



BUSINESS AND UNAUDITED FINANCIAL REVIEW JANUARY – SEPTEMBER 2020

**INVESTOR PRESENTATION
29 OCTOBER 2020**



LIFE IS FOR SHARING.

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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

BUSINESS HIGHLIGHTS

BUSINESS DEVELOPMENTS

- Solid overall operational performance and development despite challenging environment
- Progress of investments (e.g. fiber) continuing as planned despite COVID-19 challenges
- The leading mobile network status confirmed by independent awards from both Ookla and umlaut (formerly P3)
- Positive trends in digital channel penetration (e.g. MojT app) & usage growth
- Strong employee & improving customer satisfaction

REGULATORY DEVELOPMENTS

- Reduced fee for radiofrequency spectrum (came into force 30 June 2020)
- HAKOM postponed the assignment for frequency bands for 5G to H1 2021

FINANCIALS

- Q3 2020 is showing improved YOY trend due to strong mobile postpaid and higher system solutions revenues
- Excluding one-off EvoTV transaction in 2019, EBITDA AL decreased by 5.4% in 9M 2020
- Confirmed "revised" outlook for 2020

CAPITAL ALLOCATION

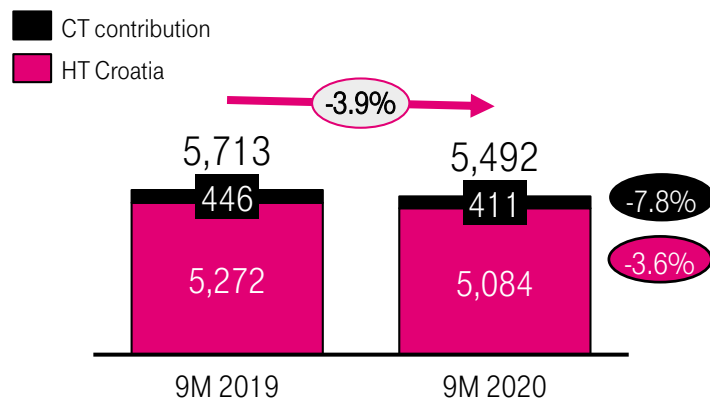
- In 9M 2020 HT returned to its shareholders HRK 716m through combination of dividend and share buyback which represents a total yield of 5.1%¹
- On 12 October, Hrvatski Telekom transitioned its shares to the Prime Market of the Zagreb Stock Exchange from the Official Market

1. Based on last price on 30 September 2020

POSITIVE EARLY 2020 DEVELOPMENTS IMPACTED BY COVID-19

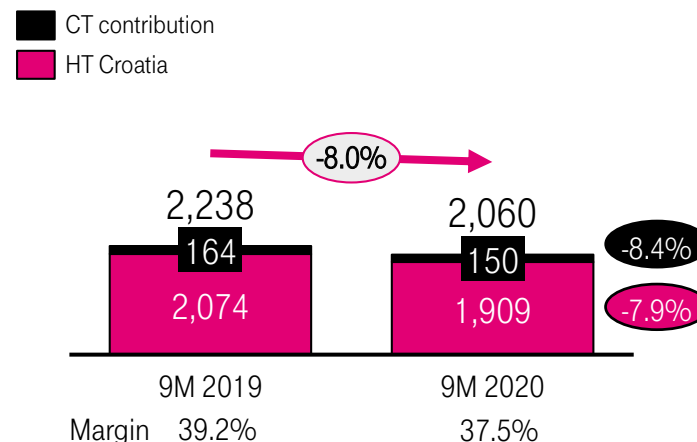
All in HRK million

REVENUE



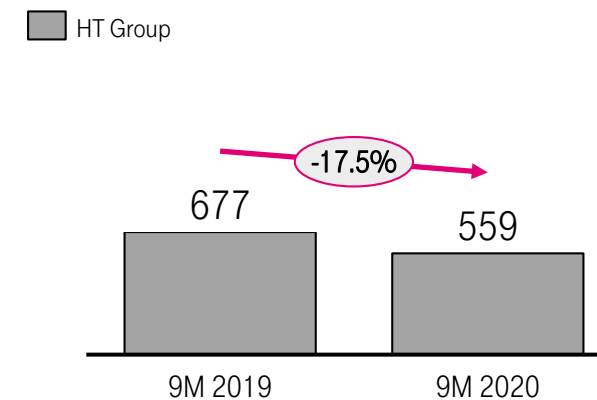
- Growth in mobile postpaid, system solutions, fixed BB & TV was outweighed by decrease in revenues related to COVID-19 (summer season visitors and handset revenues decrease)
- CT revenue down due to less visitor revenues and one-time deal in system solutions which happened in 2019

EBITDA AL¹



- EBITDA AL down mainly due to lower net revenue and EvoTV transaction which happened in Q1 2019
- Excluding one-off EvoTV transaction in Q1 2019, EBITDA AL decreased by -5.4% in 9M 2020

NET PROFIT²



- Net profit decrease mainly due to EBITDA AL performance and higher depreciation

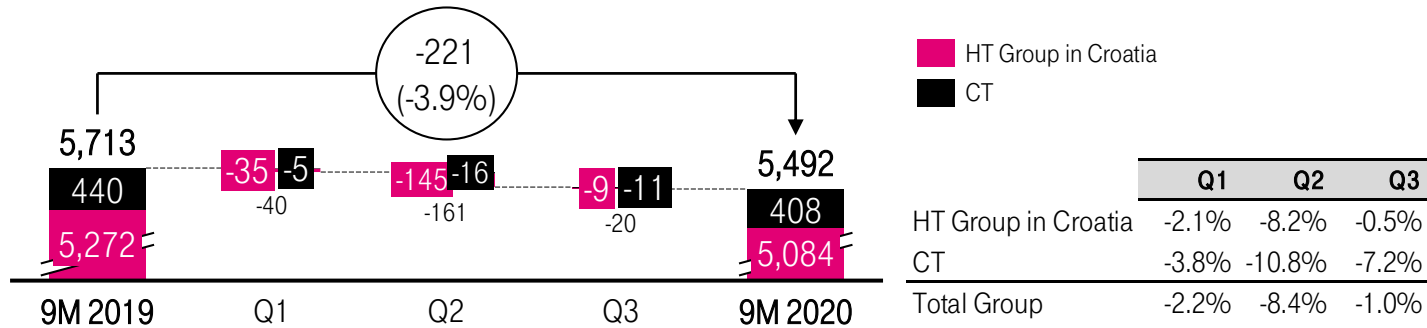
1. EBITDA before exceptional items after leases. Exceptional items mainly refer to restructuring redundancy costs and legal cases.

2. Net profit after non controlling interests.

Q3 REVENUE STABILIZATION DESPITE NEGATIVE VISITOR IMPACT

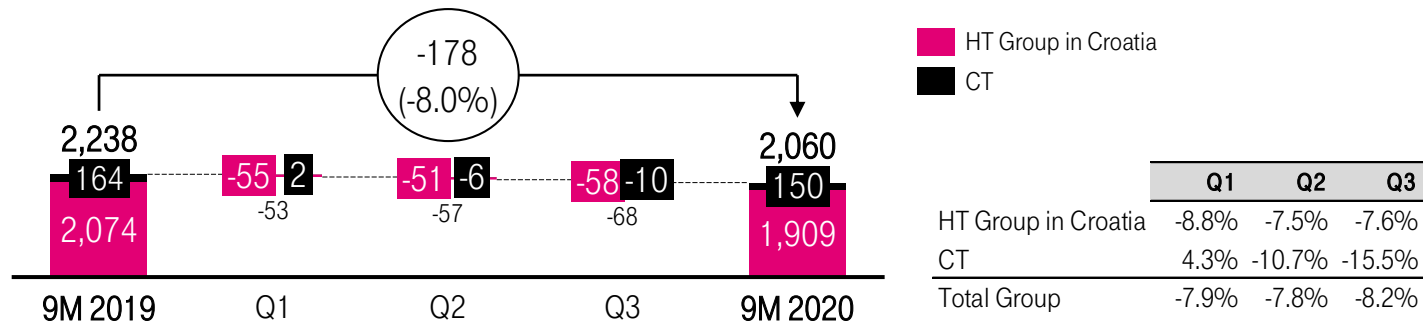
All in HRK million

REVENUE



- After the first COVID-19 impacts in Q1 2020, a recorded revenue decrease in Q2 2020 resulted from the businesses going through a lockdown, lower handset, prepaid and visitor revenues
- In Q3 2020, revenue for HT almost back to 2019 level due to positive development in systems solutions and mobile postpaid as well as normalization in handset revenue, and this despite ongoing pressures in visitor numbers

EBITDA AL

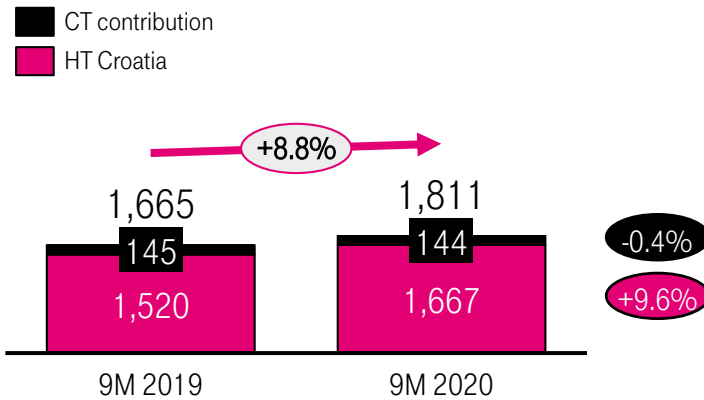


- EBITDA AL Q1 2020 decrease resulted from the effect of EvoTV transaction in Q1 2019, while COVID-19 impacted Q2 and Q3 primarily through lower visitor revenues

STRONG CASH FLOW ENABLES INVESTMENTS IN NETWORK AND CUSTOMER EXPERIENCE

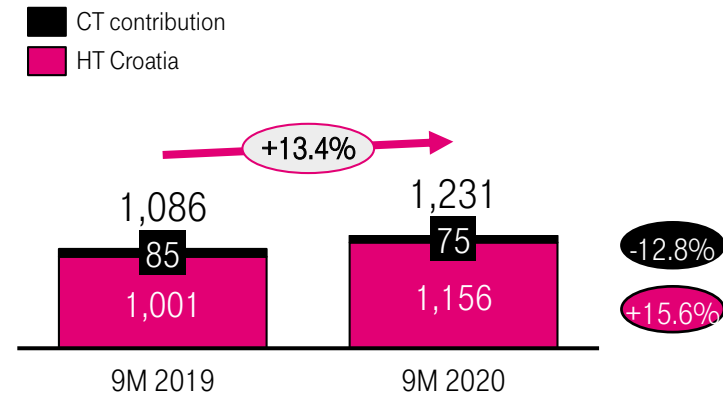
All in HRK million

NET CASH FLOW FROM OPERATIONS



- Cash flow from operating activities increased mainly due to favourable working capital movements

CAPEX AL

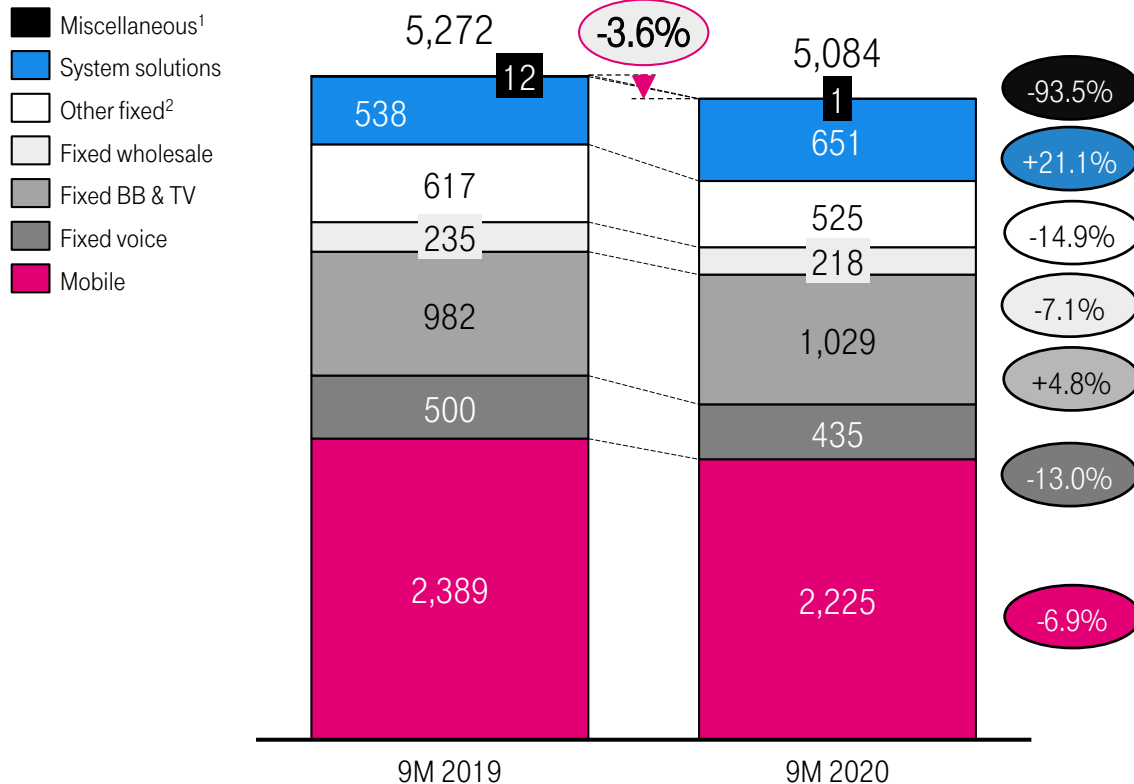


- Capex AL higher YOY driven by seasonality
- CT capex lower on slowdown in investment in fixed access and LTE

MOBILE HANDSET AND VISITOR REVENUES DOWN DUE TO COVID-19 IMPACTS WHILE FIXED BB & TV AND SYSTEM SOLUTIONS SHOWED GOOD PERFORMANCE

All in HRK million

REVENUE BREAKDOWN



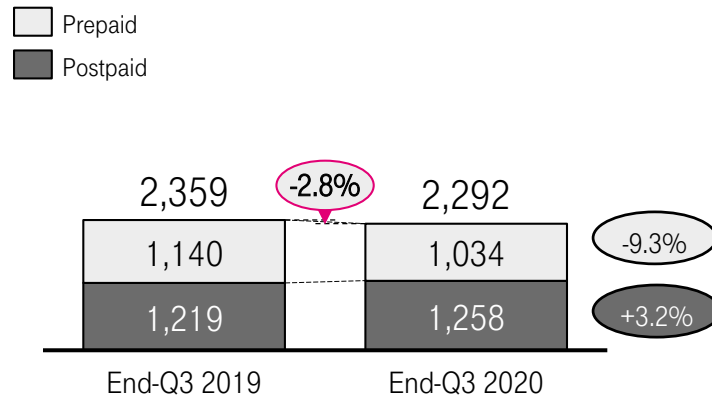
- **Mobile revenue** down, good progress on mobile postpaid continues but is offset mainly by the decline in visitor revenues and low-margin handset revenues
- **Fixed voice** down due to fall in mainlines, traffic and ARPU
- **Fixed BB and TV revenue** up; TV growth supported by higher EvoTV contribution (excluding EvoTV, revenue and ARPU is higher, while CB is lower), as well as fixed BB growth resulting from higher retail customer base and higher ARPU
- **Fixed wholesale revenue** down as a result of lower infrastructure revenue due to lower prices for all regulated wholesale services (WACC decrease) and lower transit traffic in Iskon
- **Other fixed revenue** down, mainly driven by lower Optima contribution resulting from cancelation of bilateral telco relationship with Telekom Slovenije and Orion (mostly EBITDA neutral)
- **System solutions revenue** growth mainly driven by Combis due to infrastructure and digitalization services
- **Miscellaneous revenue** down due to E-tours disinvestment in 2019

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

CONTINUED GROWTH OF MOBILE ARPU AND POSTPAID CUSTOMER BASE

Thousands

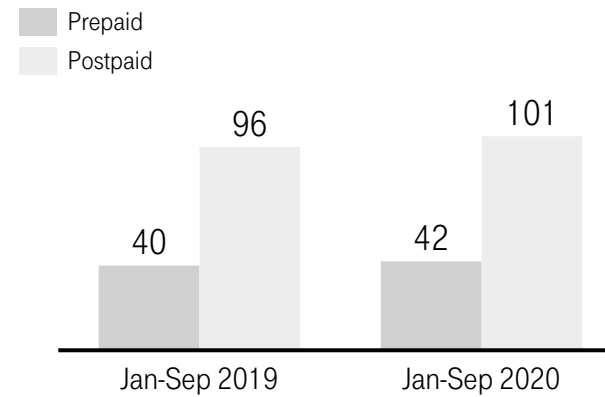
NUMBER OF CUSTOMERS



- Increase in mobile postpaid customers driven by attractive 'more-for-more' offers on tariffs and handsets as well as marketing campaigns in bonbon brand's services
- Mobile prepaid down due to overall decline of mobile prepaid market and lower visitors

HRK/month

ARPU

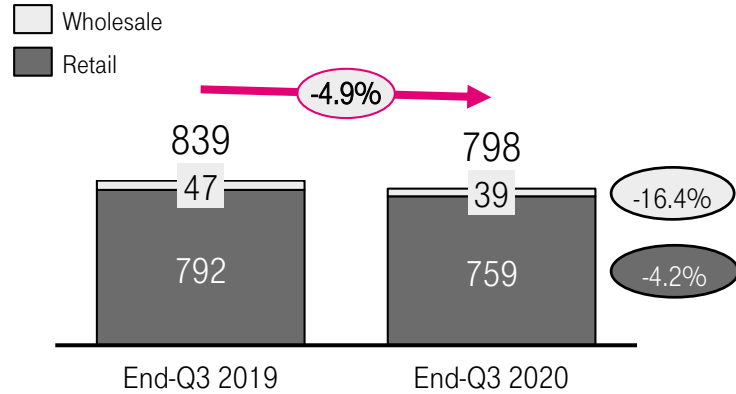


- Increase in mobile postpaid ARPU as a result of successful prepaid to postpaid migration and "more for more" customer base development activities

STABILIZED DEVELOPMENT IN FIXED BROADBAND AND SLIGHT TV BASE GROWTH

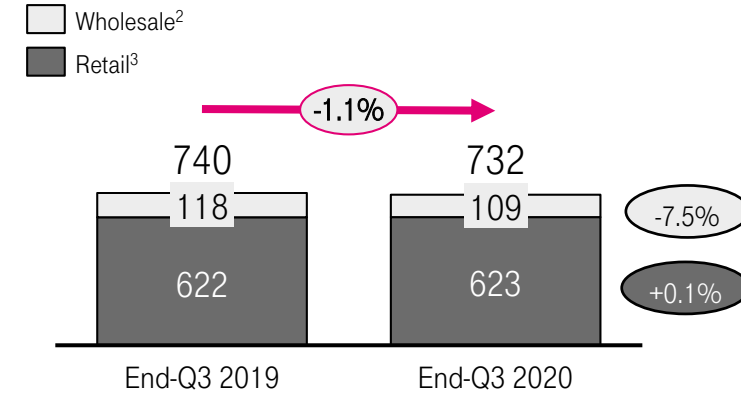
Thousands

NUMBER OF FIXED VOICE SERVICES¹



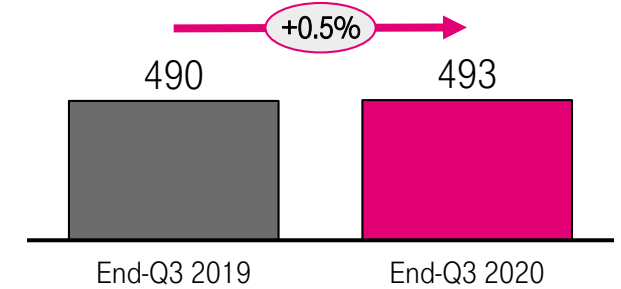
- Ongoing contraction of fixed mainlines due to market trend of fixed to mobile and IP substitution

NUMBER OF BROADBAND SERVICES



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

NUMBER OF TV CUSTOMERS



- Slight growth in number of TV customers

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

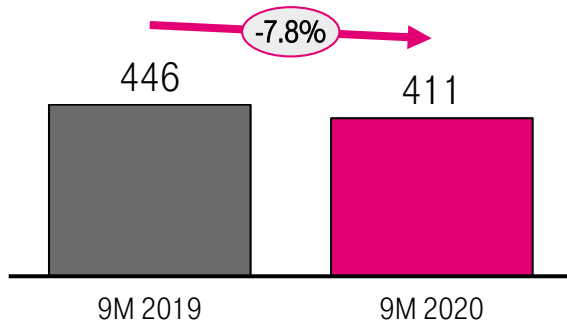
² Includes Naked Bitstream + Bitstream

³ Includes ADSL, VDSL, FTTH, FTTB, FTTC

CT MAINTAINED HIGH PROFITABILITY DESPITE COVID-19 PRESSURE

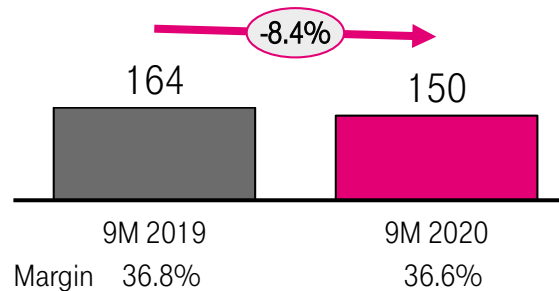
All in HRK million

REVENUE



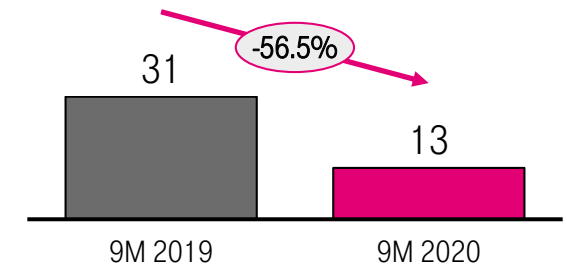
- After positive Q1 2020 performance, COVID-19 situation in Q2 and Q3 in particular, reversed the trend due to absence of summer tourist season, which caused significant drop in visitor revenues

EBITDA AL¹



- EBITDA AL decrease impacted by lower net revenue, partly offset by lower operating expenses
- EBITDA AL margin maintained at 36.6%

NET PROFIT²



- Net profit reduced due to lower EBITDA

1. EBITDA before exceptional items after leases

2. Net profit after non controlling interests

CONFIRMED IN Q2 "REVISED" OUTLOOK FOR 2020

	2019 Results	„Original" Outlook 2020	"Revised" Outlook 2020
REVENUE	HRK 7,704 million	Stable to slightly lower	Mid-to-high single digit decrease
EBITDA AL	Margin of 37.7%	Margin of around 38%	Margin of around 39%
CAPEX AL	HRK 1,900 million	Around HRK 1,700 million	Around HRK 1,700 million
REGIONAL EXPANSION	Completed purchase of EvoTV	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	9M 2019	9M 2020	% of change A20/A19
Mobile revenue	2,622	2,447	-6.7%
Fixed revenue	2,514	2,376	-5.5%
System solutions	564	667	18.3%
Miscellaneous	12	1	-93.5%
Revenue	5,713	5,492	-3.9%
Other operating income	121	76	-37.3%
Total operating revenue	5,833	5,568	-4.6%
Operating expenses	3,451	3,261	-5.5%
Material expenses	1,756	1,673	-4.7%
Employee benefits expenses	889	872	-1.9%
Other expenses	819	720	-12.1%
Work performed by the Group and capitalised	-76	-64	15.7%
Write down of assets	62	60	-3.2%
EBITDA	2,383	2,306	-3.2%
Depreciation and amortization	1,471	1,563	6.2%
EBIT	912	744	-18.4%
Financial income	16	47	187.5%
Income/loss from investment in joint ventures	-3	-6	-92.0%
Financial expenses	93	111	19.0%
Profit before taxes	831	674	-19.0%
Taxation	157	128	-18.3%
Net profit	675	546	-19.1%
Non controlling interests	-2	-13	-535.5%
Net profit after non controlling interests	677	559	-17.5%
Exceptional items ¹⁾	89	68	-23.5%
EBITDA before exceptional items	2,472	2,374	-3.9%
EBITDA before exceptional items after leases	2,238	2,060	-8.0%

¹⁾ Mainly related to restructuring redundancy costs and legal cases

HT GROUP CONSOLIDATED BALANCE SHEET

in HRK million	At 31 Dec 2019	At 30 Sep 2020	% of change A20/A19
Intangible assets	2,335	2,188	-6.3%
Property, plant and equipment	6,390	6,513	1.9%
Non-current financial assets	388	382	-1.6%
Receivables	347	351	1.0%
Lessee use rights to leased assets (IFRS 16)	709	706	-0.5%
Contract assets (IFRS 15)	51	52	2.1%
Contract costs (IFRS 15)	98	95	-2.6%
Deferred tax asset	129	129	0.4%
Total non-current assets	10,447	10,415	-0.3%
Inventories	158	163	3.1%
Assets held for sale	68	0	-100.0%
Receivables	1,520	1,628	7.1%
Current financial assets	928	5	-99.4%
Contract assets (IFRS 15)	231	209	-9.4%
Contract costs (IFRS 15)	71	69	-2.6%
Cash and cash equivalents	2,762	3,174	14.9%
Prepayments and accrued income	142	83	-41.3%
Total current assets	5,880	5,332	-9.3%
TOTAL ASSETS	16,327	15,747	-3.6%

in HRK million	At 31 Dec 2019	At 30 Sep 2020	% of change A20/A19
Subscribed share capital	10,245	10,245	0.0%
Reserves	565	513	-9.1%
Revaluation reserves	-10	-1	86.4%
Treasury shares	-73	-73	0.0%
Retained earnings	1,260	1,340	6.3%
Net profit for the period	740	559	-24.5%
Non controlling interests	328	315	-3.9%
Total issued capital and reserves	13,054	12,897	-1.2%
Provisions	86	82	-4.0%
Non-current liabilities	246	207	-15.6%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	465	501	7.6%
Contract liabilities (IFRS 15)	0	0	-37.9%
Deferred tax liability	42	48	13.2%
Total non-current liabilities	839	838	-0.1%
Current liabilities	2,161	1,776	-17.8%
Contract liabilities (IFRS 15)	85	72	-15.0%
Lessee lease liabilities due <= 1 year (IFRS 16)	183	156	-14.9%
Deferred income	5	8	45.2%
Provisions for redundancy	0	0	0.0%
Total current liabilities	2,434	2,012	-17.4%
Total liabilities	3,273	2,850	-12.9%
TOTAL EQUITY AND LIABILITIES	16,327	15,747	-3.6%

HT GROUP CONSOLIDATED CASH FLOW STATEMENT

in HRK million	9M 2019	9M 2020	% of change A20/A19
Profit before tax	831	674	-18.9%
Depreciation and amortization	1,471	1,563	6.2%
Increase / decrease of current liabilities	-187	-127	31.9%
Increase / decrease of current receivables	-79	-55	30.5%
Increase / decrease of inventories	-28	-12	58.4%
Other cash flow increases / decreases	-343	-232	32.6%
Net cash inflow/outflow from operating activities	1,665	1,811	8.8%
Proceeds from sale of non-current assets	87	88	1.6%
Proceeds from sale of non-current financial assets	11	1	-91.2%
Interest received	9	6	-29.9%
Dividend received	0	0	-
Other cash inflows from investing activities	110	959	767.8%
Total increase of cash flow from investing activities	217	1,054	386.1%
Purchase of non-current assets	-908	-1,125	-24.0%
Purchase of non-current financial assets	-113	0	100.0%
Other cash outflows from investing activities	0	0	-
Total decrease of cash flow from investing activities	-1,020	-1,125	-10.3%
Net cash inflow/outflow from investing activities	-803	-71	91.1%
Total increase of cash flow from financing activities			
Repayment of loans and bonds	-43	-57	-34.8%
Dividends paid	-818	-643	21.4%
Repayment of lease	-249	-281	-12.9%
Other cash outflows from financing activities	-295	-337	-14.0%
Total decrease in cash flow from financing activities	-1,405	-1,318	6.2%
Net cash inflow/outflow from financing activities	-1,405	-1,318	6.2%
Exchange gains/losses on cash and cash equivalents	3	-10	-400.9%
Cash and cash equivalents at the beginning of period	3,137	2,762	-11.9%
Net cash (outflow) / inflow	-540	412	176.3%
Cash and cash equivalents at the end of period	2,597	3,174	22.2%

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Bloomberg: HT CZ





THANK YOU