

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

**Report of the Group for the
First Nine Months and the
Third Quarter of 2021**

20
21

Optima
TELEKOM

Corporate Governance and General Information	4
Optima Telekom Group Members and Regional Centres	5
I. Management Report	6
1 Introduction	7
2 Statement of the Chairman of the Board	8
3 Market Overview	10
4 Economic Environment	11
5 Regulatory Environment	12
6 Business Indicators and Segments	13
a Residential Sales Segment	13
b Business Sales Segment	14
c Development of Infrastructure, Optical Network and Internal Services	15
7 Financial Results of the Group	17
a Unconsolidated Results of the Company	18
b Consolidated Revenue	19
c Earnings before Interest, Taxation, Depreciation, Special Items after Lease – EBITDA	19
d Net Profit/(Loss)	20
e Capital investments in 2021	20
f Risk Management	21
8 Purchase of Own Shares	21
II. Financial Reports of the Group	22
1 Profit and Loss Account	23
2 Balance Sheet	24
3 Cash Flow	25
4 Statement of changes in shareholders' equity	26
III. Statement of Persons in Charge of Financial Reports	27

Corporate Governance and General Information

BOARD OF DIRECTORS FROM JULY 11, 2021	Stipanka Ivandić Štefanek — CHAIRMAN (elected Chairman on July 12, 2021) Igor Tepšić — DEPUTY CHAIRMAN (elected Deputy Chairman on July 12, 2021) Zlatko Hrbud — MEMBER Pavo Mišković — MEMBER Marijana Brcko — MEMBER Prof. dr. sc. Danimir Gulin — MEMBER Suzana Čepl, član — MEMBER — EMPLOYEE REPRESENTATIVE
COMPANY'S 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	HRK 694,432,640.00
NUMBER OF SHARES	69,443,264, nominal value of HRK 10.00 each

Optima Telekom Group Members and Regional Centres

Headquarters — Company Management

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

Members of Optima Telekom Group:
— Optima direct d.o.o, Trg Josipa Broza Tita 1,
52460 Buje
— OT-Optima Telekom d.o.o, Industrijska cesta
2E, 6310 Izola- Isola , Republic of Slovenia
— Optima Telekom for real estate manage-
ment and consultancy d.o.o., Bani 75a,
10 000 Zagreb

Region West

OT-Optima Telekom d.d.
Andrije Kačića Miošića 13
51 000 Rijeka, Croatia
TEL +385 51 492 799
FAX +385 51 492 709

OT-Center
TEL +385 51 554 651

Region East

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

Region North

OT-Optima Telekom d.d.
Bani 75a, Buzin
10 000 Zagreb, Croatia
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, Croatia
TEL +385 21 492 899
FAX +385 21 492 829

OT Center
Zrinsko-Frankopanska 3
23 000 Zadar, Croatia
TEL +385 23 492 860

I. **Management Report**

Introduction

I.1

The Management Board consists of: Boris Batelić, President, Tomislav Tadić and Tomislav Grmek, members of the Management Board. At the General Assembly of the Company held on July 9, 2021, a decision was made to elect new members of the Supervisory Board for a period of four years, starting from July 11, 2021:

- Igor Tepšić, OIB 56213841121, Zagreb, Izidora Kršnjavog 25, graduated lawyer
- Zlatko Hrbud, OIB 71079045519, Zagreb, Natka Nodila Street 11, graduate electrical engineer
- Stipanka Ivandić Štefanek, OIB 44119999732, Zagreb, Dalmatinska 11, Master of International Economics
- Pavo Mišković, OIB 01630514998, Zagreb, Pirovec 12, graduated lawyer
- Marijana Brcko, OIB 81142830129, Kraljev Vrh, Ivana Brcka 8, graduate economist
- Prof. dr. sc. Danimir Gulin, OIB 70286429284, Zagreb, Hrgovići 101.

On July 12, 2021, at the constituent session of the Supervisory Board of the Company, Stipanka Ivandić Štefanek was elected President of the Supervisory Board, and Igor Tepšić Deputy President of the Supervisory Board. Accordingly, the Supervisory Board of the Company consists of the following members:

- Stipanka Ivandić Štefanek, Chairman
- Igor Tepšić, Deputy Chairman
- Zlatko Hrbud, member
- Pavo Mišković, member
- Marijana Brcko, member
- Prof. dr. sc. Danimir Gulin, member
- Suzana Čepl, member - employee representative.

On July 9, 2021, Hrvatski Telekom d.d., and Zagrebačka banka d.d. have publicly announced that they have signed a contract with Telekom Hrvatska d.o.o., owned by United Group (United Group B.V., the Netherlands), on the purchase and sale of shares in OT-Optima Te-

lekom d.d. The conclusion of the transaction is subject to the fulfillment of certain regulatory preconditions and other contractual conditions.

In accordance with the decision of the Agency for the Protection of Market Competition, the concentration of the companies Hrvatski Telekom and OT-Optima Telekom ceased on July 10, 2021.

The Company continues, as in previous periods since the conclusion of the Settlement, to fulfill the obligations assumed by the Settlement concluded in the pre-bankruptcy proceedings before the Commercial Court in Zagreb dated April 30, 2014 business number Stpn-354/13, while the payment of the claim in the amount of HRK 28,184,770.53 has temporarily been postponed until the regulation of the relationship with the Creditor. The Company regularly informs the public about these actions in accordance with the Financial Operations and Pre-Bankruptcy Settlement Act via the FINA 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 December 16, 2014. The Company regularly informs the public 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 fulfillment of its obligations in a timely and transparent manner in accordance with the relevant laws and regulations in the field of capital markets..

I.2

Statement of the Chairman of the Board

„In the first nine months of 2021, compared to the same period last year, Optima Telekom Group achieved higher EBITDA before one-time items after leases by 0.6% with an increase in EBITDA margin of 0.3 percentage points and it amounts to 27.2%. These movements, in the first nine months, are primarily the result of the greater positive effects of IFRS 16 due to seasonal effects.

In the first nine months of 2021, there was a decrease in revenue by 0.5% compared to the same period last year, while consolidated capital investments in the same period amounted to HRK 59.0 million. In the first nine months of 2021, the Group generated a net profit of HRK 0.5 million.

In the residential business segment in the first nine months of 2021, the greatest emphasis was placed on preserving the customer base and increasing its value, but despite this, the total number of service users (IPTV, Internet, JGU) at the end of the third quarter of 2021 compared to same period last year decreased by 8.2%, which resulted in a decrease in telecommunications revenues by 7.5% in the first nine months.

In the business segment in the first nine months of 2021, total revenue from ICT and telecommunications services recorded a growth of 1.4%. Revenues from the sale of ICT solutions and services in the first nine months of 2021 amounted to HRK 11.2 million, which is an increase of 13.1% compared to the same period last year, while revenues from telecommunications services in the business segment in the first nine months of 2021 are lower by 0.4% compared to the same period last year.

At the level of the first nine months, total revenues from wholesale services increased by 50.3% compared to revenues in the same period last year, which is primarily the result of an increase in transit traffic between international destinations.



Boris Batelić,
Chairman of the Board

Consolidated capital investments in the first nine months of 2021 amounted to HRK 59.0 million, of which HRK 29.1 million was invested in content capitalization, while HRK 8.3 million was invested in the construction of optical infrastructure, access network and core network. Investments in customer equipment for providing services to residential and business customers amounted to HRK 12.9 million. HRK 8.6 million was invested in information technology systems and HRK 0.1 million in general investments.

In the first nine months of 2021, the Group generated a net profit of HRK 0.5 million due to higher EBITDA, the positive impact of the financial result and lower taxation, which was partially offset by higher depreciation.

In the first nine months, the company placed emphasis on preserving the value of the customer base, increasing the quality and speed of service delivery and improving the user experience. In line with global trends, the number of customer interactions is growing exponentially through digital channels and platforms that we are continuously developing and relying on, especially within the process of customer support and sales. In the

revenue part, I would like to emphasize the preservation of a large number of contracts in the segment of business users, which is very challenging to achieve in a highly competitive environment of our business. Sales of ICT services and solutions are continuously growing and we are increasingly positioning ourselves in this segment. The recovery of wholesale revenues has also significantly contributed to the positive trends.

The achieved business result is the merit of

the strong Optima Telekom team, which I am very proud of and I thank all the employees for their heartfelt dedication and motivation in their work.

Regarding the process of selling Optima Telekom, I remind you that in July it was announced that Telemach Hrvatska d.o.o. signed a contract for the sale of 54.31 percent of the Company's shares and that the finalization of the transaction is subject to regulatory approvals and other agreed conditions."

I.3

Market overview

Fixed Telephony Market

The market of telephone services in the fixed public communications network in the second quarter of 2021 recorded an increase in revenue compared to the first quarter of 2021.

If we compare the total revenue from telephone services in the fixed public communications network in the second quarter of 2021 with the first quarter of 2021, revenue growth of 1.1% is visible, while the total number of connections in the observed period is lower by 0.2%. The second quarter of 2021, compared to the same period in 2020, recorded a decline in total revenues by 2.9%. In the same period, the total number of connections decreased by 1.6%.

The second quarter of 2021 recorded a decline in total outgoing traffic compared to the previous period, which is in line with trends. If we compare the second quarter of 2021 with the first quarter of 2021, the total outgoing traffic (in minutes) of all fixed public communications network operators decreased by 4.6%, while, compared to the same quarter of 2020, a decrease of 12.3 % was recorded.

Broadband Access Market

In the second quarter of 2021, the use of broadband Internet services via fixed networks continued to grow, which was further encouraged by the continuation of the market situation caused by the COVID-19 virus.

Compared to the first quarter of 2021, the number of broadband access connections via fixed networks increased by 0.6%, while revenues from Internet access via fixed network increased by 1.9% in the same period. If we compare the second quarter of 2021 with the same period in 2020, the number of broadband access connections via fixed networks increased by 1.2%, while revenues from Internet access via fixed network in the same period increased by 3.1%.

The total revenue from Internet access services in the second quarter of 2021 is higher by 5.8% compared to the first quarter of 2021, while compared to the same period in 2020, an increase of 11.6% is visible.

IPTV Market

The Internet Protocol (IPTV) - based television market continues to grow positively. Comparing the second quarter of 2021 with the first quarter of 2021, the increase in the total number of connections is 0.4%, while compared to the same quarter in 2020, an increase of 1.8% was recorded. The number of connections is growing for both private and business users. The increase in the number of connections for private users is 0.3%, while for business users an increase of 1.1% is visible in comparison to the first quarter of 2021. If we make a comparison with the same quarter of 2020, private users have a growth of 1.8% while business users record a growth of 1.2%.

Economic environment

I.4

Since the data for Croatia have been monitored, in the second quarter of this year, the highest quarterly GDP growth rate was recorded at a high 16.1% annually, while the real value of GDP almost equaled the realization from the same period in 2019. It is important to note that all categories of demand recorded better results compared to the second quarter of 2019, except for exports of services, which recorded a decline.

The biggest impact on GDP growth, compared to 2020, is recorded by the recovery of tourism (130% increase), personal consumption, merchandise exports, and exports of services, which recorded a growth of as much as 56.3%. In the first half of the year, GDP growth in Croatia amounted to 7.5%, which is slightly higher than at the EU level (6.1%). Compared to the first six months of 2019, GDP was only 0.3% lower as a result of a lower value of exports of services by 42%.

Since March, the number of pension insurance policyholders has been growing on an annual basis. In July, it was higher by 52.2 thousand than a year earlier. Compared to July 2019, there were 6,128 more insured persons, which is also the highest since 2008 when that month is compared year over year. Compared to July last year, the largest increase in the number of insured persons is visible in the activities of providing accommodation and food preparation and serving, construction and in the processing industry. Compared to July 2019, the largest increase in the number of insured persons is in construction and information and communication. The administrative number of employees, which is currently being announced as temporary, has been growing since March and was 23.3 thousand higher in July compared to June. At the annual level, the number of unemployed persons has been falling since April and it was by 16.8% lower in July than a year earlier. It is important to emphasize that from May to July the demand for labour was higher than in pre-pandemic 2019 due to later seasonal employment in the context of an unexpectedly good main tourist season. The increase in demand for labour is

also shown by the CES data on job vacancies, which has been higher since May than before the 2019 pandemic, and it is mostly related to tourism and construction.

The average net salary per employee in legal entities in June amounted to HRK 7,175 and was higher by 5.9% (nominally) and by 3.8% (really) compared to the same month last year. In July, the average net salary exceeded the level of HRK 6,000 for the first time, it amounted to HRK 6,023 and it was by 4.7% nominally higher than a year earlier. In the first six months, the average net annual salary was by 4.2% higher in real terms, which is a much more dynamic annual growth compared to the same period last year (1.7%). In June, in all basic activities, the annual growth of net earnings was recorded (information and communications 9.2%). The average gross earnings per employee in legal entities in June amounted to 9,671 HRK and were higher by 4.6% (nominally) or by 2.5% (really) compared to the same month last year. The average gross salary in July amounted to HRK 7,813 and it was by 4.2% nominally higher than a year earlier.

During July and August, the usual impact of foreign exchange inflows from tourism on exchange rate movements occurred. Thus, the exchange rate of the kuna against the euro for most of these two months was below HRK 7.5 for one euro, i.e. the lowest value of this year's euro of HRK 7.4814 was reached. However, despite this, the high stability of the kuna exchange rate was maintained, so that the kuna was only by 0.1% more worth at the end of August than at the beginning of July. The increased supply of foreign currency was also influenced by EU funds and the increase in foreign debt, but this year's tourist results differ the most from the previous year in which the kuna depreciated by 1.6% against the euro due to reduced foreign exchange inflows from tourism. All results show the maintenance of high exchange rate stability.

Due to non-executed bases for payment, as of August 31, 2021, 14,917 business entities were registered, which is by 108 business entities

or 0.7% less than in July 2021. The total amount of unexecuted bases for payment of business entities was HRK 4.4 billion (principal), which is by HRK 9.6 million (0.2%) more than in July. On the same day, 241,274 consumers were registered, which is by 0.6% less than in the previous month. Consumer debt basically

amounted to HRK 18.0 billion (principal), which is by 0.7% more than in July this year. The largest part of the debt, in the amount of HRK 5.6 billion (excluding interest), referred to the debt of consumers to banks as creditors, and to all financial institutions the debt amounted to HRK 6.5 billion.

I.5

Regulatory Environment

In this reporting period, the Croatian Network Regulatory Agency (hereinafter: HAKOM) issued Interim Decisions (Class: 344-01/21-03/04, Reg. No. : 376-05-1-21-04 and Class 344-01/21-01/05, Reg. No. 376-05-1-21-02) by which, starting from July 12, 2021, it abolished the Company's regulatory obligation to conduct the Price Margin Squeeze Test of retail packages of regulated services on the market of access to the public communications network at a fixed location for private and business users, in the market of wholesale local access provided at a fixed location and in the market of wholesale central access provided at a fixed location for mass market products. By terminating this obligation, Optima can independently, or without the prior consent of HAKOM, form tariff packages for end users for voice service, broadband Internet access service and pay-TV service (IPTV), regardless of whether it provides these services independently or as a service package. Thus, the

Company is enabled to compete in a timely and price manner with its offers with other operators on the market.

Based on the final decisions of HAKOM, as of April 1, 2021, new prices of regulated wholesale services are applied in the market of wholesale local access provided at a fixed location and the market of wholesale central access provided at a fixed location for products for the mass market, and which prices have a positive impact on the Company's operations.

In this reporting period, there were no significant changes in laws and regulations in the field of electronic communications. In the following reporting periods, the adoption of a new Electronic Communications Act is expected in order to comply with Directive (EU) 2018/1972 of the European Parliament and of the Council of December 11, 2018 on the European Electronic Communications Code.

Business indicators and segments

I.6

Number of Customers	30.09.2021	30.06.2021	30.09.2021/ 30.06.2021	30.09.2020	30.09.2021/ 30.09.2020
Business					
PVS	15.376	15.848	-3,0%	16.693	-7,9%
IPTV	1.584	1.610	-1,6%	1.624	-2,5%
Internet	14.613	14.995	-2,5%	15.665	-6,7%
Data	3.071	3.091	-0,6%	2.966	3,5%
Residential					
PVS	135.522	139.217	-2,7%	150.274	-9,8%
IPTV	54.618	55.191	-1,0%	55.677	-1,9%
Internet	96.226	99.187	-3,0%	105.860	-9,1%

a. Residential Sales Segment

In the third quarter of 2021, in the segment of residential sales, Optima Telekom recorded negative parameters compared to the second quarter of 2021.

In the IPTV segment, in the third quarter of 2021, negative parameters for the customer base and revenues are visible, which is a continuation of the trend from the second quarter of 2021. If we compare the third quarter of 2021 with the second quarter of 2021, there was a decrease of 1.0% in the IPTV users due to an increase in the outflow of users using the IPTV service. In the same period, the decline in the number of IPTV service users was followed by a decline of 0.9% in revenues from IPTV users in the residential segment. Compared to the same quarter of 2020, the third quarter of 2021 recorded a decrease in the number of users of IPTV services in the residential segment of 1.9% while revenue from IPTV services compared to the third quarter of 2020 recorded an increase of 2.5%, which is mainly caused by the increase in revenue from additional IPTV programming packages

among users with the tv service.

In the segment of Internet service users, a decrease of 3.0% was recorded compared to the second quarter of 2021. The impact of a smaller number of residential Internet service users is visible in revenues from Internet services, which fell by 3.8% compared to the second quarter of 2021. Compared to the third quarter of 2020, the user base of Internet services decreased by 9.1% while revenues in the same period recorded a decline of 8.7%.

The number of residential users of fixed public voice service shows the continuation of the negative trend from previous periods. Substitute technologies still have a large impact on the reduction in this segment, and the number of residential users of fixed public voice services is lower by 2.7% compared to the second quarter of 2021. Revenue from telephone services in the fixed public communications network, for the residential segment, decreased by 4.0% compared to the second quarter of 2021. If we compare the number of users of fixed public voice service with the same quarter in 2020, the user base is smaller by 9.8%, while revenue is lower by 13.1%.

The total number of residential users fell by 2.7% compared to the second quarter of 2021, while the revenue segment showed a decline of 3.4% due to negative trends. The total number of residential users in the third quarter of 2021 was lower by 10.0% compared to the same quarter in 2020, and the total decline in income amounted to 8.5%.

b. Business Sales Segment

The activities of business sales channels in the third quarter of 2021 were focused on the targeted acquisition of telecommunications services to customers as a part of entire ICT projects, the renewal of contractual relations with the existing customer base and the sale of a portfolio of ICT services and solutions.

In the segment of public voice service, compared to the second quarter of 2021, revenue decreased by 14.1% due to the negative effect of the new coronavirus pandemic (HRK 0.3 million) because of the relaxation of measures and greater availability of vaccines and the absence of one-off activities which had an impact of HRK 0.6 million in the past quarter. Revenues were lower by 12.3% compared to the same period last year. The customer base in the segment of public voice service is smaller by 3.0% compared to the second quarter of 2021, and compared to the same period last year, the decrease amounts to 7.9%. This decline in base and revenue compared to the same period last year is mostly the result of a national trend of reducing the use of public voice service, substitution of fixed voice service with mobile voice service and migration of Optima Telekom users to more advanced solutions and packages.

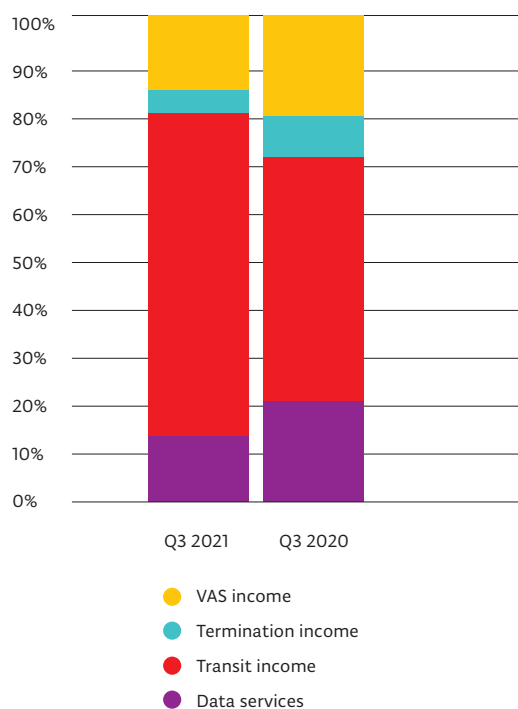
In the segment of broadband Internet access, compared to the second quarter of 2021, there was a decline in revenue of 10.5%, while compared to the same period last year there was a decline of 0.7%. The customer base of broadband Internet access is by 6.7% smaller than in the same period in 2020, and by 2.5% smaller than in the second quarter of 2021.

Revenue trends in the broadband Internet access segment are a consequence of sales activities focused on the sale of higher-speed Internet access services and seasonal effects in the tourism sector. The decrease compared to the previous quarter is a consequence of the absence of one-time income from the project realized in the previous quarter with a one-time charge, the impact of which is around HRK 1.0 million.

In the data services segment, compared to the previous quarter, Optima Telekom recorded a slight decline in the customer base of 0.6% with a decline in revenue of 6.1%. Revenues from data services compared to the same period in 2020 recorded a slight decline of 0.2%, with a growth of the customer base of 3.5% due to increased sales of private data connection services on an asymmetric approach.

The growth in the number of data connections and stable revenue trends when comparing the same annual periods is the result of the increased perception of the benefits of contracting private data connection services directly with the telecommunications service provider in the segment of medium and large business users. In the first three quarters of 2021, Optima Telekom continues to record positive trends in the segment of sales of ICT solutions and services with revenues of HRK 11.2 million, which is an increase of 13.1% compared to the same period last year with a margin of 16.4%. The result was achieved due to a strong focus on the sale of ICT solutions and services partly financed from EU funds and cooperation with ICT partners with whom Optima Telekom responds well to market needs.

Interconnection Income Structure



Source: Company ledgers

In the third quarter of 2021, in the wholesale business area, a total increase in revenue of 25.3% was recorded compared to the second quarter of 2021. The largest increase in revenue was recorded in the area of voice transit in the amount of 36.1%. This increase in revenue is largely due to an increase in transit traffic between international destinations, agreed on a project basis of limited duration between international partners, while to a lesser extent caused by an increase in transit traffic to national destinations that is seasonal and related to the tourist season.

In the third quarter of 2021, there was an increase in VAS services revenues in the amount of 9.6% compared to the previous quarter. Revenues from data services in the third quarter of 2021 recorded a slight increase compared to the previous quarter, amounting to 1.5%.

Revenue from termination and other interconnection revenues fell by 22.2% and 22.9%, respectively, compared to the previous quarter of this year. This decline is of a seasonal nature and is a consequence of the decline in traffic to fixed networks due to summer vacations.

c. Infrastructure, Optical Fiber Network and Internal Services Development

Voice networks

During the first quarter of 2021, the operating systems and virtualization software of the business UC (Unified Communications) softswitch system were upgraded. During the second quarter of 2021, UC software and databases were upgraded, which enabled the introduction of new functionalities, namely the SP (Soft-Phone) application for mobile devices, which enables making calls via mobile phones or tablets via remote access to corporate telephony of business users.

During the third quarter of 2021, the integration of the SP (Soft-Phone) application for mobile devices was completed.

Data networks

In order to upgrade the capacity of the IP/MPLS core of the packet, transport network and to raise the quality level after the expansion of 4 main hubs in Zagreb, Split, Rijeka and Osijek in 2020, in the first quarter of 2021 the router

in Varaždin was replaced and the connection capacity expanded at 100Gb/s. The access capacities of the IP/MPLS nodes Karlovac and Županja were expanded, while in the second quarter the capacity towards the main hub in Đakovo was expanded to 10 Gb/s.

In the second quarter, a system for monitoring the quality of IPTV service in city hubs was launched, which provided a real-time display of images and errors at major city hubs.

Transmission networks

In the first quarter of 2021, a new DWDM device was installed in Varaždin, which realized the connection of the Varaždin hub with the main hub in Zagreb with a capacity of 100Gb/s and the possibility of further capacity increase. At the same time, the connection of the Varaždin hub with a 100Gb/s connection to Osijek was initiated, which ensured a sufficient reserve capacity of the hubs in Varaždin and Osijek in the ring topology with Zagreb.

Service networks

Internet network core

In the first quarter of 2021, the capacity of Internet access was expanded with the 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 72Gb/s, while the total interconnection capacity is 280Gb/s.

Further preparations were made for expanding the access capacity to 152Gb/s, the realization of which is expected in the second quarter. In the second quarter of 2021, the capacity continued to increase and an additional 100Gb/s interface was connected, so the total contracted capacity is now 152 Gb/s, and the total interconnection capacity is 360Gb/s.

Network services

In the second quarter, the IPAM system (IP Address Management), a system for administration and management of IP address space, was implemented, while in the third quarter, the process of reporting ACS (Auto Configuration Server) alarms for synchronized speed drop on xDSL line was developed.

Network Infrastructure and Optical Networks

The development of the fiber optic infrastru-

cture, i.e. the construction of its own fiber optic network, during the third quarter of 2021 was mostly the construction of the access fiber optic network to the locations of business users.

Speaking of numbers, this is a total of 5.89 km of new fiber optic network, which consists of the construction of 26 new fiber optic connections.

The largest number of connections was made in western Croatia (2 km, 12 connections), followed by northern (2 km, 7 connections), eastern Croatia (840 m, 4 connections) and southern Croatia (1.05 km, 3 connections).

Access networks

In the third quarter of 2021, work continued on expanding the capacity of the Unbundled Local Loop network (ULL), primarily on increasing the number of vDSL access interfaces.

At the end of the third quarter, the number of vDSL access interfaces was 34,057, which is an increase of 3.4% compared to 32,938 access interfaces installed at the end of the second quarter.

Power systems

Through an ongoing process of capacity chec-

king and battery replacement in telecommunication hubs and data centers, system autonomy is ensured in the event of a power outage.

In the third quarter of 2021, 28 batteries were replaced in 5 telecommunication hubs.

Information technologies (IT)

In the first nine months of 2021, IT systems and applications were upgraded in the part:

- Development of automation of basic business processes for large business users into an oss system through a business process management system (Workflow Engine System), which is connected to the new billing system.
- Implementations of the basic model of the iScore system for calculating the credit risk of users.
- The Application Programming Interface (API) according to the Overseas equipment vendor, which ensures the automation of the necessary logistics business processes, has been upgraded.
- Release of a new digital platform for electronic communication with users via SMS, WEB chat and social networks Facebook, Viber and WhatsApp.

Financial Results of the Group

1.7

Summary (in tsd HRK)	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2021/ Q1-Q3 2020	Q3 2020	Q3 2021	Q3 2021/ Q3 2020
Total income	338.011	336.404	(0,5%)	112.697	112.226	(0,4%)
Total expenses	230.958	227.502	(1,5%)	78.452	76.093	(3,0%)
Depreciation and impairment	89.498	93.086	4,0%	30.208	31.210	3,3%
EBIT	17.555	15.816	(9,9%)	4.037	4.923	22,0%
Financial result (net)	(19.889)	(15.166)	(23,7%)	(5.503)	(4.937)	(10,3%)
Profit (loss) before tax	(2.334)	650	127,8%	(1.466)	(14)	99,0%
Deffered taxes/Taxes	(729)	(199)	(72,6%)	115	684	494,8%
Net profit/(loss)	(3.063)	450	114,7%	(1.351)	670	149,6%
EBITDA before one time items after lease	91.087	91.670	0,6%	28.159	30.419	8,0%
EBITDA margin before one time items after lease	26,9%	27,2%	0,3	25,0%	27,1%	2,1

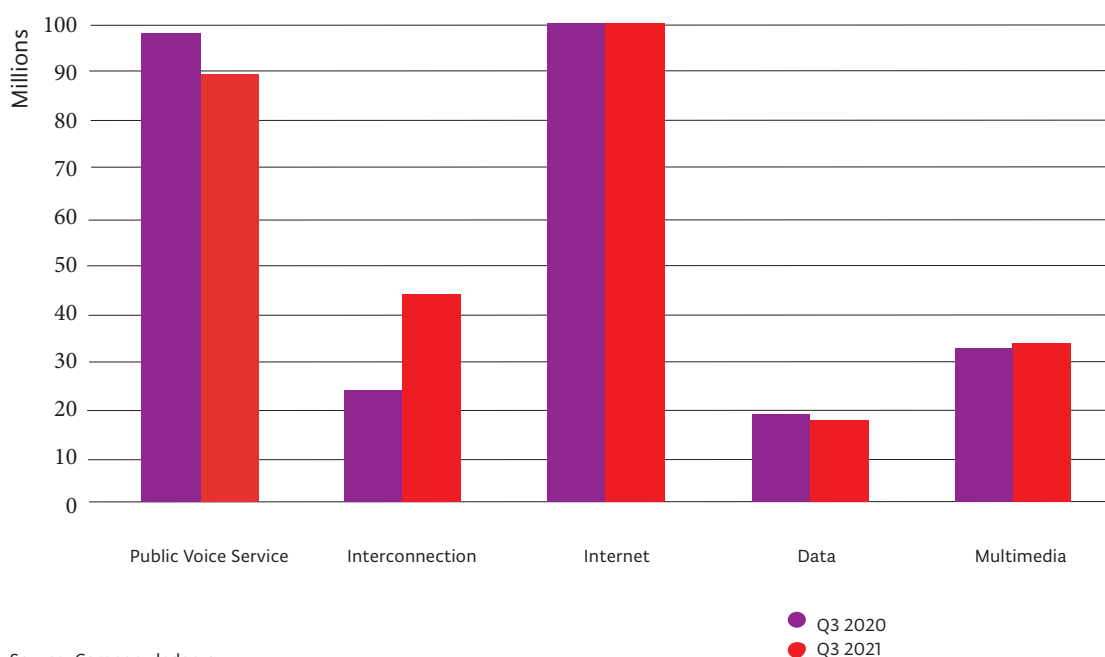
a. Unconsolidated Results of the Company

Summary (in tsd HRK)	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2021/ Q1-Q3 2020	Q3 2020	Q3 2021	Q3 2021/ Q3 2020
Total income	337.436	336.404	(0,3%)	112.303	112.226	(0,1%)
Total expenses	230.639	227.444	(1,4%)	78.354	76.075	(2,9%)
Depreciation and impairment	89.406	92.995	4,0%	30.178	31.179	3,3%
EBIT	17.391	15.965	(8,2%)	3.772	4.972	31,8%
Financial result (net)	(19.842)	(15.086)	(24,0%)	(5.479)	(4.914)	(10,3%)
Profit (loss) before tax	(2.451)	879	135,9%	(1.707)	58	103,4%
Deffered taxes/Taxes	(729)	(199)	(72,6%)	115	684	494,8%
Net profit/(loss)	(3.179)	680	121,4%	(1.592)	742	146,6%
EBITDA before one time items after lease	90.831	91.728	1,0%	27.863	30.437	9,2%
EBITDA margin before one time items after lease	26,9%	27,3%	0,4	24,8%	27,1%	2,3

In the first nine months, compared to the previous year, the Group achieved higher EBITDA before onetime items after leases by 0.6%, while the increase in EBITDA at the Company level was higher and amounted to 1.0%. At the level of the third quarter, compared to the previous year, the Group achieved higher EBITDA before one-time items after leases by 8.0%, and at the Company level it is by 9.2% higher.

An increase in EBITDA in the first nine months for the Group and the Company is a result of greater positive effects of IFRS 16 due to seasonal effects. In the third quarter of 2021, compared to the previous year, the Group and the Company achieved significantly higher EBITDA due to increased cost efficiency.

Telecommunication Services Revenue



Source: Company ledgers

b. Consolidated Revenues

Total revenues from services in the first nine months of 2021 recorded a decrease of 0.5%, compared to the same period last year, while at the level of the third quarter, revenues recorded a decrease of 0.4%.

Revenues from public voice service in the first nine months of 2021 compared to the same period last year were lower by 8.0% due to the general trend at the global level.

In the first nine months of 2021, Internet revenues recorded a decline of 6.5% due to a smaller customer base and increased demand for the Internet via mobile networks.

Revenues from data services in the first nine months of 2021 compared to the same period last year decreased by 6.5% mostly due to the

termination of contracts with one major user of data services.

In the first nine months of 2021, compared to the same period of the previous year, interconnection revenues increased by 68.2% primarily due to the growth of revenues from voice transit services.

Revenues from multimedia in the first nine months of 2021 recorded a growth of 1.4% compared to the same period last year as a result of the continuous focus of the Company's operations.

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

Consolidated EBITDA before one-time items after leases amounts to HRK 91.7 million and

is by HRK 0.6 million higher compared to the same period last year. Realized EBITDA is a reflection of the positive effects of the application of IFRS 16 due to seasonal trends.

EBITDA margin after leases in the first nine months of 2021 for the Group amounts to 27.2%, which is an increase of 0.3 percentage points compared to the same period last year. In the first nine months of 2021, the Company achieved EBITDA margin in amount of 27.3% what in comparison to the same period of last year characterize increase of 0.4 percentage points.

In the third quarter, the Group and the Company achieved a slightly lower EBITDA margin after leases in the amount of 27.1%. Compared to the same period last year, the quarterly EBITDA margin after leases is by 2.1 percentage points higher for the Group and by 2.3 percentage points for the Company.

d. Net profit/(loss)

Net profit in the first nine months of 2021 at the Group level amounted to HRK 0.5 million, and at the Company level the profit was higher and amounted to HRK 0.7 million. The achieved result of the Group and the Company is influenced by higher EBITDA, positive impact

of financial result and lower taxation, which is partially offset by higher depreciation.

In the third quarter, the Group and the Company generated a net profit of HRK 0.7 million primarily as a result of higher EBITDA.

e. Capital investments in 2021

Consolidated capital investments in the first nine months of 2021 for the Group and the Company amounted to HRK 59.0 million, of which HRK 29.1 million was invested in content capitalization, while HRK 8.3 million was invested in the construction of optical infrastructure, access network and core network, and HRK 12.9 million in customer equipment for providing services to residential and business customers. At the level of the first nine months, investments in information technology systems amounted to HRK 8.6 million and general investments to HRK 0.1 million.

Consolidated capital investments in the third quarter of 2021 were realized in the amount of HRK 19.4 million, of which HRK 11.0 million was invested in content capitalization, while HRK 3.3 million was invested in the construction of optical infrastructure, access network and core network, and HRK 3.0 million in customer equipment for providing services to residential and business customers. In this

	Q1-Q3 2021 (in 000 HRK)		Q3 2021 (in 000 HRK)	
		share %		share %
General Investments	98	0,2%	44	0,2%
Capital Technical Investments	58.940	99,8%	19.362	99,8%
ACCESS Network	12.916	21,9%	3.007	15,5%
CORE Network	8.338	14,1%	3.313	17,1%
Telecommunications Center	8.607	14,6%	2.020	10,4%
Content capitalization	29.078	49,2%	11.021	56,8%
TOTAL	59.038	100,0%	19.406	100,0%

quarter, investments in information technology systems amounted to HRK 2.0 million and general investments to approximately HRK 0.1 million.

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 rate risk is not significant, as the Group and the Company have no liabilities at variable interest rates.

The remaining assets and liabilities, including issued bonds, are not exposed to interest rate 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 do not offer any 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 responsibility for liquidity risk management rests with the Company's Management Board, which sets the appropriate framework for liquidity risk management, with the aim of managing short-term, medium-term and long-term financing and liquidity requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and credit lines, continuously comparing planned and actual cash flows while monitoring the maturity of receivables and liabilities.

Risk management related to virus COVID-19

Further to the development of risks and impacts associated with COVID-19, the Group and the Company maintain diverted operations to on-line channels (where possible) and the provision of field maintenance services, in compliance with the recommendations of security measures. The Group and the Company continuously monitor the situation regarding COVID-19 and related impacts on its operations. Having in mind the further development of the situation with COVID-19, there are potential risks in the segments of revenues decrease and increasing risks of non-payment, which are proportional to the impacts on the entire Croatian economy and the economic situation of Croatian citizens. Throughout the period, the Group and the Company seek to minimize the negative impacts on business operations and financial results through continuous activities.

Purchase of Own Shares

The Company does not own its own shares on September 30, 2021.

II. **Financial Results of the Group**

Profit and Loss Account

II. 1

Position name <i>In thousands of kunas</i>	Group		Company	
	I-IX 2021.	I-IX 2020.	I-IX 2021.	I-IX 2020.
Sales	333.574	334.950	333.574	334.769
Other operating income	2.830	3.061	2.830	2.667
	336.404	338.011	336.404	337.436
Merchandise, material and energy expenses	(11.663)	(13.922)	(11.651)	(13.900)
Interconnection fee expenses	(102.445)	(92.125)	(102.445)	(92.125)
Rental of telecommunication equipment	(7.159)	(8.391)	(7.159)	(8.391)
Customer attraction expenses	(10.306)	(11.590)	(10.306)	(11.590)
Other service expenses	(40.185)	(44.832)	(40.158)	(44.755)
Staff costs	(37.595)	(40.992)	(37.595)	(40.992)
Own work capitalised	8.283	11.115	8.283	11.115
Amortization	(93.086)	(89.498)	(92.995)	(89.406)
Provisions for trade receivables - net	(9.185)	(9.162)	(9.185)	(9.162)
Net loss on disposal of assets and equipment	0	(133)	0	(4)
Other operating expenses	(17.247)	(20.926)	(17.228)	(20.834)
	(320.588)	(320.456)	(320.439)	(320.044)
OPERATING PROFIT	15.816	17.555	15.965	17.391
Finance income	1.011	73	1.081	131
Finance costs	(16.177)	(19.962)	(16.167)	(19.973)
Finance costs - net	(15.166)	(19.889)	(15.086)	(19.842)
PROFIT/(LOSS) BEFORE TAXATION	650	(2.334)	879	(2.451)
Income tax expenses	(199)	(729)	(199)	(729)
PROFIT/(LOSS) FOR THE YEAR	450	(3.063)	680	(3.179)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	450	(3.063)	680	(3.179)

Source: Company ledgers

II. 2

Balance Sheet

<i>In thousands of kunas</i>	Group		Company	
	30.09.2021.	31.12.2020.	30.09.2021.	31.12.2020.
ASSETS				
Intangible assets	149.956	151.877	149.956	151.877
Property, plant and equipment	292.914	308.940	290.640	306.567
Right-of-use assets	33.453	40.397	33.453	40.397
Investments in subsidiaries	-	-	86	86
Contract assets	4.877	7.990	4.877	7.990
Given loans	503	505	503	505
Deposits and other financial assets	3.433	3.451	3.433	3.451
Deferred tax assets	2.535	2.735	2.535	2.735
Other non-current assets	278	240	278	240
Non-current assets	487.949	516.135	485.761	513.848
Inventories	724	1.686	724	1.686
Trade and other receivables	79.922	89.729	79.756	89.521
Contract assets	5.003	8.177	5.003	8.177
Given loans	-	-	3.336	3.268
Deposits	-	-	-	-
Other assets	4	4	4	4
Prepaid expenses and accrued income	1.825	1.071	1.822	1.068
Cash and cash equivalents	20.114	25.637	20.092	25.595
Current assets	107.592	126.304	110.737	129.319
TOTAL ASSETS	595.541	642.439	596.498	643.167
EQUITY AND LIABILITIES				
Issued share capital	694.433	694.433	694.433	694.433
Capital gains	178.234	178.234	178.234	178.234
Accumulated losses	(857.147)	(857.598)	(856.149)	(856.829)
Equity	15.520	15.069	16.518	15.838
Long-term borrowings	108.455	122.510	108.455	122.510
Issued bonds	8.111	23.579	8.111	23.579
Trade payables	3.199	2.320	3.199	2.320
Long-term lease liabilities	13.122	15.105	13.122	15.105
Provisions	55	55	55	55
Deferred income	12.794	14.734	12.794	14.734
Non-current liabilities	145.736	178.303	145.736	178.303
Short-term borrowings	248.182	235.937	248.182	235.937
Issued bonds	23.567	23.623	23.567	23.623
Trade payables	127.206	146.409	127.165	146.383
Short-term lease liabilities	10.029	15.214	10.029	15.214
Provisions	226	226	226	226
Accrued expenses and deferred income	16.447	18.665	16.447	18.665
Other current liabilities	8.628	8.993	8.628	8.978
Current liabilities	434.285	449.067	434.244	449.026
TOTAL EQUITY AND LIABILITIES	595.541	642.439	596.498	643.167

Source: Company ledgers

Cash Flow

II.3

Position name <i>In thousands of kunas</i>	Group		Company	
	I - IX 2021.	I - IX 2020.	I - IX 2021.	I - IX 2020.
Operating activities				
Total profit before taxes	650	(2.334)	879	(2.451)
Amortization	93.086	89.498	92.995	89.406
Decrease/(increase) in inventories	962	(529)	962	(529)
Decrease/(increase) in trade receivables and other receivables	6.117	(10.390)	6.076	(10.263)
Increase/(decrease) in trade payables and other liabilities	(27.572)	(71.587)	(27.501)	(68.718)
Other increase/(decrease) in cash flow	11.148	13.578	11.068	13.589
Net cash flow from operating activities	84.391	18.236	84.479	21.034
Cash flow from investing activities				
Payment for property, plant and equipment	(27.271)	(42.105)	(27.271)	(44.330)
Receipts/repayments from equity and debt instruments	21	59	(47)	(523)
Net cash used in investing activities	(27.250)	(42.046)	(27.318)	(44.853)
Cash flow from financing activities				
Proceeds from borrowing	-	201.000	-	201.000
Repayment of finance lease liabilities and borrowings	(62.664)	(213.713)	(62.664)	(213.713)
Net cash used in financing activities	(62.664)	(12.713)	(62.664)	(12.713)
Net (decrease)/increase in cash and cash equivalents	(5.523)	(36.523)	(5.503)	(36.532)
Cash and cash equivalents at January 1	25.637	44.990	25.595	44.943
Cash and cash equivalents at September 30	20.114	8.467	20.092	8.411

Source: Company ledgers

II. 4

Statement of changes in shareholders' equity

Group	<i>In thousands of kunas</i>	Issued share capital	Other equity	Capital gains	Other reserves	Accumulated losses	Total
Balance at January 1, 2020		694.433	-	178.234	-	(859.256)	13.411
Gain for the year		-	-	-	-	1.658	1.658
<i>Total comprehensive income for the year</i>		-	-	-	-	1.658	1.658
Balance at December 31, 2020		694.433	-	178.234	-	(857.598)	15.069
Balance at January 1, 2021		694.433	-	178.234	-	(857.598)	15.069
Gain for the year		-	-	-	-	450	450
<i>Total comprehensive income for the year</i>		-	-	-	-	450	450
Balance at September 30, 2021		694.433	-	178.234	-	(857.147)	15.520

Company	<i>In thousands of kunas</i>	Issued share capital	Other equity	Capital gains	Other reserves	Accumulated losses	Total
Balance at January 1, 2020		694.433	-	178.234	-	(858.405)	14.262
Gain for the year		-	-	-	-	1.576	1.576
<i>Total comprehensive income for the year</i>		-	-	-	-	1.576	1.576
Balance at December 31, 2020		694.433	-	178.234	-	(856.829)	15.838
Balance at January 1, 2021		694.433	-	178.234	-	(856.829)	15.838
Gain for the year		-	-	-	-	680	680
<i>Total comprehensive income for the year</i>		-	-	-	-	680	680
Balance at September 30, 2021		694.433	-	178.234	-	(856.149)	16.518

Source: Company ledgers

Notes

The condensed consolidated and unconsolidated financial statements as of September 30, 2021 have been prepared using accounting policies consistent with International Financial Reporting Standards.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated and unconsolidated financial statements as were applied in the preparation of financial statements for the year ended December 31, 2020.

Statement of Persons in Charge of Financial Reports

III.


In accordance with article 410 of the Capital Markets Act, the members of the Board, Mr. Boris Batelić as the Chairman, Mr. Tomislav Grmek, as a Member, and Mr. 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 financial report contains a true presentation of business development and results and the position of the Company and its subsidiaries, as well as a description of the most signi-

ficant risk factors and uncertainties which the group is exposed to.

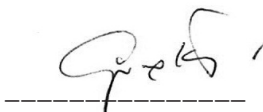
The Board states that the respective report contains certain statements on future events in connection with the financial status, electronic communications market trends, the results of the activities the company and the group are currently undertaking, with the purpose of improving their position on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

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