

Hrvatski Telekom H1 2022 Results

28 July 2022



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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

On 9 July 2021 HT and Zagrebačka banka signed sale and purchase agreement of 54.31% shares of Optima Telekom with Telemach Hrvatska, owned by United Group. Respectively, Optima Telekom is deconsolidated from financial reports as of July 2021. On 21 January 2022 HT and Zagrebačka banka signed the Share Transfer Agreement, whereby they transferred their shares in Optima Telekom to Telemach Hrvatska.

Based on the Merger Agreement concluded on 15 March 2022 between the company Croatian Telecom Inc. (hereinafter: HT Inc. or the acquiring company) and the company HT Produkcija LLC (hereinafter: HTP LLC or the merged company), and pursuant to the Assembly decision of the merged company on approval of the merger, on 1 June 2022 the merger has been entered into the Court Register of the Commercial Court in Zagreb. By entry of the merger into the Court Register, the merged company HTP LLC ceased to exist. The acquiring company, HT Inc., became the universal legal successor of the merged company, thus entering into all legal relationships of the merged company.

H1 2022 HIGHLIGHTS



BUSINESS DEVELOPMENT

Solid financial and commercial performance, despite macro challenges.

Confirmed status of the best and fastest mobile and fixed network in Croatia.

28% YoY FTTH coverage growth; further 5G rollout covering almost 100 cities in Croatia.

Recognised as one of Europe's climate leaders.

FINANCIALS

Organic revenue slightly up on the back of strong mobile business.

Organic adjusted EBITDA AL is growing, with the first signs of inflation noticeable in Q2.

Revised outlook for the year-end.

CAPITAL ALLOCATION

HRK 808 million (5.4% yield²) returned to our shareholders through a combination of dividends and share buyback in 2022.

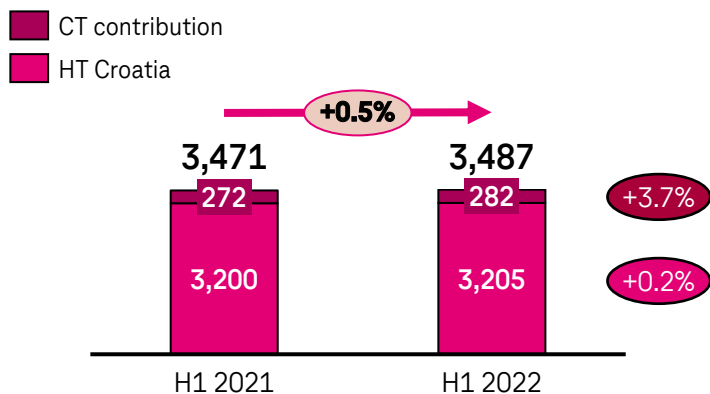
1.6% of total shares acquired through SBB program were cancelled.

1 Organic, adjusted for Optima contribution in H1 2021

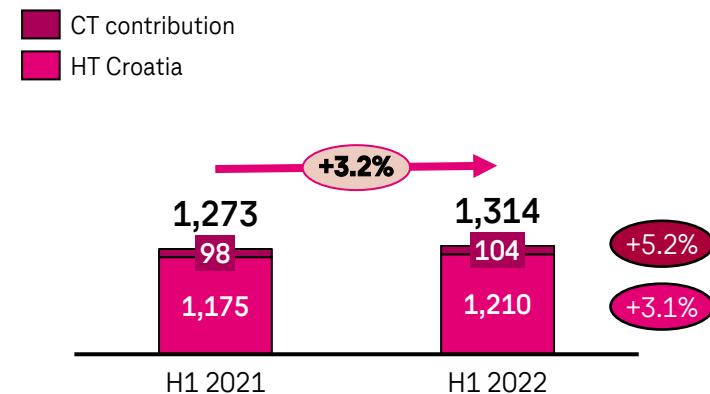
2 Based on the last price in 2021

EBITDA AL GROWTH SLOWING DOWN

REVENUE¹ (HRK m)

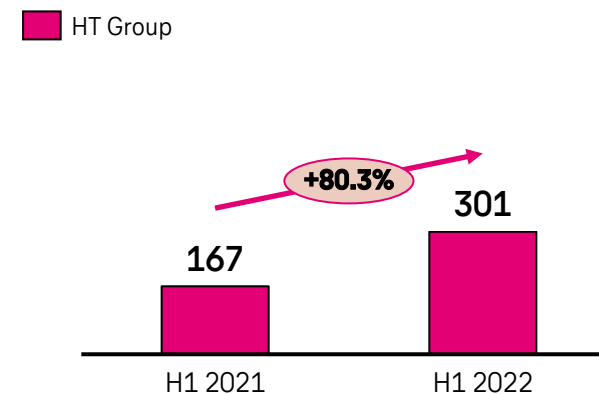


EBITDA AL² (HRK m)



Margin 36.7% 37.7%

NET PROFIT³ (HRK m)



- In Croatia, organic revenue slightly up by 0.2% on the back of core telco revenues, offsetting contraction of low margin transit and System Solutions, as we continue focusing on higher profitability projects.
- CT growth driven by a strong core business performance.

- Organic adjusted EBITDA AL growth reflects solid commercial momentum and positive impact of operating model transformation measures with so far limited inflationary effects.

- 80.3% YoY increase in organic Net Profit supported by higher EBITDA and lower depreciation, which offset higher taxation.

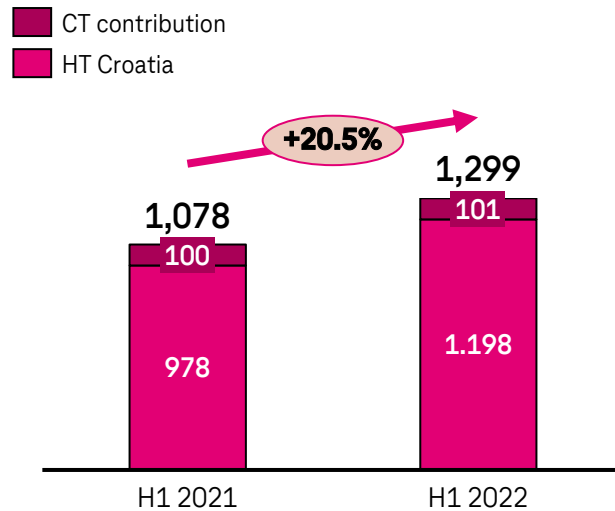
1. Adjusted for Optima contribution in H1 2021.

2. EBITDA after leases adjusted for exceptional items (mainly restructuring and redundancy costs) and Optima contribution in H1 2021

3. Net Profit after non-controlling interests, adjusted for Optima contribution in H1 2021.

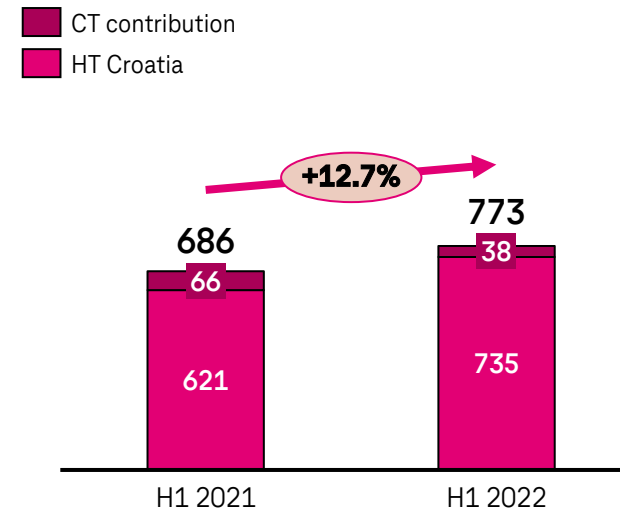
GROWING NET CASH FLOW FROM OPERATIONS SUPPORTS INVESTMENTS

NET CASH FLOW FROM OPERATIONS¹ (HRK m)



- Organic cash flow from operating activities increased mainly due to higher Net Profit and favourable working capital development.

CAPEX AL - BOOKED^{1 2} (HRK m)

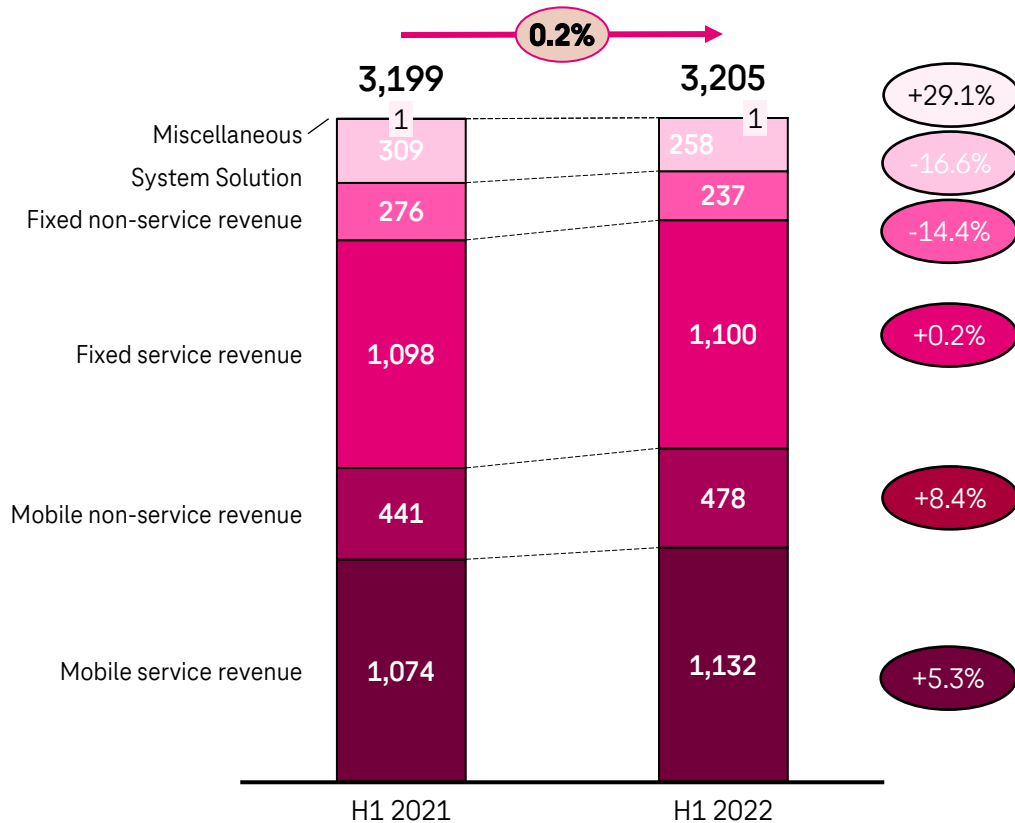


- Organic CAPEX AL w/o Spectrum above H1 2021 mainly coming from higher TV content capitalization.

1. Adjusted for Optima contribution in H1 2021.
2. Excluding Spectrum

REVENUES SLIGHTLY UP ON THE BACK OF STRONG MOBILE PERFORMANCE

REVENUE BREAKDOWN¹ (HRK m)



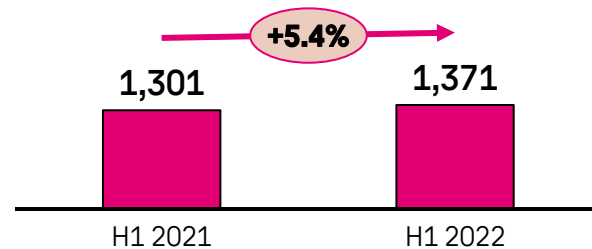
- **Mobile service revenue** growth supported by strong Postpaid, Visitors and roaming recovery, offsetting contraction in Prepaid as a result of continuous efforts in Prepaid to Postpaid migration.
- **Mobile non-service revenue** growth driven by higher Handset sales.
- **Fixed service revenue** slightly up, supported by BB, TV and Data services, offsetting contraction in Voice.
- **Fixed non-service revenue** down predominantly due to lower transit traffic.
- **System Solutions revenue** contracted mainly as a result of a greater focus on projects with higher profitability, while its EBITDA in absolute terms increased. In Q2 2022, System Solutions revenue increased by 1% YoY.

1. Adjusted for Optima contribution in H1 2021.

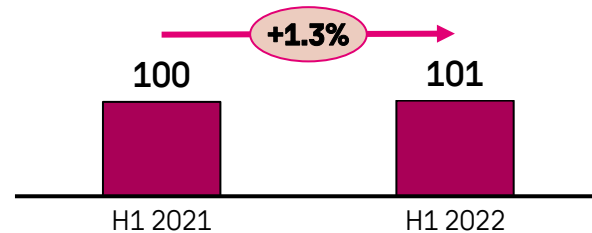
CONTINUED GROWTH OF POSTPAID MOBILE ARPU AND CUSTOMER BASE DUE TO CONTINUOUS EFFORTS IN PREPAID TO POSTPAID MIGRATION

MOBILE POSTPAID

■ Mobile postpaid customers (000)



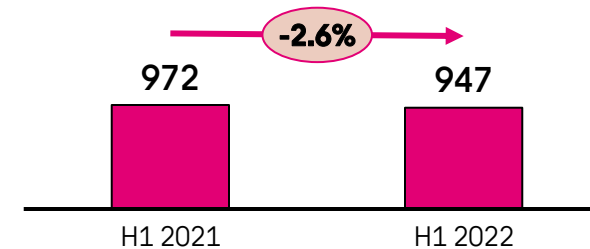
■ Mobile postpaid ARPU (HRK)



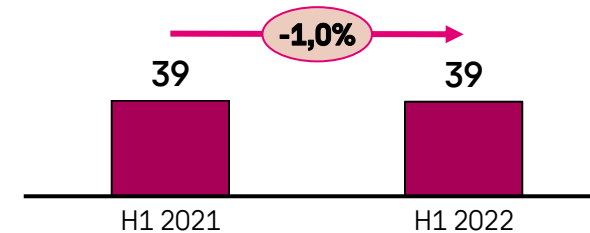
- Growth in Postpaid customers supported by Prepaid to Postpaid migration and attractive More-4-More offers.
- ARPU reflects an increase from customer migration to higher value tariffs.

MOBILE PREPAID

■ Mobile prepaid customers (000)



■ Mobile prepaid ARPU (HRK)

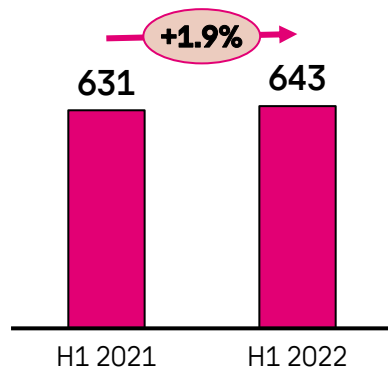


- Lower prepaid base mainly due to migration from prepaid to postpaid.

FIXED BROADBAND AND TV BASE CONTINUED TO GROW DUE TO IMPROVED QUALITY OF NETWORK AND THE BEST SPORT CONTENT OFFER

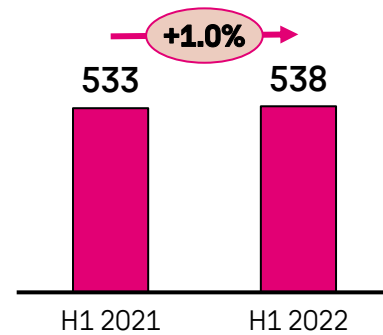
BROADBAND¹

■ Broadband access lines - retail (000)



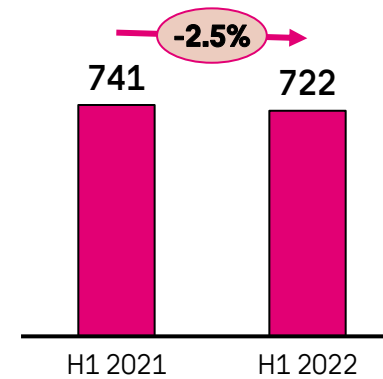
TV²

■ TV customers (000)



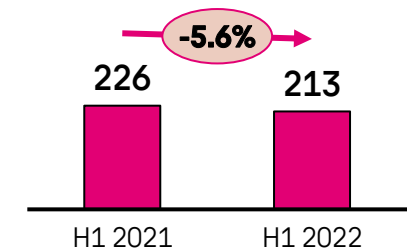
FIXED VOICE³

■ Fixed voice mainlines - retail (000)



WHOLESALE⁴

■ Wholesale customers (000)



- Higher broadband retail lines due to improved quality of our BB infrastructure and strong investments in fiber network.
- TV customer base growing capitalizing on the best sport content offer.
- Ongoing contraction of fixed voice lines, but at a slower pace compared to the previous quarter and year.
- Wholesale base lower as operators migrate to own infrastructure and due to decline of voice-only wholesale lines.

1. Includes ADSL, VDSL, FTTH and Naked DSL

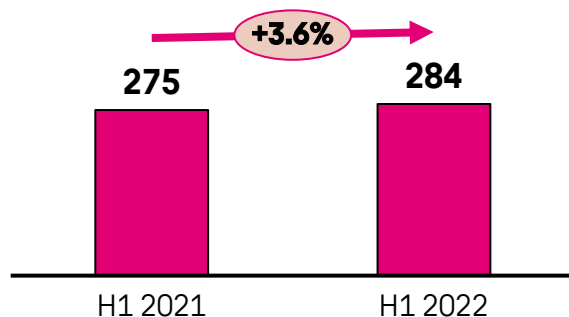
2. TV service subscribers are restated in Q2 2021. Numbers are retrospectively adjusted

3. Includes PSTN, FGSM, old PSTN Voice customers migrated to IP platform and Smart packages for business; payphones excluded

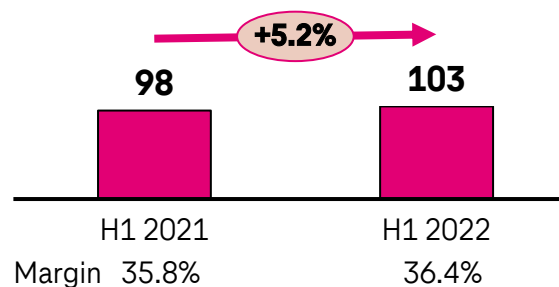
4. Includes Naked Bitstream, Bitstream, ULL, FA and WLR wholesale rental

STRONG PERFORMANCE IN CT. NET PROFIT REDUCED DUE TO INCREASE IN CORPORATE TAX RATE

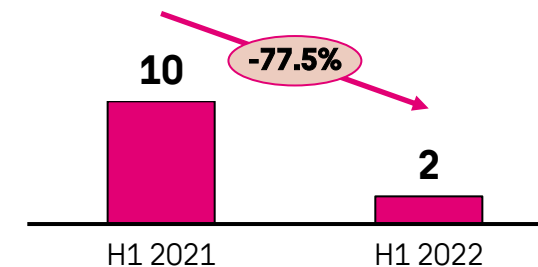
REVENUE (HRK m)



EBITDA AL¹ (HRK m)



NET PROFIT² (HRK m)



- Revenue increase driven by growth in Mobile and Fixed revenues, which compensated for contraction in System Solutions revenue.

- EBITDA positively benefitted from mobile services development and transformation measures.
- EBITDA AL margin improved to 36.4%.

- Lower Net Profit is driven by the change of local Corporate Income Tax rate from 9% to 15%, effective as of 1 January 2022. (including one-time effect on deferred tax liability).

1. EBITDA after leases adjusted for exceptional items

2. Net profit after non controlling interests

GROUP 2022 OUTLOOK

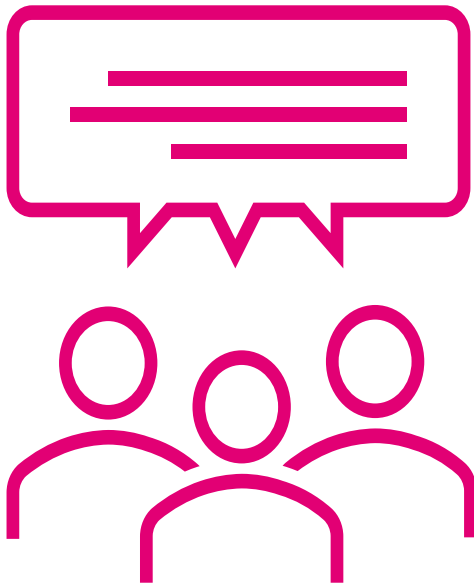
	2021 RESULTS ¹	Previous OUTLOOK 2022 vs. 2021	Revised OUTLOOK 2022 vs. 2021
REVENUE	HRK 7.3 billion	Stable level	Stable level
EBITDA AL	HRK 2.8 billion	Mid single-digit increase	Stable level*
CAPEX AL²	HRK 1.7 billion	Mid single-digit decrease	Mid single-digit decrease
REGIONAL EXPANSION	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

1. Optima Telekom excluded from 2021 results

2. Excluding Spectrum

*Subject to current macro conditions. Further deterioration of the macro situation (i.g. effects of inflation and energy prices) could potentially trigger the new revision.

Q&A



To ask a question, please raise your hand
(right-hand corner of your screen)



Once your question is answered,

please lower your hand by clicking



again

APPENDIX

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS



KEY FINANCIAL DATA*

Key financial data - HT Group without Optima Telekom contribution in 2021. (HRK mil.)	H1 2021	H2 2022	% of change A22/A21	Q2 2021	Q2 2022	% of change A22/A21
Organic Revenue	3.471	3.487	0,5%	1.748	1.776	1,6%
Organic Adjusted EBITDA AL ¹	1.273	1.314	3,2%	654	664	1,5%
Organic net profit after non controlling interests	167	301	80,3%	115	127	9,8%
Organic net operating cash flow	1.078	1.299	20,5%	495	668	34,8%
Organic CAPEX AL	686	773	12,7%	353	417	18,1%

¹ Mainly related to restructuring redundancy costs, legal cases and Optima Telekom contribution in H1 2021 & Q2 2022

Key financial data - HT Croatia without Optima Telekom contribution in 2021. (HRK mil.)	H1 2021	H2 2022	% of change A22/A21	Q2 2021	Q2 2022	% of change A22/A21
Organic revenue	3.199	3.205	0,2%	1.608	1.630	1,4%
Mobile service revenues	1.074	1.132	5,3%	559	592	5,9%
Mobile non-service revenues	441	478	8,4%	212	223	5,0%
Fixed service revenues	1.098	1.100	0,2%	558	556	-0,3%
Fixed non-service revenues	276	237	-14,4%	144	123	-14,4%
System solutions	309	258	-16,6%	135	137	1,0%
Miscellaneous	0	1		0	0	-10,2%
Organic Adjusted EBITDA AL ¹	1.175	1.210	3,0%	604	611	1,3%
Organic net profit after non controlling interests	175	315	80,1%	126	145	15,3%
Organic net operating cash flow	978	1.198	22,5%	434	618	42,3%
Organic CAPEX AL	620	735	18,5%	312	400	28,4%

¹ Mainly related to restructuring redundancy costs, legal cases and Optima Telekom contribution in H1 2022 & Q2 2022

CONSOLIDATED INCOME STATEMENT*

in HRK million	H1 2021	H1 2022	% of change A22/A21	Q2 2021	Q2 2022	% of change A22/A21
Mobile revenue	1,661	1,769	6.5%	846	897	6.1%
Fixed revenue	1,628	1,447	-11.1%	832	735	-11.7%
System solutions	323	271	-16.3%	143	144	0.2%
Miscellaneous revenue	0	1	29.3%	0	0	-10.0%
Revenue	3,612	3,487	-3.5%	1,822	1,776	-2.5%
Other operating income	50	52	4.4%	19	29	49.3%
Total operating revenue	3,662	3,539	-3.4%	1,841	1,805	-2.0%
Operating expenses	2,184	2,089	-4.3%	1,064	1,067	0.2%
Material expenses	1,096	1,029	-6.1%	530	522	-1.5%
Employee benefits expenses	592	558	-5.8%	283	271	-4.3%
Other expenses	491	503	2.4%	252	276	9.4%
Work performed by the Group and capitalised	-37	-28	24.7%	-22	-15	28.7%
Write down of assets	42	27	-35.0%	20	13	-37.1%
Depreciation and amortization	1,238	1,024	-17.2%	610	545	-10.6%
EBIT	240	425	77.0%	166	193	15.7%
Financial income	24	11	-54.4%	11	1	-89.5%
Income/loss from investment in joint ventures	-5	0	98.8%	-2	1	149.8%
Financial expenses	62	33	-46.5%	34	11	-68.5%
Profit before taxes	197	403	104.8%	141	184	30.0%
Taxation	38	100	161.6%	26	58	125.1%
Net profit	158	302	91.1%	116	126	8.9%
Non controlling interests	7	-1	-112.0%	-1	1	190.5%
Net profit after non controlling interests	165	301	82.8%	115	127	10.2%
Adjusted EBITDA AL ¹⁾	1,334	1,314	-1.5%	689	664	-3.7%
Exceptional items ²⁾	51	36	-29.2%	10	13	27.4%
EBITDA AL	1,283	1,278	-0.4%	679	651	-4.2%

¹⁾ Mainly adjusted for restructuring redundancy costs and legal cases

²⁾ Mainly related to restructuring redundancy costs and legal cases

*Reported view - including Optima Telekom contribution in H1 2021 & Q2 2021

CONSOLIDATED BALANCE SHEET*

in HRK million	At 31 Dec 2021	At 30 Jun 2022	% of change A22/A21
Intangible assets	1,897	1,879	-1.0%
Property, plant and equipment	6,300	6,162	-2.2%
Non-current financial assets	388	389	0.3%
Receivables	293	268	-8.5%
Lessee use rights to leased assets (IFRS 16)	644	600	-6.8%
Contract assets (IFRS 15)	52	30	-42.8%
Contract costs (IFRS 15)	137	155	12.8%
Deferred tax asset	140	131	-6.9%
Total non-current assets	9,852	9,615	-2.4%
Inventories	190	227	19.5%
Assets held for sale	0	78	-
Receivables	1,496	1,525	2.0%
Current financial assets	239	75	-68.6%
Contract assets (IFRS 15)	234	240	2.5%
Contract costs (IFRS 15)	73	67	-8.6%
Cash and cash equivalents	2,871	2,694	-6.2%
Prepayments and accrued income	93	118	26.2%
Total current assets	5,197	5,023	-3.3%
TOTAL ASSETS	15,049	14,638	-2.7%

in HRK million	At 31 Dec 2021	At 30 Jun 2022	% of change A22/A21
Subscribed share capital	10,245	10,245	0.0%
Reserves	581	563	-3.0%
Revaluation reserves	0	0	75.0%
Treasury shares	-64	-243	-277.6%
Retained earnings	1,101	1,103	0.2%
Net profit for the period	615	301	-51.0%
Non controlling interests	246	247	0.3%
Total issued capital and reserves	12,723	12,217	-4.0%
Provisions	127	119	-6.6%
Non-current liabilities	131	273	108.2%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	446	417	-6.3%
Contract liabilities (IFRS 15)	0	0	-100.0%
Deferred tax liability	34	44	32.0%
Total non-current liabilities	738	853	15.6%
Current liabilities	1,304	1,323	1.4%
Contract liabilities (IFRS 15)	91	87	-4.4%
Lessee lease liabilities due <= 1 year (IFRS 16)	159	150	-6.2%
Accrued expenses and deferred income	9	9	0.7%
Provisions for redundancy	24	0	-100.0%
Total current liabilities	1,588	1,568	-1.3%
Total liabilities	2,326	2,421	4.1%
TOTAL EQUITY AND LIABILITIES	15,049	14,638	-2.7%

* Reported view - including Optima Telekom contribution in H1 2021 & Q2 2021

CONSOLIDATED CASH FLOW STATEMENT*

in HRK million	H1 2021	H1 2022	% of change A22/A21	Q2 2021	Q2 2022	% of change A22/A21
Profit before tax	197	403	104.8%	141	184	30.0%
Depreciation and amortization	1,238	1,024	-17.2%	610	545	-10.6%
Increase / decrease of current liabilities	-279	40	114.5%	-176	100	157.0%
Increase / decrease of current receivables	71	-95	-234.0%	-39	-132	-240.2%
Increase / decrease of inventories	-22	-37	-66.9%	-10	-7	31.2%
Other cash flow increases / decreases	-97	-37	62.0%	-31	-23	26.8%
Net cash inflow/outflow from operating activities	1,107	1,299	17.3%	497	668	34.5%
Proceeds from sale of non-current assets	6	6	15.7%	4	0	-91.8%
Proceeds from sale of non-current financial assets	1	1	-18.0%	-7	0	103.4%
Interest received	2	5	171.8%	1	1	105.3%
Dividend received	0	0	-	0	0	-
Other cash inflows from investing activities	0	201	-	0	0	-100.0%
Total increase of cash flow from investing activities	8	213	2514.2%	-2	2	192.0%
Purchase of non-current assets	-430	-495	-15.0%	-244	-270	-11.0%
Purchase of non-current financial assets	0	0	0.0%	0	0	-
Other cash outflows from investing activities	-42	-37	12.5%	-5	2	140.1%
Total decrease of cash flow from investing activities	-473	-532	-12.5%	-248	-269	-8.2%
Net cash inflow/outflow from investing activities	-465	-319	31.4%	-250	-267	-6.5%
Total increase of cash flow from financing activities						
Repayment of loans and bonds	-18	0	100.0%	-11	0	100.0%
Dividends paid	-643	-631	1.9%	-643	-631	1.9%
Repayment of lease	-172	-165	4.2%	-96	-92	3.6%
Other cash outflows from financing activities	-246	-363	-47.4%	-128	-114	10.8%
Total decrease in cash flow from financing activities	-1,080	-1,159	-7.3%	-877	-837	4.6%
Net cash inflow/outflow from financing activities	-1,080	-1,159	-7.3%	-877	-837	4.6%
Exchange gains/losses on cash and cash equivalents	0	1	223.7%	-4	-3	23.9%
Cash and cash equivalents at the beginning of period	3,003	2,871	-4.4%	0	0	-
Net cash (outflow) / inflow	-437	-178	59.3%	-635	-438	31.0%
Cash and cash equivalents at the end of period	2,566	2,694	5.0%	-635	-438	31.0%

* Reported view - including Optima Telekom contribution in H1 2021 & Q2 2021

INVESTOR RELATIONS CONTACTS

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