

BUSINESS AND FINANCIAL REVIEW

JANUARY – JUNE 2017

ANALYST PRESENTATION
27 JULY 2017



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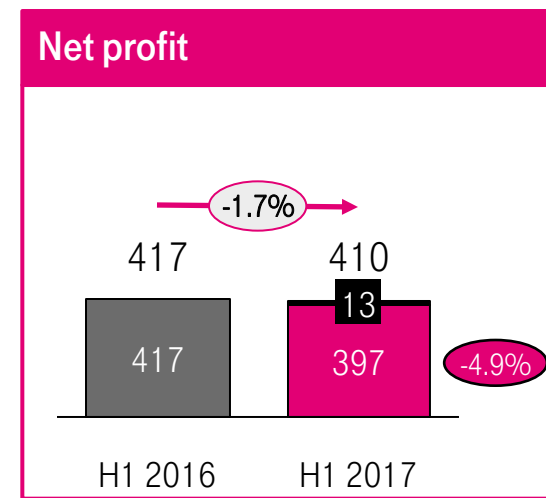
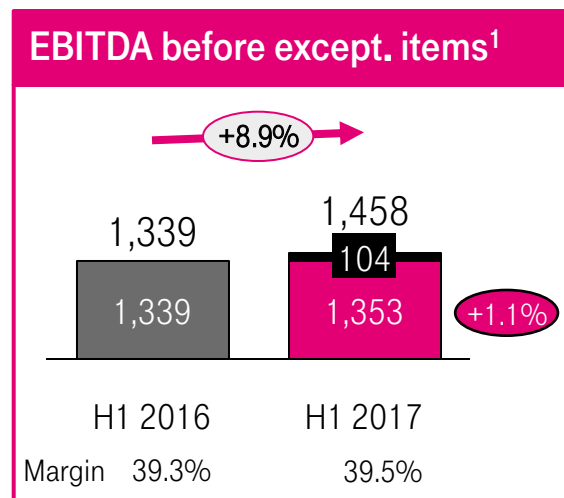
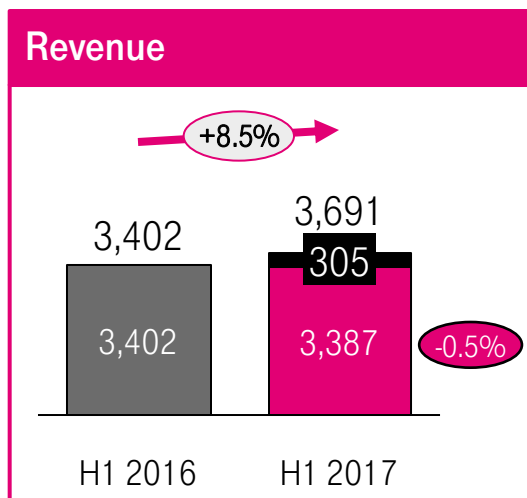
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- These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as an additional indicators of the Group's operating performance. However such measures are not replacements for measures defined by and required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

ROBUST H1 RESULTS WITH HIGHER REVENUE AND EBITDA; NET PROFIT SLIGHTLY DOWN

All in HRK million

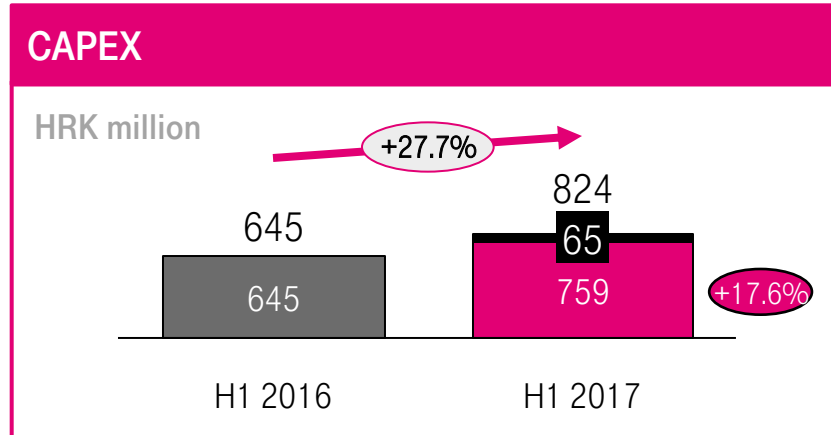
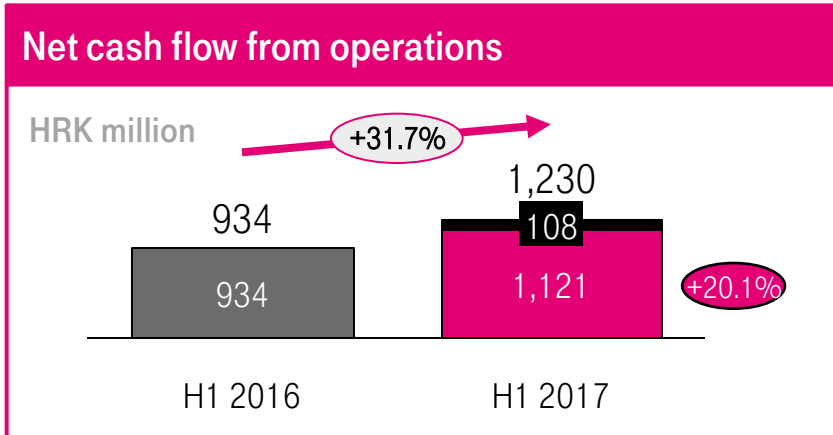
■ CT contribution
■ HT Croatia



- Consolidation of Crnogorski Telekom (CT) as of 1 January 2017 positively impacted Group's financial results in H1 2017:
 - Revenue up 8.5% to HRK 3,691 million
 - Encouraging trends in HT Croatia in mobile, broadband & TV continue; adverse project dynamics in System solutions from Q1 continued in Q2
 - Crnogorski Telekom revenue remained under pressure
 - EBITDA before exceptional items up 8.9% to HRK 1,458 million; despite lower profitability at Crnogorski Telekom and increased cost associated with energy business, margin improved by 0.2% pp to 39.5% mainly due to continued successful transformation of Group and lower merchandise costs in System Solutions
 - Net profit down 1.7% to HRK 410 million mainly due to higher depreciation and financial expenses in HT Croatia

OPERATING CASH FLOW INCREASES; STRONG INVESTMENT IN NETWORK CONTINUES

CT contribution
 HT Croatia



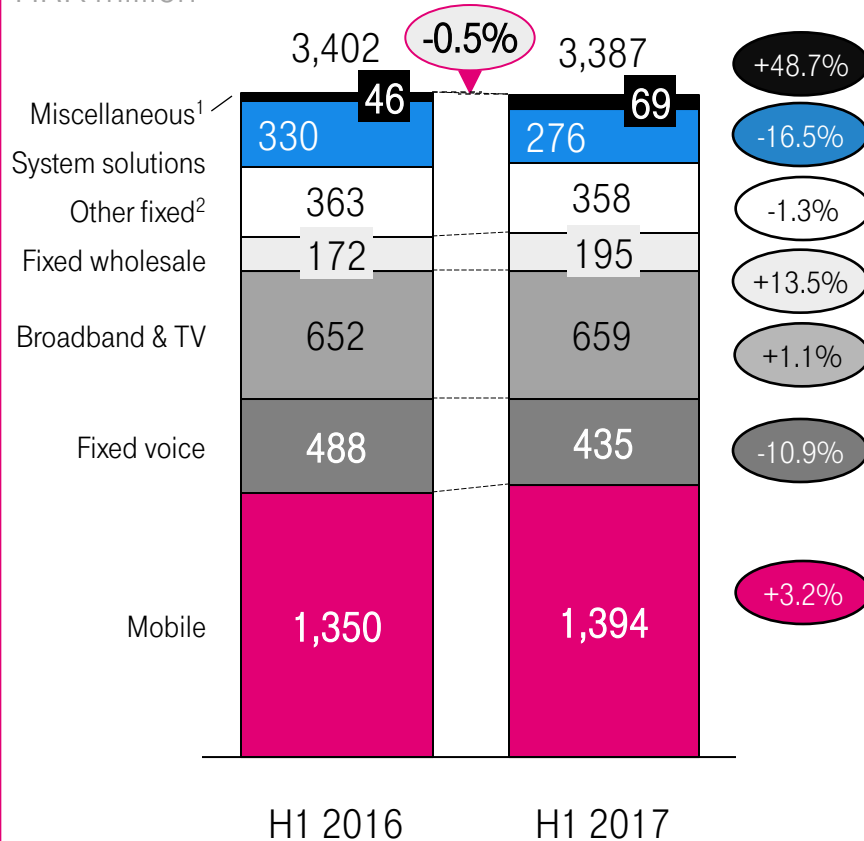
- Cash flow from operating activities up due to consolidation of Crnogorski Telekom and improved working capital management in HT Croatia
- CAPEX up following consolidation of Crnogorski Telekom, significant investment in mobile and fixed broadband network and investments in IT transformation by HT Croatia, as well as increase in capitalisation of contracts for TV content
- Outlook 2017 with CAPEX updated: “Revenue around 10% higher”, “EBITDA margin before exceptionals maintained at around 40%” and “CAPEX moderately higher”; CAPEX impacted mainly by investments in capacity increase in mobile network, TV content capitalisation and imposed regulatory costs related to Electronic Communications Infrastructure

- Number of innovative services introduced: for example, voice over LTE (VoLTE) and Next TV platform
- Croatian Competition Agency extended the temporary management rights of Optima to Hrvatski Telekom until July 2021; in addition, it conditionally approved the concentration pursuant to the Merger Agreement of H1 Telekom into Optima
- Four-year Share Buyback Programme launched with the maximum of 2.5 million shares scheduled for acquisition - 3% of total number of shares outstanding

MOMENTUM IN MOBILE, BROADBAND & TV CONTINUES; POSITIVE DEVELOPMENT IN FIXED WHOLESALE OFFSET BY ADVERSE PROJECTS DYNAMICS IN SYSTEM SOLUTIONS

Revenue breakdown

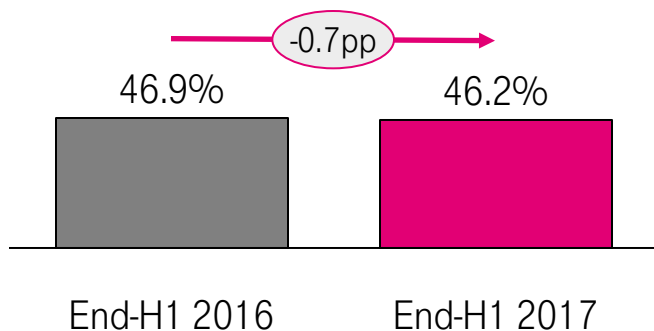
HRK million



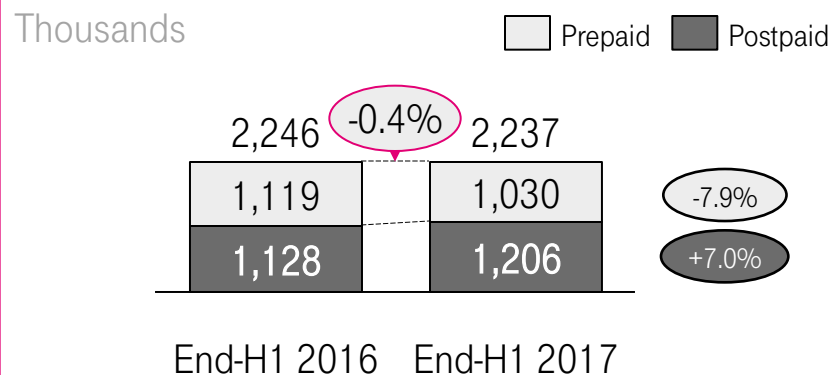
- **Mobile revenue** up largely from higher postpaid revenue, visitors and low margin handsets sales
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Broadband and TV revenue** up: broadband revenue stable while TV revenue showed slight growth following rise in customer base
- **Fixed wholesale revenue** up due to higher infrastructure revenue and new regulated price model for NBSA, applied as of 1 January 2017
- **Other fixed revenue** slightly down following decrease in Optima Telekom revenue
- **System solutions** down following unfavourable project dynamics compared with H1 2016
- **Miscellaneous revenue** boosted by development in **Energy revenue**: H1 2017 at HRK 64 million vs H1 2016 at HRK 41 million

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

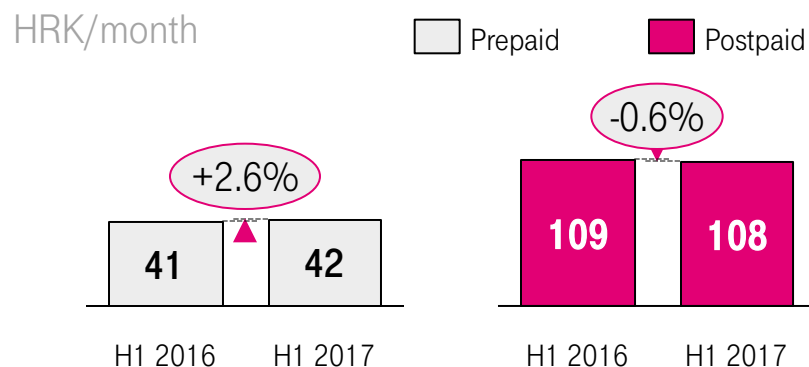
HT market share by subscribers^{1,2}



Number of subscribers



ARPU



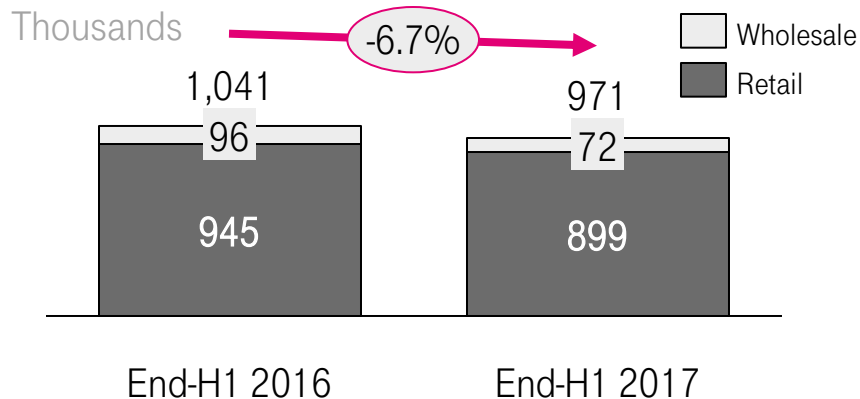
- **Average MOU** (minutes of use) up 4.2% to 214
- **Smartphone proportion** of total handset sales at 81% in postpaid segment (H1 2016: 81%); **HT smartphone customers** at 62%
- **HT's 4G network** reached 75% population coverage indoors and 98% coverage outdoors
 - 4G population coverage with download speed of up to 262 Mbps at 45%

1 Internal estimation

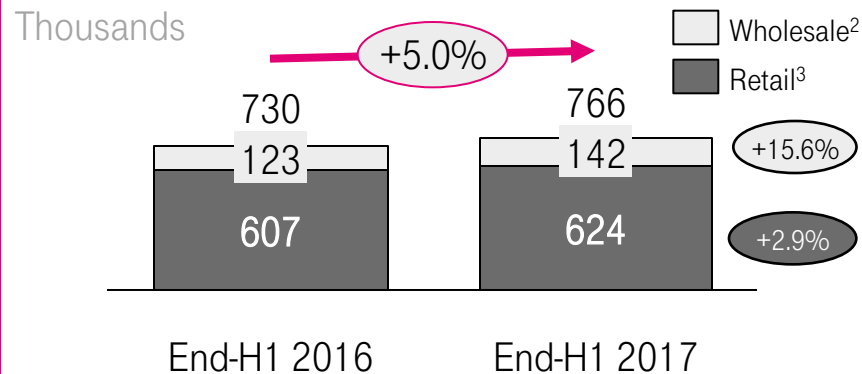
2 Based on the total number of SIMs, which includes handset SIMs, M2M, mobile broadband and other SIMs which may be used to create a service that traditionally has been considered as „fixed service”

BROADBAND LINES AND TV CUSTOMERS RISE; FIXED MAINLINES DECREASE

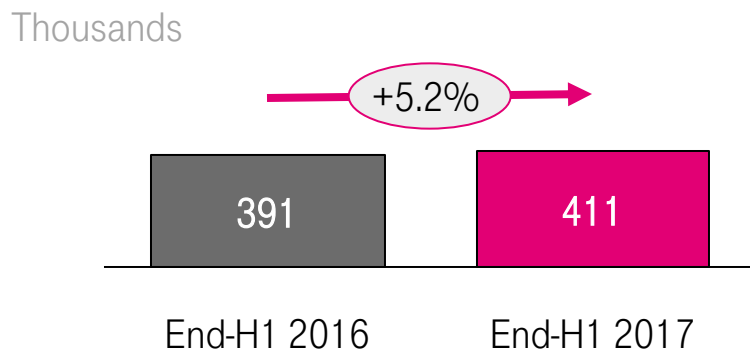
Number of fixed mainlines¹



No. of broadband access lines



Number of TV customers



- **Fixed line ARPU** down 6.5% at HRK 80
- **Broadband retail ARPU** at HRK 118, down 3.1%
- **TV ARPU** down 0.5% at HRK 81
- **Household coverage in Next Generation Access** (fixed Broadband >30 Mbps) at 56%; 18% of households enabled by speeds of 100 Mbps

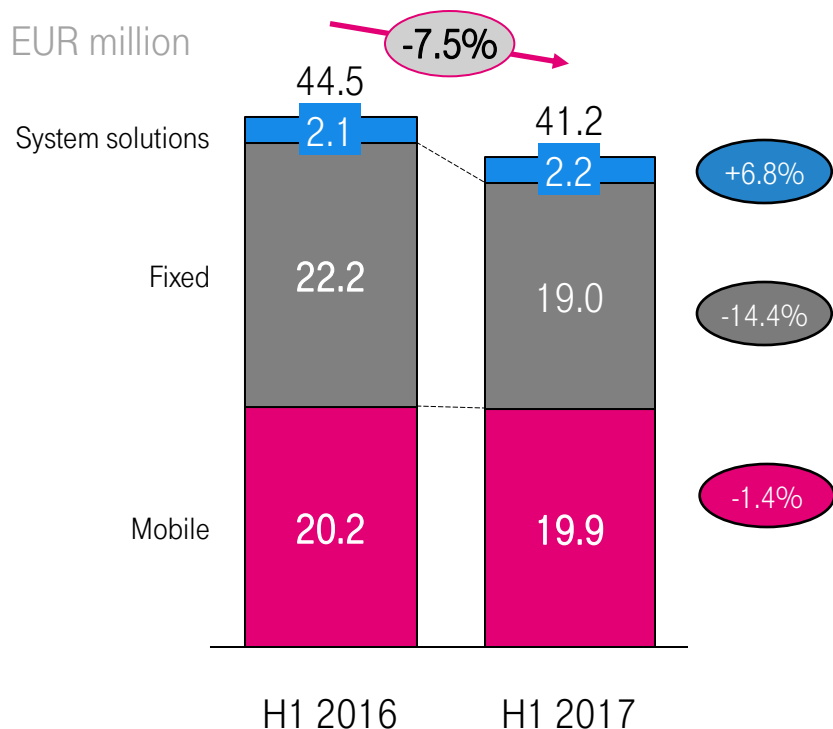
1 Includes PSTN, FGSM and old PSTN voice customers migrated to IP platform; payphones excluded
 2 Includes Naked Bitstream + Bitstream
 3 Includes ADSL, FTTH and Naked DSL

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

Note: Crnogorski Telekom stand alone revenue; H1 2016 data presented for illustrative purposes to indicate key trends in Crnogorski Telekom performance versus H1 2017; EUR is the official reporting currency of Crnogorski Telekom

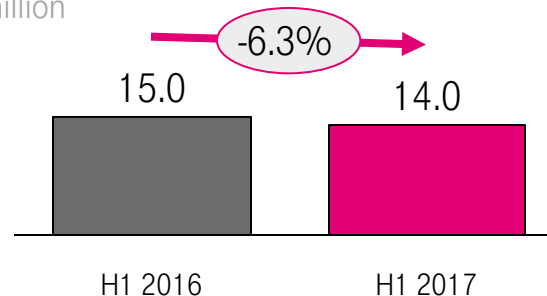
Revenue breakdown

EUR million



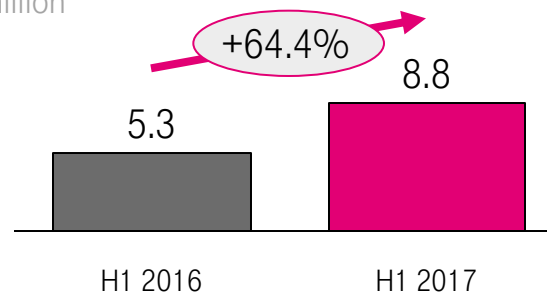
EBITDA before exceptional items

EUR million



CAPEX

EUR million

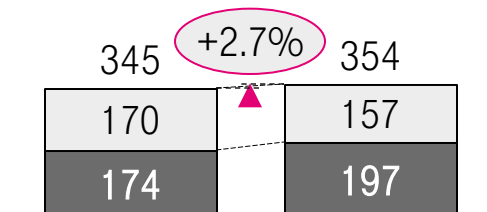


MOBILE CUSTOMERS RISE; FIXED MAINLINES, BROADBAND LINES AND TV CUSTOMERS DECREASE

Number of mobile subscribers

Thousands

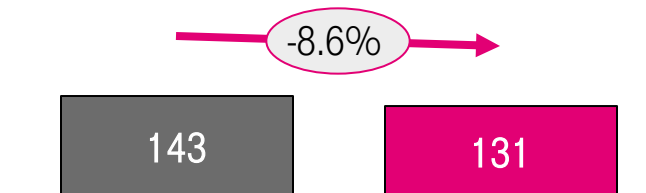
Prepaid Postpaid



End-H1 2016 End-H1 2017

Number of fixed retail mainlines¹

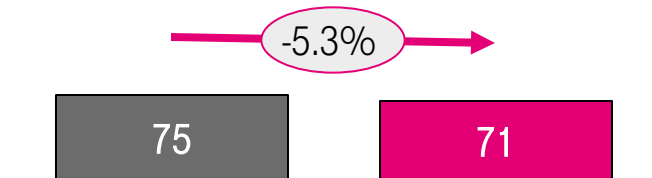
Thousands



End-H1 2016 End-H1 2017

No. of broadband retail access lines

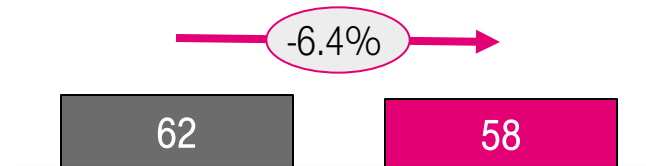
Thousands



End-H1 2016 End-H1 2017

Number of TV customers

Thousands



End-H1 2016 End-H1 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	Moderately higher
Regional expansion	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

APPENDIX



LIFE IS FOR SHARING.

HT GROUP CONSOLIDATED INCOME STATEMENT

in HRK million	H1 2016	H1 2017	% of change A17/A16
Mobile revenue	1,350	1,542	14.2%
Fixed revenue	1,675	1,788	6.8%
System solutions	330	292	-11.5%
Miscellaneous	46	69	48.7%
Revenue	3,402	3,691	8.5%
Other operating income	69	61	-12.7%
Total operating revenue	3,472	3,752	8.1%
Operating expenses	2,195	2,345	6.9%
Material expenses	1,023	1,077	5.2%
Employee benefits expenses	503	514	2.2%
Other expenses	688	763	11.0%
Work performed by the Group and capitalised	-44	-46	5.1%
Write down of assets	24	37	54.7%
EBITDA	1,277	1,406	10.1%
Depreciation and amortization	691	825	19.4%
EBIT	586	582	-0.7%
Financial income	30	30	-0.2%
Income/loss from investment in joint ventures	-2	1	-137.5%
Financial expenses	98	114	16.8%
Profit before taxes	516	498	-3.6%
Taxation	105	90	-14.5%
Net profit	411	408	-0.8%
Non controlling interests	-6	-2	-66.1%
Net profit after non controlling interests	417	410	-1.7%
Exceptional items ¹⁾	62	51	-16.6%
EBITDA before exceptional items	1,339	1,458	8.9%



HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2016	At 30 Jun 2017	% of change A17/A16
Intangible assets	1,738	2,245	29.2%
Property, plant and equipment	5,619	6,210	10.5%
Non-current financial assets	1,352	1,332	-1.5%
Receivables	121	216	79.2%
Deferred tax asset	59	56	-6.2%
Total non-current assets	8,889	10,059	13.2%
Inventories	111	137	23.4%
Receivables	1,327	1,586	19.5%
Current financial assets	1,189	43	-96.4%
Cash and cash equivalents	2,676	2,770	3.5%
Prepayments and accrued income	262	203	-22.4%
Total current assets	5,566	4,740	-14.8%
TOTAL ASSETS	14,455	14,798	2.4%
Subscribed share capital	9,823	9,809	-0.1%
Reserves	492	492	0.0%
Revaluation reserves	2	0	-95.2%
Retained earnings	633	1,058	67.3%
Net profit for the period	934	410	-56.1%
Non controlling interests	163	380	132.9%
Total issued capital and reserves	12,046	12,149	0.9%
Provisions	53	76	43.4%
Non-current liabilities	472	510	8.1%
Deferred tax liability	35	49	38.7%
Total non-current liabilities	561	636	13.3%
Current liabilities	1,741	1,916	10.0%
Deferred income	89	95	6.7%
Provisions for redundancy	17	2	-86.0%
Total current liabilities	1,847	2,014	9.0%
Total liabilities	2,408	2,650	10.0%
TOTAL EQUITY AND LIABILITIES	14,455	14,798	2.4%

HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	H1 2016	H1 2017	% of change A17/A16
Profit before tax	516	498	-3.6%
Depreciation and amortization	691	825	19.4%
Increase / decrease of current liabilities	-128	45	-135.2%
Increase / decrease of current receivables	-6	28	-547.7%
Increase / decrease of inventories	-16	-44	179.3%
Other cash flow increases / decreases	-123	-122	-0.9%
Net cash inflow/outflow from operating activities	934	1,230	31.7%
Proceeds from sale of non-current assets	44	27	-37.8%
Proceeds from sale of non-current financial assets	1	1	4.3%
Interest received	9	6	-40.4%
Dividend received	3	0	-100.0%
Other cash inflows from investing activities	991	2,406	142.7%
Total increase of cash flow from investing activities	1,048	2,440	132.7%
Purchase of non-current assets	-696	-701	0.7%
Purchase of non-current financial assets	-75	-924	
Other cash outflows from investing activities	-781	-1,244	59.3%
Total decrease of cash flow from investing activities	-1,551	-2,869	84.9%
Net cash inflow/outflow from investing activities	-503	-429	-14.7%
Total increase of cash flow from financing activities			
Repayment of loans and bonds	-14	-57	304.7%
Dividends paid	-491	-493	0.4%
Repayment of finance lease	-4	-51	
Other cash outflows from financing activities	-155	-142	-8.3%
Total decrease in cash flow from financing activities	-664	-743	11.9%
Net cash inflow/outflow from financing activities	-664	-743	11.9%
Exchange gains/losses on cash and cash equivalents	-26	-22	-14.3%
Cash and cash equivalents at the beginning of period	3,175	2,734	-13.9%
Net cash (outflow) / inflow	-259	35	-113.7%
Cash and cash equivalents at the end of period	2,916	2,770	-5.0%

INVESTOR RELATIONS CONTACTS

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