

**OT - Optima
Telekom d.d.**

**Temporary Unaudited
Yearly Report of the
Group for 2020 and the
Fourth Quarter**

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Optima
TELEKOM

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Corporate Governance and General Information

SUPERVISORY BOARD	Igor Vavro — CHAIRMAN Ariana Bazala-Mišetić — DEPUTY CHAIRMAN Ana Hanžeković — MEMBER Rozana Grgorinić — MEMBER Jelena Noveljić — MEMBER Blaženka Klobas — MEMBER Silvija Tadić — MEMBER Igor Radojković — MEMBER Suzana Čepl — 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

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I. **Management Report**

Introduction

I.1

The regular General Assembly of the company, in accordance with the provisions of the Articles of Association and the Decision of the Management Board of 16 July 2020, was held on 28 August 2020.

The company, as the founder and sole holder of shares in the associated company OT-Optima Telekom doo, Slovenia, changed the registered office of the company in the reporting period to the following address, Industrijska cesta 002E, 6310 Izola-Isola, Slovenia and appointed a new director Mario Marković, from Zagreb, Prevoj 93, an employee of the Company.

The Company continues to perform its obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on 30th April 2014, case reference Stpn-354/13, while payments of claim in amount of 6.857.268,60 HRK is temporary postponed till regulation of relationship with creditor. The Company on mentioned actions informs the public actions in accordance with

the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, www.fina.hr.

Due to the merger with H1, the Company has become the universal successor of all the rights and obligations of H1, as well as the debtor in the pre-bankruptcy settlement approved by the Commercial Court of Split, case reference Stpn-74/2014, executed on 16th December 2014. The Company informs the public regularly about its actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, www.fina.hr.

Apart from the publications on FINA's website regarding the issues related to the implementation of the Pre-bankruptcy Settlement, the Company informs the public about the fulfilment of its 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 2020 compared to 2019, Optima Telekom Group recorded a decline of 3.4% in EBITDA before one-time items after leases, which is primarily the result of greater negative impacts of IFRS 15 and lower own work capitalization, and recorded an increase in EBITDA margin of 3.1 percentage point, which amounts to 28.0%. In the same period, there was a decrease in revenue by 14.0% compared to 2019, mainly due to a decrease in the volume of business in the field of international transit of voice services. Consolidated capital investments in 2020 amounted to HRK 86.1 million, while net profit amounted to HRK 1.7 million.

In the residential business segment in 2020, we placed the greatest emphasis on preserving the customer base and growing its value. In 2020 compared to 2019, the outflow of users was significantly reduced, but despite that, the total number of service users (IPTV, Internet, JGU) decreased annually by 4.3%, which resulted in a 5.4% decrease in telecommunications revenues in the residential segment. The decrease in the customer base of services (IPTV, Internet, JGU) in 2020 compared to 2019 refers to the segment of public voice service and the Internet, which is largely caused by the continuing trend of substitution of services based on mobile technology and is partially compensated by user growth in IPTV service segment.

In the business segment, 2020 was marked by activities related to the sale of telecommunications services to customers as part of entire ICT projects, the renewal of contractual relations with existing customers, and the implementation of ICT projects that are partly financed from EU grants. In the business segment in 2020, total revenues from ICT and telecommunications services together grew by 6.4%. At the annual level, revenues from the sale of ICT solutions and services amounted to HRK 19.4 million, which is an increase of 64.6% compared to 2019, while revenues from telecommunications services in the business



Boris Batelić,
Chairman of the Board

segment in the same period decreased by 1.2 % as a result of a smaller number of service users in the segment of public voice service, internet and IPTV.

In 2020, total wholesale revenues were 54.1% lower than in the previous year. The biggest reason for the decrease in wholesale revenues is the decrease in the volume of business in the field of international transit of voice services. Transit revenues fell by 70.3% this year compared to the previous year. The decrease in income in question is accompanied by a proportional decrease in transit costs, and its impact on EBITDA is negligible.

Consolidated capital investments in 2020 amounted to HRK 86.1 million, of which HRK 28.8 million was invested in the capitalization of IPTV content, HRK 21.3 million in the construction of optical infrastructure, access network and network core, HRK 17.5 million in customer equipment for the provision of services to residential and business customers, HRK 17.6 million in IT systems and HRK 0.9 million in general investments. In 2020, the Group generated a net profit of HRK 1.7 million, and the Company in the amount of HRK 1.6 million. The realization of net profit on both the Group and the Company level is influenced by lower

EBITDA before one-time items after leases and higher depreciation, which is partially mitigated by the positive impact of the financial result and lower taxation.

“The past year, 2020, was certainly marked by strong earthquakes and the COVID-19 pandemic, which affected all segments of society, and consequently we are witnessing great changes in lifestyle, economy, education, health and transport, the intensity of which we could not even imagine a year ago.

In Optima Telekom, we have adjusted all activities and processes to the new conditions and have organized work from home for the vast majority of employees since the middle of March. The circumstances caused by the pandemic have additionally encouraged us to accelerate the digitization and optimization of our own processes in order to enable our customers a stable functioning of services for uninterrupted work and life. We have intensified communication with users through digital communication channels and we are witnessing a multiple increase in the number of user interactions through digital platforms. Certainly, our primary focus remained to maintain the quality of service provided, as well as customer support in the circumstances in which our employees in the customer centre also work from their own homes.

In 2020, we launched and completed a number of projects aimed at improving the user experience, increasing the capacity and efficiency of network infrastructure and IT systems, and increasing the efficiency of sales channels. We also managed to create a large number of very attractive offers and marketing campaigns for new and existing customers that are very well accepted in the market. We have improved the process and tools for customer value management. All these activities have led to an increase in customer satisfaction, a significant reduction in customer outflows, an increase in the share of customers in more advanced services, an increase in average revenue per customer and an increase in the share of customers with a minimum contractual duration.

In completely new and very challenging conditions, our employees have shown that with great commitment, teamwork and affirmative attitude, even in the most difficult circumstances, good results can be achieved. I am very proud of Optima Telekom employees and I thank them for their outstanding contribution and everything we have achieved together. In 2021, we plan to continue with the activities on projects for improving the user experience, the digitization of processes and interactions, as well as further growth of ICT business.”

I.3

Market Overview

Fixed Telephony Market

The market of telephone services in the fixed public communications network in the third quarter of 2020 recorded a decline in the observed parameters compared to the second quarter of 2020.

If we compare the total revenue from telephone services in the fixed public communications network in the third quarter of 2020 with the second quarter in 2020, a decline in revenue of 0.3% is visible while the total number of connections is lower by 0.5% in the observed period. The third quarter of 2020, compared to the same period in 2019, recorded a decline in total revenues by 13.1%. In the same period, the total number of connections decreased by 3.0%.

After the COVID-19 crisis in the second quarter caused an increase in total outgoing traffic, the third quarter recorded a decline compared to the previous one, although the consequences of the COVID-19 crisis were still felt. If we compare the third quarter of 2020 with the second quarter of 2020, the total outgoing traffic (in minutes) of all fixed public communications network operators decreased by as much as 13.0%, while compared to the same quarter in 2019 there is a decrease of 1.2%.

Broadband Access Market

In the third quarter of 2020, the use of broadband Internet services via fixed networks continues to grow.

Compared to the second quarter of 2020, the number of broadband access connections via fixed networks increased by 0.2%, while revenues from Internet access via fixed network for the same period increased by 0.3%. If we compare the third quarter of 2020 with the same period in 2019, the number of broadband access connections via fixed networks decreased by 11.2% while revenues from Internet access via fixed network in the same period decreased by 7.7%.

The total revenue from Internet access services in the third quarter of 2020 is higher by 15.8% compared to the second quarter of 2020, while compared to the third quarter of 2019, a growth of 2.2% is visible.

IPTV-a Market

The Internet Protocol (IPTV) -based television market continues its positive growth trend.

If we compare the third quarter of 2020 with the second quarter of 2020, the increase in the total number of connections is 0.4%, while compared to the same quarter of 2019, an increase of 1.3% was recorded. The number of connections of private users shows a higher degree of growth compared to business users, so the increase of private users is 0.4% and of business users of 0.01% compared to the second quarter of 2020. Comparing with the same quarter in 2019, private users have a growth of 1.3% while business users recorded a growth of 1.1%.

Economic environment

I.4

In the third quarter, the real value of Croatia's GDP decreased by 10.0% on an annual basis. Cumulatively, in the first half of the year, the decline was 8.8%. Such GDP trends were a consequence of the COVID-19 pandemic, i.e. the decline in domestic and foreign demand. In some activities, however, growth was recorded, and the highest growth rates were achieved in information and communications and construction (4.9% and 4.0%). In terms of the described trends, Croatia did not differ significantly from other members of the European Union. According to the data for the first three quarters, a decline was recorded in all member states for which data are available, at the level of the entire EU it was -7.0%, while the decline in GDP of Italy, France and Spain was as much as 10.0%.

In October, the (temporary) administrative unemployment rate increased compared to September (9.1% vs. 8.8%) due to an increase in the number of unemployed, although the number of employees also increased. The monthly increase in the number of employees is related exclusively to legal entities, within which primarily to employees in education, construction, and public administration and defense. Compared to October last year, the unemployment rate was higher by 2.0 percentage points. In September (latest data), the survey's seasonally adjusted unemployment rate (ILO methodology) was 8.2%, 1.8 percentage points higher than a year earlier, and Croatia had the eighth highest rate among 27 member states (higher rate than Croatia had Finland, Latvia, Sweden, Italy, Lithuania, Spain, Greece). The annual growth of the unemployment rate in Croatia was above the growth of the average rate at the EU level (0.9 percentage points). The average net salary per employee in legal entities in September amounted to 6,747 HRK and was higher by 3.4% (both nominally and in real terms) compared to September 2019. The average gross earning per employee in legal entities in September amounted to 9,179 HRK, which was 3.2% more (both nominally and in real terms) than in September 2019. In the first nine months, real growth in net wages amounted to 2.2%, and nominal 2.5%, which means that the growth dynamics is somewhat slower than in the same period last year (3.2% in nominal terms, 2.5% in real terms).

It is very difficult to predict salary developments on a monthly and annual basis in the coming mon-

ths due to the still current coronavirus pandemic.

The oscillations of the HRK exchange rate against the common European currency are somewhat more pronounced this year than in the past two years. The average middle exchange rate of HRK against EUR for the first ten months was 1.6% lower than last year. Significant influence on the movement of the exchange rate had tourist achievements, i.e. their expectations. Therefore, in the first part of March, during the period of economic closure, there was a reduced inflow of foreign exchange, i.e. a more pronounced weakening of HRK, and from the beginning of July to the end of September, with a peak in the first part of August, HRK strengthened. The announcement of the central exchange rate of HRK entering into ERM II of 7.53450 HRK for EUR has a certain impact on the movement of HRK, since it can be expected that the average market exchange rate will tend to approach this exchange rate. Against other global currencies, the HRK fluctuated more markedly under the influence of EUR movements against these currencies. However, given that the EUR weakened against the USD in the first part of the year and then strengthened, the HRK weakened against the USD less than against the EUR, i.e. by 1.1%.

Due to outstanding payments, on 31 December 2020, 231,602 consumers were registered, which is by 5,709 or 2.4% less than at the end of December 2019, and by 6,533 consumers or 2.7% less than in March 2020. Consumer debt basically amounted to 17.0 billion HRK (principal), which is 0.1 billion HRK (0.8%) more than in December 2019, and 0.4 billion HRK (2.4%) more compared to March 2020. The largest part of the debt, in the amount of 5.9 billion HRK, was related to consumer debt to financial institutions.

From the analysis of consumer debt according to the amount of debt, by segments, it is evident that most consumers whose debt on the basis of outstanding payments is equal to or less than 10,000 HRK. Observed by other segments of the amount of debt, the number of consumers who did not settle the due outstanding payment bases decreased most in the segment of consumers whose debt was higher than 10,000 HRK and equal to or less than 25,000 HRK (10.0%).

I.5 Regulatory Environment

In this reporting period, the Croatian Network Regulatory Agency (hereinafter: HAKOM) continued to regulate the electronic communications market.

Thus, in the process of market analysis of wholesale high-quality access provided at a fixed location (M4 market) and market analysis of wholesale portable segments of high-quality access services (exM14 market), final decisions were made. These decisions of HAKOM define the conditions for the use of related wholesale services used by the Company for the purpose of providing electronic communications services to its end users. We especially emphasize the introduction of regulation of existing commercial wholesale services on the market of wholesale high-quality access, but with the retention of the same commercial conditions until the calculation and adoption of new wholesale prices.

In this reporting period, HAKOM developed a new cost model for the fixed network and, based on that model, they calculated new prices of regulated wholesale services in the market of wholesale local access provided at a fixed location (M3a market) and the market of wholesale central access provided at a fixed location for products for the mass market (M3b market). Proposals for new wholesale prices were adopted by HAKOM and sent to the European Commission for notification. The new prices for the M3a and M3b markets are expected to be in force at the beginning of the second quarter of 2021, and the same will have a positive impact on the Company's operations. In the next reporting period, HAKOM will calculate wholesale prices for the remaining regulated markets (M4 and exM14) based on the new cost model.

Due to the outbreak of COVID-19 and the adopted measure to prevent the spread of

the epidemic, in this reporting period HAKOM amended the document "Methodology of margin squeeze test" (hereinafter: Methodology) which the Company is obliged to apply in relation to the corresponding retail prices. The methodology has been amended so that the deadline by which the suspension of bidding and contracting of existing packages and promotional benefits that do not meet the test in accordance with the amended Methodology is extended until 1 January 2021. Thus, until the end of 2020, the Company continued to offer all products in the existing portfolio, which had a positive impact on operations and, in general, on maintaining the market position of the Company. HAKOM also updated the Margin Squeeze Test with network and retail costs and user habits, and in the next reporting period the Test will be updated with the finally adopted new wholesale prices.

In this reporting period, there were no significant changes in laws and regulations in the field of electronic communications. We would like to mention again that an urgent procedure was initiated to amend the Electronic Communications Act in order to exceptionally allow the processing of user location data without traffic data in order to protect national or public safety, but it did not end with the adoption of proposed amendments to the Act. As the European Code has not yet been transposed into Croatian legislation, the Electronic Communications Act will be amended and harmonized in the next reporting period.

Among other regulations, we single out the amendment to the Regulation on Procurement Documentation and Bids in Public Procurement Procedures in terms of determining the age of updated supporting documents, which the Company is obliged to comply with when submitting bids in public procurement procedures.

Business Indicators and Segments

I.6

Number of Customers	31.12.2020	30.09.2020	31.12.2020/ 30.09.2020	31.12.2019	31.12.2020/ 31.12.2019
Business					
JGU	16.396	16.693	-1,8%	17.551	-6,6%
IPTV	1.595	1.624	-1,8%	1.714	-6,9%
Internet	15.388	15.665	-1,8%	16.157	-4,8%
Data	2.980	2.966	0,5%	2.469	20,7%
Residential					
JGU	146.687	150.274	-2,4%	159.487	-8,0%
IPTV	55.850	55.677	0,3%	53.370	4,6%
Internet	103.956	105.860	-1,8%	107.250	-3,1%

a. Residential Sales Segment

In the fourth quarter of 2020, Optima Telekom achieved positive results with its activities for new and existing customers compared to the third quarter of 2020.

In the segment of IPTV services, the positive trends from previous quarters continue. If we compare the fourth quarter of 2020 with the third quarter of 2020, we can see an increase in the number of users of 0.3%. In the same period, revenues in the IPTV segment increased by 11.2%. Compared to the same quarter of 2019, there was also an increase in the number of IPTV users in the residential segment by 4.6% as a result of activities towards users that resulted in contracting packages containing the IPTV service. Revenue from IPTV services compared to the fourth quarter of 2019 recorded an increase of 14.8%. In 2020, the Company used activities aimed at attracting new IPTV users and retaining existing IPTV users.

In the segment of Internet users, a decrease of

1.8% was recorded compared to the third quarter of 2020. Although slight users decrease is recorded, with additional Company activities light revenue increase of 1.4% is ensured in the same period. Compared to the fourth quarter of 2019, the user base of Internet services decreased by 3.1% while revenues in the same period recorded a decline of 5.9%.

The number of residential users of fixed public voice service shows the continuation of the negative trend from previous periods. Substitutive technologies still have a large impact on the reduction in this segment, and the number of residential users of fixed public voice service is lower by 2.4% compared to the third quarter of 2020. Revenue from telephone services in the fixed public communications network, for the residential segment, increased by 0.3% compared to the third quarter of 2020, as a result of the continuation of the COVID-19 crisis that caused an increase in outgoing minutes this year. If we compare the number of users of fixed public voice service with the same quarter in 2019, the user base is smaller by 8.0% while revenue is higher by 4.2%.

The total number of residential users decreased by 2.3% compared to the third quarter of 2020, while the revenue part showed a growth of 2.5% due to the positive elements in all part of service segment. The total number of residential users in the fourth quarter was lower by 7.2% compared to the same quarter in 2019, which is a consequence of the decline in the segment of Internet service and public voice service and total revenue decline amounts 2.4%.

b. Business Sales Segment

The activities of business business sales channels in the fourth quarter of 2020 were focused on the targeted acquisition of telecommunications services to customers within the entire ICT projects, renewal of contractual relations with the existing customer base, especially in the public sector, i.e. simple and public procurement procedures, and sales portfolio of ICT services and solutions with significant activities on the implementation of two complex ICT projects that are partly funded by EU grants.

In the segment of public voice service, compared to the third quarter of 2020, revenue increased by 2.8%, while revenues increased by 1.5% compared to the same period last year. The customer base in the segment of public voice service is smaller by 1.8% compared to the third quarter of 2020, and compared to the same period last year the decrease is 6.6%. At the annual level, revenue decreased by 3.2%.

This decline on an annual basis is mostly the result of the national trend of reducing the use of public voice service, substitution of fixed voice service with voice service in the mobile network and migration of Optima Telekom users to more advanced solutions and packages. We attribute the short-term revenue growth in the fourth quarter of 2020, compared to the previous period as well as the same period of the previous year, to the coronavirus pandemic, which caused short-term growth in the use of public voice service due to reduced movement and activity of business employees and the introduction of new modes of work adjusted to the pandemic, in which, along with advanced digital forms of

communication, a traditional communication via fixed lines is more used.

In the segment of broadband internet access, compared to the third quarter of 2020, there was a decrease in revenue of 1.6% as a result of seasonal effects in the tourism sector, while compared to the same period last year, revenue increased by 3.2%. The user base of broadband internet access is 4.8% lower than in the same period in 2019, and 1.8% lower than in the third quarter of 2020. At the annual level, revenue growth of 0.2% was recorded.

Revenue trends in the broadband Internet access segment are a consequence of sales activities focused on the sale of higher access Internet access services and the realization of services contracted in the segment of key business users, i.e. increased demand for higher access speeds due to new modes of work resulting from the coronavirus pandemic.

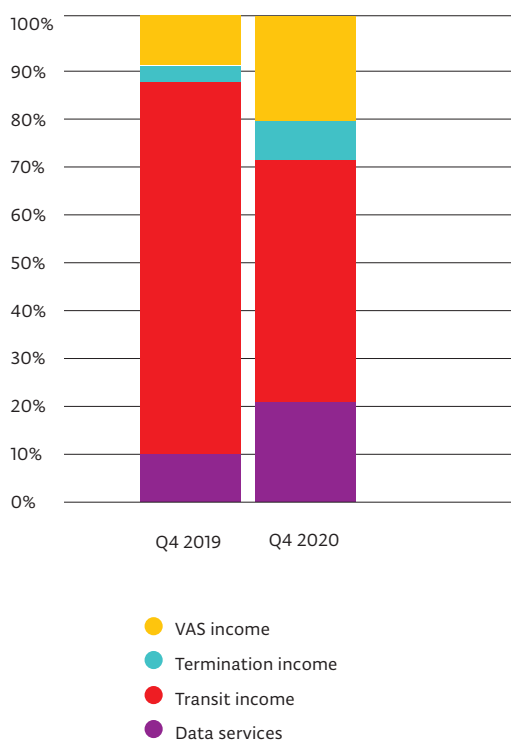
In the data services segment, compared to the previous quarter, Optima Telekom recorded a customer base growth of 0.5% as well as revenue growth of 3.1%. Compared to the same quarter in 2019, revenue decreased by 17.9% due to the absence of a one-time fee project realized in Q4 / 2019 with a growth of the user base of 20.7% due to increased sales of private data connection service on an asymmetric approach.

At the annual level, a slight decline in revenue of 1.2% was recorded.

The growth in the number of data connections and stable revenue trends is the result of an increased perception of the benefits of contracting private data connection services directly with the telecommunications service provider in the segment of large and key business users.

In the fourth quarter of 2020, Optima Telekom continues to record positive trends in the segment of sales of ICT solutions and services with a revenue of around 9.4 million HRK with a margin of 15.1%. At the annual level, revenue of 19.4 million HRK was generated. At the annual level, strong revenue growth of 64.6% was achieved with a respectable margin of 14.6%. The result was achieved due to a strong focus on the sale of ICT solutions and services and cooperation with ICT partners with whom Optima Telekom responds well to market needs.

Interconnection Income Structure



Source: Company ledgers

In 2020, total wholesale revenues were 54.1% lower than in the previous year. The biggest reason for the decrease in wholesale revenues is the decrease in the volume of business in the field of international transit of voice services. Transit revenues fell by 70.3% this year compared to the previous year. This decrease in revenue is accompanied by a proportional decrease in transit costs, and its impact on the EBITDA is negligible, with a positive effect of reduced financial exposure of the company, which can pose a significant risk, especially in times of reduced liquidity in the wholesale market caused by the COVID-19 crisis.

Revenues from data services in 2020 recorded a decrease of 3.7% compared to 2019. The decline in question was largely caused by the cancellation of the services of one major international customer in the fourth quarter of 2020. During the fourth quarter of 2020, the decline in termination income decreased compared to the previous quarter, and at the end of 2020 it amounted to 13.8% compared to termination income in 2019, which corresponds to the decline in the residential customer base during

2020. Revenues from services with a special tariff increased in 2020 by 4.6% compared to 2019, and the growth trend was recorded in the fourth quarter of 2020, and compared to the third quarter of 2020 it amounted to 12.1%.

c. Development of Infrastructure, Optical Network and Internal Services

Voice networks

During the first quarter of 2020, the integration of additional functionalities of the new uc (Unified Communications) softswitch system was completed, specifically the sp (Soft-Phone) computer application that enables making calls via a computer via remote access to corporate telephony.

In order to upgrade the core of the voice network, and to raise the level of quality and innovation of voice services in the last quarter of 2020, the tender for the procurement of the IMS (IP Multimedia Subsystem) system was continued, which will enable the transition from the NGN (Next Generation Network) architecture of the voice network to the standardized IMS architecture.

During the last quarter of 2020, an integrated technical solution was developed for the redundant national connection of emergency services 112 and 192, which enabled redundant voice access to emergency services 112 and 192 for all Croatian public voice operators.

Data networks

In order to upgrade the capacity of the IP / MPLS core of the packet, transport network and raise the quality level in the third quarter of 2019, the tender for the purchase of new equipment was completed and Cisco equipment, ASR 9910 series, was selected and the installation of equipment in 4 main hubs in Zagreb, Split, Rijeka and Osijek was initiated. The equipment is installed on sites and interconnected by telecommunication connections with a capacity of 100Gb / s in order to check the basic functionalities. The handover of the system took place in the first quarter of 2020 and started with the first migration of transport connections and related functions from the existing routers to the new transport IP / MPLS system. Thus, in the second quarter, the

switching of telecommunication connections of regional network nodes to new devices continued with the expansion of network capacity. Network nodes in Zadar, Šibenik, Pula and Pazin were transferred, while the cities of Knin and Sinj were expanded with 10Gb / s telecommunication connections and connected to new IP / MPLS routers. In the third quarter, the capacity of network nodes continued to be expanded, so that Vinkovci, Vukovar, Dubrovnik and Cavtat were connected with 10Gb / s connections. At the same time, the tender for the procurement of a new MPLS router with 100Gb / s interfaces was completed, which will increase the capacity of the Varaždin node. The realization is planned for the first quarter of 2021.

Transport networks

In the third quarter, a project was made to connect the Varaždin node with a 100Gb / s connection. For this purpose, the procurement of DWDM equipment was launched, which will ensure 100Gb / s connection of Varaždin node with the main node in Zagreb, and at the same time the connection of Varaždin node with 100Gb / s connection to Osijek was initiated, which will ensure sufficient reserve capacity of nodes in Varaždin and Osijek. The equipment has been delivered and integration is expected in the first quarter of 2021.

Service Networks

Internet network core

In the first quarter of 2020, the total Internet access capacities were expanded with existing Internet Upstream Providers. For this purpose, interconnection with individual service providers via a 100Gb / s interface was performed. The total contracted access capacity is 70Gb / s, while the total interconnection capacity is 180Gb / s. In the fourth quarter, offers for further capacity increases were requested, and in the first quarter of 2021, it is planned to expand the connection with service providers with an additional two 100Gb / s interfaces.

ACS system - System for an automatic configuration of terminal devices

After the installation of a new system for automatic configuration of terminal devices in 2019, in the fourth quarter of 2019, the upgrade of the ACS system began with an additional module for collecting data on traffic, errors

and other parameters directly from the terminal user device, which was completed in the first quarter of 2020. After that, further activities were initiated on the additional development of the same module for displaying certain parameters on a geographical map and alarming on the basis of certain quality level indicators according to the collected parameters. The display of the device on the map was completed in the second quarter, and the availability of the device, current and maximum speed are now plotted. In the fourth quarter of 2020, an alarm module was delivered according to parameters that deviate from the defined quality level indicators.

Network infrastructure and optical networks

The development of the fiber optic infrastructure, i.e. the construction of its own fiber optic network, during the third quarter of 2020 was mostly the construction of the access fiber optic network, i.e. access to the locations of our business users.

Speaking of numbers, this is a total of 13.25 km of new fiber optic network, which consists of the construction of 37 new fiber optic connections.

The largest number of connections was made in the area of western Croatia (12 connections), followed by northern and southern Croatia (each with 11 connections), and eastern Croatia with 3 derived fiber optic connections.

Access networks

In the first quarter of 2020, work continued on expanding the capacity of the Unbundled Local Loop (ULL) network, primarily on increasing the number of vDSL access interfaces. Thus, at the end of the first quarter of 2020, the number of vDSL access interfaces was 28,863, which is an increase of 12.6% compared to 25,633 access interfaces that were installed at the end of the fourth quarter of 2019. At the end of the second quarter of 2020, the number of vDSL access interfaces was 29,448, which is an increase of 2.0% compared to 28,863 access interfaces at the end of the first quarter of 2020. At the end of the third quarter of 2020, the number of vDSL access interfaces was 30,206, which is an increase of 2.6% compared to 29,448 access interfaces at the end of the first quarter of 2020.

In the fourth quarter of 2020, work continued on expanding the capacity of the Unbundled Local Loop (ULL) network, primarily on increasing the number of VDSL access interfaces. At the end of the fourth quarter of 2020, the number of VDSL access interfaces was 30,595, which is an increase of 1.3% compared to the 30,206 access interfaces installed at the end of the third quarter of 2020.

Power systems

Through an ongoing process of capacity checking and battery replacement in telecommunications hubs and data centers, system autonomy is ensured in the event of a power outage.

In the first quarter of 2020, 76 batteries were replaced in 7 telecommunications hubs. Both UPS systems (Uninterruptible Power Supply) were also replaced with the corresponding sets of batteries in the data centers, Split and Rijeka.

In the second quarter of 2020, 100 batteries were replaced in 12 telecommunications hubs and 60 batteries on UPS systems in the data center in Osijek.

In the third quarter of 2020, 44 batteries in 7 telecommunications hubs were replaced.

Through an ongoing process of capacity checking and battery replacement in telecommunications hubs and data centers, system autonomy is ensured in the event of a power outage.

In the fourth quarter of 2020, 76 batteries were replaced in 14 telecommunications hubs.

Information technologies (IT)

In the first and second quarters of 2020, IT systems and applications were upgraded in the following part:

A new version of the IPTV platform v5 was released into production and the migration of users to the new platform was completed. A new STB (Set-Top-Box) device model has been introduced, which offers a better user experience with technical performance and enables additional IPTV applications to users.

In the second quarter, the capacity of the "Data Domain" data storage system was upgraded with an additional 60 TB of space with licenses and manufacturer's warranty included.

In the OSS system (Operations Support System), and in order to modernize the process and the technology used in the contact center, the Avaya Call Center system was upgraded. Due to the COVID-19 situation, the final tests of the acceptability of certain functions have not been completed and the transition to production is expected in the coming period.

The processes of maintenance of services and errors reporting have been adjusted to the new regulatory requirements adopted by the Telecommunications Regulatory Agency (HAKOM), and are in force since 23rd March, 2020.

In the field of analytics, a new functionality has been introduced that enables the simulation of financial results based on current sales activities. While in the second quarter, the IFRS 15 application module for the area of finance was upgraded for the purpose of planning and simulating financial effects according to International Financial Reporting Standard 15.

Due to the COVID-19 pandemic and enabling as many employees as possible to work from home, equipment (laptops) was procured for some employees who did not have it until then, and remote work software (VPN) was installed.

During the third quarter of 2020, the CRM system (Customer Relation Management) was upgraded in terms of the availability of a targeted information framework to agents in the Customer Service: about the user, active services, available services and offers, which ultimately results in easier and faster work of agents, by increasing customer satisfaction and easier management of said sales channel. In addition, the application for logistics and equipment management in the warehouse and logistics partners has been upgraded, in order to speed up the operation of the application and simplify access to the application.

In the fourth quarter, in order to ensure the scalability and availability of Optima's applications, the integration of a new system for English Load Balancing was performed, based on the virtual AVI Networks LB solution within the VMware virtual systems portfolio.

In order to ensure the information and processing capacities of the IPTV system, new servers were procured for the IPTV platform, the integration of which is planned to be completed at the beginning of 2021.

In the fourth quarter, a new billing system from a domestic manufacturer Multicom, was integrated. In relation to this, the systematization of basic business processes connected with the billing system through a new business process management system (Workflow Engine System), also from the domestic manufacturer END2END, was completed. As part of the project, adjustments were made to all business reporting systems through which the basic performance indicators and billing of telecommunications services are monitored.

A new IFRS 16 application module for the field

of finance has also been provided for the purpose of planning and simulating financial effects according to International Financial Reporting Standard 16.

In accordance with the regulatory conditions, the application connection of the Optima and Hrvatski Telekom systems was performed in order to digitally manage the electronic communication infrastructure or cable sewerage owned by Hrvatski Telekom during the construction of Optima's optical networks through it.

As part of the HRnet business application of the domestic manufacturer HRpro for human resources management, module 360 is additionally integrated, the purpose of which is to assess and improve the competencies of employees in management positions.

Financial Results of the Group

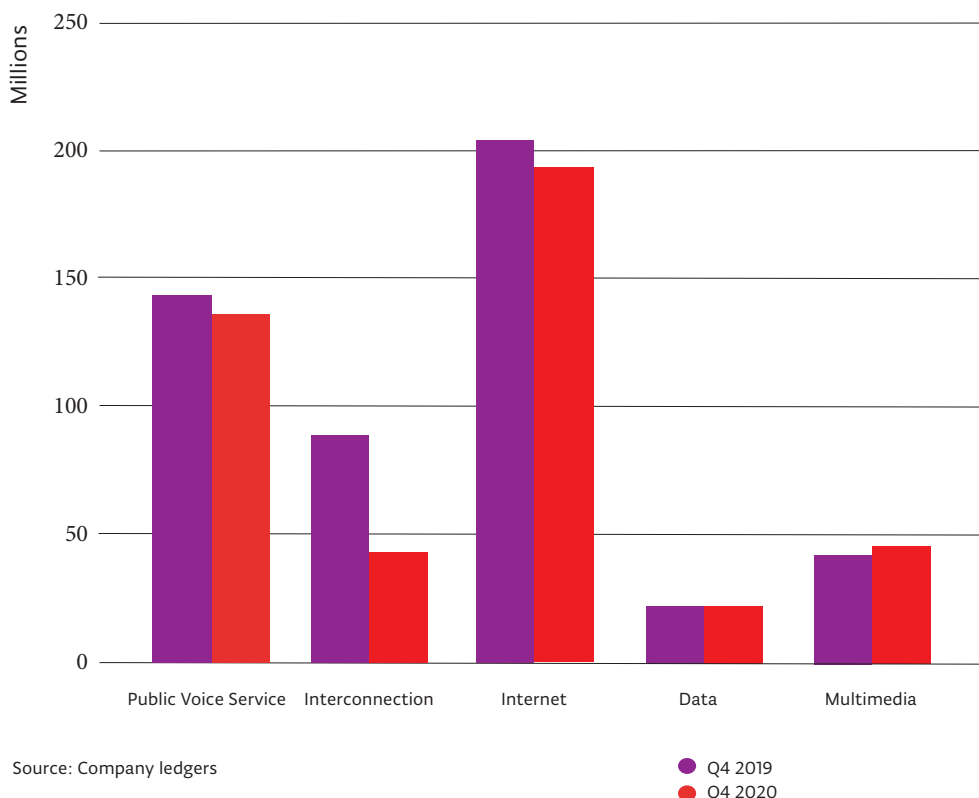
I.7

Summary (in tsd HRK)	Q1-Q4 2019	Q1-Q4 2020	Q1-Q4 2020/ Q1-Q4 2019	Q4 2019	Q4 2020	Q4 2020/ Q4 2019
Total income	530.519	456.009	(14,0%)	128.405	117.998	(8,1%)
Total expenses	372.582	306.605	(17,7%)	80.648	75.647	(6,2%)
Depreciation and impairment	111.989	120.317	7,4%	30.764	30.820	0,2%
EBIT	45.948	29.086	(36,7%)	16.994	11.532	(32,1%)
Financial result (net)	(28.664)	(25.460)	(11,2%)	(8.013)	(5.572)	(30,5%)
Profit (loss) before tax	17.284	3.626	(79,0%)	8.981	5.960	(33,6%)
Deffered taxes/taxes	(4.810)	(1.968)	(59,1%)	(1.911)	(1.239)	(35,1%)
Net profit/(loss)	12.474	1.658	(86,7%)	7.070	4.721	(33,2%)
EBITDA before one time items after lease	132.295	127.851	(3,4%)	40.917	36.764	(10,2%)
EBITDA margin before one time items after lease	24,9%	28,0%	3,1%	31,9%	31,2%	(0,7%)

a. Financial results of the Company

Summary (in tsd HRK)	Q1-Q4 2019	Q1-Q4 2020	Q1-Q4 2020/ Q1-Q4 2019	Q4 2019	Q4 2020	Q4 2020/ Q4 2019
Total income	530.358	455.434	(14,1%)	128.405	117.998	(8,1%)
Total expenses	371.704	306.249	(17,6%)	79.860	75.611	(5,3%)
Depreciation and impairment	111.867	120.195	7,4%	30.732	30.789	0,2%
EBIT	46.788	28.990	(38,0%)	17.814	11.598	(34,9%)
Financial result (net)	(28.657)	(25.460)	(11,2%)	(8.071)	(5.618)	(30,4%)
Profit (loss) before tax	18.131	3.529	(80,5%)	9.742	5.980	(38,6%)
Deffered taxes/taxes	(4.703)	(1.953)	(58,5%)	(1.904)	(1.225)	(35,7%)
Net profit/(loss)	13.428	1.576	(88,3%)	7.838	4.755	(39,3%)
EBITDA before one time items after lease	133.013	127.631	(4,0%)	41.706	36.800	(11,8%)
EBITDA margin before one time items after lease	25,1%	28,0%	2,9%	32,5%	31,2%	(1,3%)

Telecommunication Services Revenue



Compared to the previous year, the Group achieved lower EBITDA before one-time items after leases by 3.4%, while EBITDA at the Company level was lower by 4.0%. These developments at the Group and Company levels are primarily the result of greater negative impacts of IFRS 15 and lower own work capitalization.

At the level of the fourth quarter, compared to the previous year, the Group recorded lower EBITDA before one-time items after leases by 10.2%, and at the Company level lower by 11.8% primarily due to lower realization of own work capitalization.

b. Consolidated Revenues

Total revenues from services in 2020 recorded a decrease of 14.0%, compared to the previous year, while at the level of the fourth quarter of 2020, revenues recorded a slightly larger decrease of 14.1%.

The decrease in revenues was mostly due to lower revenues from interconnection operations of 59.6% as a result of a decrease in the volume of operations in the area of interna-

tional voice transit (70.3%). The decrease in transit revenues in question is accompanied by a proportional decrease in transit costs and the impact on the EBITDA is negligible.

Revenues from public voice service at the level of the year decreased by 6.6% as a result of the general trend at the global level, while in the fourth quarter compared to the same period last year they recorded an increase of 3.6%. The movement in question is the result of the positive effects of the COVID-19 pandemic in the form of increased consumption of the fixed electronic communications network.

Internet revenues in 2020 recorded a smaller decrease of 6.3%, and in the fourth quarter compared to the previous year they were lower by 8.6%. The decrease in Internet revenues is influenced by higher demand for the Internet via mobile networks.

Revenues from data services, at the level of the year, are lower by 2.2% as a result of lower revenues in the fourth quarter of 2020 compared to the previous year of 16.6%, mostly due to the cancellation of services of one major international customer.

Revenues from multimedia in 2020 recorded a growth of 10.6%, and in the fourth quarter the growth was higher and amounted to 14.3%.

c. Earnings before Interest, Tax, Amortization, Special Items, After Leases – EBITDA

Consolidated EBITDA before one-time items after leases amounts to HRK 127.9 million, which is HRK 4.4 million less than in the previous year. The realized reduced EBITDA is primarily due to the negative effects of the application of IFRS 15 and lower own work capitalization.

The EBITDA margin after leases at the 2020 level for the Group is 28.0%, which is an increase of 3.1 percentage points compared to the previous year.

d. Net profit/(loss)

In 2020, the Group generated a net profit of HRK 1.7 million and the Company a profit HRK of 1.6 million. The realization of net profit on the level of the Group and the Company is affected by lower EBITDA before one-time items after leases and higher depreciation,

which is partially mitigated by the positive impact of the financial result and lower taxation.

e. Capital investments in 2020

Consolidated capital investments in 2020 amounts HRK 86.1 million out of which HRK 28.8 million is invested in content capitalization, while in construction of optical infrastructure, access network and network core is invested HRK 21.3 million and HRK 17.5 million in customer equipment for provision of services to residential and business customers. On the 2020 level, investments in IT systems amounts HRK 17.6 million while HRK 0.9 million is tied up in general investments.

Consolidated capital investments in fourth quarter of 2020 are realized in amount of HRK 21.3 million out of which HRK 6.6 million is invested in content capitalization, while in construction of optical infrastructure, access network and network core is invested HRK 5.7 million and HRK 4.0 million in customer in customer equipment for provision of services to residential and business customers and HRK 5.0 million in IT systems.

	2020 (in 000 HRK)	share %	Q4 2020 (u 000 kn)	share %
General Investments	846	1,0%	28	0,1%
Capital Technical Investments	85.227	99,0%	21.302	99,9%
ACCESS Network	17.513	20,3%	4.009	18,8%
CORE Network	21.320	24,8%	5.727	26,8%
Telecommunications Center	17.563	20,4%	4.982	23,4%
Content Capitalization	28.830	33,5%	6.584	30,9%
TOTAL	86.072	100,0%	21.330	100,0%

Source: Company ledgers

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, since the Group and the Company do not have liabilities 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 have adopted procedures they apply 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 consider that their maximum exposure reflects in the amount of receivables from debtors, minus

value depreciation reservations recognized on the date of the financial position report.

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.

Risk Management Related to Virus COVID-19

Further to the development of risks and impacts related to COVID-19, the Group and the Company maintain diverted operations to online channels (where possible) and the provision of field maintenance services in the field, in compliance with the recommendations of security measures.

The Group and the Company continuously monitor the situation regarding COVID-19 and related impacts on operations.

Having in mind the development of the situation with COVID-19, there are potential risks in the segments of declining revenues and an increased risk of non-payment, which are proportional to the impact on the entire Croatian economy and the economic situation of Croatian citizens.

Throughout the period, the Group and the Company, through continuous activities, seek to minimize the impact on operating operations and financial results.

Purchase of Own Shares

The Company does not own its own shares on 31st December 2020.

II. Statement on the Application of the Corporate Governance Code

In accordance with the provisions of Art. 250a and 250b of the Companies Act, the Company prepared the Annual Report of the Management Board on the situation and operations of the Company and the Group for the business year 2020, which contains a Statement on the application of the Corporate Governance Code.

In its operations, the Company strives to adhere to the recommendations of the Corporate Governance Code published on the website of the Zagreb Stock Exchange d.d. taking into account all the circumstances and specifics of its business organization.

The Company adheres to the recommendations of the Corporate Governance Code, with the exception of provisions whose application in the current circumstances is not practical:

The Company has not provided shareholders, who for any reason are not able to vote at the General Assembly, without special costs, with proxies who are obliged to vote in accordance with their instructions. Shareholders who are not able to vote on their own shall, at their own choice, appoint proxies who shall be obliged to vote according to their instructions.

The decision on the payment of dividends or advance dividends does not exist since the dividend was not paid in 2020.

During the General Assembly, shareholders were not allowed to vote using modern communication technology because it is not provided by the Articles of Association.

The work of the Supervisory Board is not determined by special internal rules. The provisions of the Companies Act apply to the work of the Supervisory Board. However, the Supervisory Board has established a Commission for monitoring synergy measures, in accordance with the terms of the approved concentration of Hrvatski Telekom d.d. and the Company. The manner of work of the mentioned Commission is prescribed by the conditions determined in the Decision of the Agency for the Protection of Market Competition Class: UP / I 034-03 / 2013-02 / 007; Urbr: 580-06 / 41-14-096 of 19 March 2014 and by Decision of the same Agency Class: UP / I 034-03 / 2013-02 / 007; Urbr: 580-11 / 41-17-239 dated 9th June, 2017.

The Supervisory Board is not in its majority composed of independent members as defined by the recommendation of the Code. All members of the Supervisory Board were

elected at the General Assembly of the Company in compliance with the procedure for announcing candidacies, and the Workers' Council decided to appoint one employee representative to the Supervisory Board.

The Company has not developed a long-term succession plan because the Company invests in the training of its employees taking into account the requirements of the business.

The Company has an employment contract with one member of the Supervisory Board - an elected representative of the Company's employees, whose employment contract has not been previously approved by the Supervisory Board.

Furthermore, until September 2020, the Company had a Business Cooperation Agreement with the company in which a member of the Management Board is one of the members of the Supervisory Board of the Company.

The Audit Committee is not composed of a majority of independent members of the Supervisory Board. All members of the Commission are members of the Supervisory Board, and two members are employees of the majority shareholder.

The General Assembly of the Company held on 28th August 2020 approved the Remuneration Policy for members of the Management Board and the Decision on Remuneration of Members of the Supervisory Board, and these were published on the Company's website. The Company publishes data on all payments made to members of the Management Board and the Supervisory Board.

The Company carries out internal control through internal procedures, which include the implementation of supervision over the proper execution of obligations, so that in terms of the Corporate Governance Code, in addition to the aforementioned Audit Committee, there is no special organizational unit dealing exclusively with internal control.

The amounts of fees paid to external auditors for the performed audit and for other services provided were publicly disclosed by the Company.

Special note:

In addition to the Audit Committee and the Synergy Measures Monitoring Committee, the Supervisory Board has a Nomination and Remuneration Committee.

Internal Supervision in the Company and Risk Management in Relation to Financial Reporting

II. 1

The Supervisory Board has established an Audit Committee that performs detailed analysis of financial statements, provides support to the Company's accounting and the establishment of good and quality internal control of the Company.

The Company has not established a separate organizational unit that would perform exclusively internal audit activities, however, the Company has an organized organizational unit of corporate security, which, within its regular activities, acts to minimize all business risks.

Significant Shareholders in the Company as of 31st Dec 2020

II. 2

On 31st December 2020 the largest shareholder of the Company was Zagrebačka banka d.d. with a 36.9% share in the share capital. It is followed by HT HOLDING d.o.o. with a 17.4%

share in the share capital. The largest shareholder among natural persons is Ana Hanžeković with a 3.17% share.

Rules on Appointment and Revocation of Members of the Management Board and the Supervisory Board and their powers

II. 3

Pursuant to the Company's Articles of Association, the Company's affairs are managed by a Management Board consisting of three to five members. One of the members of the Management Board is appointed by the President of the Management Board. The Management Board and the President of the Management Board are appointed and removed by the Supervisory Board. Members of the Management Board are appointed for a period of 2 years and may be reappointed. According to the Companies Act and the Articles of Association, the Management Board conducts business at its own risk and is authorized to take all actions and make decisions that it deems ne-

cessary for the successful management of the Company. The Management Board is obliged to respect the restrictions determined by the Statute. Each member of the Management Board represents the Company together with another member of the Management Board.

The Supervisory Board consists of nine members, one of whom is appointed by the employees. The Supervisory Board is elected by the General Assembly of the Company by a simple majority of votes, except for the member of the Supervisory Board appointed by the employees. The mandate of the members of the Supervisory Board is determined for a

period of 4 years and they can be re-elected. The members of the Supervisory Board elect a chairman and a deputy chairman of the Supervisory Board. The Deputy President has the rights and obligations of the President only in the event of the President's inability to perform his function.

For certain transactions or decisions of the Management Board, the Management Board is obliged to obtain the prior consent of the Supervisory Board according to the criteria set out in Art. 15 of the Statute. The Supervisory Board, within its scope, performs the tasks set out in Art. 18 of the Statute.

II. 4

Changes in Governing Bodies

During 2020, there were no changes in the Management Board of the Company.

Tomislav Tadić and Tomislav Grmek, members of the Management Board.

On 29th April 2020 the Supervisory Board passed a Decision which, in accordance with the Articles of Association, the current President of the Management, Board Boris Batelić, was reappointed to the same position in the Company, and the mandate, according to the aforementioned Decision, begins with the expiration of the previous mandate on 19th June 2020 and lasts for two years.

During 2020, there were no changes in the Supervisory Board.

The Supervisory Board consists of: Igor Vavro, President, Ariana Bazala-Mišetić, Deputy President, Ana Hanžeković, Member, Rozana Grgorinić, Member, Igor Radojković, Member, Jelena Noveljić, Member, Blaženka Klobas, Member, Silvija Tadić, Member, Suzana Čepl, member - workers' representative.

Furthermore, the Supervisory Board passed a Decision appointing Tomislav Tadić, a former member of the Management Board, to the same position in the Company, in accordance with the Company's Articles of Association, and the mandate, according to the aforementioned Decision, begins on 1st October 2020 and lasts for two years.

On 19th October 2020, members of the Supervisory Board, Silvija Tadić and Rozana Grgorinić, resigned from their membership in the Supervisory Board of the Company, and their resignations are effective from the day of election of new members of the Supervisory Board of the Company.

The Management Board consists of: Boris Batelić, President of the Management Board,

The Company has no written diversity policy.

Financial Results of the Group

III.

III. 1

Profit and Loss Account

<i>Position name</i>	<i>In thousand HRK</i>	I - XII 2020.	I - XII 2019.
Sales		452.010	524.562
Other operating income		3.999	5.957
		456.009	530.519
Merchandise, material and energy expenses		(21.694)	(17.696)
Interconnection fee expenses		(121.713)	(180.978)
Rent of telecommunication equipment		(10.656)	(11.676)
Customer attraction expenses		(17.349)	(13.153)
Other service expenses		(59.148)	(75.320)
Staff costs		(56.042)	(52.039)
Own work capitalized		13.533	15.204
Depreciation, amortisation and impairment charges		(120.317)	(111.989)
Impairment charge on non-current and current receivables - net		(6.558)	(6.468)
Net loss on disposal of assets and equipment		(133)	(17)
Other operating expenses		(26.844)	(30.439)
		(426.922)	(484.571)
OPERATING PROFIT		29.086	45.948
Finance income		172	750
Finance costs		(25.632)	(29.414)
Finance costs - net		(25.460)	(28.664)
PROFIT BEFORE TAXATION		3.626	17.284
Income tax expense		(1.968)	(4.810)
PROFIT/(LOSS) FOR THE YEAR		1.658	12.474
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		1.658	12.474

Source: Company ledgers

Balance Sheet

III. 2

ASSETS	<i>In thousand HRK</i>	31.12.2020.	31.12.2019.
Intangible assets		151.877	154.761
Property, plant and equipment		308.940	319.299
Right-of-use assets		40.397	61.437
Contract Assets		7.990	7.636
Other receivables		-	-
Given loans		505	522
Deposits		3.451	3.408
Available-for-sale financial assets		-	35
Deferred tax assets		2.735	4.688
Other non-current assets		240	-
Non-current assets		516.135	551.786
Inventories		1.686	1.808
Trade and other receivables		89.730	86.106
Contract Assets		8.177	8.239
Given loans		-	-
Deposits		-	60
Prepaid expenses and accrued income		1.071	1.197
Cash and cash equivalents		25.637	44.990
Other current assets		4	-
Current assets		126.304	142.400
TOTAL ASSETS		642.439	694.186
EQUITY AND LIABILITIES			
Issued share capital		694.433	694.433
Capital gains		178.234	178.234
Other equity (MCL)		-	-
Accumulated losses		(857.598)	(859.256)
EQUITY		15.069	13.411
Long-term borrowings		122.510	138.671
Issued bonds		23.579	46.038
Trade payables		2.320	1.903
Long-term lease liabilities		15.105	29.611
Provisions		54	59
Deferred income		14.734	15.835
Non-current liabilities		178.303	232.117
Short-term borrowings		235.937	139.480
Issued bonds		23.623	24.068
Trade payables		146.409	240.721
Short-term lease liabilities		15.214	23.000
Provisions		226	267
Accrued expenses and deferred income		18.665	13.693
Other current liabilities		8.992	7.429
Current liabilities		449.066	448.658
TOTAL EQUITY AND LIABILITIES		642.439	694.186

Source: Company ledgers

III. 3

Cash Flow

Position name	In thousand HRK	I - XII 2020.	I - XII 2019.
Operating activities			
Total profit for the year		3.626	17.284
Depreciation and amortisation		120.317	111.989
Decrease/(increase) in inventories		122	335
Decrease/(increase) in trade and other receivables		(10.699)	(9.479)
Increase/(decrease) in trade payables and other liabilities		(71.644)	36.786
Other cash increase/(decrease)		15.051	9.623
Cash generated from operating activities		56.773	166.539
Cash flows from investing activities			
Payments for property, plant and equipment		(56.089)	(56.046)
Cash receipt/repayment from sale of ownership and debt instruments		177	66
Net cash used in investing activities		(55.912)	(55.980)
Cash flows from financing activities			
Other proceeds from financing activities		201.000	-
Repayment of finance lease liability and borrowings		(221.214)	(104.177)
Net cash used in financing activities		(20.214)	(104.177)
Net (decrease)/increase in cash and cash equivalents		(19.353)	6.382
Cash and cash equivalents at 1 January		44.990	38.608
Cash and cash equivalents at 31 December		25.637	44.990

Source: Company ledgers

Statement of Persons in Charge of Financial Reports

IV.

In accordance with article 410 of the Capital Markets Act, the members of the Board, Boris Batelić as the President, Tomislav Grmek, as a Member and Tomislav Tadić, as a Member, 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 a complete and true presentation of assets and liabilities, losses and profits, financial status and business operations of the Company as well as other companies included in the consolidation.

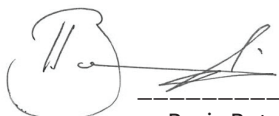
The temporary unaudited financial reports contain a true presentation of the business

development and position of the Company and its daughter companies.

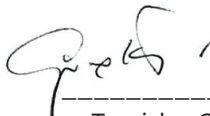
The Board states that the above report contains certain statements on future events regarding the financial status, electronic communications market trends, the results of the activities the company and the group are currently undertaking with the purpose of improving their position on the market. The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

Additional information and significant changes are available by the Company on its website: www.optima.hr/investitori.hr.

(Signatures of the Members of the Board)



Boris Batelić



Tomislav Grmek



Tomislav Tadić

Optima
OT – OPTIMA TELEKOM D.D.
ZAGREB