



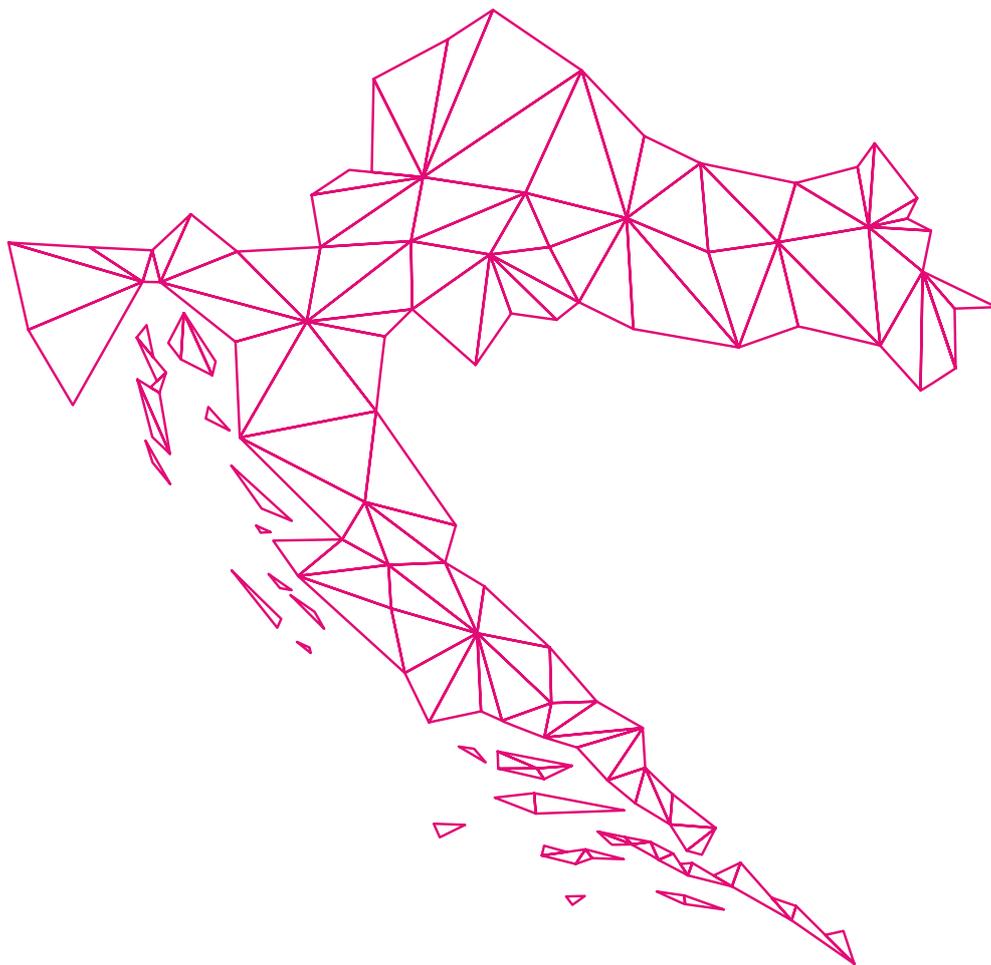
LIFE IS FOR SHARING.

**UNAUDITED INTERIM REPORT
FOR THE HT GROUP
JANUARY - JUNE 2020**



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COMMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

Commenting on the business results for H1 2020, Konstantinos Nempis, CEO of Hrvatski Telekom, stated: *The first six months of 2020 were strongly impacted by COVID-19 and by it initiated lockdown, with effects seen across business, economy and society. There is not a single industry that has not been affected by such developments, including the Telecoms sector.*

However, the services and connectivity we provide to the Croatian society and economy are now more important than ever before, and I am proud that we have, especially during the past six months demonstrated our market, technology and network leadership, as well as our strong commitment to supporting the country when it mattered the most, and we will continue to do so.

With Croatia needing to step up its digitalization I see our role in helping businesses and public sector transform and make a digital leap with a combination of telco and standardized and customized ICT solutions, in providing even more value to our customers by accelerating the simplification on all touchpoints, and in keeping the pace of our network investment plan which is a key lever for the society's digitization and return to economic growth. Very few industries and even fewer companies can play this role that is essential for the future of Croatia.

This is why, even under the challenging outlook for the remainder of 2020, Hrvatski Telekom as the largest private investor in the digitalization of Croatia, will continue connecting the Croatian society with the opportunities of digitization, and I am confident we will deliver on our vision of sustainable and profitable growth.

HIGHLIGHTS IN THE FIRST SIX MONTHS OF 2020

- Challenging quarter from financial perspective due to COVID-19 and seasonal effects
- The leading network confirmed by customer experience and two Ookla awards for the best mobile network for the second year in a row
- The highest ever employee satisfaction in the history of the company with a new and improved Collective agreement

Hrvatski Telekom (Reuters: HT.ZA, Bloomberg: HT CZ), the leading telecommunications provider in Croatia announces its unaudited consolidated results for the six months ended with 30 June 2020.

The COVID-19 situation, and by it initiated lockdown impacted the business developments, with Hrvatski Telekom inevitably also experiencing the effects. As a direct result, total consolidated net revenue decreased by HRK 201 million or 5.4% in H1 2020 compared to H1 2019. The revenue decrease was caused by lower realization in fixed revenue (HRK 105 million or 6.3%), mobile revenue (HRK 100 million or 6.1%) and miscellaneous revenue (HRK 7 million or 93.0%), partially offset by higher system solutions (HRK 12 million or 3.2%).

EBITDA AL decreased by HRK 110 million or 7.8% in H1 2020, due to decrease by both HT Group in Croatia (HRK 106 million or 8.1%) and Crnogorski Telekom (HRK 4 million or 3.9%). Excluding the one-off EvoTV transaction in Q1 2019, EBITDA AL was 3.7% lower. The EBITDA AL margin was 37.0%.

Net profit after non-controlling interests decreased by HRK 125 million or 28.5%. Total CAPEX amounted to HRK 804 million, up 10.3% against the same period last year.

Due to high levels of uncertainty and volatility in March and April Hrvatski Telekom put its 2020 outlook under review. Although the environment is still uncertain, the revised 2020 outlook is now issued. Revenue, which we had previously anticipated to be stable to slightly lower than in 2019, we now expect to be mid-to-high single digit lower. EBITDA AL margins, which we previously expected to be around 38%, we now expect at around 39%. In February we set CAPEX expectations at around HRK 1.7 billion, and we still expect to deliver on that target. In terms of regional expansion, we reiterate that we continue to monitor and evaluate potential acquisition opportunities.

Challenging quarter from financial perspective due to COVID-19 and seasonal effects

Following the turnaround demonstrated in end of 2019, Hrvatski Telekom at the beginning of the 2020 continued with the positive trends, evidenced from the growth in postpaid, broadband and TV, and system solutions as well as from investments in network and service quality, still, the business developments were outweighed by decrease in revenues related to COVID-19, with it connected lockdown, and the seasonal effects.

Nevertheless, Hrvatski Telekom's commitment to supporting its customers, businesses and society remained strong at all times. As a result, businesses were able to remain operational, people were able to work from home, school programs were able to be conducted online. The COVID-19 situation made it clear just how vital the ICT industry and investments in digital infrastructure and solutions are to the whole Croatia. The investments Hrvatski Telekom, as the biggest private investor in digitalization, made over the last years, with the biggest of the last 10 years coming in 2019, enabled the stability of the fixed and mobile networks and ensured consumers, businesses and public sector, under increased traffic remained connected in times when it was crucial.

The leading network status confirmed by improving customer experience and two awards for the best mobile network

Despite the challenging outlook, Hrvatski Telekom remains committed to its investment plans into network quality, 5G development and fiber roll-out, which are critical for Croatia's economic recovery and rapid transition to a digital society.

Hrvatski Telekom has received two Ookla awards for the second consecutive year - for "The Fastest Mobile Network" and "The Best Mobile Coverage" in Croatia. Ookla is the world leader in internet quality access testing and analysis and Ookla awards and they are globally the most valued and referenced indicators of mobile network quality. Hrvatski Telekom's achievement is even more relevant as the awards also reflect the performance and the highest network quality during the COVID-19 which brought a drastic increase in telecommunications traffic.

Following its modernization Hrvatski Telekom's mobile network is ready for 5G technology which will be the basis of economic growth. Hrvatski Telekom is the leader in the segment of 5G technology development and intensive work is being done to test the functionality and performance of 5G technology and prepare for commercial operations once the required radio frequency spectrum is allocated. The tests include the application of Dynamic Spectrum Sharing (DSS) technology which is crucial for the fast implementation of 5G technology. In the background of making the benefits of 5G a reality are partnerships and cooperation agreements, such as the one with Ericsson Nikola Tesla (ENT) based on which ENT became the exclusive supplier of the radio mobile network until 2024. This was the first 5G contract between two companies in Croatia, with which Hrvatski Telekom and ENT are continuing a long-term cooperation with the aim of enabling technological, economic and social progress.

In 2020, a strong focus has been placed on the implementation of the next generation fixed access network (NGA), targeting an increase in the fiber-optic network footprint. By the end of the first half of 2020, an additional 19,608 households were covered by FTTH technology in the access network, covering in total 299,000 households with FTTH. Fiber-optic networks represent the future of the fixed network and they are the primary prerequisite for the country's digitalization.

The highest ever employee satisfaction and a new and improved Collective Agreement

Hrvatski Telekom has made great progress in building a digital company in which employees have impact and grow, and as a result we have seen growth in their engagement and satisfaction. The results from the employee satisfaction survey conducted in May 2020 confirmed that Hrvatski Telekom is moving in the right direction, with satisfaction reaching 82%, which represents the best ever result in the HT's history.

The Management Board of Hrvatski Telekom and the Croatian Telecommunications Trade Union and the Republic Trade Union of Workers signed a new Collective Agreement which entered into force on 1 July 2020, and is valid for the next two years, until 30 June 2022. The new Collective Agreement not only retained a high level of employee's material and social rights, but also includes additional improvements confirming Hrvatski Telekom's responsible employer status.

Reduced fee for radiofrequency spectrum and postponement of the assignment for frequency bands

30 June 2020 amendments of the Ordinance on payment of fees for the right to use of addresses, numbers and radio frequency spectrum came into force. Following these amendments, the annual fee for the use of unpaired radiofrequency spectrum for the public mobile network decreased by 50%.

A public consultation on the future assignment of the 700 MHz, 800 MHz, 900 MHz, 3,6 GHz and 26 GHz frequency bands was held in the period between 24 June and 15 July 2020. The assignment of the 700 MHz, 3.6 GHz and 26 GHz frequency bands was planned by HAKOM at the end of 2020. Taking into account the COVID-19 epidemic and the impact of the measures adopted to fight the epidemic on social and economic activities, HAKOM decided to move the deadline for this to the first half of 2021.

Strong focus on shareholder returns

During H1 2020 the Company acquired at the Zagreb Stock Exchange a further 355,198 Company shares. For the acquisition of Company shares in H1 2020, the Company paid out an equivalent value of HRK 60.1 million. In March, the Management Board adopted amendments to the provision of the Share Buyback Program, removing some limitations regarding everyday trading (volume and price) to be able to more efficiently execute the program.

In July, General Assembly confirmed our proposal for the distribution of net profit for 2019. The amount of HRK 8.00 represents a ratio of the dividend payment in relation to the realized profit of the Company of 90.2%.

SELECTED FINANCIAL DATA

HT Group

in HRK million

INCOME STATEMENT	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Revenue	3,695	3,494	-5.4%	1,920	1,759	-8.4%
Exceptional items	19	62	226.3%	12	10	-14.3%
EBITDA before exceptional items after leases	1,403	1,293	-7.8%	730	673	-7.8%
EBITDA before exceptional items	1,547	1,496	-3.3%	787	775	-1.5%
EBITDA after exceptional items	1,528	1,434	-6.2%	775	765	-1.3%
EBIT (Operating profit)	598	421	-29.6%	342	230	-32.9%
Net profit after non controlling interests	438	313	-28.5%	248	164	-33.8%
EBITDA margin before exceptional items after leases	38.0%	37.0%	-1.0 p.p.	38.0%	38.3%	0.3 p.p.
EBITDA margin before exceptional items	41.9%	42.8%	0.9 p.p.	41.0%	44.1%	3.1 p.p.
EBITDA margin after exceptional items	41.4%	41.0%	-0.3 p.p.	40.4%	43.5%	3.1 p.p.
EBIT margin	16.2%	12.1%	-4.1 p.p.	17.8%	13.0%	-4.8 p.p.
Net profit margin	11.9%	9.0%	-2.9 p.p.	12.9%	9.3%	-3.6 p.p.

BALANCE SHEET	At 31 Dec 2019	At 30 Jun 2020	% of change A20/A19	At 31 Dec 2019	At 30 Jun 2020	% of change A20/A19
Total non current assets	10,447	10,403	-0.4%	10,447	10,403	-0.4%
Total current assets	5,880	5,843	-0.6%	5,880	5,843	-0.6%
TOTAL ASSETS	16,327	16,246	-0.5%	16,327	16,246	-0.5%
Total issued capital and reserves	13,054	13,317	2.0%	13,054	13,317	2.0%
Total non current liabilities	839	842	0.3%	839	842	0.3%
Total current liabilities	2,434	2,087	-14.3%	2,434	2,087	-14.3%
TOTAL EQUITY AND LIABILITIES	16,327	16,246	-0.5%	16,327	16,246	-0.5%

CASH FLOW	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Net cash flow from operating activities	1,072	1,032	-3.7%	513	623	21.3%
Net cash flow from investing activities	-461	361	178.2%	-157	643	510.5%
Net cash flow from financing activities	-1,217	-482	60.4%	-1,016	-215	78.9%
Cash and cash equivalents at the end of period	2,530	3,669	45.0%	-663	1,041	257.0%

HT Group Croatia

in HRK million

INCOME STATEMENT	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Revenue	3,407	3,228	-5.3%	1,772	1,627	-8.2%
Mobile	1,493	1,396	-6.5%	767	700	-8.8%
Fixed voice	336	290	-13.7%	167	145	-13.3%
Broadband & TV	649	680	4.7%	332	341	2.9%
Fixed wholesale	156	133	-15.0%	79	65	-17.4%
Other fixed	411	351	-14.6%	204	175	-14.0%
System solutions	355	378	6.5%	219	200	-8.5%
Miscellaneous	8	1	-93.0%	4	0	-93.6%
Exceptional items ¹⁾	17	61	252.3%	10	9	-10.9%
EBITDA before exceptional items after leases	1,302	1,196	-8.1%	675	624	-7.5%
EBITDA before exceptional items	1,430	1,384	-3.2%	723	718	-0.7%
EBITDA after exceptional items	1,413	1,323	-6.4%	713	709	-0.6%
EBIT (Operating profit)	581	410	-29.5%	329	223	-32.3%
Net profit after non controlling interests	457	308	-32.5%	267	161	-39.7%
EBITDA margin before exceptional items after leases	38.2%	37.1%	-1.2 p.p.	38.1%	38.4%	0.3 p.p.
EBITDA margin before exceptional items	42.0%	42.9%	0.9 p.p.	40.8%	44.1%	3.3 p.p.
EBITDA margin after exceptional items	41.5%	41.0%	-0.5 p.p.	40.2%	43.6%	3.3 p.p.
EBIT margin	17.0%	12.7%	-4.4 p.p.	18.6%	13.7%	-4.9 p.p.
Net profit margin	13.4%	9.6%	-3.9 p.p.	15.1%	9.9%	-5.2 p.p.

¹⁾ Mainly related to restructuring redundancy costs and legal cases

Crnogorski Telekom standalone

in HRK million

INCOME STATEMENT	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Revenue	292	269	-7.9%	151	134	-11.3%
Mobile	148	145	-2.4%	77	72	-6.4%
Fixed voice	30	26	-14.9%	15	13	-15.0%
Broadband & TV	58	60	3.8%	29	30	3.7%
Fixed wholesale	8	7	-21.8%	5	3	-28.0%
Other fixed	25	22	-11.5%	12	11	-9.0%
System solutions	22	10	-55.1%	13	5	-64.6%
Exceptional items	2	1	-29.5%	1	1	-43.8%
EBITDA before exceptional items after leases	101	97	-3.9%	55	49	-10.7%
EBITDA before exceptional items	117	112	-4.0%	63	57	-10.0%
EBITDA after exceptional items	115	111	-3.6%	62	56	-9.3%
EBIT (Operating profit)	16	10	-36.0%	13	6	-51.1%
Net profit after non controlling interests	10	6	-42.9%	9	4	-62.4%
EBITDA margin before exceptional items after leases	34.6%	36.1%	1.5 p.p.	36.5%	36.8%	0.2 p.p.
EBITDA margin before exceptional items	40.1%	41.8%	1.7 p.p.	42.0%	42.6%	0.6 p.p.
EBITDA margin after exceptional items	39.5%	41.3%	1.8 p.p.	41.2%	42.1%	0.9 p.p.
EBIT margin	5.6%	3.9%	-1.7 p.p.	8.4%	4.7%	-3.8 p.p.
Net profit margin	3.4%	2.1%	-1.3 p.p.	6.3%	2.6%	-3.6 p.p.

SELECTED OPERATIONAL DATA

HT Group Croatia

Key operational data	H1 2019 reported	H1 2019 adjusted	H1 2020	% of change A20/A19 adjusted	Q2 2019 reported	Q2 2019 adjusted	Q2 2020	% of change A20/A19 adjusted
Mobile customers in 000								
Number of customers	2,286	2,286	2,232	-2.4%	2,286	2,286	2,232	-2.4%
- Prepaid	936	1,077	992	-7.9%	936	1,077	992	-7.9%
- Postpaid	1,350	1,209	1,240	2.6%	1,350	1,209	1,240	2.6%
Minutes of use (MOU) per average customer	232	232	280	20.3%	239	239	288	20.3%
Blended ARPU ¹⁾ (monthly average for the period in HRK)	68	68	70	2.9%	70	70	71	0.5%
- Prepaid	43	39	38	-1.4%	47	42	39	-8.1%
- Postpaid	86	95	97	2.2%	86	95	96	1.2%
Blended non-voice ARPU ⁴⁾ (monthly average for the period in HRK)	40	40	44	11.6%	41	41	46	12.4%
SAC per gross add in HRK	148	148	137	-7.2%	130	130	121	-6.7%
Churn rate (%)	2	2	2	-0.2 p.p.	2	2	2	-0.2 p.p.
Penetration (%) ¹⁾	127	127	127	0.1 p.p.	127	127	127	0.1 p.p.
Market share of customers (%) ¹⁾	45	45	44	-0.7 p.p.	45	45	44	-0.7 p.p.
Smartphone customers (%) ²⁾	68	68	71	2.8 p.p.	68	68	71	2.8 p.p.
Smartphones sold (%) ³⁾	92	92	89	-3.3 p.p.	90	90	87	-2.7 p.p.

¹⁾ Source: competitors' official reports for H1 2020

²⁾ Number of customers using a smartphone handsets in total number of mobile customers

³⁾ Number of smartphones sold in total number of handsets sold (postpaid only)

⁴⁾ ARPU includes IFRS 15 effects

Note: According to DT Group definition of M2M (machine to machine), starting from 2020, all M2M customers, respective revenues and KPIs will be reported in prepaid. For the purpose of like-for-like comparison, 2019 data is restated accordingly

HT Group Croatia

Key operational data	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Fixed mainlines in 000						
Fixed mainlines - retail ¹⁾	798	766	-4.0%	798	766	-4.0%
Fixed mainlines - wholesale (WLR - wholesale line rental)	50	41	-17.4%	50	41	-17.4%
ARPU voice per user ⁵⁾ (monthly average for the period in HRK) ²⁾	69	63	-9.9%	70	63	-9.6%
IP mainlines/customers in 000						
Broadband access lines - retail ³⁾	619	622	0.4%	619	622	0.4%
Broadband access lines - wholesale ⁴⁾	122	111	-9.5%	122	111	-9.5%
TV customers	490	492	0.4%	490	492	0.4%
Broadband retail ARPU ⁵⁾ (monthly average for the period in HRK)	104	107	3.0%	104	107	3.2%
TV ARPU ⁵⁾ (monthly average for the period in HRK)	86	84	-1.6%	85	84	-0.9%
Wholesale customers in 000						
ULL (Unbundled Local Loop)	109	98	-10.1%	109	98	-10.1%

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

²⁾ Payphones excluded

³⁾ Includes ADSL, VDSL, FTTH i Naked DSL

⁴⁾ Includes Naked Bitstream + Bitstream

⁵⁾ ARPU includes IFRS 15 effects

Note: Optima Telekom's non financial KPIs not integrated into Group results due to limited access to Optima Telekom's information as a result of "Chinese wall" introduced by regulator

Crnogorski Telekom standalone

Key operational data	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Mobile customers in 000	360	353	-1.9%	360	353	-1.9%
- Prepaid	125	112	-10.4%	125	112	-10.4%
- Postpaid	236	242	2.6%	236	242	2.6%
Fixed mainlines - retail in 000	111	106	-4.1%	111	106	-4.1%
Broadband access lines - retail in 000	71	81	14.6%	71	81	14.6%
TV customers in 000	68	72	6.2%	68	72	6.2%

I. Revenue

Total consolidated net revenue decreased by HRK 201 million or 5.4% in H1 2020 compared to H1 2019. The revenue decrease was driven by both HT Group in Croatia (HRK 180 million or 5.3%) and Crnogorski Telekom (HRK 21 million or 7.4%).

At HT Group level, the revenue decrease was caused by lower realization in fixed (HRK 105 million or 6.3%), mobile (HRK 100 million or 6.1%) and miscellaneous revenue (HRK 7 million or 93.0%), partially offset by higher system solutions revenue (HRK 12 million or 3.2%).

Optima Telekom's contribution to HT Group amounted to HRK 129 million in H1 2020 and was lower by HRK 32 million in comparison to H1 2019. The contribution consisted of HRK 220 million of Optima Telekom third party contribution (H1 2019: HRK 261 million), which was presented in the whole amount under fixed other revenue, and HRK 90 million of inter-company relations that decreased mainly due to fixed wholesale revenue (H1 2019: HRK 100 million).

The contribution of subsidiaries in Group revenue for Iskon amounted to HRK 175 million (H1 2019: HRK 189 million) and for Combis it was HRK 252 million (H1 2019: HRK 231 million).

Mobile revenue

Mobile revenue fell by HRK 100 million or 6.1%, down in both HT Group in Croatia (HRK 97 million or 6.5%) and in Crnogorski Telekom (HRK 4 million or 2.4%).

The fall in handset (HRK 72 million or 16.1%), visitors (HRK 29 million or 46.3%), prepaid (HRK 14 million or 5.1%) and other mobile revenue (HRK 12 million or 16.1%) was partly compensated by growth in postpaid revenue (HRK 28 million or 3.5%).

HT Group Croatia

The mobile revenue decrease was mainly driven by lower handset due to a lower IFRS 15 contribution, lower sales of handsets caused by the COVID-19 situation and last year's NF promotional campaign. Visitors revenue recorded a lower result, also negatively impacted by COVID-19. Strong postpaid, supported by higher ARPU and customer base, just partly offset the fall.

The total mobile customer base, at 2,232 thousand customers in H1 2020, is lower (-2.4%), with a higher postpaid segment (2.6%) and lower prepaid segment (7.9%) performance compared to H1 2019, restated for M2M customers (fully reported in prepaid). A higher number of postpaid customers is a result of the overall promotion of successful and attractive tariffs and handsets, as well as successful Bonbon campaigns resulting in a strong overall performance. The lower number of prepaid customers is due to an overall decline in the prepaid market, lower visitors, and strong competition on the market. Additionally, this trend has been reinforced by COVID-19 related restrictions in 2020. On-going MNP and retention efforts in the

prepaid segment, as well as focusing on additional value for HT prepaid customers, are being undertaken to mitigate the on-going decline.

Visitor roaming traffic in H1 2020 was affected by the COVID-19 global pandemic. Visitors generated 37.7% less voice originating minutes and 39.9% less data traffic than last year. At the same time, on the wholesale cost side, HT's mobile customers generated 2.0% less roaming voice traffic in foreign countries and 14.6% more data traffic.

Crnogorski Telekom

After a positive Q1 performance, the COVID-19 situation in Q2 reversed the trend. The decrease in mobile revenues is a combination of lower prepaid and visitors, stable postpaid and higher handset. The prepaid decline (at retail level) was driven by lower customer numbers (active pre-to-post migration and no summer season impact) and by lower ARPU. On the other hand, postpaid remained stable, despite COVID-19.

Fixed revenue

Fixed revenue decreased by HRK 105 million or 6.3%, with declines in both HT Group in Croatia (HRK 99 million or 6.4%) and Crnogorski Telekom (HRK 7 million or 5.5%).

The decrease mainly resulted from lower other fixed revenue (HRK 63 million or 14.4%), voice (HRK 50 million or 13.8%) and wholesale revenue (HRK 25 million or 15.5%), while broadband realized an increase (HRK 20 million or 4.5%), as did TV (HRK 13 million or 4.9%).

HT Group Croatia

The decline in voice is being driven by the market trend of fixed to mobile and IP substitution, regulation and enforced competition. However, the negative trend is stabilizing as HT further continues with proactive and reactive churn prevention offers and activities. To mitigate the on-going decline a continuous promotional offer for fixed line is in place offering phone connection for HRK 1 with 24 MCD accompanied by attractive fixed line tariffs.

The other fixed revenue decrease was mainly driven by Optima Telekom (HRK 41 million) due to the cancellation of bilateral telco relationships with Telekom Slovenia and Orion (mostly EBITDA neutral). The contract with Telekom Slovenia was cancelled in the middle of 2019, while contract with Orion started in June 2019 and was cancelled in December 2019.

The wholesale decrease was driven by pricing adjustments. As of 1 January 2020, by the decision of National Regulatory Agency (HAKOM), prices for all regulated wholesale services were decreased (in a range between 10% and 20%) due to change in value of WACC (weighted average cost of capital). In 2020 successful sales of IP and data services continued in spite of competitive wholesale market of data and IP services. Total capacity of sold IP increased by 58.9% compared to last year, contributing to stability in wholesale revenue.

TV revenue growth was supported by a higher Evo TV contribution (consolidation started in March 2019). A TV customer base at the level of 492 thousand shows a 0.4% increase, while TV ARPU, at HRK 84, is lower by 1.6%.

The broadband revenue increase was supported by 0.4% higher customer base at the level of 622 thousand. Broadband retail ARPU is higher by 3.0% at the level of HRK 107 due to focus on less aggressive offers in the market.

Crnogorski Telekom

Fixed revenue decreased mostly due to a fall in retail voice revenue, while BB and TV revenue slightly increased.

System Solutions

System solutions revenue rose by HRK 12 million or 3.2%, driven by HT Group in Croatia (HRK 23 million or 6.5%), while Crnogorski Telekom reported lower revenue (HRK 11 million or 53.6%). Combis strongly contributed to the rise with HRK 21 million.

HT Group Croatia

System solutions revenue is continuously growing in all portfolio segments. The strongest growth in Q2 was in the area of customized ICT solutions and standard ICT portfolio. Key revenue drivers in the standard ICT portfolio were from Infrastructure services (Data Center) and digitalization services like Office 365, ICT equipment and Fleet Management.

HT Group continues to focus on four main strategic pillars, in order to help Croatian companies in the digitization process:

- Cloud Infrastructure – offering the best of cloud services locally in HT Data Centers
- Digitization – offering the most comprehensive portfolio of business applications
- IoT and Smart City – ecosystem of services for more efficient cities
- Security - positioning as the best managed security service provider.

After the COVID-19 lockdown was lifted, Hrvatski Telekom continued to offer new concept of working that enabled the companies to ensure their business continuity and to stay connected both to their employees and business partners: a concept of the „digital, modern workplace “. Digital Workplace makes working possible from any location and comprises every component needed for uninterrupted work: laptop, reliable mobile internet, digital tools (such as Office 365, MS Teams, etc.). In order to help customers transform their businesses, HT also provided additional services such as remote technical assistance, next day technical intervention and education. Besides the above mentioned digital tools, services and benefits, a number of free webinars were held during the period of lockdown in order to provide education on usage of digital tools and services (such as MS Teams, cloud platforms - PaaS, etc.) and help companies

to use those tools to benefit their business. The Digital Workplace offer was launched under the business communication platform “Transform your business”.

Hrvatski Telekom implemented an IoT platform which is a key enabler for Smart Cities and Industry 4.0. This platform will ensure management of data and data collection from IoT devices such as Smart lightning, Irrigation systems, Smart parking etc. Hrvatski Telekom will be the first on the Croatian market to implement a complete IoT architecture and prepare for arrival of millions connected devices via the 5G network.

Combis and HT continued with transformation, focusing on synergies in the product portfolio and development as steps toward creating new offerings on market. Key activities, in light of the market situation, were focused on the Digital offering together with existing Cloud, Security and Managed Services offerings. Combis continued investments in building competencies in above mentioned areas, establishing its positioning as a prime consultancy partner with strong vendor partnerships, an enabler for managing complete customer infrastructure and providing a unique offer on market through customized solutions.

Crnogorski Telekom

A decrease in system solutions revenues was driven by the volume and dynamics of one-off deals.

Miscellaneous revenue

A decrease in miscellaneous revenue was driven by the contribution of E-Tours in 2019 (sale transaction closed on 31 December 2019).

Other operating income

Other operating income fell by HRK 52 million or 52.0% in H1 2020 compared to H1 2019. The fall came from HT Group in Croatia (HRK 54 million or 54.6%) due to the Evo TV transaction in March 2019.

II. Operating expenses

Total consolidated operating expenses fell by HRK 159 million or 7.0% in H1 2020 compared to H1 2019, driven by HT Group in Croatia (HRK 143 million or 6.8%) and Crnogorski Telekom (HRK 16 million or 9.0%).

The decrease was a result of lower material expenses (HRK 135 million or 11.8%) and other expenses (HRK 71 million or 12.9%), which covered higher employee benefits expenses (HRK 31 million or 5.5%) and the lower amount of work performed by the Group and capitalized (HRK 12 million or 26.2%), and higher write down of assets (HRK 4 million or 9.8%).

Material expenses

A decrease in material expenses was recorded in service (HRK 73 million or 17.3%) and merchandise, material and energy expenses (HRK 63 million or 8.6%). It came from both HT Group in Croatia (HRK 122 million or 11.4%) and Crnogorski Telekom (HRK 13 million or 16.7%).

The fall in merchandise costs was mainly driven by lower sales of handsets caused by the COVID-19 situation and last year's NF promotional campaign.

The decrease in service expenses was due to telecommunication cost (HRK 64 million or 21.2%), mainly driven by Optima Telekom (HRK 27 million) due to the cancelation of bilateral telco relationships with Telekom Slovenia and Orion (EBITDA neutral. HT Inc. also recorded lower costs (HRK 19 million) mainly due to lower roaming, impacted by COVID-19 situation. Iskon also contributed to costs savings (HRK 8 million), due to lower transit. Reduced copyright fees were lower (HRK 14 million or 31.8%).

Employee benefits expenses

The total employee benefits expenses increase was driven by HT Group in Croatia (HRK 35 million or 6.8%) as a result of HT Inc. higher severance payments due to business reasons (HRK 42 million).

The total number of FTEs amounts to 5,402 FTEs, which is a decrease of 184 FTEs compared to H1 2019, coming both from HT Group in Croatia and Crnogorski Telekom and mainly driven by the COVID-19 situation, which halted insourcing/new employment, and also due to the sale of E-tours.

Other expenses

The Other expenses decrease was realized by HT Group in Croatia (HRK 71 million or 14.1%), from lower maintenance (HRK 27 million), advertising (HRK 21 million) and external employment (HRK 14 million).

Write down of assets

The assets write down growth was driven by HT Group in Croatia (HRK 3 million or 9.8%) and Crnogorski Telekom (HRK 1 million or 9.8%).

Depreciation and amortization

Growth in depreciation and amortization was mostly influenced by HT Group in Croatia (HRK 81 million or 9.7%) mainly due to different seasonality of content depreciation.

III. Profitability

EBITDA before exceptional items after leases

EBITDA before exceptional items after leases decreased by HRK 110 million or 7.8% to HRK 1,293 million in H1 2020, driven by HT Group in Croatia (HRK 106 million or 8.1%) and Crnogorski Telekom (HRK 4 million or 3.9%).

HT Group in Croatia EBITDA before exceptional items after leases decrease is mainly due to Evo TV transaction in Q1 2019 and Covid-19 impact. Crnogorski Telekom EBITDA before exceptional items after leases decrease is influenced by lower net revenue, partly covered by lower operating expenses (before exceptional items).

Net profit after non-controlling interests

Net profit after non-controlling interests decreased by HRK 125 million or 28.5% to HRK 313 million in H1 2020. The decrease in HT Group in Croatia amounted to HRK 149 million or 32.5%, while Crnogorski Telekom recorded an increase of HRK 24 million.

IV. Financial position

Balance sheet

In comparison to 2019 year-end, there is decrease in the total asset value of 0.5% or HRK 82 million mainly driven by lower cash and sale of HfS asset which is partially offset by higher current receivables.

Total issued capital and reserves increased from HRK 13,054 million at 31 December 2019 to HRK 13,317 million at 30 June 2020, mainly driven by realized net profit in H1 2020 in the amount of HRK 313 million and partially offset by the purchase of own shares in the amount of HRK 60 million.

Total non-current liabilities increased by HRK 3 million or 0.3%, primarily due to a higher deferred tax liability.

Total current liabilities decreased by HRK 348 million to HRK 2,087 million at 30 June 2020, mainly driven by lower volume of trade payables.

Cash flow

CF from operating activities decreased by 40 HRK million (3.7%), mainly due to unfavourable working capital movements.

CF from investing activities increased by HRK 822 million (178.2 %) mainly due to inflows from matured bond and partially offset by higher cash capex.

CF from financing activities increased by HRK 735 million (60.4%), mainly due to postponed dividend payments in H1 2020 and partially offset by higher repayments (lease repayments and repayment of loans and bonds).

V. Capital expenditure

in HRK million

CAPEX after leases - HT Group	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
CAPEX after leases	729	804	10.3%	343	391	14.1%
CAPEX after leases/ Revenue ratio	19.7%	23.0%	3.3 p.p.	17.8%	22.2%	4.4 p.p.
CAPEX after leases - HT Group in Croatia	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
CAPEX after leases	668	751	12.4%	308	360	17.0%
CAPEX after leases/ Revenue ratio	19.6%	23.3%	3.7 p.p.	17.4%	22.1%	4.8 p.p.
CAPEX after leases - Crnogorski Telekom	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
CAPEX after leases	61	53	-12.3%	35	31	-11.8%
CAPEX after leases/ Revenue ratio	20.9%	19.9%	-1.0 p.p.	23.1%	22.9%	-0.1 p.p.

Capex after leases realization increased over H1 2019 by HRK 75 million or 10.3%, rising in HT Group in Croatia (HRK 83 million or 12.4%) driven by seasonality, and lower in Crnogorski Telekom (HRK 7 million or 12.3%).

HT Group in Croatia

Activities in the second quarter of 2020 were conducted during the COVID-19 global pandemic. HT Group is fully committed to providing connectivity to our users and undertake all measures to ensure that our telecommunications network operates at full capacity, in a reliable and stable manner, as it has done so far.

New conditions - working from home, on-line schooling, etc., combined with additional data and voice benefits that HT provided for its users, resulted in a strong traffic increase in both fixed and mobile network. In April, when the peak traffic occurred, compared to February, there was 48% increase in mobile data traffic and 21% increase in mobile voice traffic. In the fixed network, an 89% increase in Internet traffic and 38% increase in voice traffic minutes was recorded. Our radio access network modernization, which was completed in 2019, provided the foundation to serve such traffic requirements without significant degradation of the key network quality indicators.

In 2020, a strong focus was placed on the implementation of the next generation fixed access network (NGA) targeting optical network footprint increase. During Q2 implementation activities were conducted in an environment dominated by the COVID-19 pandemic, but targets were achieved despite these obstacles.

In total, HT achieved coverage available for 60.4% households with technologies that enable speed >30 Mbps, from which 24.4% is with technologies that enable speed >100 Mbps. Optical based access network (FTTx) is available for 455 thousand households.

Activities in the mobile network (after modernization) have been focused on optimizing network parameters and functionality to achieve the best possible key performance indicators. Post swap optimization of the whole radio network footprint was completed. 4G network coverage is at the high level of 89.2% indoors and 99.5% outdoors.

Activities within the 5G area continued, with the demonstration of technology that provides potential for fast coverage with 5G services in larger areas. The Dynamic Spectrum Sharing (DSS) technology enables existing frequency resources to be dynamically shared between 4G and 5G technology and is crucial for the fast implementation of 5G technology. The modernization of Hrvatski Telekom's entire mobile network was recently completed, giving state-of-the-art equipment ready for 5G technology using frequencies in the so-called middle band 1.8-2.1 GHz. The application of DSS technology enables instant use of existing frequencies for 5G, and perfectly complements new base stations and locations on specific 5G frequencies.

Hrvatski Telekom and Ericsson Nikola Tesla (ENT) have signed a cooperation agreement based on which ENT becomes the exclusive supplier of the radio mobile network until 2024. This is the first 5G contract between two companies in Croatia, with which Ericsson Nikola Tesla and Hrvatski Telekom continue a long-term cooperation with the aim of enabling technological, economic and social progress.

A contract has been agreed with ATOS supplier for the implementation of the IoT platform developed by the German company Software AG. The basic functions of the IoT platform are management and monitoring of a large number of different types of IoT devices, accommodation and management and monitoring of IoT application solutions, IoT data analytics and visualization of IoT data. The IoT platform will enable the development of solutions for smart cities and industry 4.0, such as smart lighting, smart meters, robotic industrial plants, smart agriculture, etc.

In the IT area, during the second quarter, the BITT program Release 2 was delivered within the production environment and integrated into a production environment. One App has been successfully optimized, reducing response time and increasing stability.

HT GROUP 2020 OUTLOOK

	2019 Results	"Previous" 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 1.7 billion	Around HRK 1.7 billion
Regional expansion	Completed purchase of Evo TV	HT is monitoring and evaluating potential M&A opportunities	HT is monitoring and evaluating potential M&A opportunities

HT INC. FINANCIAL HIGHLIGHTS

Revenue

Revenue decreased by HRK 159 million or 5.6% yoy to HRK 2,700 million in H1 2020. The decrease was driven by lower mobile revenue (HRK 97 million or 6.4%) mainly influenced by a negative IFRS15 impact and fall in visitors as a result of the COVID-19 situation, and lower fixed revenue (HRK 65 million or 5.3%), mostly as a result of declining voice and wholesale.

EBITDA before exceptional items after leases

EBITDA before exceptional items after leases decreased by HRK 120 million or 9.9% to HRK 1,088 million in H1 2020, because of lower revenue realization, lower other operating income (HRK 51 million or 53.6%) and negative IFRS16 effects (HRK 52 million or 46.1%), partially offset by lower operating expenses excluding exceptional items (HRK 142 million or 8.7%).

Net profit after non-controlling interests

Net profit after non-controlling interests decreased by HRK 130 million or 28.6% to HRK 323 million in H1 2020 due to lower EBITDA (HRK 108 million or 8.3%) and higher depreciation and amortization (HRK 67 million or 9.4%), while lower taxation (HRK 28 million or 27.5%) and the positive effect of the net financial result (HRK 17 million or 48.6%) partly offset the decrease.

RISK MANAGEMENT

Besides the business and regulatory developments detailed in this statement, and in audited financial statements for 2019 made public, there were no material changes to the Group's risk profile in the period under review except COVID-19.

Hrvatski Telekom actively monitors the situation with the COVID-19 virus and correlated risk aspects.

Based on restrictive measures introduced on the level of Republic of Croatia (RoC), which have reflected on closure of direct sales and customer support channels, Hrvatski Telekom has in a very short term adjusted and redirected its business to on-line channels wherever possible, keeping field work network maintenance services whilst respecting the recommended safety measures of customers as well as employees of HT.

In the following situation development with COVID-19 in the short (<1Y) and mid-term (<3Y) there is a risk of partial revenue reduction and increase of collection default risk commensurate the impacts on the overall Croatian economy as well as the economic status of citizens of RoC.

CHANGES IN REPORTING

In 2014 Croatian Competition Agency has conditionally allowed the concentration of HT with Optima Telekom based on the proposal of financial and operational restructuring of Optima Telekom within the pre-bankruptcy settlement procedure. Croatian Competition Agency has determined a set of measures defining the rules of conduct for HT with regard to management and control over Optima Telekom, among which is the implementation of so called "Chinese wall" between Optima Telekom and HT employees involved in Optima Telekom's business, in relation to all sensitive business information, with the exception of reporting of financial data necessary for consolidation. Respectively, only financial statements are consolidated while, due to limited access to Optima Telekom's information, non-financial KPIs are not consolidated in the Group results. In June 2017, AZTN passed the decision by which the duration of temporary management rights of Optima for HT is prolonged for an additional three-year period, that is, until 10 July 2021. On 31 January HT initiated sale process for the shares of Optima Telekom. Submission of offers finished on 18 March 2020. The sale process is ongoing.

In February 2019, HT d.d. concluded a Purchase transaction with the company HP-Hrvatska pošta d.d. on acquisition of 100% stake in the company HT Produkcija d.o.o., provider of Evo TV service. HT Produkcija d.o.o. is consolidated in HT Group financial results starting with March 2019. Operational highlights that relate to achievement of the main financial and non-

financial key performance indicators on the following pages are presented with consolidation impact of EvoTV.

Within the strategy of restructuring non-core parts of HT's business operations, in November 2019 a Contract was concluded with Uniline d.o.o. on transfer and sale of the share held by HT holding d.o.o. in the company E-tours d.o.o. The transaction closed on 31 December 2019.

IFRS 16 Leases

The standard is applied from January 1st, 2019. IFRS 16 has a material effect on the Company's financial statements, particularly on total assets, the results of operations, cash generated from operations, and the presentation of the financial position. The regulations affect the Company as a lessee especially in relation to leases of cell sites (land, space in cell towers or rooftop surface areas), network infrastructure and buildings used for administrative or technical purposes.

„AL” or „After Leases” steering KPIs introduced to ensure comparability:

- EBITDA AL – increase in EBITDA due to elimination of operating lease expenses offset by adding back lease cost now booked in newly created depreciation and interest expense back to EBITDA
- Capex AL – increase in Capex due to capitalization of leases formerly booked as expense offset by AL principle back to pre-IFRS 16 level (remains unchanged)

M2M

According to DT Group definition of M2M (machine to machine), starting from 2020, all M2M customers, respective revenues and KPIs will be reported in prepaid. For the purpose of like-for-like comparison, 2019 data in this report is restated accordingly.

HT GROUP FINANCIAL STATEMENTS

Consolidated Income Statement

in HRK million	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Mobile revenue	1,641	1,540	-6.1%	844	772	-8.6%
Fixed revenue	1,671	1,566	-6.3%	841	783	-6.9%
System solutions	376	388	3.2%	231	205	-11.4%
Miscellaneous	8	1	-93.0%	4	0	-93.6%
Revenue	3,695	3,494	-5.4%	1,920	1,759	-8.4%
Other operating income	100	48	-52.0%	20	21	1.0%
Total operating revenue	3,795	3,542	-6.7%	1,941	1,780	-8.3%
Operating expenses	2,267	2,108	-7.0%	1,166	1,015	-13.0%
Material expenses	1,151	1,016	-11.8%	607	510	-16.0%
Employee benefits expenses	571	602	5.5%	293	276	-5.7%
Other expenses	552	481	-12.9%	275	225	-18.2%
Work performed by the Group and capitalised	-47	-35	26.2%	-24	-18	24.6%
Write down of assets	40	44	9.8%	15	22	47.1%
EBITDA	1,528	1,434	-6.2%	775	765	-1.3%
Depreciation and amortization	930	1,013	8.9%	433	536	23.8%
EBIT	598	421	-29.6%	342	230	-32.9%
Financial income	14	44	214.8%	7	2	-64.3%
Income/loss from investment in joint ventures	-4	-7	-65.1%	-2	-3	-60.4%
Financial expenses	70	80	14.8%	40	28	-28.4%
Profit before taxes	538	378	-29.8%	308	201	-34.7%
Taxation	103	74	-28.4%	58	38	-34.1%
Net profit	435	304	-30.1%	250	163	-34.9%
Non controlling interests	-3	-9	-189.3%	2	-2	-203.3%
Net profit after non controlling interests	438	313	-28.5%	248	164	-33.8%
Exceptional items ¹⁾	19	62	226.3%	12	10	-14.3%
EBITDA before exceptional items	1,547	1,496	-3.3%	787	775	-1.5%
EBITDA before exceptional items after leases	1,403	1,293	-7.8%	730	673	-7.8%

¹⁾ Mainly related to restructuring redundancy costs and legal cases

Consolidated Balance Sheet

in HRK million	At 31 Dec 2019	At 30 Jun 2020	% of change A20/A19
Intangible assets	2,335	2,254	-3.5%
Property, plant and equipment	6,390	6,469	1.2%
Non-current financial assets	388	382	-1.7%
Receivables	347	313	-10.0%
Lessee use rights to leased assets (IFRS 16)	709	717	1.1%
Contract assets (IFRS 15)	51	49	-4.7%
Contract costs (IFRS 15)	98	100	2.1%
Deferred tax asset	129	120	-6.6%
Total non-current assets	10,447	10,403	-0.4%
Inventories	158	157	-1.2%
Assets held for sale	68	0	-100.0%
Receivables	1,520	1,616	6.4%
Current financial assets	928	8	-99.1%
Contract assets (IFRS 15)	231	213	-7.7%
Contract costs (IFRS 15)	71	67	-5.3%
Cash and cash equivalents	2,762	3,669	32.8%
Prepayments and accrued income	142	113	-20.3%
Total current assets	5,880	5,843	-0.6%
TOTAL ASSETS	16,327	16,246	-0.5%
Subscribed share capital	10,245	10,245	0.0%
Reserves	565	565	0.0%
Revaluation reserves	-10	0	98.9%
Treasury shares	-73	-133	-82.7%
Retained earnings	1,260	2,005	59.1%
Net profit for the period	740	313	-57.6%
Non controlling interests	328	323	-1.6%
Total issued capital and reserves	13,054	13,317	2.0%
Provisions	86	82	-4.0%
Non-current liabilities	246	211	-14.1%
Lessee lease liabilities to third partie due > 1 year (IFRS 16)	465	499	7.3%
Contract liabilities (IFRS 15)	0	0	-37.9%
Deferred tax liability	42	49	16.0%
Total non-current liabilities	839	842	0.3%
Current liabilities	2,161	1,844	-14.7%
Contract liabilities (IFRS 15)	85	81	-4.5%
Lessee lease liabilities due <= 1 year (IFRS 16)	183	156	-14.8%
Deferred income	5	5	5.3%
Provisions for redundancy	0	0	0.0%
Total current liabilities	2,434	2,087	-14.3%
Total liabilities	3,273	2,928	-10.5%
TOTAL EQUITY AND LIABILITIES	16,327	16,246	-0.5%

Consolidated Cash Flow Statement

in HRK million	H1 2019	H1 2020	% of change A20/A19	Q2 2019	Q2 2020	% of change A20/A19
Profit before tax	538	378	-29.8%	308	201	-34.7%
Depreciation and amortization	930	1,013	8.9%	433	536	23.8%
Increase / decrease of current liabilities	-107	-257	-141.0%	42	-108	-356.4%
Increase / decrease of current receivables	-1	4	465.3%	-115	-4	96.7%
Increase / decrease of inventories	-17	-2	87.2%	-5	34	764.6%
Other cash flow increases / decreases	-271	-103	62.0%	-149	-37	75.1%
Net cash inflow/outflow from operating activities	1,072	1,032	-3.7%	513	623	21.3%
Proceeds from sale of non-current assets	81	86	6.6%	80	3	-96.5%
Proceeds from sale of non-current financial assets	13	1	-95.3%	12	0	-97.8%
Interest received	7	5	-26.9%	3	1	-54.5%
Dividend received	0	0	-	0	0	-
Other cash inflows from investing activities	113	956	744.7%	113	956	744.7%
Total increase of cash flow from investing activities	214	1,048	390.5%	208	961	362.2%
Purchase of non-current assets	-562	-688	-22.3%	-282	-318	-12.6%
Purchase of non-current financial assets	-113	0	100.0%	-83	0	100.0%
Other cash outflows from investing activities	0	0	-	0	1	14.8%
Total decrease of cash flow from investing activities	-675	-688	-1.9%	-365	-317	13.0%
Net cash inflow/outflow from investing activities	-461	361	178.2%	-157	643	510.5%
Total increase of cash flow from financing activities						
Repayment of loans and bonds	-34	-58	-72.1%	-11	-10	6.9%
Dividends paid	-810	0	100.0%	-809	0	100.0%
Repayment of lease	-166	-192	-15.6%	-110	-94	14.8%
Other cash outflows from financing activities	-207	-232	-11.8%	-86	-111	-28.8%
Total decrease in cash flow from financing activities	-1,217	-482	60.4%	-1,016	-215	78.9%
Net cash inflow/outflow from financing activities	-1,217	-482	60.4%	-1,016	-215	78.9%
Exchange gains/losses on cash and cash equivalents	-1	-4	-383.4%	-4	-11	-196.6%
Cash and cash equivalents at the beginning of period	3,137	2,762	-11.9%	0	0	-
Net cash (outflow) / inflow	-606	907	249.6%	-663	1,041	257.0%
Cash and cash equivalents at the end of period	2,530	3,669	45.0%	-663	1,041	257.0%

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED ON 30 JUNE 2020

Basis of preparation

The condensed consolidated financial statements as of 30 June 2020 and for the six months then ended, have been prepared using accounting policies consistent with International Financial Reporting Standards.

Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, except for investments available-for-sale stated at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of HT's consolidated financial statements for the year ended 31 December 2019.

Relations with the governing company and its affiliated companies

In the first six months of 2020 there were no transactions among related parties with a significant impact on the financial position and operations of the Group in the given period.

In the first six months of 2020 there were no changes in transactions among related parties which were specified in the annual financial report for 2019 and which had a significant impact on the financial position and operations of the Group in the first six months of 2020.

Business relations transacted between HT d.d. and affiliated companies thereof (hereinafter referred to as: Group) in the first six months of 2020 and the governing company and affiliated companies thereof can be classified as follows:

Transactions with related companies

Transactions with related companies primarily related to the transactions with the companies owned by Deutsche Telekom AG (hereinafter referred to as: DTAG). The Group enters into transactions in the normal course of business on an arm's length basis. These transactions included the sending and receiving of international traffic to/from these companies and other intercompany services between related companies.

In the first six months of 2020 the Group generated total revenue from related companies to the amount of HRK 83 million (the first six months of 2019: HRK 88 million), while total costs amounted to HRK 101 million (the first six months of 2019: HRK 100 million).

The bond issued by Deutsche Telekom International Finance B. V. matured on 3 April 2020, in the full amount of EUR 125 million.

Compensation of the Supervisory Board

The chairman of the Supervisory Board receives remuneration in the amount of 1.5 times of the average net salary of the employees of the Company paid in the preceding month.

Compensation of the Supervisory Board (continued)

To the deputy chairman, remuneration is the amount of 1.25 times of the average net salary of the employees of the Company paid in the preceding month is paid, while any other member receives the amount of one average net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board, who is in the same time the Chairman of the Audit Committee of the Supervisory Board, remuneration is the amount of 1.5 times of the average monthly net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board, who is in the same time a Member of the Audit Committee of the Supervisory Board, remuneration is the amount of 1.25 times of the average monthly net salary of the employees of the Company paid in the preceding month. To a member of the Supervisory Board, who is in the same time a Member of the Compensation and Nomination Committee of the Supervisory Board, remuneration is the amount of 1.25 times of the average monthly net salary of the employees of the Company paid in the preceding month. DT AG representatives do not receive any remuneration for the membership in the Supervisory Board due to a respective policy of DT AG.

In the first six months of 2020 the Company paid a total amount of HRK 0.4 million (the first six months of 2019: HRK 0.4 million) to the Members of its Supervisory Board. No loans were granted to the Members of the Supervisory Board.

Compensation to key management personnel

In the first six months of 2020 the total compensation paid to key management personnel of the Group amounted to HRK 27 million (the first six months of 2019: HRK 34 million). Compensation paid to key management personnel relates to short-term employee benefits. Key management personnel include members of the Management Boards of the Company and its subsidiaries and the operating directors of the Company, who are employed by the Group.

STATEMENT OF THE MANAGEMENT BOARD OF HRVATSKI TELEKOM D.D.

To the best of our knowledge, unaudited financial statements of the company Hrvatski Telekom d.d. (hereinafter: "Company") and unaudited consolidated financial statements of the Company and affiliated companies thereof (hereinafter: "Group"), which are prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of assets and obligations, profit and loss, financial position, and operations of both the Company and the Group.

The Management report for the first six months of 2020 contains a true presentation of development and results of operations and position of the Group, with description of significant risks and uncertainties for the Group as a whole.

Mr. Kostas Nebis, President of the Management Board (CEO)

Mr. Daniel Daub, Member of the Management Board and Chief Financial Officer

Mr. Ivan Bartulović, Member of the Management Board and Chief Human Resources Officer

Ms. Nataša Rapaić, Member of the Management Board and Chief Operating Officer Residential

Mr. Boris Drilo, Member of the Management Board and Chief Technical and Chief Information Officer

Zagreb, 24 July 2020

PRESENTATION OF INFORMATION

Unless the context otherwise requires, references in this publication to “HT Group” or “the Group” or “HT” are to the Company Hrvatski Telekom d.d., together with its subsidiaries.

References to “Iskon” are to the Company’s wholly-owned subsidiary, Iskon Internet d.d.

References to “Combis” are to the Company’s wholly-owned subsidiary, Combis d.o.o.

References to “KDS” are to the Company’s wholly-owned subsidiary, KDS d.o.o.

References to “E-tours” are to the Company’s wholly-owned subsidiary, which was sold in 2019

References to “Optima” are to Optima Telekom, the company fully consolidated into the Group’s financial statements as of 1 July 2014.

References to “Crnogorski” or “CT” are to Crnogorski Telekom, the company fully consolidated into the Group’s financial statements as of 1 January 2017.

References to “H1” are to H1 Telekom, the company fully consolidated into Optima’s and Group’s financial statements as of 1 July 2017.

References in this publication to “Agency” are to the Croatian Regulatory Authority for Network Industries (HAKOM).

DISCLAIMER

This release contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional information concerning important factors that could cause actual results to differ materially is available in the Group's reports which may be found at www.t.ht.hr



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Instinctif Partners

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A conference call for analysts and investors will be held on the same day at 11:00 UK time / 12:00 CET.

The conference call dial in details are as follows:

International dial in **+44 (0) 2071 928000**
UK local dial in **08445718892**
Croatia local dial in **01 777 67 10**

Conference ID **7894589**

A replay of the call will be available until Friday, 31 July 2020 using the following details:

International dial in **+44 (0) 3333009785**
Conference ID **7894589**

Croatian Telecom Inc.

Radnička cesta 21, HR - Zagreb

Member State: Republic of Croatia

Listing: Zagreb Stock Exchange, Official market

Ordinary share: HT (ISIN: HRHT00RA0005)

LEI: 097900BFHJ0000029454

Full unaudited accounts for HT Group and HT d.d., other prescribed documentation as well as a presentation covering results for the first six months of 2020, can be downloaded from the HT web site. (www.t.ht.hr/en/investor-relations/) and are fully available in the Official Register of Prescribed Information (SRPI).