

Hrvatski Telekom 9M 2022 Results

31 October 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.

9M 2022 HIGHLIGHTS



BUSINESS DEVELOPMENT

Market leading investments in FTTH and 5G confirmed by umlaut and the Ookla awards

The best customer satisfaction in the market

New Collective Agreement signed

Won the Croatian Sustainability Index 2022 award

Concluded the Term Sheet for the first corporate virtual PPA in Croatia

FINANCIALS

Solid top-line development on the back of strong mobile and core fixed business

Organic adjusted EBITDA AL growing 1.1% in 9M 2022

Q3 EBITDA under pressure due to accelerating inflation and energy prices. YE Outlook maintained

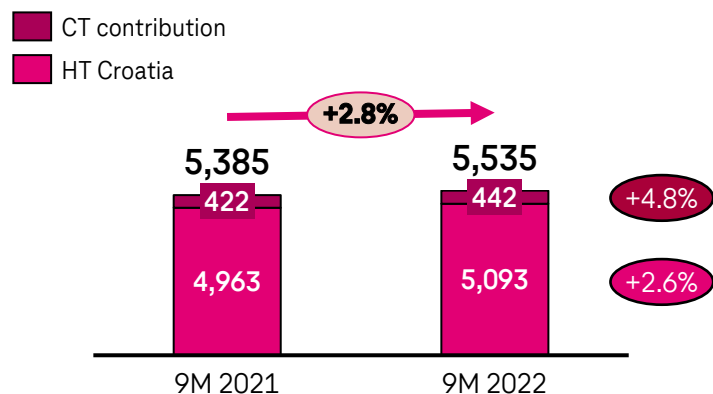
CAPITAL ALLOCATION

Returned HRK 818 million to shareholders through a combination of dividend and share buyback in 9M 2022

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

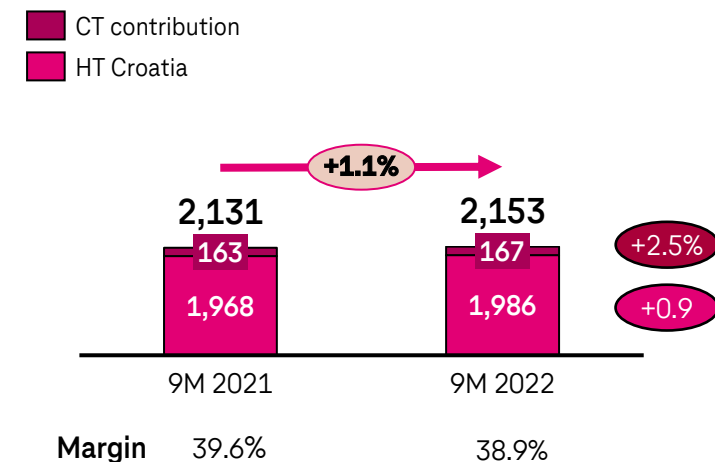
SOLID FINANCIAL PERFORMANCE DESPITE WORSENING MACRO ENVIRONMENT

REVENUE¹ (HRK m)



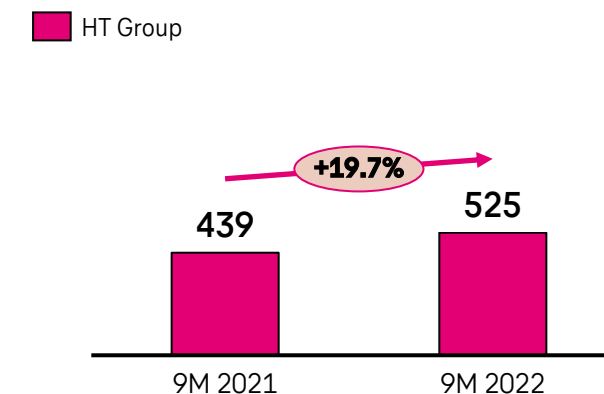
- Continued growth momentum in our core fixed and mobile services, both in Croatia and Montenegro.

EBITDA AL² (HRK m)



- Organic adjusted EBITDA AL increased by 1.1%, supported by solid development of service revenues which compensated the inflation effects particularly visible in Q3.

NET PROFIT³ (HRK m)



- Net Profit growth predominantly supported by lower depreciation, offset by the higher taxation.

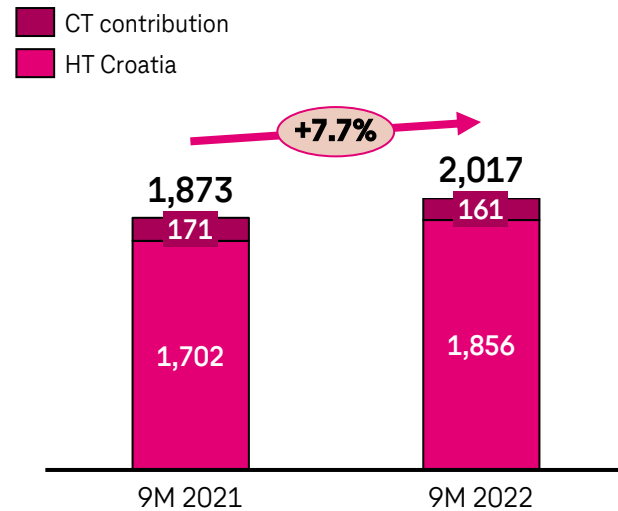
1. Adjusted for Optima contribution in H1 2021

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.

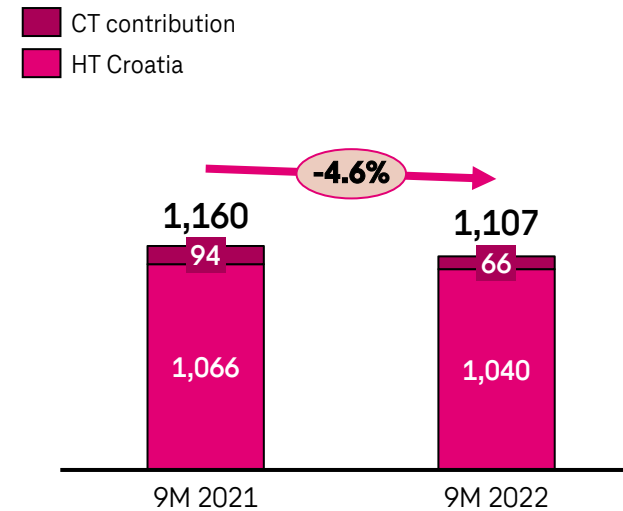
GROWING NET CASH FLOW FROM OPERATIONS SUPPORTING HIGH INVESTMENT LEVEL

NET CASH FLOW FROM OPERATIONS¹ (HRK m)



- Organic cash flow from operating activities increased mainly due to favorable working capital and other CF movements.

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

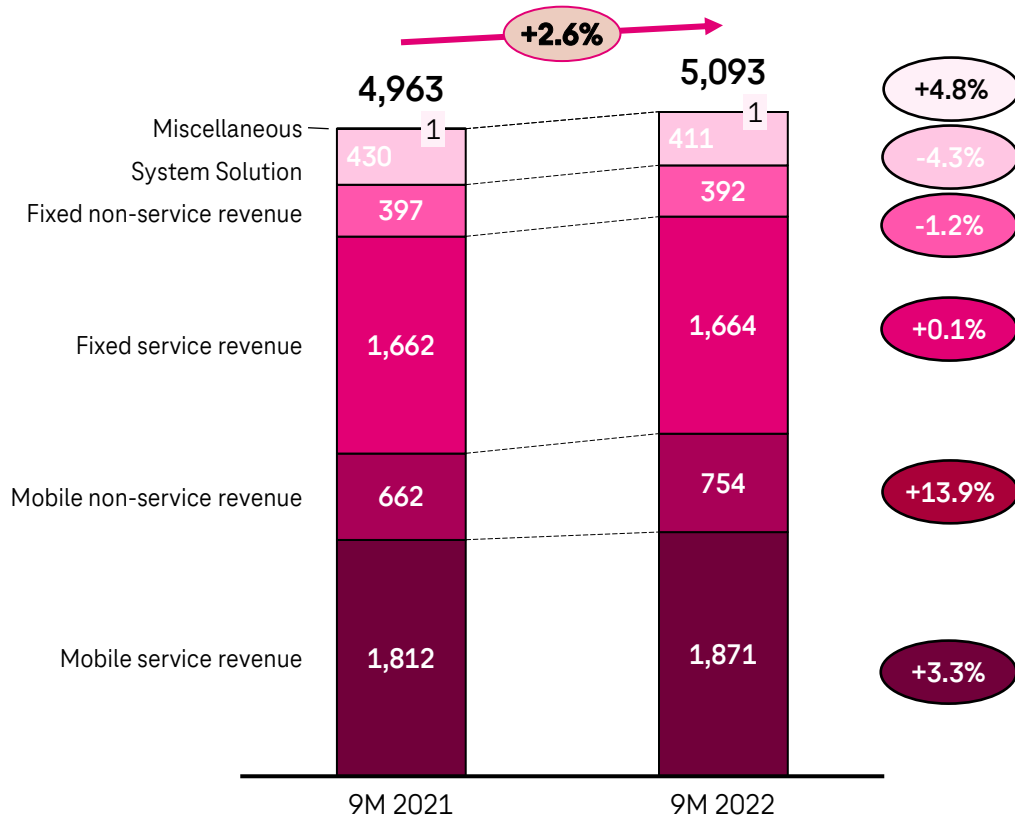


- Organic CAPEX AL w/o Spectrum below 9M 2021 mainly due to from different seasonality.

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

REVENUES UP ON THE BACK OF SOLID CORE PERFORMANCE

REVENUE BREAKDOWN¹ (HRK m)



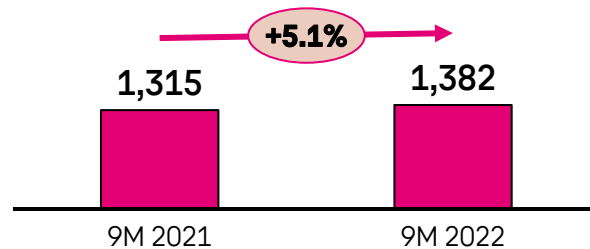
- **Mobile service revenue** growth supported by strong Postpaid and Visitors revenue growth, capitalizing on successful tourist season.
- **Mobile non-service revenue** growth driven by higher Handset sales.
- **Fixed service revenue** slightly up, as BB, TV and Data services offset contraction in Voice.
- **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.

1. Adjusted for Optima contribution in H1 2021.

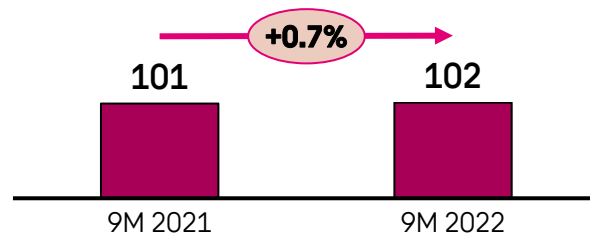
CONTINUED GROWTH OF ARPU AND CUSTOMER BASE

MOBILE POSTPAID

■ Mobile postpaid customers (000)



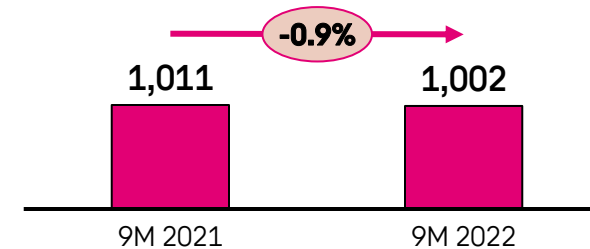
■ Mobile postpaid ARPU (HRK)



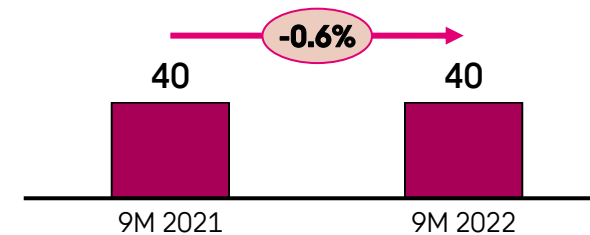
- Growth in Postpaid customers supported by Prepaid to Postpaid migration and attractive More-4-More offers.
- ARPU reflects an increase from customer migration to higher value tariffs.

MOBILE PREPAID

■ Mobile prepaid customers (000)



■ Mobile prepaid ARPU (HRK)

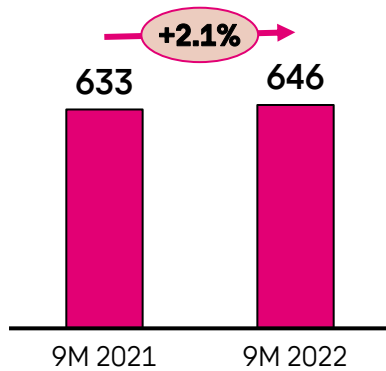


- Lower Prepaid base mainly due to migration from Prepaid to Postpaid.
- ARPU reflects migration of higher value Prepaid customers to Postpaid tariffs.

FIXED BROADBAND AND TV BASE CONTINUED TO GROW, WHILE RETAIL VOICE LINES CONTRACTION CONTINUES TO SLOW DOWN

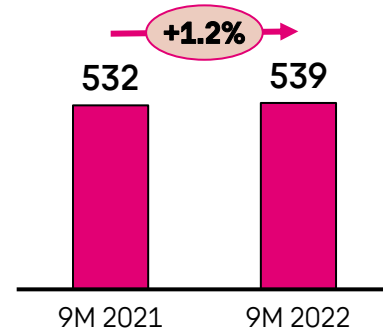
BROADBAND¹

■ Broadband access lines - retail (000)



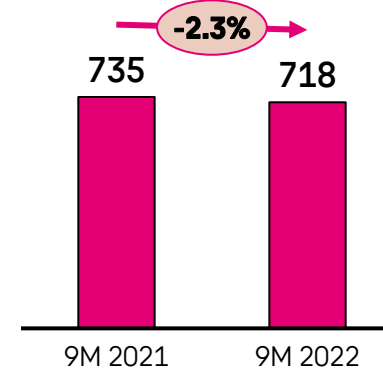
TV²

■ TV customers (000)



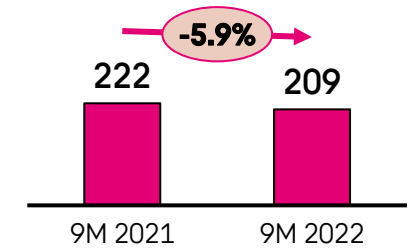
FIXED VOICE³

■ Fixed voice mainlines - retail (000)



WHOLESALE⁴

■ Wholesale customers (000)



- Higher broadband retail lines due to improved quality of our BB infrastructure, strong investments in fiber and the best sport content offer.
- TV customer base growth 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 decline of voice-only wholesale lines.

1. Includes ADSL, VDSL, FTTH and Naked DSL

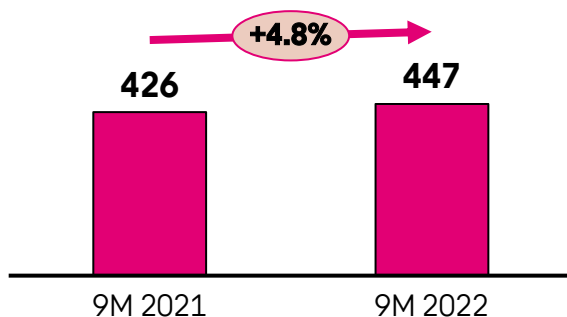
2. TV service subscribers are restated in Q2 2021. Numbers are retrospectively adjusted

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

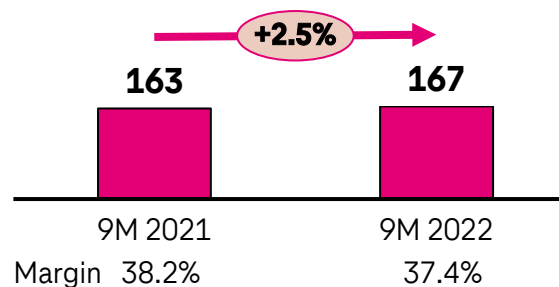
4. Includes Naked Bitstream, Bitstream, ULL, FA and WLR wholesale rental

SOLID EBITDA AL GROWTH IN MONTENEGRO, ON THE BACK OF CORE SERVICE BUSINESS

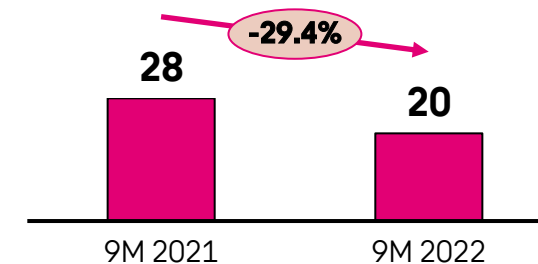
REVENUE (HRK m)



EBITDA AL¹ (HRK m)



NET PROFIT² (HRK m)



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

- EBITDA positively benefitted from core services development.

- Lower Net Profit is mainly due to negative deferred tax impact and higher tax rate.

1. EBITDA after leases adjusted for exceptional items

2. Net profit after non controlling interests

MAINTAINED OUTLOOK FOR THE YEAR END

	2021 RESULTS ¹	OUTLOOK 2022 vs. 2021
REVENUE	HRK 7.3 billion	Stable level
EBITDA AL	HRK 2.8 billion	Stable level
CAPEX AL ²	HRK 1.7 billion	Mid single-digit decrease
REGIONAL EXPANSION	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

Q&A



To ask a question, please raise your hand 

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.)	9M 2021	9M 2022	% of change A22/A21	Q3 2021	Q3 2022	% of change A22/A21
Organic Revenue	5.385	5.535	2,8%	1.914	2.048	7,0%
Organic Adjusted EBITDA AL ¹	2.131	2.153	1,1%	858	839	-2,2%
Organic net profit after non controlling interests	439	525	19,7%	272	224	-17,6%
Organic net operating cash flow	1.873	2.017	7,7%	796	718	-9,7%
Organic CAPEX AL	1.160	1.107	-4,6%	474	334	-29,6%

¹ Mainly related to restructuring redundancy costs and legal cases

Key financial data - HT Croatia without Optima Telekom contribution in 2021. (HRK mil.)	9M 2021	9M 2022	% of change A22/A21	Q3 2021	Q3 2022	% of change A22/A21
Organic revenue	4.963	5.093	2,6%	1.764	1.888	7,0%
Mobile service revenues	1.811	1.871	3,3%	737	739	0,3%
Mobile non-service revenues	662	754	13,9%	221	276	25,0%
Fixed service revenues	1.662	1.664	0,1%	564	563	-0,2%
Fixed non-service revenues	397	392	-1,2%	121	156	29,0%
System solutions	430	411	-4,3%	121	153	26,8%
Miscellaneous	1	1		0	0	-43,7%
Organic Adjusted EBITDA AL ¹	1.968	1.986	0,9%	793	776	-2,2%
Organic net profit after non controlling interests	432	525	21,4%	257	210	-18,5%
Organic net operating cash flow	1.702	1.856	9,0%	724	658	-9,1%
Organic CAPEX AL	1.066	1.040	-2,4%	445	305	-31,5%

¹ Mainly related to restructuring redundancy costs and legal cases

CONSOLIDATED INCOME STATEMENT*

in HRK million	9M 2021	9M 2022	% of change A22/A21	Q3 2021	Q3 2022	% of change A22/A21
Mobile revenue	2.707	2.879	6,4%	1.046	1.111	6,2%
Fixed revenue	2.368	2.225	-6,0%	741	778	5,0%
System solutions	450	430	-4,5%	127	159	25,5%
Miscellaneous revenue	1	1	4,9%	0	0	-43,7%
Revenue	5.526	5.535	0,2%	1.914	2.048	7,0%
Other operating income	77	97	26,3%	27	45	67,6%
Total operating revenue	5.603	5.632	0,5%	1.941	2.093	7,8%
Operating expenses	3.182	3.258	2,4%	998	1.169	17,1%
Material expenses	1.595	1.709	7,2%	499	680	36,3%
Employee benefits expenses	862	823	-4,5%	269	265	-1,6%
Other expenses	731	725	-0,8%	240	222	-7,3%
Work performed by the Group and capitalised	-62	-45	28,4%	-25	-17	33,9%
Write down of assets	57	45	-21,1%	15	18	18,2%
Depreciation and amortization	1.819	1.650	-9,3%	581	625	7,6%
EBIT	602	724	20,3%	361	299	-17,3%
Financial income	29	22	-25,4%	5	11	107,6%
Income/loss from investment in joint ventures	0	1	1009,8%	5	1	-74,4%
Financial expenses	82	54	-34,4%	20	21	3,6%
Profit before taxes	548	693	26,4%	352	290	-17,5%
Taxation	87	163	86,2%	49	62	27,2%
Net profit	461	530	15,0%	303	228	-24,7%
Non controlling interests	-1	-5	-686,3%	-7	-4	42,0%
Net profit after non controlling interests	460	525	14,1%	295	224	-24,3%
Adjusted EBITDA AL ¹⁾	2.192	2.153	-1,8%	858	839	-2,2%
Exceptional items ²⁾	59	37	-36,6%	8	1	-85,4%
EBITDA AL	2.133	2.116	-0,8%	850	838	-1,4%

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

CONSOLIDATED BALANCE SHEET*

in HRK million	At 31 Dec 2021	At 30 Sep 2022	% of change A22/A21
Intangible assets	1.897	1.826	-3,8%
Property, plant and equipment	6.300	6.141	-2,5%
Non-current financial assets	388	249	-35,9%
Receivables	293	273	-6,7%
Lessee use rights to leased assets (IFRS 16)	644	571	-11,3%
Contract assets (IFRS 15)	52	48	-7,5%
Contract costs (IFRS 15)	137	157	13,9%
Deferred tax asset	140	149	5,8%
Total non-current assets	9.852	9.413	-4,5%
Inventories	190	263	38,8%
Assets held for sale	0	0	-
Receivables	1.496	1.626	8,7%
Current financial assets	239	75	-68,6%
Contract assets (IFRS 15)	234	213	-9,0%
Contract costs (IFRS 15)	73	72	-1,6%
Cash and cash equivalents	2.871	3.024	5,3%
Prepayments and accrued income	93	81	-13,2%
Total current assets	5.197	5.355	3,0%
TOTAL ASSETS	15.049	14.768	-1,9%

in HRK million	At 31 Dec 2021	At 30 Sep 2022	% of change A22/A21
Subscribed share capital	10.245	10.245	0,0%
Reserves	581	529	-8,9%
Revaluation reserves	0	0	75,0%
Treasury shares	-64	-11	83,1%
Retained earnings	1.101	906	-17,7%
Net profit for the period	615	525	-14,6%
Non controlling interests	246	246	0,0%
Total issued capital and reserves	12.723	12.440	-2,2%
Provisions	127	121	-5,1%
Non-current liabilities	131	144	10,2%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	446	401	-10,1%
Contract liabilities (IFRS 15)	0	0	-100,0%
Deferred tax liability	34	44	31,5%
Total non-current liabilities	738	710	-3,8%
Current liabilities	1.304	1.387	6,3%
Contract liabilities (IFRS 15)	91	68	-25,0%
Lessee lease liabilities due <= 1 year (IFRS 16)	159	153	-3,8%
Accrued expenses and deferred income	9	9	2,1%
Provisions for redundancy	24	0	-100,0%
Total current liabilities	1.588	1.618	1,9%
Total liabilities	2.326	2.328	0,1%
TOTAL EQUITY AND LIABILITIES	15.049	14.768	-1,9%

CONSOLIDATED CASH FLOW STATEMENT*

in HRK million	9M 2021	9M 2022	% of change A22/A21	Q3 2021	Q3 2022	% of change A22/A21
Profit before tax	548	693	26,4%	407	290	-28,7%
Depreciation and amortization	1.819	1.650	-9,3%	1.208	625	-48,3%
Increase / decrease of current liabilities	-233	14	106,2%	-58	-26	54,9%
Increase / decrease of current receivables	-29	-178	-515,5%	10	-83	-939,4%
Increase / decrease of inventories	-61	-74	-20,2%	-52	-37	28,8%
Other cash flow increases / decreases	-141	-88	37,1%	-110	-52	52,9%
Net cash inflow/outflow from operating activities	1.903	2.017	6,0%	1.406	718	-48,9%
Proceeds from sale of non-current assets	21	122	487,6%	16	116	608,5%
Proceeds from sale of non-current financial assets	12	1	-93,8%	19	0	-98,8%
Interest received	5	6	25,0%	4	1	-74,3%
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	38	331	771,9%	40	117	192,7%
Purchase of non-current assets	-888	-829	6,7%	-645	-334	48,2%
Purchase of non-current financial assets	0	0	0,0%	0	0	100,0%
Other cash outflows from investing activities	-41	-37	7,8%	-36	0	99,4%
Total decrease of cash flow from investing activities	-929	-866	6,7%	-681	-334	50,9%
Net cash inflow/outflow from investing activities	-891	-536	39,9%	-641	-217	66,1%
Total increase of cash flow from financing activities						
Repayment of loans and bonds	-18	0	100,0%	-7	0	100,0%
Dividends paid	-645	-635	1,5%	-2	-5	-141,4%
Repayment of lease	-258	-227	12,2%	-163	-62	62,1%
Other cash outflows from financing activities	-332	-468	-40,9%	-205	-105	48,7%
Total decrease in cash flow from financing activities	-1.254	-1.330	-6,1%	-377	-171	54,5%
Net cash inflow/outflow from financing activities	-1.254	-1.330	-6,1%	-377	-171	54,5%
Exchange gains/losses on cash and cash equivalents	-6	2	137,2%	-2	1	148,1%
Cash and cash equivalents at the beginning of period	3.003	2.871	-4,4%	3.003	0	-100,0%
Net cash (outflow) / inflow	-248	153	161,8%	387	331	-14,5%
Cash and cash equivalents at the end of period	2.755	3.024	9,8%	3.390	331	-90,2%

* Reported view - including Optima Telekom contribution in H1 2021

INVESTOR RELATIONS CONTACTS

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