

BUSINESS AND UNAUDITED FINANCIAL REVIEW JANUARY – DECEMBER 2020

INVESTOR presentation
24 FEBRUARY 2021



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These materials include non-IFRS measures, such as EBITDA. The Company believes that such measures serve as 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

2020 BUSINESS HIGHLIGHTS

BUSINESS DEVELOPMENTS

- Leading market position across all areas of business maintained
- The leading mobile network status confirmed by Ookla and umlaut (P3). Among 10 fastest mobile networks in the world 2020
- The first in Croatia to launch commercial 5G network
- Record high >75,000 new homes covered with fiber
- Boosting digital channel penetration (e.g. MojT app)
- Maintained strong employee satisfaction and record high customer satisfaction

REGULATORY DEVELOPMENTS

- Public auction of the spectrum in 700 MHz, 3.6 GHz and 26 GHz frequency bands expected in first half of 2021
- The new Margin Squeeze Methodology now applied, with all current HT tariffs passing the new Margin Squeeze test

FINANCIALS

- Highly resilient operations, growing mobile postpaid, BB & TV and system solutions
- After six quarters of decline, EBITDA AL showed growth of 1.2% in Q4 2020
- CAPEX AL/Sales ratio at the level of 24.5% sales

CAPITAL ALLOCATION

- Shareholders received HRK 737m through combination of dividend and share buyback which represents a total yield of 5.0%¹
- In Q4 HT shares upgraded to the Prime Market of the Zagreb Stock Exchange
- Awards: Share of the Year by public/expert vote, and the Top Turnover Share

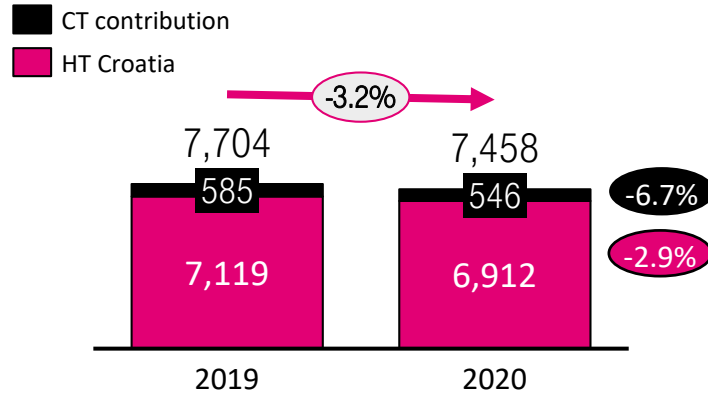
STRONGER THAN EXPECTED REVENUE PERFORMANCE, WITH EBITDA AL MARGIN SLIGHTLY LOWER

	„Original“ Outlook 2020	„Revised“ Outlook 2020	2020 Results
REVENUE	Stable to slightly lower	Mid-to-high single digit decrease	HRK 7,458 million (-3.2%)
EBITDA AL	Margin of around 38%	Margin of around 39%	Margin of 36.7% (-2.3 p.p.)
CAPEX AL	Around HRK 1,700 million	Around HRK 1,700 million	HRK 1,824 million (+7.3%)
REGIONAL EXPANSION	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

POSITIVE SIGNS OF TURNAROUND IN Q4 DESPITE STRONG IMPACT OF COVID-19

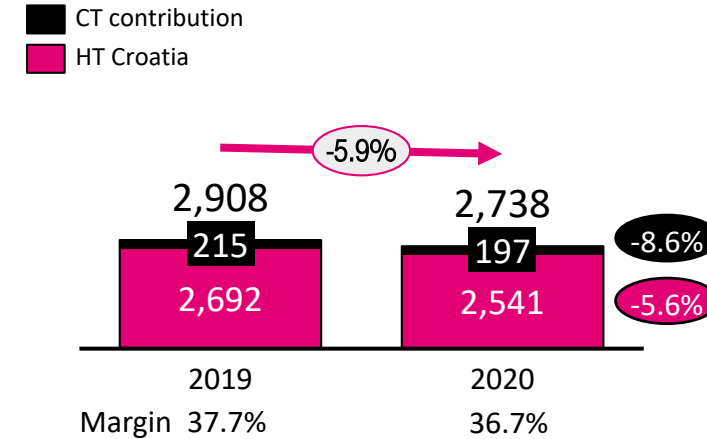
All in HRK million

REVENUE



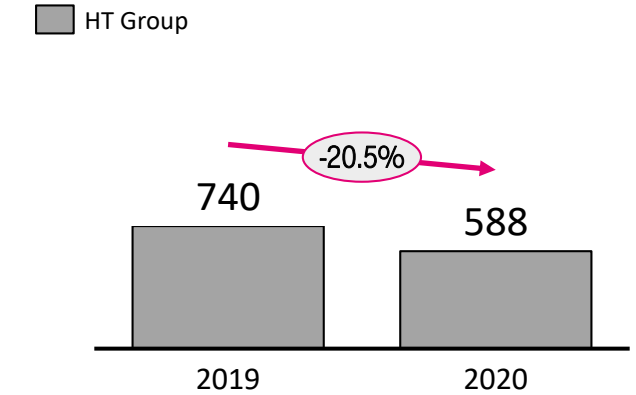
- Growth in mobile postpaid, fixed BB & TV and system solutions was outweighed by a decrease in revenues mostly related to COVID-19 (visitors, retail roaming and handset), fixed voice and lower OT contribution
- CT revenue down due to less visitor revenues, lower fixed and system solutions revenue. Positive development with growth in BB & TV

EBITDA AL¹



- EBITDA AL -5.9% for FY 2020 under influence COVID-19 effects and missing positive one-timer from 2019, but Q4 turning back to growth with +1.2% YOY

NET PROFIT²



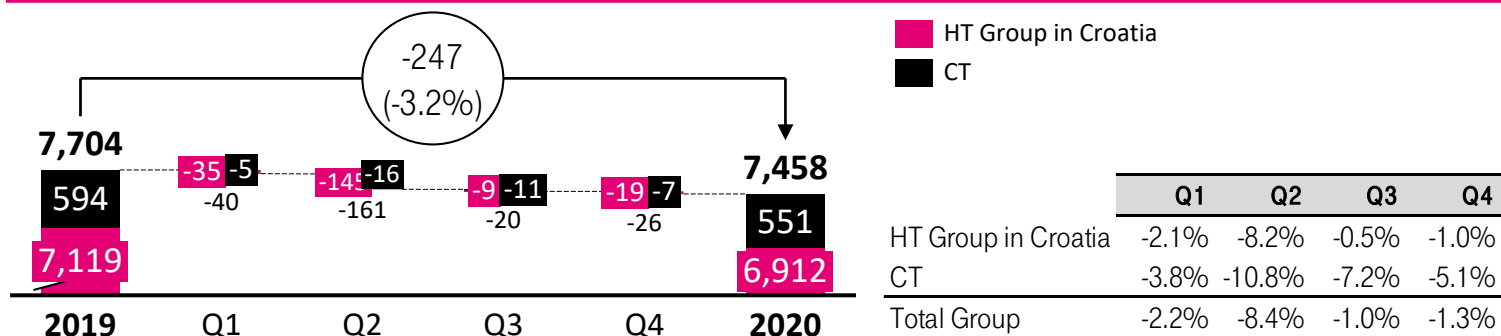
- Net profit decrease mainly due to EBITDA AL performance

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.

EBITDA AL RETURNED TO GROWTH IN Q4 2020

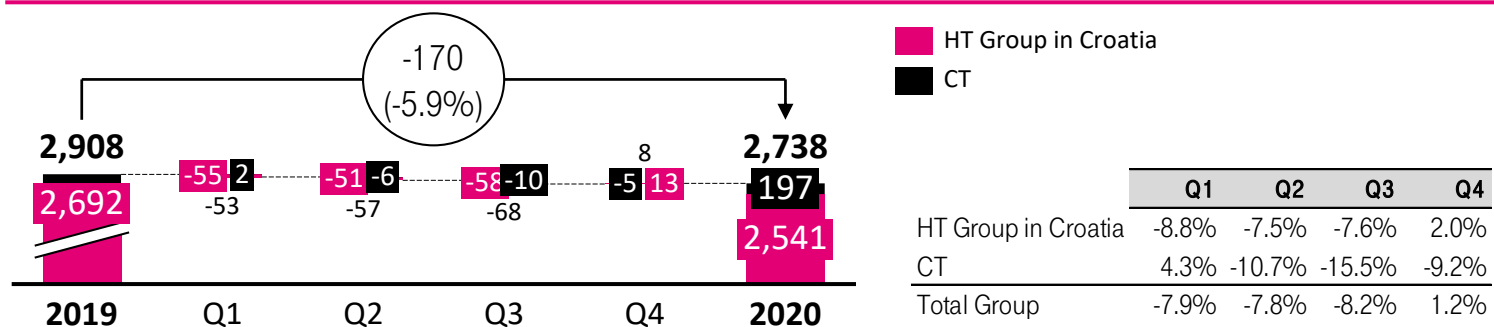
All in HRK million

REVENUE



- After Q3 2020 stabilization in revenues, and this despite ongoing pressures in visitor numbers, in Q4 2020 revenue decreased slightly due to lower ICT revenues

EBITDA AL

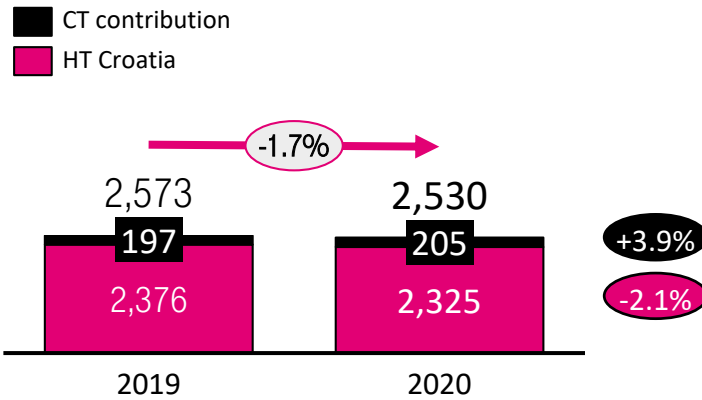


- EBITDA AL Q1 2020 decrease resulted from the effect of EvoTV transaction in Q1 2019, while COVID-19 impacted Q2 and Q3 primarily through lower visitor revenues.
- In Q4 2020 EBITDA AL increased due to positive underlying business developments

CONTINUED INVESTMENTS IN FIBER, 5G AND CUSTOMER EXPERIENCE

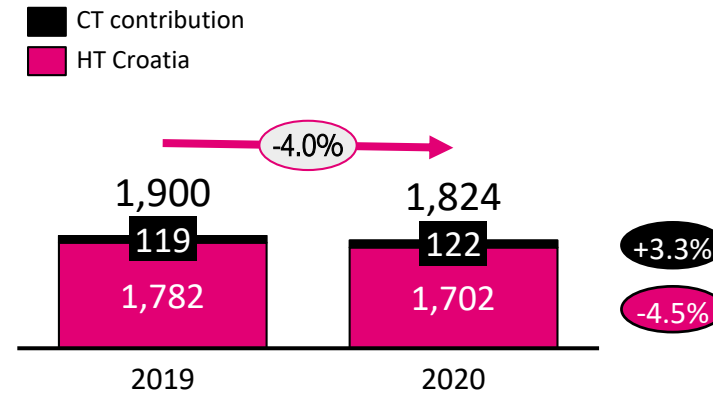
All in HRK million

NET CASH FLOW FROM OPERATIONS



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

CAPEX AL (Booked)

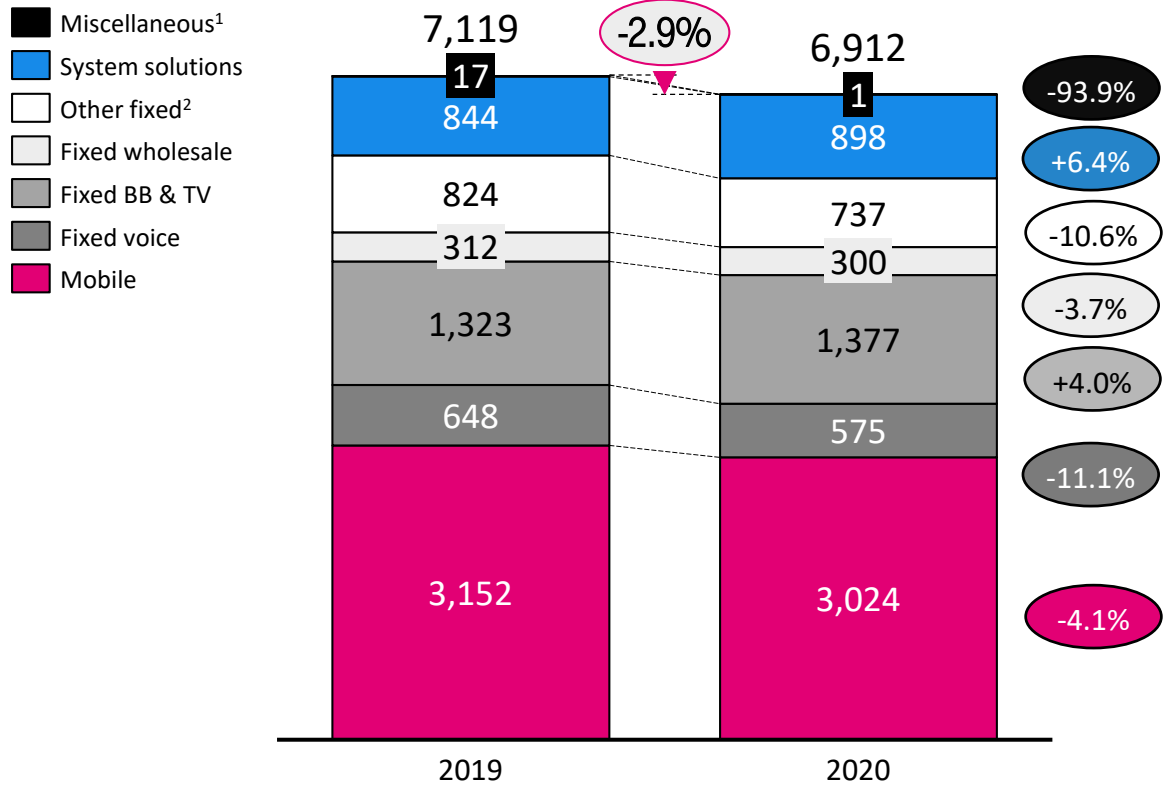


- CAPEX AL realization is lower mainly due to the mobile network modernization project that had a peak in 2019
- Despite challenging year HT continued to strongly invest in new technologies (fiber, 5G)
- CT CAPEX AL increased due to higher TV content investments

FIXED BB & TV AND SYSTEM SOLUTIONS GREW WHILE OTHER SEGMENTS SHOWED GOOD RESILIENCE DESPITE COVID-19 IMPACT

All in HRK million

REVENUE BREAKDOWN



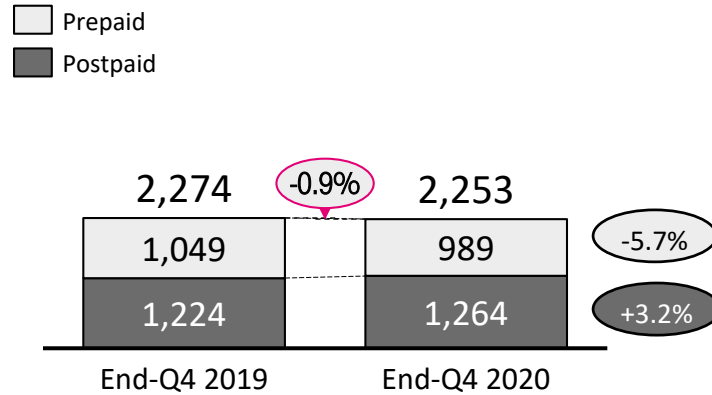
- **Mobile revenue** - good progress on mobile postpaid offset mainly by the decline in visitor revenues and retail roaming
- **Fixed voice** - market trend of fixed to mobile and IP substitution continues with slower pace
- **Fixed BB and TV revenue** - BB growth driven by higher retail customer base and higher ARPU, while TV growth is supported by higher EvoTV contribution
- **Fixed wholesale revenue** - down due to lower prices for all regulated wholesale services (WACC decrease)
- **Other fixed revenue** - mainly driven by lower Optima contribution resulting from cancelation of bilateral telco relationship
- **System solutions revenue** - growth mainly driven by infrastructure and digitalization services despite challenging environment
- **Miscellaneous revenue** - down due to E-tours disinvestment in 2019

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

CONTINUED GROWTH OF MOBILE POSTPAID ARPU AND CUSTOMER BASE

Thousands

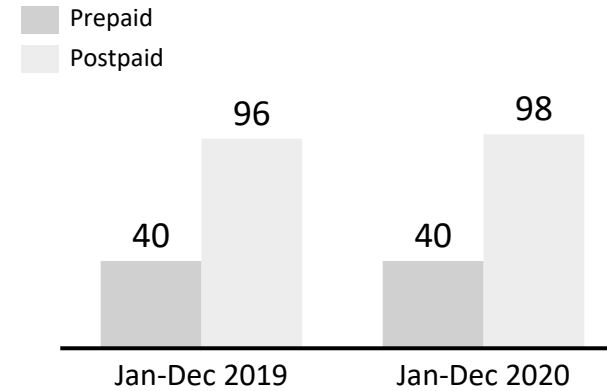
NUMBER OF CUSTOMERS



- Growth in mobile postpaid customers driven by prepaid to postpaid migration
- Mobile prepaid down due to prepaid to postpaid migration and lower visitors

HRK/month

ARPU

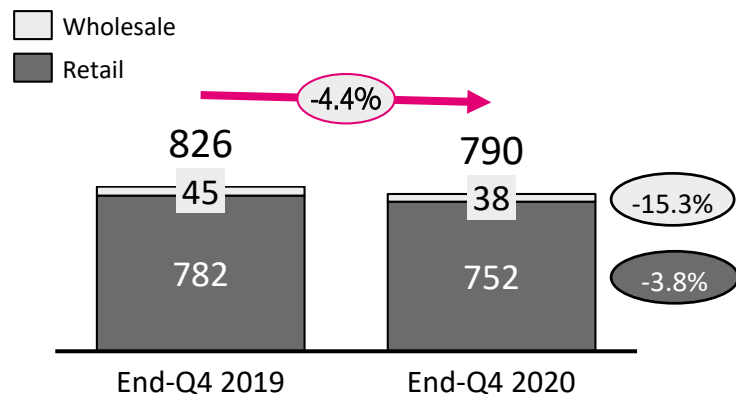


- Increase in mobile postpaid ARPU as a result of continuation of successful more-for-more propositions, upselling and effective customer base developments

FIXED BROADBAND AND TV BASE NUMBERS CONTINUED TO GROW

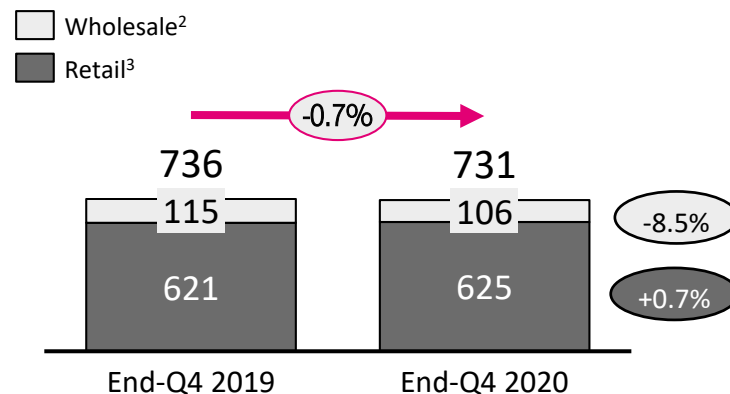
Thousands

NUMBER OF FIXED VOICE SERVICES¹



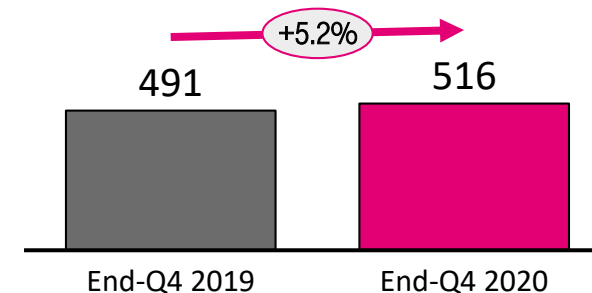
- Ongoing contraction of fixed mainlines due to market trend of fixed to mobile and IP substitution

NUMBER OF BROADBAND SERVICES



- Slight growth in retail BB access lines, offset by wholesale access line losses as a result of migration to competitive infrastructure including FMS
- Broadband retail ARPU higher due to improved quality of our BB infrastructure and strong investments in fiber technology

NUMBER OF TV CUSTOMERS



- TV customer base increase supported by successful DVB-T2 switch in Q4 2020

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

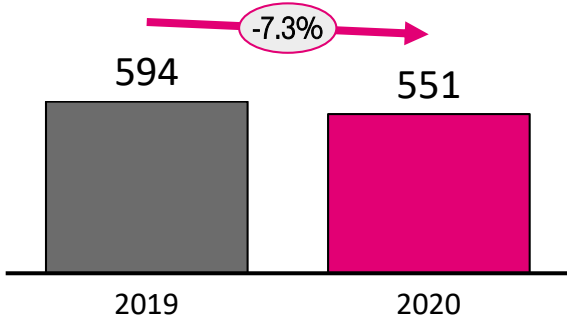
² Includes Naked Bitstream + Bitstream

³ Includes ADSL, VDSL, FTTH, FTTB, FTTC

TOP LINE AND PROFITABILITY UNDER PRESSURE DUE TO COVID-19 IMPACT

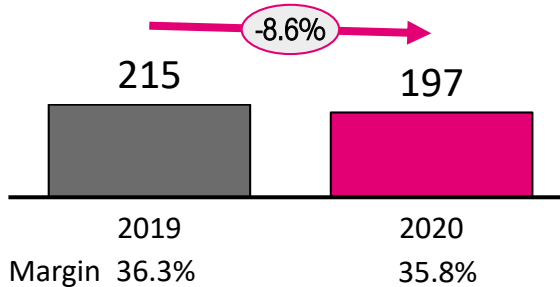
All in HRK million

REVENUE



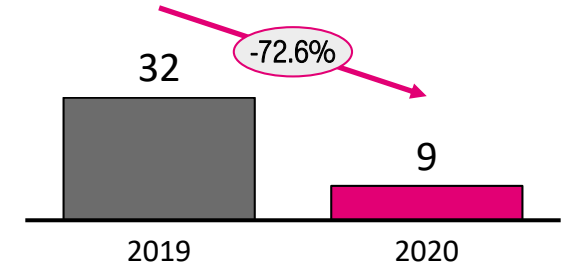
- After positive Q4'19 and Q1'20 development, in Q2'20 and especially in Q3'20, COVID-19 brought significant negative impact to revenues due to almost complete absence of summer tourist season, causing significant drop in visitor and other revenues in Q2 and especially in Q3 2020
- System solution revenues lower mainly due to decision to focus on higher margin deals

EBITDA AL¹



- EBITDA AL decrease is impacted by negative development of top line resulted from COVID-19 effects, partly offset by cost cutting
- EBITDA AL margin maintained at 35.8%

NET PROFIT²



- Net profit reduced due to lower EBITDA and higher depreciation

1. EBITDA before exceptional items after leases
 2. Net profit after non controlling interests

GROUP 2021 OUTLOOK (including Optima Telekom until end-June 2021)

	2020 Results	Outlook 2021 vs 2020
REVENUE	HRK 7,458 million	Mid single digit decrease
EBITDA AL	HRK 2,738 million	Low single digit increase
CAPEX AL	HRK 1,824 million	Around HRK 1,600 million
REGIONAL EXPANSION	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	2019	2020	% of change A20/A19	Q4 2019	Q4 2020	% of change A20/A19
Mobile revenue	3,464	3,325	-4.0%	841	877	4.3%
Fixed revenue	3,344	3,214	-3.9%	830	837	0.9%
System solutions	880	918	4.3%	316	251	-20.6%
Miscellaneous	17	1	-93.9%	5	0	-95.0%
Revenue	7,704	7,458	-3.2%	1,992	1,966	-1.3%
Other operating income	181	94	-47.9%	61	19	-69.0%
Total operating revenue	7,885	7,552	-4.2%	2,052	1,984	-3.3%
Operating expenses	4,726	4,510	-4.6%	1,276	1,249	-2.1%
Material expenses	2,463	2,375	-3.6%	707	701	-0.8%
Employee benefits expenses	1,171	1,208	3.2%	281	336	19.4%
Other expenses	1,148	941	-18.0%	328	221	-32.8%
Work performed by the Group and capitalised	-133	-93	30.2%	-57	-29	49.7%
Write down of assets	78	80	1.8%	16	20	21.1%
EBITDA	3,159	3,042	-3.7%	776	736	-5.3%
Depreciation and amortization	2,147	2,235	4.1%	676	672	-0.5%
EBIT	1,012	807	-20.3%	100	63	-37.1%
Financial income	22	47	116.1%	5	0	-101.6%
Income/loss from investment in joint ventures	0	-1	-544.2%	3	5	42.4%
Financial expenses	134	139	3.9%	40	28	-31.2%
Profit before taxes	900	714	-20.7%	69	40	-41.8%
Taxation	161	140	-13.2%	5	12	159.6%
Net profit	739	574	-22.3%	64	28	-56.3%
Non controlling interests	-1	-14	-1813.9%	1	-2	-231.9%
Net profit after non controlling interests	740	588	-20.5%	63	30	-52.8%
Exceptional items ¹⁾	115	99	-14.4%	26	31	16.7%
EBITDA before exceptional items	3,274	3,140	-4.1%	803	766	-4.6%
EBITDA before exceptional items after leases	2,908	2,738	-5.9%	670	678	1.2%

¹⁾ Mainly related to restructuring redundancy costs and legal cases

HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2019	At 31 Dec 2020	% of change A20/A19
Intangible assets	2,335	2,178	-6.7%
Property, plant and equipment	6,390	6,516	2.0%
Non-current financial assets	388	387	-0.4%
Receivables	347	331	-4.7%
Lessee use rights to leased assets (IFRS 16)	709	691	-2.6%
Contract assets (IFRS 15)	51	62	21.9%
Contract costs (IFRS 15)	98	116	18.7%
Deferred tax asset	129	134	3.9%
Total non-current assets	10,447	10,415	-0.3%
Inventories	158	151	-4.7%
Assets held for sale	68	2	-96.5%
Receivables	1,520	1,574	3.6%
Current financial assets	928	1	-99.9%
Contract assets (IFRS 15)	231	212	-8.2%
Contract costs (IFRS 15)	71	77	9.0%
Cash and cash equivalents	2,762	3,003	8.7%
Prepayments and accrued income	142	108	-23.4%
Total current assets	5,880	5,129	-12.8%
TOTAL ASSETS	16,327	15,544	-4.8%

in HRK million	At 31 Dec 2019	At 31 Dec 2020	% of change A20/A19
Subscribed share capital	10,245	10,245	0.0%
Reserves	565	604	6.9%
Revaluation reserves	-10	2	116.0%
Treasury shares	-73	-90	-24.2%
Retained earnings	1,260	1,246	-1.2%
Net profit for the period	740	588	-20.5%
Non controlling interests	328	313	-4.5%
Total issued capital and reserves	13,054	12,907	-1.1%
Provisions	86	82	-4.2%
Non-current liabilities	246	210	-14.4%
Lessee lease liabilities to third party due > 1 year (IFRS 16)	465	484	4.0%
Contract liabilities (IFRS 15)	0	0	-37.9%
Deferred tax liability	42	48	13.6%
Total non-current liabilities	839	825	-1.7%
Current liabilities	2,161	1,562	-27.7%
Contract liabilities (IFRS 15)	85	74	-13.0%
Lessee lease liabilities due <= 1 year (IFRS 16)	183	147	-20.1%
Deferred income	5	4	-22.7%
Provisions for redundancy	0	26	10258.4%
Total current liabilities	2,434	1,812	-25.6%
Total liabilities	3,273	2,637	-19.4%
TOTAL EQUITY AND LIABILITIES	16,327	15,544	-4.8%

HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	2019	2020	% of change A20/A19	Q4 2019	Q4 2020	% of change A20/A19
Profit before tax	900	714	-20.7%	69	40	-41.9%
Depreciation and amortization	2,147	2,235	4.1%	676	672	-0.5%
Increase / decrease of current liabilities	-104	-158	-52.3%	84	-30	-136.3%
Increase / decrease of current receivables	51	17	-66.8%	130	72	-44.6%
Increase / decrease of inventories	-36	-10	71.6%	-8	2	119.8%
Other cash flow increases / decreases	-386	-268	30.7%	-43	-36	15.5%
Net cash inflow/outflow from operating activities	2,573	2,530	-1.7%	908	720	-20.8%
Proceeds from sale of non-current assets	40	72	78.6%	-47	-17	64.4%
Proceeds from sale of non-current financial assets	0	1	-	-11	1	104.7%
Interest received	9	7	-23.4%	0	1	187.1%
Dividend received	0	0	-	0	0	-
Other cash inflows from investing activities	111	958	765.5%	0	-1	-401.3%
Total increase of cash flow from investing activities	160	1,038	549.6%	-57	-16	71.9%
Purchase of non-current assets	-1,460	-1,781	-22.0%	-553	-656	-18.6%
Purchase of non-current financial assets	0	0	-	113	0	-100.0%
Other cash outflows from investing activities	-25	0	100.0%	-25	0	100.0%
Total decrease of cash flow from investing activities	-1,485	-1,781	-19.9%	-465	-656	-40.9%
Net cash inflow/outflow from investing activities	-1,325	-743	44.0%	-522	-672	-28.6%
Total increase of cash flow from financing activities						
Repayment of loans and bonds	-66	-64	3.3%	-24	-7	72.1%
Dividends paid	-818	-646	21.0%	-1	-3	-297.0%
Repayment of lease	-345	-371	-7.6%	-96	-90	6.3%
Other cash outflows from financing activities	-395	-457	-15.6%	-100	-121	-20.5%
Total decrease in cash flow from financing activities	-1,625	-1,538	5.3%	-220	-220	0.0%
Net cash inflow/outflow from financing activities	-1,625	-1,538	5.3%	-220	-220	0.0%
Exchange gains/losses on cash and cash equivalents	2	-9	-562.8%	-1	1	155.4%
Cash and cash equivalents at the beginning of period	3,137	2,762	-11.9%	0	0	-100.0%
Net cash (outflow) / inflow	-377	241	163.9%	163	-171	-205.1%
Cash and cash equivalents at the end of period	2,762	3,003	8.7%	165	-171	-203.5%

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Bloomberg: HT CZ





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