

**OT - Optima  
Telekom d.d.  
Consolidated  
Report of the Group  
for the First Three  
Months and the First  
Quarter of 2019**

**20  
19**

**Optima**  
TELEKOM



<b>I. Management Report</b>	<b>6</b>
1 Introduction	7
2 Statement of the Chairman of the Board	8
3 Corporate Governance and General Information	4
4 Optima Telekom Group Members and Regional Centers	5
5 Market Overview	9
6 Economic Environment	9
7 Regulatory Environment	11
8 Business Indicators and Segments	12
a Residential Sales Segment	12
b Business Sales Segment	13
c Infrastructure, Optical Fiber Network and Internal Services Development	14
9 Financial Results of the Group	17
a Unconsolidated Results of the Company	18
b Consolidated Revenue	18
c Earnings before Interest, Taxation, Depreciation, Special Items after Lease – EBITDA	18
d Net Profit/(Loss)	18
e Capital Investments in 2019	18
f Risk Management	19
10 Purchase of Own Shares	19
<b>II. Financial Reports of the Group</b>	<b>20</b>
1 Profit and Loss Account	21
2 Balance Sheet	22
3 Cash Flow	23
<b>III. Statement of Persons in Charge of Financial Reports</b>	<b>24</b>

# Corporate Governance and General Information

## SUPERVISORY BOARD

Igor Vavro — CHAIRMAN  
Ariana Bazala-Mišetić — DEPUTY CHAIRMAN  
Jelena Noveljić — MEMBER  
Igor Radojković — MEMBER  
Silvija Tadić — MEMBER  
Ana Hanžeković — MEMBER  
Blaženka Klobas — MEMBER  
Rozana Grgorinić — MEMBER  
Suzana Čepi — MEMBER — EMPLOYEE REPRESENTATIVE

## BOARD OF DIRECTORS

Boris Batelić — CHAIRMAN  
Tomislav Grmek — MEMBER  
Tomislav Tadić — MEMBER

## IBAN

HR3023600001101848050  
Zagrebačka banka d.d. Zagreb  
Commercial Court of Zagreb

## OIB

36004425025

## MBS

040035070

## MB

0820431

## SHARE CAPITAL AMOUNT

694.432.640,00 HRK

## NUMBER OF SHARES

69.443.264, nominal value of HRK 10.00 each

# Optima Telekom Group Members and Regional Centers

## Headquarters - Company Management

OT-Optima Telekom d.d.  
Bani 75a, Buzin  
10 000 Zagreb, Hrvatska  
**TEL** +385 1 54 92 699  
**FAX** +385 1 54 92 019

Članice Optima telekom Grupe:  
— Optima direct d.o.o,  
Trg Josipa Broza Tita 1, 52460 Buje  
— OT-Optima Telekom d.o.o, Ulica 15. maja  
21, 6 000 Koper, Republika Slovenija  
— Optima telekom za upravljanje  
nekretninama i savjetovanje d.o.o., Bani  
75a, 10 000 Zagreb

## Region West

OT-Optima Telekom d.d.  
Andrije Kačića Miošića 13  
51 000 Rijeka, Hrvatska  
**TEL** +385 51 492 799  
**FAX** +385 51 492 709  
OT Centar  
**TEL** +385 51 554 651

## Region East

OT-Optima Telekom d.d.  
Vinkovačka 2  
31 000 Osijek, Hrvatska  
**TEL** +385 31 492 999  
**FAX** +385 31 210 459

## Region Nord

OT-Optima Telekom d.d.  
Bani 75a, Buzin  
10 000 Zagreb, Hrvatska  
**TEL** +385 1 54 92 301  
**FAX** +385 1 54 92 309

## Region South

OT-Optima Telekom d.d.  
Vinkovačka ulica 19  
21 000 Split, Hrvatska  
**TEL** +385 21 492 899  
**FAX** +385 21 492 829

## OT Center

7. domobranske pukovnije 1/3, Zadar  
**TEL** +385 23 492 860  
Ivana Matijaševića 14, Dubrovnik  
**TEL** +385 20 220 640

# I. **Management Report**

# Introduction

## I.1

During the observed period, in its third meeting on 29 March 2019 the Company's Supervisory Board adopted a decision on appointing Tomislav Grmek as a member of the Company's Board of Directors for a term of two years, starting from 2 April 2019.

The term of Ms. Irena Domjanović, a member of the Board of Directors, expired on 1 April 2019.

As per 2 April 2019, the members of the Company's Board of Directors are:

Boris Batelić – chairman,  
Tomislav Grmek – member,  
Tomislav Tadić – member

Just as in the period from the execution of the Settlement, the Company continues to duly perform all due obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on 30 April 2014, case reference Stpn-354/13, and reports to the public regarding the said actions in accordance with the Financial Operations

and Pre-bankruptcy Settlement Act via FINA's website, [www.fina.hr](http://www.fina.hr).

Due to the merger with H1, the Company has become the universal successor of all the rights and obligations of H1, thereby assuming the position of the debtor in the pre-bankruptcy settlement approved by the Commercial Court of Split, case reference Stpn-74/2014, having been duly executed on 16 December 2014. The Company reports to the public regarding its actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, [www.fina.hr](http://www.fina.hr).

Apart from publications on FINA's website regarding the issues related to the implementation of the Pre-bankruptcy Settlement, the Company is informing the public on the fulfilment of obligations in a timely and transparent manner in accordance with the relevant laws and regulations in the field of capital markets.

## 1.2

# Statement of the Chairman of the Board

„In the first quarter of 2019 Optima Telekom continues having positive results. Looking back on the past year, the total operative revenue increased by 2 percent to HRK 136.7 million, while our operative profit, EBITDA before special items after leases increased by 16.3 percent to HRK 28.6 million. I would also like to point out the increase of the EBITDA margin, which now amounts to 20.9 percent, which is 2.6 percentage points higher compared to the same period of the previous year.

The EBITDA and margin increase are a result of continued effective operations. The increase in revenue compared to the same period of the previous year was mostly contributed to by the increase in interconnection revenues, which increased by as much as 24 percent, and the increase in multimedia services revenue by 2.9 percent.

Alongside the positive results which, due to marketing and sales efforts, have been achieved in multimedia services, good results have been observed in the ICT segment as well. Compared to the first quarter of 2018, during the first three months of the current year, we have increased revenues from ICT services by 37 percent. The result has been achieved due to a strong focus on the sales of ICT solutions and services, quality cooperation with ICT partners and appropriate responses to market needs. The success of this quarter has been concluded with the realization of cooperation with the City of Zagreb and its almost 80 institutions which we connected to our optical fiber network in record time.

Optima Telekom's achievement which is shown by the quarterly results is all the greater because the downward trend in the number of public voice service customers in the market has been relentless for a while now. Over the period of one year, the decrease in revenue from the public voice service in Optima Telekom's residential segment amounted to HRK 4.1 million or 12.6 percent, which is less than



Boris Batelić,  
Chairman of the Board

the national decrease rate which amounted to 13.6 percent in 2018.

The consolidated capital investments in the first quarter of 2019 amounted to HRK 29.7 million. Out of this, HRK 5.6 million have been invested into the core network, which is 161 percent more than in the first quarter of 2018. We have invested HRK 8.8 million into the development of the access optical fiber network, expanding the collocations network and equipment for residential customers, while we invested HRK 15.2 million into the expansion of applications and systems.

During the upcoming period, we will take a number of initiatives in order for Optima Telekom to fully justify the expectations in the customer orientations segment. We intend to digitalize many processes and systems, which will help us respond to customer needs faster and better. Of course, we will continue investing in our core business, in technologies which will improve the performance of our network.“



## Market Overview

### I.3

#### Fixed Telephony Market

The fixed telephony market in Croatia continues on its negative trend.

If we compare the revenues from phone services in the fixed public communications network in the fourth quarter of 2018 with the same period of 2017, we will see a 15.3% drop.

The number of customers of solely phone services in the fixed public communications network in the fourth quarter of 2018 has dropped for 13.7% when compared to the same period of 2017.

#### Broadband Access Market

In the fourth quarter of 2018 a slight increase is noticeable related to the use of broadband internet services via fixed networks.

Compared to the fourth quarter of the previous year, the number of broadband access connections via fixed networks in the fourth quarter of 2018 has increased by 2.2%. Revenues for the same period increased by 4.4% due to the enlargement of the Internet services portfolio and additional payment options for the growing trend of activating maximum internet speeds.

#### IPTV Market

The Internet Protocol Based Television (IPTV) market continues to slightly increase.

Comparing the fourth quarter of 2018 with the same period of the previous year, the increase in the total number of connections amounts to 2.6%.

## Economic Environment

### I.4

According to indicators published so far, the final quarter of the previous year was characterized by a lower growth rate of 2.3% compared to the same quarter of 2017. The GDP growth is slowing down due to the negative impact of net exports caused by the difference in value of export and import of goods and services. The effects of accession to the EU have been exhausted in 2018 and the EU economy's growth slowed down, which had an impact on foreign demand, while certain business activities failed to achieve the export results they had in previous years. It is because of this that after four years of growth, the GDP increase is slowing down. The actual value of export of goods and services increased by 2.8%, while the average in the past four years was 6.9%. During the previous year there was an increase in domestic demand due to the increase of salaries, positive trends and employment trends, a slight recovery of credit activity of commercial banks and the increase of

consumption and investments. The greatest impact on the dynamic of increase in domestic demand from 3.7% to 4.0% is attributed to gross investments and investments into fixed assets. The increase of personal consumption was negligibly higher compared to 2017, but due to the base increase there was a slight drop of the growth rate from 3.6% to 3.5%. Further recovery of domestic demand and continuing growth of export are accompanied by the continued growth of import of goods and services.

According to HZZ data, the number of unemployed persons increased by 9.9 thousand compared to the past month. The number has been growing for four months in a row, but in the upcoming months it will drop due to employment in tourist and accompanying activities. Compared to January of the previous year, the number of unemployed persons was smaller by 36.6 thousand, so the decre-

asing annual trend which started in April of 2014 continues. The majority of persons listed in HZZ records in January are those who worked in tourist activities (as much as 20.0% of all newly listed in January). The positive thing is that, compared to January of last year, there were less people newly listed directly after a previous employment (-15.6%), but the negative thing is that there were less listees out of schools (-21.0%) and inactivity (-22.4%).

The continuity of increase of salaries which has been present for the past five years was maintained in 2018. The increase of salaries is influenced by economic growth with favourable trends in the labor market and the pressure exerted by the lack of human resources in certain professions caused by emigration on the increase of salaries. The average monthly gross salary in legal entities in 2018 amounted to 4.9% more than in the previous year. At the same time, the average monthly net salary amounted to HRK 6,242.00, 4.3% more than in the previous year. At the inflation rate of 1.5%, the actual gross salary increased by 3.3% and the actual net salary by 2.8%. The increase of salaries is widespread in European countries due to the impact of the lack of human resources and negative demographic trends. The increase of salaries will continue in this year as well with a similar macro economic situation and the impact of tax reforms which enable the increase of net salaries and minimizing labor costs. In these circumstances, the increase of net salaries will contribute to higher consumption, which will support GDP growth.

The HRK exchange rate was very stable compared to the joint currency during this year as well. During the first two months, the spread between the lowest and the highest value of the HRK amounted to only 0.5%, while the spread between the exchange rate at the end of February and the beginning of the year amounted to only 0.2%. Such a high stability was still supported by the first intervention of the Croatian National Bank in the foreign currency market this year, which confirmed the expectations that the CNB will maintain the stability of the exchange rate in this year

as well, primarily to prevent a more prominent strengthening of the HRK. January was characterized by a mild depreciation of the HRK owed to higher payments abroad and the demand for foreign currencies, while at the end of January and in the better part of February the offer of foreign currencies met the demand. Compared to the previous year the exchange rate is stable, and the average HRK exchange rate in the first two months was 0.3% higher than in the previous year, and the exchange rate towards the EUR was 0.2% higher. The value of the HRK compared to USD is more volatile because of the euro – dollar exchange rate. The average EUR exchange rate towards the USD in the first two months dropped by 7.2% compared to the previous year, and so the average HRK exchange rate towards the USD decreased by 7.5%. The exchange rate decrease is a result of the differences in monetary politics between the ECB and FED due to the problems in the euro zone, mostly caused by Brexit and Italy. This year is showing signs of slowing down of the economy, but the indicators have not lead to trends of strengthening or weakening of the aforementioned currencies.

At the end of January, there were 18,854 business entities with their accounts blocked due to outstanding payment titles, which is less by 108 entities or 0.6% compared to the previous month. The total amount of outstanding liabilities was HRK 6.6 billion, which is HRK 320.9 million less compared to the previous month. Compared to the same month of the previous year, there were 5.5 thousand entities less with blocked accounts. At the end of January, 264,586 citizens had overdrawn bank accounts due to outstanding payment titles, which is 165 persons less than in December of the previous year. The population's debt amounts to HRK 17.4 billion (principal), which is HRK 226.1 million less compared to the previous month. Compared to the same month of the previous year, the number of persons with overdrawn accounts is smaller by 60,373 thousand, and the debt amount is lower by HRK 25.3 billion.

# Regulatory Environment

## I.5

During this reporting period, the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) has continued to regulate the electronic communications market. Within its regular market analyses, HAKOM has rendered final decisions in call origination on the public telephone network provided at a fixed location market and voice call termination on individual mobile networks wholesale market. However, these decisions did not lead to significant changes in market regulation which could have an impact on the Company's financial results in the upcoming period.

During the upcoming reporting period, final decisions are to be made in the analysis of the wholesale local access at a fixed location market and the wholesale central access at a fixed location for mass market products market, where Optima, as a company controlled by HT, is obliged to carry out the margin squeeze test for every regulated service retail

price (network access services, internet access services with the related IPTV service).

During this reporting period, there were no significant amendments to the laws and regulations in the field of electronic communications.

Among other legislation, the Consumer Protection Act was amended in this reporting period. The most relevant amendment for the Company pertains to the procedure of concluding distance contracts via phone, i.e. the obligation to obtain confirmation from the consumer. The application of this amendment has been postponed until 1 August 2019 so that the operators have enough time to adjust. Also, in the upcoming reporting period, HAKOM will amend the respective provisions of the Ordinance on the manner and conditions for provision of electronic communications networks and services.

## I.6

# Business Indicators and Segments

Number of Customers	31.03.2019	31.12.2018	31.03.2019/ 31.12.2018	31.03.2018	31.03.2019/ 31.03.2018
<b>Business</b>					
PVS	18.656	18.829	-0,9%	19.831	-5,9%
IPTV	1.836	1.894	-3,1%	2.122	-13,5%
Internet	16.959	16.939	0,1%	17.445	-2,8%
Data	2.128	2.033	4,7%	1.960	8,6%
<b>Residential</b>					
PVS	170.258	174.555	-2,5%	189.362	-10,1%
IPTV	48.126	48.013	0,2%	48.001	0,3%
Internet	114.028	116.236	-1,9%	122.322	-6,8%

## a. Residential Sales Segment

In the first quarter of 2019, Optima Telekom proceeded with continued efforts to achieve better business results compared to the very successful 2018.

The marketing and sales efforts were especially directed towards improving services in accordance with market trends. One segment with very high potential is the IPTV service, which has a constantly growing number of customers. Observing the first quarter of 2019 compared to the first quarter of 2018, there was a 0.3% increase in the number of residential IPTV customers, with a 3.4% increase in revenue from the same segment. The number of Internet users in the first quarter of 2019 decreased by 6.8% compared to the same period of the previous year, but the total internet revenue in the residential segment decreased by 2.3%.

Alike the market trend, Optima Telekom has a decrease in the number of customers of the fixed public voice service. However, this trend is more positive in Optima Telekom than on the national level. The first quarter of 2019

showed a 10.1% drop in this customer base compared to the first quarter of 2018. The decrease of revenues from the fixed public voice service amounted to 12.6% during the same period.

Due to the the very aggressive activities by the competition, the first quarter of 2019 brought a slightly lower number of residential customers compared to the first quarter of 2018. The number of residential customers decreased by 10.3% compared to the first quarter of 2018, which resulted in a total decrease in revenues from residential customers of 5.65%.

The joint focused cooperation of marketing and sales activities of Optima Telekom in a very competitive environment ensured the maintaining of business operations. This is especially contributed to by advertising tactics which, compared to the strong competition, brought better result ratios with lower investments.

At the beginning of 2019 efforts were intensified to develop new products to achieve greater customer satisfaction and increased revenues compared to previous results. Activities are directed to better phone, internet

and television services providing, which lead to a 0.2% increase in the number of IPTV customers compared to the first quarter of 2018. The stated customer base expansion lead to a 1.3% increase in revenue from the IPTV segment. There was a minor 1.9% drop in the number of Internet service customers compared to the fourth quarter of 2018, which lead to a 1.2% decrease in revenues from Internet customers. The positive trends in the IPTV segment are expected to continue in the Croatian market, where Optima Telekom is investing into marketing activities either in promotions or creation of new services. The national downward trend in the number of residential customers of the fixed public voice service is discernible in Optima Telekom as well. In the first quarter of 2019, the number of these customers decreased by 2.5% compared to the fourth quarter of 2018. The decrease in revenue from the fixed public voice service amounted to 4.8% in the first quarter of 2019. During the observed period, in both customer base segment and the revenue segment, Optima Telekom has achieved far better results compared to the national trend in the fixed public voice service market.

In the first quarter of 2019, the total number of customers in the residential segment is 2.7% lower compared to the fourth quarter of 2018, which has lead to a 2.21% decrease in revenue.

## **b. Business Sales Segment**

In business sales the key activities of all sales channels in the first quarter of 2019, were aimed at increasing the influx of new connections, extending the contracts with the existing corporate customers, the completion of a major project realized through public procurement proceedings and the sales of the ICT services portfolio, which is partly financed out of non-repayable EU funds. Activities related to the new organization continued with an emphasis on excellence in providing support to business customers in all segments.

During the first quarter of 2019, the activities in the realization of services based on a major contract in the key business customers segment continued, with the realized effect on revenues of approximately HRK 2.2 million. The public voice service segment had a 2% revenue increase compared to the fourth

quarter of 2018, while it had a 2.9% revenue drop compared to the first quarter of 2018. Comparing the first quarter of 2019 with the same period of the previous year, we can see a 5.9% decrease in the number of connections, while the drop was 0.9% compared to the fourth quarter of 2018. The stated decrease is a result of migration to more advanced solutions and packages, and substituting the fixed voice service with the voice service in mobile networks, as well as a decreasing trend in the use of minutes in the public voice service. The revenues increased compared to the fourth quarter of 2018 due to the realization of the major project, realized through the public procurement procedure.

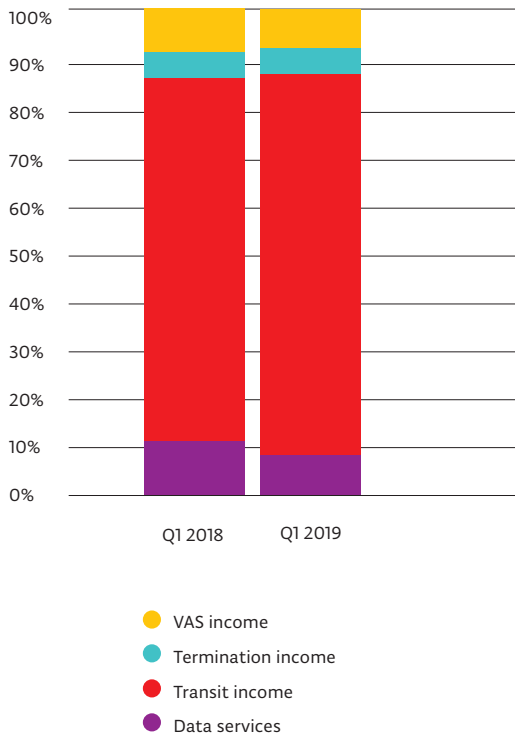
In the broadband internet access segment, compared to the fourth quarter of the previous year, we have had a 4.4% revenue increase, and a 7.8% revenue increase compared to the first quarter of 2018. Compared to the fourth quarter of the previous year, our customer base increased by 0.1%, while compared to the first quarter of 2018, it decreased by 2.8%. The trends are a result of activities aimed at sales of Internet access services at greater access speeds, as well as the increased demand for them, which were additionally triggered by the realization of services from the major contract in the key business customers segment. In the first quarter of 2019, compared to the same quarter of the previous year, the data services segment has had an 8.6% customer base increase and a 2.0% revenue increase, which is a result of intensified sales activities. The stated increase in the number of data connections is a result of the growing perception of customers who recognized the advantages of contracting a private data service directly with the telecommunications services provider.

In that same segment, the number of connections increased by 4.7% compared to the previous quarter, while revenues decreased by 0.5%.

In this segment, there is still pressure from the competition on the prices of services in the segment of medium and large business customers.

The positive trends in ICT revenues continued in the first quarter of 2019. Compared to the same period of the previous year, ICT revenues increased by HRK 0.2 million to approximately HRK 0,7 million. The results were achieved due

Interconnection Income Structure



Data Source: Company's business records

to a strong focus on the sales of ICT solutions and services and quality cooperation with ICT partners where we responded to market needs appropriately.

In 2018, data services revenues decreased by 12.3% compared to the same period of the previous year, which is a result of the outflow of services caused by increased market consolidation on 2018 (primarily by VIPnet's acquisition of Metronet, which caused Optima to lose a part of the services it had previously offered to VIPnet and Metronet).

The revenues from transit of voice services in the first quarter of 2019 increased by 27.0% compared to the same period of the previous year, which is a result of cooperation with international operators. This revenue increase is followed by the proportional increase in transit costs, so its impact on the EBITDA margin is negligible. In the field of termination, revenues were 23.2% higher compared to the same period of the previous year, which is a result of the increase of traffic with non EU/EEA destinations in Optima's network. VAS

services revenues in the first quarter of 2019 remained at virtually the same level as in the same quarter of the previous year and increased slightly, by 2.6%.

### c. Infrastructure, Optical Fiber Network and Internal Services Development

#### Voice Networks

During the first quarter of 2019, voice traffic for one international operator and two national operators has been migrated, via the IP/SIP IC connections to the SBC-IC (Session Border Controller – Interconnection) systems.

During the first quarter of 2019, the integration of additional functionalities of the new UC soft-switch system was completed, specifically the call recording system and the user web portal for controlling call recordings.

#### Data Networks

To further upgrade the capacities of the IP/MPLS core network and raising the level of quality, i.e. availability, a tender for broadening the backbone of the core network to 100Gb/s has been initiated in the first quarter of this year. Full realization is anticipated in Q3/2019.

OT-Optima Telekom currently has an agreed Internet upstream capacity of 60Gb/s. Considering the anticipated increase of traffic in the upcoming years, during the first quarter the border router with a 100Gb/s interface was replaced. These are Cisco ASR 9010 devices. Therefore, the whole network will be connected through 100G interfaces in the future.

#### Service Networks

Because of system upgrades, OT-Optima Telekom has gone on to replace the existing ACS system. A call for tender has been made and the company Axiros GmbH has been selected as the best bidder.

During the first quarter we crossed over to a new system. Its full functionality is anticipated in the second quarter.

The old corporate firewall Netscreen has been replaced by the new SRX to elevate the security level, with a view to create security zones.

### **Network Infrastructure and Optical Fiber Networks**

Optical infrastructure development, i.e. the construction of the individual optical fiber network in the first quarter of 2019 consisted mostly of the construction of optical feeds to our new end wholesale and retail customers, especially for the realization of the project of the City of Zagreb and CARNET, but also the construction of the core optical fiber network ZG MAN which accompanied the increased needs for new optical fiber network capacities due to the realization of the aforementioned projects. These are optical fiber routes Bosiljevska-Vukovarska, routes in the Center of Zagreb realized from the new access node HŽ Glavni Kolodvor to the strict city center, and the route towards PZ Žitnjak.

In numbers, we are talking about 47.6 km of new optical fiber network, out of which 17.6 km represent the core optical fiber network and 30 km represent the access optical fiber network consisting of the construction of 93 new optical feeds.

Most feeds have been built in Northern Croatia (45 feeds), followed by the South (17 feeds),

West (16 feeds) and Eastern Croatia with 15 optical feeds.

### **Internal Application Development**

Support for the new ACS system controlling the network equipment is developed.

The broadening of the provisioning system insofar as it pertains to controlling DSLAM ports is implemented, which facilitates customer troubleshooting.

The operation of VOD servers is optimized in order to improve performance of IPTV.

### **Infrastructure**

After a more prominent increase of the number of VDSL access interfaces on the ULL (Unbundled Local Loop) nodes in 2018, in the first quarter of 2019 the work on expanding capacities continued. In this vein, the number of active VDSL interfaces at the end of Q1/2019 was 17,950, compared to 17,500 at the end of Q4/2018, which represents a 2.6% increase in the number of VDSL customers, while the number of installed VDSL interfaces rose to 23,270, which represents a 4.1% increase compared to 22,350 at the end of Q4/2018.

## I.7

# Financial Reports of the Group

Summary (in tsd HRK)	Q1 2018*	Q1 2019*	Q1 2019/ Q1 2018
Total income	134.015	136.733	2,0%
Total expenses	103.818	102.220	(1,5%)
Depreciation and impairment	26.796	27.131	1,2%
EBIT	3.401	7.832	117,0%
Financial result (net)	(5.825)	(7.251)	24,5%
Profit (loss) before tax	(2.424)	131	(105,4%)
Deferred taxes	(160)	(680)	325,3%
Net profit	(2.584)	(549)	
<b>EBITDA before one time items after lease**</b>	<b>24.593</b>	<b>28.606</b>	<b>16,3%</b>
<b>EBITDA margin before one time items after lease</b>	<b>18,4%</b>	<b>20,9%</b>	<b>2,6%</b>

\* Include estimated effects of IFRS 16

\*\*EIBTDA before special items after lease represent operational result which is neutralized with IFRS standard effect (International Financial Reporting Standards) 16. IFRS 16 in appliance from January 1 2019, define way of lease representation, measurment, representation and publication for subject which reports under IFRS standard.



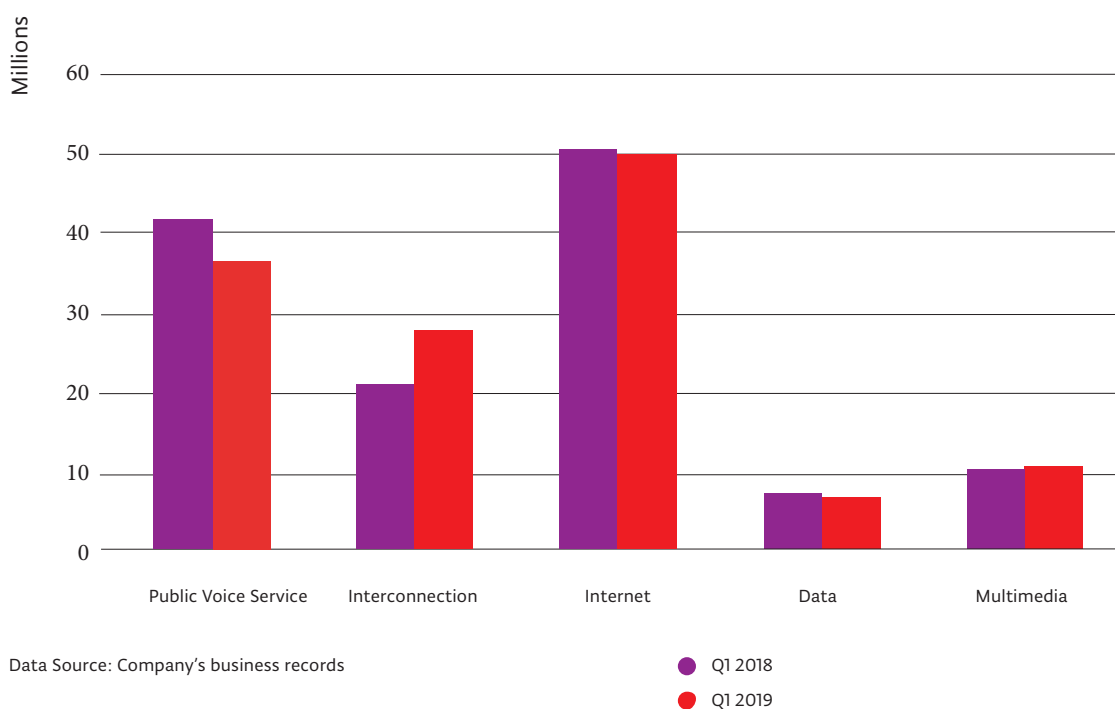
## a. Unconsolidated Results of the Company

Summary (in tsd HRK)	Q1 2018*	Q1 2019*	Q1 2019/ Q1 2018
Total income	133.989	136.731	2,0%
Total expenses	103.835	102.198	(1,6%)
Depreciation and impairment	26.643	27.100	1,7%
EBIT	3.510	7.433	111,7%
Financial result (net)	(4.774)	(7.232)	51,5%
Profit (loss) before tax	(1.264)	201	(115,9%)
Deferred taxes	(160)	(680)	325,3%
Net profit	(1.424)	(480)	
<b>EBITDA before one time items after lease**</b>	<b>24.247</b>	<b>28.111</b>	<b>15,9%</b>
<b>EBITDA margin before one time items after lease</b>	<b>18,1%</b>	<b>20,6%</b>	<b>2,5%</b>

\* Include estimated effects of IFRS 16

\*\*EIBTDA before special items after lease represent operational result which is neutralized with IFRS standard effect (International Financial Reporting Standards) 16. IFRS 16 in appliance from January 1 2019, define way of lease representation, measurment, representation and publication for subject which reports under IFRS standard.

Telecommunication Services Revenue



Compared to the same quarter of the previous year, the Group has achieved a 2.0% higher revenue, and a 16.3% higher EBITDA before special items. For the most part, this is owed to revenue increase and the optimization of business operations.

The same trends are present at the Group and Company level.

### b. Consolidated Revenues

Total telecommunications services revenues in the first three months of 2019 are 0.5% higher compared to the previous year.

The revenue increase compared to the previous year was mostly caused by higher interconnection revenues of 23.9%, which is only a consequence of the increase volume of low profit international transit. A slight increase is present in revenues from multimedia as well, 2.9% which, alongside the internet, is one of the two media that are in the focus of the company's business.

The decreasing trend in revenues from public voice services is still present, thus continuing the general decreasing trend in the use of the public voice service, following the trends at the global level. For that very reason, this item

shows a 10.5% revenue decrease compared to the same period of the previous year.

Data services revenues dropped slightly, by 4.3%, compared to the same period of the previous year.

### c. Earnings before Interest, Taxation, Depreciation, Special Items, After Leases – EBITDA

The consolidated EBITDA before special items after leases amounts to HRK 28.6 million, and it is HRK 4 million higher compared to the previous year. For the most part, this is a result of the optimization of business operations and the increase of revenues.

### d. Net Profit/(Loss)

Despite of the positive contribution from the operative result of the first three months of 2019, the net result amounts to HRK -0.5 million, which is HRK 2.0 million higher compared to the previous year, mostly due to the the better operative result.

### e. Capital Investments in 2019

Consolidated capital investments in the first quarter of 2019 amounted to HRK 29.7 million. Out of this, HRK 8.8 million was invested

	Q1 2019 (in 000 HRK)	share %
<b>General Investments</b>	<b>16</b>	<b>0,1%</b>
<b>Capital Technical Investments</b>	<b>29.672</b>	<b>99,9%</b>
ACCESS Network	8.828	29,7%
CORE Network	5.604	18,9%
Telecommunications Center	15.240	51,3%
<b>TOTAL</b>	<b>29.688</b>	<b>100%</b>

into the development of access optical fiber network, expanding the collocations network, user equipment for providing the IPTV and Internet services to residential customers and the equipment for connecting business customers. HRK 5.6 million were invested into the core network, which was mostly used to further expand the core, while HRK 15.2 million were invested in expanding the customer services.

## f. Risk Management

### Currency Risk Management

The currency risk is the risk that the value of financial instruments will change due to exchange rate changes. The Group's and the Company's highest exposure to currency risk arises out of long-term loans, denominated in foreign currencies and recalculated into HRK applying the relevant exchange rates as per the balance sheet date. Any exchange rate divergences shall be attributed to operating costs or recorded in the profit and loss account, but do not influence the cash flow.

### Interest Risk

The Group's and the Company's exposure to interest risk is not significant, given that the Group's and the Company's liabilities have not been agreed subject to variable interest rates. The remaining assets and liabilities, including issued bonds, are not exposed to interest risk.

### Credit Risk

The credit risk is the risk that the other party will fail to meet its contractual obligations arising out of potential financial losses of the Group and the Company. The Group and the Company do not have a significant credit risk concentration with contractual parties possessing similar characteristics and has adopted procedures it applies in buyer transactions. The Group and the Company receive sufficient collaterals, if necessary, as a means to mitigate the risk of financial loss due to unfulfilled obligations and offers no guarantees for third party liabilities.

The Group and the Company see their maximum exposure as reflecting in the amount of receivables from debtors, minus value depreciation reservations recognized at the financial position report date.

### Liquidity Risk Management

The Board of Directors has the responsibility for liquidity risk management and sets the appropriate framework for liquidity risk management, with a view to manage short-term, mid-term and long-term financing and liquidity requirements. The Group and the Company manage the liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and achieved cash flow and monitoring the receivables and liabilities due dates.

## Purchase of Own Shares

As per 31.03.2019 the Company does not own its own shares.

## II. **Financial Results of the Group**

# Profit and Loss Account

II. 1

Position name	<i>In thousand HRK</i>	I - III 2019.*	I - III 2018.
Sales		135.863	133.787
Other operating income		870	228
		<b>136.733</b>	<b>134.051</b>
Merchandise, material and energy expenses		(2.225)	(2.276)
Interconnection fee expenses		(52.321)	(48.585)
Rent of telecommunication equipment		(3.346)	(3.272)
Customer attraction expenses		(2.151)	(2.189)
Other service expenses		(20.165)	(21.441)
Staff costs		(13.208)	(15.113)
Own work capitalized		2.592	1.630
Depreciation, amortisation and impairment charges		(27.131)	(29.796)
Impairment charge on non-current and current receivables - net		(4.073)	(2.064)
Net loss on disposal of assets and equipment		(28)	(97)
Other operating expenses		(7.294)	(10.411)
		<b>(129.351)</b>	<b>(130.614)</b>
<b>OPERATING PROFIT</b>		<b>7.382</b>	<b>3.401</b>
Finance income		(72)	1.535
Finance costs		(7.179)	(7.360)
<b>Finance costs - net</b>		<b>(7.251)</b>	<b>(5.825)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>131</b>	<b>(2.424)</b>
Income tax expense		(680)	(160)
<b>PROFIT FOR THE YEAR</b>		<b>(549)</b>	<b>(2.584)</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(549)</b>	<b>(2.584)</b>

Data Source: Company's business records

\* Include estimated effects of IFRS 16

## II.2 Balance Sheet

<b>ASSETS</b>	<i>In thousand HRK</i>	<b>31.03.2019.*</b>	<b>31.12.2018.</b>
Intangible assets		156.098	150.486
Property, plant and equipment		426.583	329.330
Contract Assets		3.636	3.128
Other receivables		-	-
Given loans		538	540
Deposits		3.400	3.397
Available-for-sale financial assets		35	35
Deferred tax assets		8.711	9.391
Other non-current assets		-	6.500
<b>Non-current assets</b>		<b>599.001</b>	<b>502.807</b>
Inventories		1.982	2.144
Trade and other receivables		92.965	92.374
Contract Assets		4.151	3.409
Given loans		5	4
Deposits		88	115
Prepaid expenses and accrued income		1.517	2.256
Cash and cash equivalents		24.749	38.608
<b>Current assets</b>		<b>125.455</b>	<b>138.910</b>
<b>TOTAL ASSETS</b>		<b>724.457</b>	<b>641.717</b>
<b>EQUITY AND LIABILITIES</b>			
Issued share capital		694.433	694.433
Capital gains		178.234	178.234
Other equity (MCL)		-	8.226
Accumulated losses		(872.279)	(870.940)
<b>EQUITY</b>		<b>388</b>	<b>9.953</b>
Long-term borrowings		151.283	181.112
Issued bonds		60.262	68.242
Trade payables		846	23.562
Provisions		45	45
Deferred income		20.827	21.431
<b>Non-current liabilities</b>		<b>233.262</b>	<b>294.392</b>
Short-term borrowings		239.241	128.840
Issued bonds		30.929	23.935
Trade payables		183.365	155.565
Provisions		172	172
Accrued expenses and deferred income		28.508	22.166
Other current liabilities		8.591	6.694
<b>Current liabilities</b>		<b>490.806</b>	<b>337.372</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>724.457</b>	<b>641.717</b>

Data Source: Company's business records

\* Include estimated effects of IFRS 16

# Cash Flow

## II.3

Position name	<i>In thousand HRK</i>	I - III 2019.*	I - III 2018.
<b>Operating activities</b>			
Total profit for the year		(549)	(2.224)
Depreciation and amortisation		27.131	21.040
Decrease/(increase) in inventories		(1.607)	(609)
Decrease/(increase) in trade and other receivables		(3.106)	11.783
Increase/(decrease) in trade payables and other liabilities		94.734	17.666
Other cash increase/(decrease)		(8.942)	(10.996)
<b>Cash generated from operating activities</b>		<b>125.545</b>	<b>36.630</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(103.178)	(30.542)
Cash receipt from sale of ownership and debt instruments		-	-
<b>Net cash used in investing activities</b>		<b>(103.178)</b>	<b>(30.542)</b>
<b>Cash flows from financing activities</b>			
Other proceeds from financing activities		-	153
Repayment of finance lease liability and borrowings		(36.227)	(46.366)
<b>Net cash used in financing activities</b>		<b>(36.227)</b>	<b>(46.213)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13.859)</b>	<b>(40.125)</b>
Cash and cash equivalents at 1 January		38.608	50.137
<b>Cash and cash equivalents at 31 March</b>		<b>24.749</b>	<b>10.012</b>

Data Source: Company's business records

\* Include estimated effects of IFRS 16

### III. Statement of Persons in Charge of Financial Reports

In accordance with Article 410 of the Capital Markets Act, the members of the Board of Directors, Mr. Boris Batelić as Chairman of the Board, Mr. Tomislav Grmek, as Member of the Board, and Mr. Tomislav Tadić, as Member of the Board jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable financial reporting standards and that they contain an overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the Company and other companies included in the consolidation.

The financial report contains a true presentation of development, results and position of the Company and its subsidiaries, as well

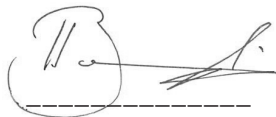
as a description of the most significant risk factors and uncertainties which the group is exposed to.

The Board of Directors would like to emphasize

that the above report contains certain statements on future events relative to the financial status, electronic communications market trends, results of activities the company and the group are currently undertaking with the purpose of improving their position on the market. The said statements are based on the best of knowledge and expectations at present, but cannot represent any guarantee of their realization.

Additional information and significant changes have been made available by the company at its website: [www.optima.hr/investitori.hr](http://www.optima.hr/investitori.hr).

(Signatures of Board members)



Boris Batelić



Tomislav Grmek



Tomislav Tadić

**Optima**  
OT – OPTIMA TELEKOM D.D.  
ZAGREB