ARPU** at HRK 118, down 2.7%
- **TV ARPU** down 0.1% at HRK 81
- **Household coverage in Next Generation Access** (fixed Broadband >30Mbps) at 55%

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

² Includes Naked Bitstream + Bitstream

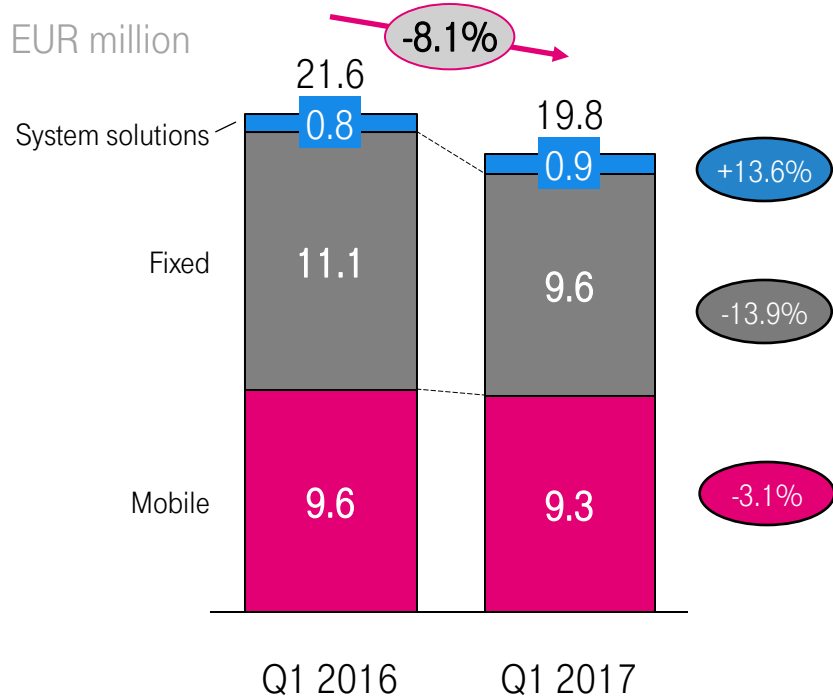
³ Includes ADSL, FTTH and Naked DSL

REVENUE STILL UNDER PRESSURE DUE TO REGULATORY ENVIRONMENT AND AGGRESSIVE OFFERS FROM COMPETITORS

Note: Crnogorski Telekom stand alone revenue; Q1 2016 data presented for illustrative purposes to indicate key trends in Crnogorski Telekom performance versus Q1 2017; EUR is the official reporting currency of Crnogorski Telekom

Revenue breakdown

EUR million



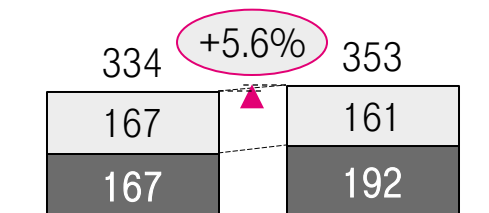
- **Mobile revenue** down on decreasing customer base in prepaid segment
- **Fixed voice** down mainly due to fall in fixed voice and broadband revenue
- **System solutions** up 13.6%

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

Number of mobile subscribers

Thousands

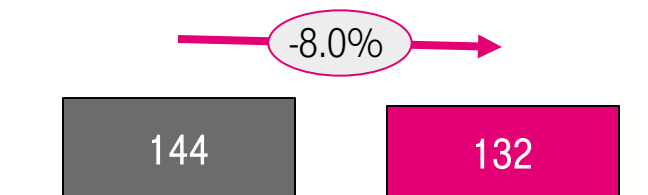
Prepaid Postpaid



End-Q1 2016 End-Q1 2017

Number of fixed retail mainlines¹

Thousands



End-Q1 2016 End-Q1 2017

No. of broadband retail access lines

Thousands



End-Q1 2016 End-Q1 2017

Number of TV customers

Thousands



End-Q1 2016 End-Q1 2017

GROUP 2017 OUTLOOK, INCLUDING CRNOGORSKI TELEKOM

	2016 Results (w/o CT)	Outlook 2017 vs 2016 (with CT)
Revenue	HRK 6,970 million	Around 10% higher
EBITDA before exceptional items	Margin of 40.5%	Margin of around 40%
CAPEX	HRK 1,608 million	Slightly lower
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

APPENDIX



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HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million (IFRS)	1Q 2016	1Q 2017	% of change A17/A16
Mobile revenue	655	745	13.7%
Fixed revenue	832	897	7.8%
System solutions	165	141	-14.7%
Miscellaneous	21	35	66.8%
Revenue	1,673	1,818	8.7%
Other operating income	42	23	-45.1%
Total operating revenue	1,715	1,841	7.3%
Operating expenses	1,147	1,199	4.6%
Material expenses	509	540	6.0%
Employee benefits expenses	289	266	-7.9%
Other expenses	347	392	12.8%
Work performed by the Group and capitalised	-13	-15	-12.3%
Write down of assets	14	16	13.0%
EBITDA	568	641	13.0%
Depreciation and amortization	349	412	18.3%
EBIT	219	229	4.4%
Financial income	19	22	18.7%
Income/loss from investment in joint ventures	-3	-1	61.3%
Financial expenses	69	70	1.5%
Profit before taxes	166	180	8.3%
Taxation	34	34	-0.2%
Net profit	132	146	10.5%
Non controlling interests	-3	-2	32.5%
Net profit after non controlling interests	136	149	9.5%
Exceptional items ¹⁾	59	32	-45.5%
EBITDA before exceptional items	627	674	7.4%



HT GROUP CONSOLIDATED BALANCE SHEET

in HRKmillion (IFRS)	At 31 Dec 2016	At 31 Mar 2017	% of change A17/A16
Intangible assets	1,738	2,285	31.5%
Property, plant and equipment	5,619	6,133	9.1%
Non-current financial assets	1,352	1,338	-1.1%
Receivables	121	202	67.7%
Deferred tax asset	59	55	-7.7%
Total non-current assets	8,889	10,013	12.6%
Inventories	111	145	30.3%
Receivables	1,327	1,472	10.9%
Current financial assets	1,189	582	-51.0%
Cash and cash equivalents	2,676	2,576	-3.8%
Prepayments and accrued income	262	237	-9.5%
Total current assets	5,566	5,012	-10.0%
TOTAL ASSETS	14,455	15,025	3.9%
Subscribed share capital	9,823	9,812	-0.1%
Reserves	492	492	0.0%
Revaluation reserves	2	4	65.6%
Retained earnings	633	1,551	145.1%
Net profit for the period	934	149	-84.1%
Non controlling interests	163	380	133.4%
Total issued capital and reserves	12,046	12,387	2.8%
Provisions	53	65	22.0%
Non-current liabilities	472	503	6.5%
Deferred tax liability	35	51	43.3%
Total non-current liabilities	561	619	10.3%
Current liabilities	1,741	1,901	9.2%
Deferred income	89	88	-1.5%
Provisions for redundancy	17	30	81.4%
Total current liabilities	1,847	2,019	9.3%
Total liabilities	2,408	2,638	9.5%
TOTAL EQUITY AND LIABILITIES	14,455	15,025	3.9%



HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million (IFRS)	1Q 2016	1Q 2017	% of change A17/A16
Profit before tax	166	180	8.3%
Depreciation and amortization	349	412	18.3%
Increase / decrease of current liabilities	11	0	-96.0%
Increase / decrease of current receivables	64	126	95.7%
Increase / decrease of inventories	-21	-36	-73.8%
Other cash flow increases / decreases	5	-30	-
Net cash inflow/outflow from operating activities	575	653	13.6%
Proceeds from sale of non-current assets	33	4	-86.5%
Proceeds from sale of non-current financial assets	0	0	-2.7%
Interest received	5	4	-27.9%
Dividend received	0	0	-
Other cash inflows from investing activities	596	716	20.1%
Total increase of cash flow from investing activities	635	725	14.2%
Purchase of non-current assets	-400	-320	20.1%
Purchase of non-current financial assets	0	-930	-
Other cash outflows from investing activities	-233	-99	57.5%
Total decrease of cash flow from investing activities	-633	-1,349	-113.0%
Net cash inflow/outflow from investing activities	1	-624	
Total increase of cash flow from financing activities			
Repayment of loans and bonds	0	-48	-
Dividends paid	0	-1	-
Repayment of finance lease	-2	-51	
Other cash outflows from financing activities	-67	-75	-11.6%
Total decrease in cash flow from financing activities	-69	-175	-155.3%
Net cash inflow/outflow from financing activities	-69	-175	-155.3%
Exchange gains/losses on cash and cash equivalents	-29	-13	56.1%
Cash and cash equivalents at the beginning of period	3,175	2,734	-13.9%
Net cash (outflow) / inflow	479	-159	-133.1%
Cash and cash equivalents at the end of period	3,654	2,576	-29.5%

INVESTOR RELATIONS CONTACTS

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Bloomberg: HTRA CZ

