



Zagreb, 24 March 2016

## COUNTERPROPOSALS TO THE PROPOSAL OF DECISION ON UTILIZATION OF PROFIT

Hrvatski Telekom d.d. (hereinafter referred to as "the Company") hereby publishes two counterproposals to the decision proposal under item 3 of the agenda of the General Assembly of Hrvatski Telekom d.d., convoked for 21 April 2016.

- First counterproposal was received on 21 March 2016 from Hypo Alpe-Adria-Invest d.d. Fund Management Company, on behalf and for the account of Fund for Croatian Homeland War Veterans and Members of Their Families, shareholder of the Company.
- Second counterproposal was received on 23 March 2016 from Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d., on behalf and for the account of funds it manages, shareholders of the Company.

Pursuant to Article 282 of the Companies Act, these shareholders counterproposals are published on 24 March 2016 on the web site of the Company ([www.t.ht.hr](http://www.t.ht.hr)) and are delivered the same day to the Zagreb Stock Exchange, to the Official Register of Proscribed Information, and they are made available to the shareholders and for issuing of copies at the seat of the Company in Zagreb.

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**The counterproposal from Hypo Alpe-Adria-Invest d.d. reads as follows:**

*Hypo Alpe-Adria-Invest d.d.*

*Fund Management Company*

*on behalf and for the account of Fund for Croatian Homeland War Veterans and Members of Their Families*

*(OIB: 39146857475)*

*Hrvatski Telekom d.d.*

*Zagreb*

*Roberta Frangeša Mihanovića 9*

*SUBJECT: Shareholder counterproposal*

*Pursuant to Article 282(1) of the Companies Act (Official Gazette no. 111/93, 34/99, 121/99, 52/2000, 118/2003, 107/2007, 146/2008, 137/2009, 125/11, 152/2011, 111/2012, 68/2013 and 110/15), Hypo Alpe-Adria-Invest d.d. Fund Management Company, on behalf and for the account of Fund for Croatian Homeland War Veterans and Members of Their Families, under the management of the Company, submits the following counterproposal with regard to item Ad.3 of the agenda of the General Assembly, to be held on 21<sup>st</sup> April 2016 with commencement at 10:00 hours, referring to the distribution and utilization of profit:*

**COUNTERPROPOSAL**

1. *"It is determined that Hrvatski Telekom d.d. in the business year ending with 31 December 2015 realized net profit in the amount of HRK 893,483,740.25.*

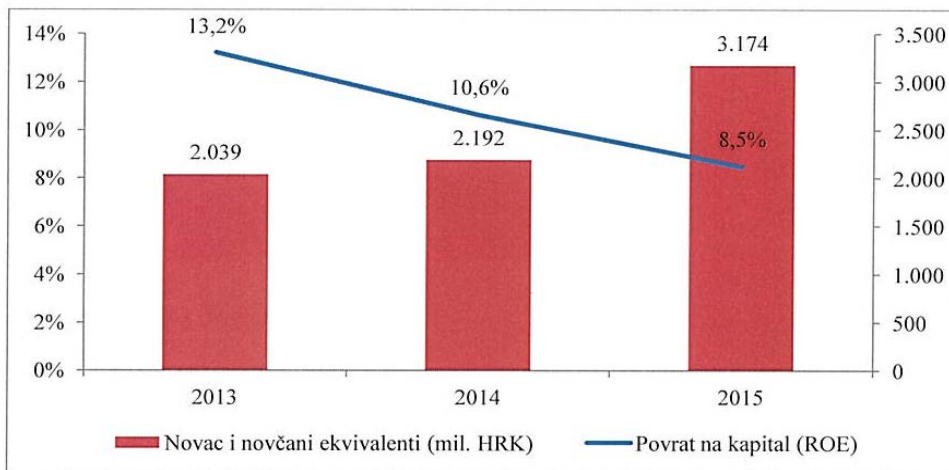
*Net profit amount stated herein shall be used accordingly:*

- *A part of net profit in the amount of HRK 845,867,959.32 shall be paid out as dividend to shareholders, in the amount of HRK 10.33 per share.*
  - *A part of net profit in the amount of HRK 47,000,000.00 shall be allocated to legal reserves.*
  - *A part of net profit in the amount of HRK 615,780.93 shall be allocated to retained earnings.*
2. *Dividend referred to under Item 1 hereof shall be paid out to all shareholders that are registered as shareholders at the Central Depository & Clearing Company (SKDD) on May 4<sup>th</sup>, 2016 (record date). Date on which security of Hrvatski Telekom d.d. will be traded without dividend payment right is May 3<sup>rd</sup>, 2016 (ex date). Dividend payment claim matures on May 16<sup>th</sup>, 2016 (payment date).*
  3. *This Decision shall enter into effect as at the day of its passing".*

**EXPLANATION OF THE COUNTERPROPOSAL:**

*Hypo Alpe-Adria-Invest d.d. Fund Management Company, on behalf and for the account of Fund for Croatian Homeland War Veterans and Members of Their Families, under the management of the Company, finds the balance sheet structure of Hrvatski Telekom d.d. sub-optimal and damaging to the current shareholders of the Company for the following reasons:*

- *The Company shows a continuous drop of the Return On Equity (ROE) during several years period, and as presented in the graph below, the said drop has significantly accelerated as of the year 2013, while at the same time the amount of cash and cash equivalents grows.*



*Cash and cash equivalents (mil HRK)*

*Return On Equity (ROE)*

- *In the observed period the Company had no net financial debt.*
- *There is no justified reason why such a liquidity reserve would be necessary for the Company, taking into consideration that the capital expenditures of future periods can be financed by cash flows generated in those periods.*
- *The Company has not shown the intention of the treasury share buyback program.*
- *Current structure of the balance sheet results in an inappropriately high average capital cost for the Company (from the shareholders' point of view), especially considering the circumstances where debt security interests are currently at their historically lowest level.*

*Taking the said arguments into account, it is proposed to the General Assembly to adopt this counterproposal, and the Chairman of the General Assembly is hereby invited to submit this counterproposal to the shareholders for voting prior to the decision making on the proposal by the Management Board and the Supervisory Board.*

*In Zagreb, 17 March 2016*

*Shareholder of the company:*

*Hypo Alpe-Adria-Invest d.d. Fund Management Company*

*(for the account of Fund for Croatian Homeland War Veterans and Members of Their Families)*

*Matej Modrovčić  
President of the Management Board*

*Petar Brkić  
Member of the Management Board"*

**The counterproposal from Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d. reads as follows:**

"STRICTLY CONFIDENTIAL

**Raiffeisen  
MIROVINSKI FONDOVI**

Zagreb, 22 March 2016  
Reference number: 2016-IP-193

**Hrvatski Telekom d.d.**

Roberta Frangeša Mihanovića 9, Zagreb

**Subject: Proposal of amendments and supplements to the agenda of the General Assembly of Hrvatski Telekom d.d.**

Dear Sir/Madame,

Pursuant to Article 282(1) of the Companies Act (Official Gazette no. 111/93, 34/99, 121/99 – authoritative interpretation, 52/2000 – Decision of the Constitutional Court of the Republic of Croatia, 118/2003, 107/2007, 146/2008, 137/2009, 152/2011 – consolidated text, 111/2012, 68/2013 and 110/2015), and item 15 of the Invitation and instructions to shareholders for participation at the General Assembly, as of 29 February 2016, enclosed to this letter we are sending you a Proposal of amendments and supplements to the agenda of the General Assembly of Hrvatski Telekom d.d., to be held on 21 April 2016, including the statement of reasons.

The Proposal concerned refers to amendments and supplements to item Ad.3 of the agenda of the General Assembly – "Decision on utilisation of profit for the year 2015".

Sincerely yours,

Damir Grbavac  
President of the Management Board

Srećko Žganec  
Member of the Management Board

***Proposal of amendments and supplements to the agenda of the General Assembly of Hrvatski Telekom d.d.***

Pursuant to Article 282(1) of the Companies Act, with regard to item Ad.3 of the agenda referring to the distribution and utilisation of profit, Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d. submits, on behalf and for the account of funds managed by the Company, the following

***Counterproposal***

Ad. 3 The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the following decision:

*"Decision on the utilisation of profit for the year 2015*

1. It is determined that Hrvatski Telekom d.d. in the business year ending with 31 December 2015 realized net profit in the amount of HRK 893,483,740.25.

Net profit amount stated herein shall be used accordingly:

- A part of net profit in the amount of HRK 47,000,000.00 shall be allocated to legal reserves.
  - A part of net profit in the amount of HRK 845,867,959.32 shall be paid out as dividend to shareholders, in the amount of HRK 10.33 per share.
  - A part of net profit in the amount of HRK 615,780.93 shall be allocated to retained earnings.
2. Dividend referred to under Item 1 hereof shall be paid out to all shareholders that are registered as shareholders at the Central Depository & Clearing Company (SKDD) on May 4<sup>th</sup>, 2016 (record date). Date on which security of Hrvatski Telekom d.d. will be traded without dividend payment right is May 3<sup>rd</sup>, 2016 (ex date). Dividend payment claim matures on May 16<sup>th</sup>, 2016 (payment date).
  3. This Decision shall enter into effect as at the day of its passing".

### *Statement of reasons for counterproposal*

*Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d. finds, on behalf and for the account of funds managed by the Company, the balance sheet structure of Hrvatski Telekom d.d. sub-optimal and damaging to the current shareholders of the Company for the following reasons:*

- *The Company still holds inappropriately high amounts in the cash and cash equivalents category for a period of several years.*
- *There is still no justified reason why such a liquidity reserve would be necessary for the Company taking into consideration that potential capital expenditures of future periods can be financed by cash flows generated in those periods. From the published business outlook for the year 2016, no change in the business strategy can be observed, that would require investments in amounts higher than the cash flows generated by the company on yearly basis.*
- *Taking into consideration the size of the balance sheet, the Company is almost debtless, the result of which is an inappropriately high average capital cost for the Company (from the shareholders' point of view), especially considering the circumstances where debt security interests are currently at their historically lowest level.*
- *We find that even after adopting this proposal, the Management Board of the Company would still have enough room for implementing the acquisition of treasury shares in compliance with the decision proposal under item Ad.7 of the General Assembly of the Company, which, in our opinion, would be in the interest of the Company and its shareholders.*
- *Taking into consideration Company obligations for forming of the legal reserves, the proposed dividend amount of HRK 10.33 per share is based on the proposal that the Company pays out the total remaining unconsolidated net profit generated in the year 2015. The remaining part proposed to be allocated to retained earnings is a result of rounding down the dividend amount to the first lower amount in lipa's.*
- *We point out that the generated consolidated profit of the Company is higher than the unconsolidated profit stated herein, and on the grounds thereof the Company would have room to pay out an even higher dividend amount than proposed hereby, that being for the year 2015 alone".*