

**OT – Optima
Telekom d.d.
Consolidated Report
of the Group for
the first nine
months of 2017.**

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Optima
TELEKOM

Corporate Governance and General Information	4
Optima Telekom Group Members and Regional Centers	5
I. Management Report.....	6
I.1 Introduction.....	7
I.2 Statement of the Chairman of the Board.....	8
I.3 Market Overview	9
I.4 Economic Environment.....	10
I.5 Regulatory Environment.....	12
I.6 Business Indicators and Segments	13
I.7 Financial Results of the Group	18
I.8 Purchase of Own Shares	21
II. Financial Reports of the Group.....	22
II.1 Profit and Loss Account	23
II.2 Balance Sheet.....	24
II.3 Cash Flow.....	25
III. Statement by Persons in Charge of Financial Reports.....	26

Corporate Governance and General Information

SUPERVISORY BOARD

Igor Vavro – CHAIRMAN
Ariana Bazala-Mišetić – DEPUTY CHAIRMAN
Marina Brajković – MEMBER
Jasenka Anica Kreković – MEMBER
Marko Makek – MEMBER
Ana Hanžeković – MEMBER
Rozana Grgorinić – MEMBER
Maša Serdinšek – MEMBER
Ivica Hunjek – MEMBER – EMPLOYEE REPRESENTATIVE

BOARD OF DIRECTORS

Zoran Kežman – CHAIRMAN
Irena Domjanović – MEMBER
Mirela Šešerko – MEMBER
Tomislav Tadić – MEMBER

IBAN

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

OIB

36004425025

MBS

040035070

MB

0820431

SHARE CAPITAL AMOUNT

694,432,640.00 HRK

NUMBER OF SHARES

69,443,264, nominal value of HRK 10.00 each

Optima Telekom Group Members and Regional Centers

Headquarters – Company Management

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OT Centar
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OT Centar

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Members of the Optima Telekom Group

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

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I. Management Report

1.1 Introduction

OT-OPTIMA TELEKOM d.d. (hereinafter: Optima) successfully completed the process of merging H1 TELEKOM d.d., Split, Dračevac 2 / d, OIB: 88551335012 (merged company, hereinafter: H1) in the observed period.

Considering that the General Assemblies of both companies participating in the merger procedure approved the agreement on the merger of H1 to Optima on 25 January 2017 as well as that on 9 June 2017 the Croatian Competition Agency (hereinafter: AZTN) has issued a conditional clearance of concentration related to merger of H1 and Optima, all the conditions have been fulfilled to register the merger with competent courts, in accordance with the provisions of the Companies Act.

In accordance with the motion on 29 July 2016, filed by Hrvatski Telekom d.d., Zagreb, Roberta Frangeša Mihanovića 9, OIB: 81793146560 (hereinafter: HT) with AZTN, being the company that gained control over the management of the Company by virtue of AZTN decision Class: UP/I 034-03/2013-02/007 of 19 March 2014, on 9 June 2017 AZTN also rendered a positive decision prolonging temporary management of Optima for another three years, i.e. until 10 July 2021. The respective extension of HT's management of Optima was one of the conditions for the Merger Agreement dated 29 July 2016 to enter into force and for earlier decisions of the General Assemblies of both companies to have legal effect.

Following this, the court registry of the Commercial Court in Split on 5 July 2017

has issued the ruling number Tt-17 / 6536-2 for the status change in relation with H1's merger to Optima, with the record that the merger would be valid after the registration of the acquiring company at competent court, and after that on 1 August 2017 the court registry of the Commercial Court in Zagreb issued a decision No. Tt-17 / 26830-4 based on which the registration of merger was made in accordance with the above-mentioned decisions of the General Assemblies and AZTN.

With the implementation of the status change related to the merger, based on the decision of the Commercial Court in Zagreb, number Tt-17 / 26830-4, the share capital was increased from HRK 635,568,080.00 in the amount of HRK 58,864,560.00 up to the total amount of 694,432,640.00 HRK. This was all done in accordance with the provisions of Articles 519 and 520 of the Companies Act to implement the merger process through issuance of 5,886,456 new ordinary shares in the nominal value of HRK 10.00.

The merger was implemented by transferring the entire assets, rights and obligations of H1 to Optima, without the need to liquidate the merged company. As a compensation for the transfer of entire assets, rights and obligations of H1, and in accordance with the obligation from Merger Agreement, Optima transferred the appropriate ratio of Optima shares to H1 shareholders. Share swap of the Optima's OPTE-R-C shares for the H1's HITE-R-A shares was conducted by exchange of one share of the HITE-R-A in the nominal value of HRK 10.00 for 0.75

Optima's OPTE-R-C shares in the nominal value of HRK 10.00 (1:0.75).

The purpose of the merger is to achieve positive synergies between the companies and to increase Optima's value for its current and new shareholders (former H1 shareholders). Optima has decided that connecting business-wise, organisationally, legally and financially is in the mutual interest of Optima and H1, considering that the merger and achieving the envisaged synergies will increase business efficiency and decrease costs, which could accordingly have a positive impact on the value of Optima as the third respectable operator in the fixed telephony market.

On the regular Optima's General Meeting held on 11 July 2017, Mr. Igor Vavro was appointed as a Member of the Optima Supervisory Board, while Supervisory Board appointed Mr. Vavro as a Chairman of the Supervisory Board on its meeting dated 26 July 2017.

There were no other changes in Optima's Supervisory Board in the observed period and Board Members are:

Igor Vavro, Chairman; Ariana Bazala-Mišetić, Deputy Chairman; Marina Brajković – Member; Jasenka Anica Kreković, Member; Marko Makek, Member; Ana Hanžeković, Member; Rozana Grgorinić,

Member; Maša Serdinšek, Member; Ivica Hunjek, Member – Employee Representative.

There were no changes in Optima's Board of Directors in the observed period.

Just as in the period from the execution of the Settlement, Optima continues to duly perform all due obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on 30 April 2014, case reference Stpn-354/13 and reports to the public regarding the said actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, www.fina.hr.

Because of the status change resulting from the merger of H1, Optima took over the obligation to inform the public about the implementation of the H1's Pre-bankruptcy Settlement, which was concluded before the Commercial Court in Split on 16 December 2014., number Stpn-74/2014.

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

1.2 Statement of the Chairman of the Board

Behind us is a very successful period marked with the formal merger of H1 Telekom to Optima Telekom. With joining of these two companies, we strengthened our market position and opened

new opportunities for revenue growth and profitability of the company, thus creating new value for our shareholders. During August and September, we already had the first positive synergy

effects in the technological, process and organizational field. With H1 colleagues joining us, through exchange of best practice and knowledge, we are intensively working on the realization of a very demanding integration plan. Merger has also created new opportunities for investment, which will be primarily oriented towards customers and their experience, through the development of high quality services and the infrastructure improvements. I believe that all of that will position us as a strong, modern and stable telecom operator.

Through the realization of synergy effects, the merger has also had a positive impact on our business results. In this respect, we achieved growth of total revenues by 5.2 percent, which is primarily due to the significant increase in revenues from multimedia and Internet services. The growth in operating profit before special effects was 4 percent higher compared to the same period last year, and thanks to the general optimization of operations, we



managed to maintain a stable level of EBITDA results.

We have established solid foundations for further growth of Optima and our goal is to further, equally successfully use all the advantages of the combined forces of Optima and H1 to increase the value of the company, which is in the interest of our shareholders, employees and the entire market.

Zoran Kežman

1.3 Market Overview

Fixed Telephony Market

The fixed telephony market in Croatia continues to record negative trends. Usage decrease of this service is in line with worldwide trends and it is predicted that it will continue in the future. The total outgoing traffic (in minutes) of all public communications network operators in the second quarter of 2017 has

decreased by 8.2% compared to the previous quarter, while revenue has dropped by 2.4%.

Compared to the second quarter of 2016, the total outgoing traffic (in minutes) of all fixed public communications network operators in the second quarter of 2017 was 9.2% lower. Retail revenue has simultaneously dropped by 11.0%.

Broadband Access Market

The broadband Internet access via fixed networks market has recorded an increase in the use of services and stable revenue in the second quarter of 2017. Compared to the first quarter of 2017, the number of connections for broadband Internet access via fixed networks in the second quarter increased by 1.9%, while revenue recorded slight decrease by 0.2% in the same period.

By comparing this year's second quarter with last year's, there is an increase of 6.7% in the number of connections for broadband access via fixed networks. The increase is also detectable in revenue, which is 7.9% higher.

It is predicted that this market will continue to record growth.

IPTV Market

The Internet protocol based television (IPTV) market also continues to grow. Compared to the first quarter of 2017, the total number of connections in the second quarter of 2017 is higher by 0.6%.

Comparison at annual level also indicates an increase in the number of connections, by as much as 4.9%.

Positive trends for Internet protocol based television (IPTV) market are predicted in the future as well.

1.4 Economic Environment

GDP growth rates achieved over the past two years were slightly corrected this June. According to new calculations, growth in 2015 was 2.2% and 3.0% in 2016. Although the growth rate for the last year was only slightly revised (from 2.9%), certain changes in the structure of GDP, i.e. total demand should be noted. According to the new data, domestic demand in the last year still had higher impact on GDP growth than foreign one. It should be also noted that the crisis in Agrokör started only at the end of the first quarter and so far, it has not had a significant impact on the GDP growth trends. In the first five months, retail recorded a more dynamic growth than last year, industrial production growth significantly slowed down, while the trade balance, despite the dynamic growth of export, shows even stronger

growth in import and an increase in the deficit.

In May, the employment rate fell the most this year (by 23.6 thousand), because of the usual seasonal employment, just as it is the number of employees increased the most this year (by 22.3 thousand). By comparing this year's May with last year's, there is a much better situation in the unemployment segment: the number of unemployed is lower by 22.2%, i.e. by 51.6 thousand and for the first time it fell below 200 thousand since 1990. The unemployment rate was lower (by 2.6 percentage points) in line with the strong fall in the number of unemployed despite a significantly lower level of active population (by 73.8 thousand). It is therefore concluded that the employment segment is moving very

slowly, under the pressure of economic emigration and poor demographic trends, i.e. in the context of falling numbers of working-age residents.

After the tax reform has made changes in the income taxation and enabled the increase of net salaries, tendency of faster net salary growth than gross salary was established. This has a positive effect on personal consumption growth, which supports economic growth. However, the return of inflation partially limits the real salary growth, i.e. their purchasing power, and therefore gradual slowdown in the dynamics of salary growth is perceived in real salary development.

The average monthly gross salary in April was 2.0% lower than in March, but at the same time 3.3% higher than in April last year. The average net salary was 1.8% lower than in March and 5.0% higher than in March last year. With real consumer price growth, real salary growth was lower than the nominal and accounted 1.9% for gross salaries and 3.6% for net salaries at the annual level. In those circumstances, the average monthly gross salary per employee was nominally 3.0% higher, and realistically 1.8% higher than in the first four months of the previous year. At the same time, the average monthly net salary is nominally 4.7% higher and is realistically 3.5% higher than in the same period last year. In the remaining part of the year, a rise in salaries is expected marked by a faster growth in net salaries compared to gross salaries because of tax changes and lower real salary growth compared to nominal due to inflation return.

In the conditions that support strengthening of the Croatian Kuna it may be expected that the good start of a tour-

istic pre-season will lead to a stronger increase in its value. Namely, the first half of this year was characterized by extremely high Croatian Kuna liquidity, continuation of relatively good economic indicators, including an improved fiscal position, continued growth of commodity exports and other inflows from abroad and as a result of that there is an increased confidence in domestic currency. Therefore, the additional pressure caused by the increased foreign exchange inflow from tourism led to a further slight strengthening of the Croatian Kuna. Thus, the Croatian Kuna has strengthened by 0.9% towards the Euro from the beginning of May to the end of June, while this year's lowest Euro exchange rate of 7.39 Croatian Kuna was recorded in the second part of June, being at the same time the lowest one since September 2012. During the first half of the year, Croatian Kuna strengthened by 2.0% towards the Euro, while its average middle exchange rate towards the Euro for half a year was 1.5% higher than in the previous year. Croatian Kuna exchange rate at the very end of June was 1.4 times higher than previous year.

While in March, under the influence of the current blockade of companies in Agrokor, a long-lasting, slightly declining trend was interrupted, which for a long time characterized the value of unpaid liabilities, it returned in April after the unblocking of before mentioned companies and continued in May. Thus, in May, compared to the previous month, the value of outstanding liabilities decreased by HRK 709 million and fell below HRK 16 billion (to HRK 15.9 billion), to the lowest value since 2006, for comparable figures. In the next period, Agrokor's problems could again occasionally

undermine the persisting (but mild), falling dynamics of the business entities' outstanding liabilities, which will depend

on the dynamics and results of resolving Agrokor's financial problems.

1.5 Regulatory Environment

During this reporting period, there were no significant changes in the regulation of the electronic communications market in the form of new decisions by the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) or changes in legislation or other regulations. However, based on the decisions rendered by HAKOM, new wholesale prices are being applied as of 1 January 2017. Compared to the previous prices, the new prices for the unbundled access to the local loop service (hereinafter: ULL) and the wholesale broadband access service when the end customer gains basic access to the network through the user operator (hereinafter: NBSA service) for speeds exceeding 30 Mbit/s are higher, while the price of the NBSA service for speeds up to 30 Mbit/s is lower.

New wholesale price of the monthly charge for the wholesale broadband access service and the prices of monthly charges for the wholesale high quality access service also apply, and these new prices are lower than the ones applied in 2016. Starting from 1 July 2017, new, slightly higher prices apply to inter-connection services in public fixed communications network. Given the fact that the above changes had a significant impact on the distribution of wholesale costs, Optima has adapted its market strategy and approach, to optimize the impact of these HAKOM decisions on its financial operation.

Regardless of changes to wholesale prices, in line with updated Margin Squeeze Test model, Optima continues to implement HAKOM's Margin Squeeze Test for every retail price for regulated service (network access services, Internet access services with the connected IPTV service), irrespective of whether this service is provided independently or as a part of a package including other electronic communications services.

Additionally, as of 1 January 2017, Optima fulfills obligation in cases where reported and ascertained malfunctions last longer than 24 hours, providing the customer with a discount on the bill, without the need to file an objection against the bill amount. This requirement also had an impact on Optima's business, but Optima has optimized its business in this case as well, by improving troubleshooting procedures.

In addition to the regulation of wholesale services, in this reporting period, HAKOM has modified HT's Standard Offer for the unbundled access to the local loop service and HT's Standard Offer for the wholesale broadband Internet access for the purpose of introducing FttB / FttDP type of access in the HT network as well as for vectoring technology. The use of new types of wholesale access technology is dependent on the company's strategic decisions, and the adoption of those decisions will be considered in the next reporting periods.

1.6 Business Indicators and Segments

Number of customers	30.09.2017 ¹	30.06.2017	30.09.2017/ 30.06.2017	30.09.2016	30.09.2017/ 30.09.2016
Business					
PVS ²	20.761	13.218	57,1%	13.439	54,5%
IPTV	2.137	1.115	91,7%	1.083	97,3%
Internet	17.925	11.907	50,5%	11.717	53,0%
Data	1.479	1.428	3,6%	1.408	5,0%
Residential					
PVS	196.756	130.699	50,5%	139.260	41,3%
IPTV	47.446	31.626	50,0%	29.617	60,2%
Internet	122.873	86.981	41,3%	89.565	37,2%

1 Includes customer base of merged H1 Telekom

2 Methodology change: Within the number of business PVS customers, major business customers using only Internet and data services have been factored in. Previous periods have been updated to obtain comparable data

a. Residential Sales Segment

In the third quarter of 2017 Optima continued, to invest in marketing and sales activities aimed at reducing churn of existing customers and increasing acquisition of new customers.

Owing primarily to the introduction of a new service portfolio in the first quarter of 2017 and respective marketing activities during the second quarter, despite of the highly competitive environment, Optima has been successful in the residential segment. Furthermore, Optima's customer base has significantly increased thanks to the H1 merger.

Although Optima's public voice service follows market trends, by merging H1's residential customer base, in the fixed public voice services segment Optima ended the third quarter of 2017 with 41.3% increase in the number of customers and 46.7% revenue increase, compared with the previous year. The comparison between the second and third quarter of 2017 shows an increase in the number of residential customers for the public voice service of 50.5% and 58.2% revenue increase.

In the segment of broadband Internet access, in the third quarter of 2017, compared to the previous year, Optima with merged customer base recorded a 37.2%

increase in number of customers, with a 29.0% increase in revenue. The comparison between the second and third quarter of 2017 shows 41.3% revenue increase, with 27.0% increase in the number of customers.

Optima recorded growth of the number of customers and revenues with merged customer base in the segment of IPTV as well, equally so at the annual and quarterly level. At the annual level, Optima recorded 60.2% increase in the number of customers, with a revenue increase of 58.0%. Compared to the previous quarter of this year, 50.0% customer base growth has been recorded in the third quarter of 2017, followed by a 44.9% revenue increase. Excluding the contribution of H1, this segment records the most promising growth within the residential segment of the business. This is the result of Optima's targeted marketing and sales efforts.

b. Business Sales Segment

In business sales, the key activities of all sales channels in the third quarter of 2017 were aimed at increasing the number of new connections, extending the contracts with the existing customers, reducing the churn of existing customers and creation and realization of sales opportunities out of the wide portfolio of ICT solutions and services. In addition to the above-mentioned regular activities, preparations have been made to start the migration and consolidation of H1 customers on OT services and packages, which started after 1 August 2017.

In the public voice service segment, compared to the same period of the previous year, Optima recorded a 19.7% revenue increase and a 54.5% increase in the number of connections due to the H1 merger whose customer base and revenues are mainly

represented by small business customers with public voice service.

In the regular business, there was a drop in the number of connections by 0.9% and a drop in revenues by 11.7% over the same period last year, as a consequence of further migrations and optimization of the public voice service in large corporate customers by switching to more advanced IP solutions, thus decreasing the number of connections and the use of the service, as well as negative trends in the fixed public voice service segment that is recorded at a national level.

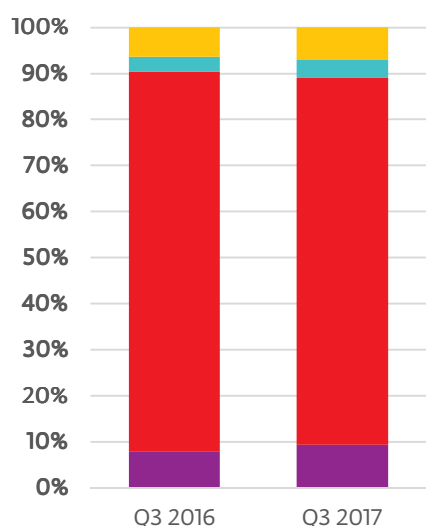
In the broadband Internet access segment, there has been a 53.0% increase in the number of connections and a 23.2% increase in revenue compared to the same period of the previous year, which is a result of H1 merger whose customer base and revenues are mainly represented by small business customers with broadband Internet access service. In the regular business, the number of connections and revenues increased by 2.4%, which is the result of seasonal demand in tourism sector as well as the need for broadband access to the Internet, due to the introduction of a fiscal requirement within the segment of small business customers.

In the data services segment, there has been a 5.0% increase in the number of connections and a 3.0% revenue increase compared to the same period of the previous year, while regular business recorded a 0.6% increase in the number of connections and a 4.0% revenue drop. In this segment of services, the impact of the H1 merger is not so pronounced, since this type of service is not represented widely due to the structure of the customers. Demand for this service segment exists, however, prices are under intense pressure from the competition, particularly in the segment of

mid-sized and large business customers that use data services, due to the development and the increasing availability of infrastructure.

During 2017, positive results have been achieved in the sales of ICT solutions and services, resulting from Optima's further transformation towards solutions and services sales in this segment of the market. Revenues in the first three quarters of 2017 amounted to HRK 1.8 million, while in the upcoming period, Optima anticipates further revenue growth from this segment of business.

Interconnection Income Structure



Data Source: Company's business records

In the first three quarters of 2017, revenues from wholesale data services are down by 3.4% compared to the same period of the previous year. Excluding the impact of the increase from the beginning of 2016, which was a result of the resolution of a regulatory dispute, data services revenue increased by 11% in the first nine months of 2017 compared to the same period of the previous year. This growth was also to a lesser extent attributed to the H1 merger,

and the stronger positive effect of the merger is expected in the forthcoming periods. The revenues from termination into Optima's network in the first nine months of 2017 are 6.1% higher than in the same period of the previous year.

International transit revenue went down by 17.4% compared to the same period of the previous year and during first nine months of 2017 it was replaced by different, more profitable traffic flows almost entirely.

In the first nine months of 2017, VAS service revenue is 16.5% lower compared to the previous year, mostly due to the market conditions influencing the decline in traffic.

c. Infrastructure, Optical Fiber Network and Internal Services Development

Voice Networks

During the first three quarters of 2017, a new SBC-ACC (Session Border Controller – Access) system has been acquired. The system is used to separate the core of the voice network, i.e. telephone switchboards within the core, from user equipment in the access voice network. The new SBC device is to support the anticipated increase in the number of customers of the voice service through the VoIP technology and to ensure full redundancy of the SBC system for the access voice network.

Voice traffic has been migrated from all telephone switchboards to an internally developed central system for intelligent call management.

Throughout first three quarters of 2017 voice traffic has been migrated for five international operators and three national

operators, including the connection with three new international operators, using the IP/SIP IC connections to the SBC-IC (Session Border Controller – Interconnection) systems.

A new UC (Unified Communications) soft-switch system (a modern telephone switchboard) has been obtained and will be used to implement unified communications services for business users.

Data Networks

In the third quarter, the merger of the Optima's and H1's networks started in areas of the core network, Internet upstream and optimization of the IP address space.

In order to support that, a metro DWDM network was implemented that connects the two main hubs of both companies.

A new tender for Internet upstream service providers is finished to meet the required capacities for both companies which, as of 1 August 2017, act as one.

Optima continued with increasing capacities towards certain cities and settlements. Capacities in Dubrovnik, Cavtat, Vukovar, Vinkovci, Čepin, Bošnjaci and Ivankovo were increased by 1 Gb/s.

The VDSL broadband Internet access technology at speeds up to 50 Mb/s is available at the end of the third quarter at 243 locations, which is an increase of 8% compared to the end of the second quarter, which continues to improve the quality of service.

Network Infrastructure and Optical Fiber Network

Optical infrastructure development, i.e. the construction of the individual optical fiber

network during third quarter of 2017 consisted primarily of the construction of optical feeds to Optima's new wholesale and retail customers.

14.3 km of new optical fiber network were built, consisting of the 48 new optical feeds. Most feeds have been built in Northern Croatia (23 feeds), followed by the West (14 feeds), South (8 feeds) and East with 3 optical feeds.

Also, at the end of July 2017, optical city route Zagrebčanka – CIX - Supranet has been completed, which has the purpose of increasing redundancy of TC capacity to Optima's CIX node. The additionally built optical route length amounts to 8 km.

Supervision (NOC)

During the first nine months of 2017 the supervision of telecommunications systems and services has been expanded. For that purpose, new systems were added to the supervision: SBC (Session Border Controller – Access) system, Huawei MA5605, EATON SM45 DC, NetMan 204 UPS, ZTE 9806H mini-DSLAM, ZTE 9800 DSLAM, ZTE MSG 5200.

Zabbix NMS has been updated to comply with the requirement to keep measurement data (period of 3 years). The "PHP network weathermap" extension has been implemented into the Zabbix NMS, to enable a visual overview of the key connections' status.

An application was engineered for a more precise calculation of the number of customers affected by the failure, tailored to meet the obligation arising from the Ordinance on the manner and conditions for provision of electronic communications networks and services, that in the event of

reported and ascertained failures going on for over 24 hours, the operator is always to offer the customer a discount on the bill or another way of compensation without the need to object to the bill amount.

Internal Application Development

A new system for creating security copies has been acquired, providing a significantly larger capacity and faster and safer data storage.

Upgrading of the CRM system for the call center is finished to significantly accelerate and simplify the processing of customer requests.

A new application has been implemented to accelerate the processing of customer complaints.

The SmartCare platform is currently being implemented to enable better tracking of habits of IPTV customers, channel ratings and make it easier to fix a failure of the IPTV service.

A new application for authorization and granting discounts on packages and additional services was introduced - one click to a new discount.

Simplified invoicing activation in electronic

form (e-bill) has resulted in 80% increase in the number of users using the e-bill. Automation of internal processes continued, leading to a reduction of manual back office actions for 10,000 activities per month.

"Master provisioning" is introduced, enabling faster implementation of new services in systems.

Infrastructure

The project of replacing batteries in collocations continued, with the aim to secure the system's autonomy in the event of an electrical grid failure. During the third quarter, 80 batteries have been replaced at 10 locations. Additionally, the worn-out system for uninterrupted power supply in Zagreb has been replaced by a system which improves the autonomy of the data center in the event of an electrical grid failure.

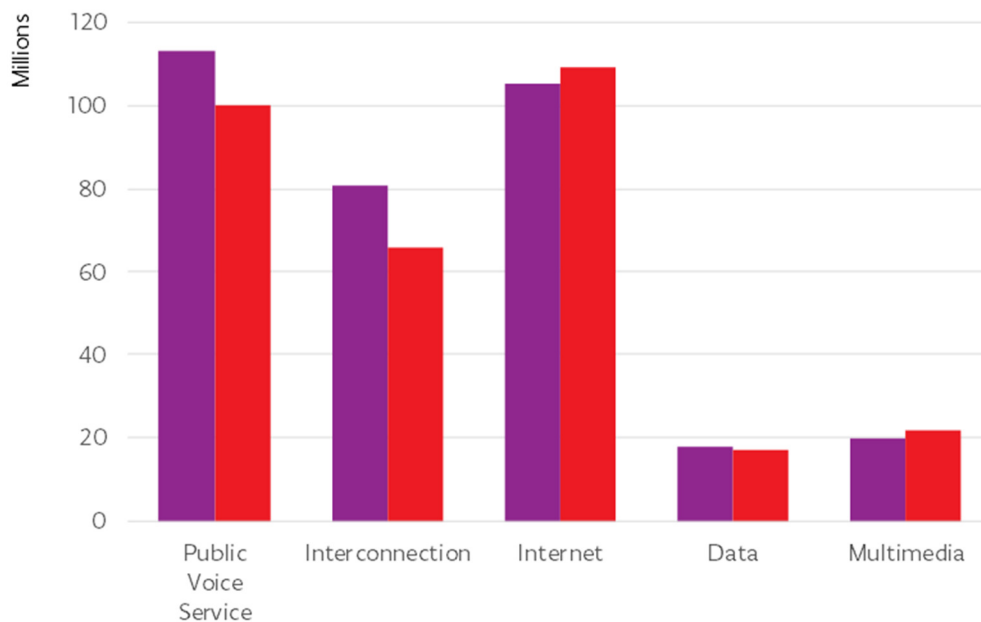
ICT Solutions

Through ICT solutions, a complete business solution has been offered to customers alongside Optima's standard services, which creates added value to the same. Optima's partner base is expanding constantly, which has resulted in enhancing the Company's presence in the market, and the expansion of the ICT solutions portfolio.

I.7 Financial Results of the Group

Summary (in tsd HRK)	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2017/ Q1-Q3 2016	Q3 2016	Q3 2017	Q3 2017/ Q3 2016
Total income	341.995	359.742	5,2%	113.821	142.022	24,8%
Total expenses	267.031	285.276	6,8%	86.953	115.547	32,9%
EBITDA	74.964	74.466	(0,7%)	26.868	26.475	(1,5%)
One times items	718	4.274	494,9%	191	4.254	2132,0%
EBITDA before one times items	75.682	78.740	4,0%	27.059	30.729	13,6%
EBITDA margin (before one times items)	22,1%	21,9%	(1,1%)	23,8%	21,6%	(9,0%)
Depretiation	50.362	57.633	14,4%	17.691	22.525	27,3%
Financial result (net)	(15.278)	(18.961)	24,1%	(6.164)	(11.738)	90,4%
Net profit/(loss) before income taxes	9.324	(2.128)		3.012	(7.787)	
Net profit/(loss) before income taxes and one time items	10.042	2.146		3.203	(3.533)	

Telecommunication Services Revenue



Data Source: Company's business records

a. Consolidated Revenue

Total telecommunications services revenue in the first nine months of 2017 is 5.2% higher compared to the same period of the previous year, primarily due to the revenues resulting from merger of H1. The same trend appears at the level of the quarters.

The revenue increase compared to the previous year is mostly owed to the increase in revenues from multimedia by 27.7%, and higher revenues from Internet by 12.8%, being the segments focused on by Optima's offer.

Revenues from public voice service are higher by 5.9% compared to the previous year due to the merger of H1. However, the declining trend of public voice service revenues continues to be present and that

continues along with the general declining trend in the use of the public voice service, as a reflection of global trends.

On the other hand, the above mentioned positive trends have been partially offset by the 16.1% lower interconnection revenue and 1.3% lower data revenue compared to the previous year. The negative trend for interconnection revenue are apparent on the quarterly level, primarily due to the drop of revenue from the transit of voice services and as a consequence of reducing the volume of low-profit international transit. The data revenue decrease pertains mostly to the decrease in revenue from wholesale data services, which originates from a higher income in the previous year created by the resolution of a regulatory dispute.

b. Earnings before Interest, Taxation and Depreciation – EBITDA

The consolidated EBITDA before special items amounts to HRK 78.7 million, thus being HRK 3.1 million higher compared to the previous year, primarily as a result of H1 merger contribution, both in revenue contribution and in the realized synergy effects on costs, which significantly contributes to optimization of the entire business.

Positive effects are visible both at the yearly level and at the level of the third quarter.

c. Net Profit/(Loss)

Taking into account the higher depreciation costs and lower financial result in the first

nine months of 2017, the net result is HRK 7.9 million lower, which has been partly compensated by a better operating result.

d. Capital Investments in 2017

Consolidated capital investments in the first nine months of 2017 amounted to HRK 31.7 million. Out of this, HRK 19.9 million has been invested in the development of access fiber optic network, expanding the collocations network, user equipment for providing the IPTV and Internet service for residential customers, as well as the equipment to connect new business customers. HRK 6.2 million has been invested into the core network, while HRK 4.6 million has been invested in expanding the range of customer services.

	Q1-Q3 2017 (in 000 kn)	share %
General Investments	1.024	3,2%
Capital Technical Investments	30.722	96,8%
ACCESS Network	19.917	62,7%
CORE Network	6.248	19,7%
Telecommunications Center	4.557	14,4%
TOTAL	31.746	100,0%

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

Credit Risk

The credit risk is the risk that the other party will fail to meet its contractual obligations arising out of potential financial losses of Optima. Optima does not have a significant credit risk concentration with contractual parties possessing similar characteristics

and has adopted procedures it applies in buyer transactions. Optima receives 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. Optima sees maximum exposure of third parties reflected in the amount of receivables from debtors, minus impairment recognized at the financial position report date.

Apart from this, Optima is exposed to the risk of money deposits in banks. Management of this risk is focused on dealing with the most reputable banks, both domestic and international, and in both the domestic and international markets, and based on daily contact with the banks.

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 shortterm, mid-term and long-term financing and liquidity requirements. The Company manages 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.

1.8 Purchase of Own Shares

On 30 September 2017 Optima does not own treasury shares.

II. Financial Reports of the Group

II.1 Profit and Loss Account

Position name	<i>In thousand HRK</i>	I-IX 2017.	I-IX 2016.
Sales		357.100	340.739
Other operating income		2.642	1.256
		359.742	341.995
Merchandise, material and energy expenses		(6.251)	(5.334)
Interconnection fee expenses		(121.021)	(125.541)
Rent of telecommunication equipment		(19.401)	(18.440)
Customer attraction expenses		(4.065)	(4.649)
Other service expenses		(56.549)	(48.110)
Staff costs		(45.786)	(38.091)
Own work capitalized		3.717	4.553
Depreciation, amortisation and impairment charges		(57.633)	(50.362)
Impairment charge on non-current and current receivables - net		(2.233)	(2.690)
Net loss on disposal of assets and equipment		(246)	(22)
Other operating expenses		(33.440)	(28.707)
		(342.909)	(317.393)
OPERATING PROFIT		16.833	24.602
Finance income		2.040	3.735
Finance costs		(21.001)	(19.013)
Finance costs - net		(18.961)	(15.278)
PROFIT BEFORE TAXATION		(2.128)	9.324
Income tax expense		-	-
PROFIT FOR THE YEAR		(2.128)	9.324
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		(2.128)	9.324

Data Source: Company's business records

II.2 Balance Sheet

ASSETS	<i>In thousand HRK</i>	30.09.2017	31.12.2016
Intangible assets		248.841	42.110
Property, plant and equipment		315.776	290.632
Given loans		581	396
Deposits		3.535	3.563
Available-for-sale financial assets		35	35
Other non-current assets		7.750	8.500
Non-current assets		576.518	345.236
Inventories		255	119
Trade and other receivables		92.708	70.499
Given loans		4	10.772
Deposits		-	24
Prepaid expenses and accrued income		3.530	1.913
Cash and cash equivalents		11.900	9.670
Current assets		108.397	92.997
TOTAL ASSETS		684.915	438.233
EQUITY AND LIABILITIES			
Issued share capital		694.433	635.568
Capital gains		194.354	194.354
Other equity (MCL)		16.452	24.677
Accumulated losses		(812.963)	(808.729)
Equity		92.276	45.870
Long-term borrowings		218.975	200.216
Issued bonds		97.362	64.597
Trade payables		38.461	2.226
Provisions		58	58
Deferred income		21.750	19.595
Non-current liabilities		376.606	286.692
Short-term borrowings		23.129	8.674
Issued bonds		15.679	7.060
Trade payables		147.901	68.256
Provisions		684	109
Accrued expenses and deferred income		18.711	12.450
Other current liabilities		9.929	9.122
Current liabilities		216.033	105.671
TOTAL EQUITY AND LIABILITIES		684.915	438.233

Data Source: Company's business records

II.3 Cash Flow

Position name	<i>In thousand HRK</i>	I-IX 2017.	I-IX 2016.
Operating activities			
Total profit for the year		(2.128)	9.324
Depreciation and amortisation		57.633	50.362
Decrease/(increase) in inventories		(11)	6
Decrease in trade and other receivables		3.006	(7.309)
Increase/(decrease) in trade payables and other liabilities		1.256	(4.553)
Other cash increase/(decrease)		(2.188)	1.991
Cash generated from operating activities		57.568	49.821
Cash flows from investing activities			
Payments for property, plant and equipment		(31.746)	(40.876)
Cash receipt from sale of ownership and debt instruments		-	-
Net cash used in investing activities		(31.746)	(40.876)
Cash flows from financing activities			
Other proceeds from financing activities		28	246
Repayment of finance lease liability and borrowings		(23.620)	(19.807)
Net cash used in financing activities		(23.592)	(19.561)
Net (decrease)/increase in cash and cash equivalents		2.230	(10.616)
Cash and cash equivalents at 1 January		9.670	20.418
Cash and cash equivalents at 30 September		11.900	9.802

Data Source: Company's business records

III. Statement by Persons in Charge of Financial Reports

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

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

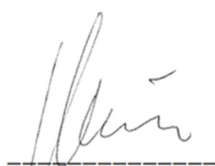
risk factors and uncertainties which the group is exposed to.

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

Additional information and significant changes have been made available by the company at its website:

www.optima.hr/investitori.hr

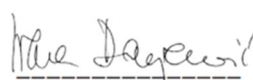
(Signatures of Board members)




Zoran Kežman



Mirela Šešerko



Irena Domjanović



Tomislav Tadić

Optima
OT – OPTIMA TELEKOM D.D.
ZAGREB