

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

**Report of the Group for  
the First Quarter of 2021**

**20  
21**

**Optima**  
TELEKOM



Corporate Governance and General Information	4
Optima Telekom Group Members and Regional Centres	5
<b>I. Management Report</b>	<b>6</b>
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 Grupe	18
a Unconsolidated Results of the Company	19
b Consolidated Revenue	20
c Earnings before Interest, Taxation, Depreciation, Special Items after Lease – EBITDA	21
d Net Profit/(Loss)	21
e Capital investments in 2021	21
f Risk Management	22
8 Purchase of Own Shares	21
<b>II. Financial Reports of the Group</b>	<b>22</b>
1 Profit and Loss Account	23
2 Balance Sheet	24
3 Cash Flow	25
<b>III. Statement of Persons in Charge of Financial Reports</b>	<b>26</b>

# Corporate Governance and General Information

<b>SUPERVISORY BOARD</b>	Igor Vavro — CHAIRMAN Ariana Bazala-Mišetić — DEPUTY CHAIRMAN Ana Hanžeković Krznarić — MEMBER Rozana Grgorinić — MEMBER Jelena Noveljić — MEMBER Blaženka Klobas — MEMBER Silvija Tadić — MEMBER Igor Radojković — MEMBER Suzana Čepl — MEMBER — EMPLOYEE REPRESENTATIVE
<b>BOARD OF DIRECTORS</b>	Boris Batelić — CHAIRMAN Tomislav Grmek — MEMBER Tomislav Tadić — MEMBER
<b>IBAN</b>	HR3023600001101848050 Zagrebačka banka d.d. Zagreb Commercial Court of Zagreb
<b>OIB</b>	36004425025
<b>MBS</b>	040035070
<b>MB</b>	0820431
<b>SHARE CAPITAL AMOUNT</b>	694.432.640,00 HRK
<b>NUMBER OF SHARES</b>	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  
002E, 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 Centar  
**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 Centar  
Zrinsko-Frankopanska 3  
23 000 Zadar, Croatia  
**TEL** +385 23 492 860

# I. **Management Report**

# Introduction

## I.1

On March 25, 2021, the Supervisory Board passed a Decision, by which according to the Company Statute the current member of the Management Board, Tomislav Grmek, was re-appointed to the same position in the Company, and the term of office under the said Decision commences the moment the previous one expires, on April 2, 2021, and lasts for two years.

The Management Board consists of: Boris Batelić, the President, Tomislav Tadić and Tomislav Grmek, members of the Management Board.

On March 25, 2021, the member of the Supervisory Board, Ana Hanžeković Krznarić, resigned from the membership in the Supervisory Board of the Company, which resignation is valid from the day of election of new members of the Supervisory Board of the Company.

The Company continues, just as in the previous period after the execution of the Settlement, to perform its obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on April 30, 2014, case reference Stpn-354/13,

while payments of the claim in amount of HRK 20.639.799,23 is temporary postponed until regulation of relations with the creditor. The Company about the mentioned actions informs the public in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, [www.fina.hr](http://www.fina.hr).

Due to the merger with H1, the Company has become the universal successor of all the rights and obligations of H1, 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 informs the public regularly about its actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, [www.fina.hr](http://www.fina.hr).

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

## I.2

## Statement of the Chairman of the Board

“In the first quarter of 2021, Optima Telekom Group recorded a decline in EBITDA before one-time items after leases of 11.0% compared to the same period last year, which is primarily the result of greater negative impacts of IFRS 15 and a lower own work capitalization, while at the same time it records an EBITDA margin decline of 2.0 percentage points, so EBITDA margin amounts to 24.0%. Since the stated negative effects are of an accounting nature, the respective reductions in EBITDA did not affect the Group’s cash flow. In the same period, there was a decrease in revenue by 3.5%, which is largely due to the reduced user base compared to the same period last year. Consolidated capital investments in the first quarter of 2021 amounted to HRK 22.3 million, while the net loss amounted to HRK 4.6 million.

In the residential segment in the first quarter of 2021, the greatest emphasis was placed on preserving the user base and increasing its value, but despite this, the total number of service users (IPTV, Internet, JGU) compared to the same period last year decreased by 5.4 %, which resulted in a decrease in telecommunications revenues by 6.2% in the residential segment. The decrease in the user base of services (IPTV, Internet, JGU) in the first quarter of 2021 refers to the segment of public voice service and the Internet, which is largely caused by the continuation of the trend of substitution of services based on mobile technology.

In the business segment, the first quarter of 2021 was marked by activities related to the sale of telecommunications services to customers as part of entire ICT projects, renewal of contractual relations with existing customers, and the implementation of ICT projects financed partly by EU grants. In the business segment in the first quarter of 2021, total revenues from ICT and telecommunications services together recorded a growth of 1.3% compared to the same period last year. Revenues from the sale of ICT solutions and services amounted to HRK 3.6 million, which is an increase of 21.9% compared to the first qu-



Boris Batelić,  
Chairman of the Board

arter of 2020, while revenues from telecommunications services in the business segment in the same period decreased by 1.5% as a consequence of a smaller number of service users in the segment of public voice service, internet and IPTV.

In the first quarter of 2021, total revenues from wholesale services recorded an increase of 12.1% compared to the same period last year, which is largely the result of an increase in the business volume in the field of international transit of voice services.

Consolidated capital investments in the first quarter of 2021 amounted to HRK 22.3 million, of which HRK 10.9 million was invested in content capitalization, while HRK 1.9 million was invested in the construction of optical infrastructure, access network and network core. In the same quarter, investments in customer equipment for providing services to residential and business users amounted to HRK 7.0 million, and HRK 2.5 million was invested in information technology systems.

In the first quarter of 2021, the Group made a loss in the amount of HRK 4.6 million, and the Company in the amount of HRK 4.5 million. The negative financial result achieved at the level of the Group and the Company is influenced



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

More than a year we have been living and working in extraordinary and difficult circumstances, but we are still intensively and dedicatedly focused on providing a stable and quality service to our customers and on the execution of our strategic and operational

tasks and projects. I would like to single out the successful completion of the project of integrating a new billing system and the introduction of business process management systems for private and business users, which will increase the efficiency of product and service catalogue management and enable faster response to market needs. I would like to thank all the employees and partners who contributed to the successful completion of these extremely important projects.”

## I.3

## Market overview

### Fixed Telephony Market

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

If we compare the total revenue from telephone services in the fixed public communications network in the fourth quarter of 2020 with the third quarter in 2020 year, a decline in revenue of 1.4% is visible, while the total number of connections in the observed period is lower by 0.1%. The fourth quarter of 2020 year, compared to the same period in 2019 year, recorded a decline in total revenues by 7.2%. In the same period, the total number of connections decreased by 2.2%.

The last quarter of year 2020 recorded a significant increase in total outgoing traffic compared to the previous period, which is associated with the continuation of the specific health and economic situation in the market, but also traditionally higher calls and minutes in the holiday period at the end of the year. If we compare the fourth quarter of 2020 year with the third quarter of 2020 year, the total outgoing traffic (in minutes) of all fixed public communications network operators increased by 20.6%, while compared to the same quarter of 2019 year, an increase of 13.4 % is visible.

### Broadband Access Market

In the fourth quarter of 2020 year, the use of broadband Internet services via fixed networks continued to grow, which was further stimulated by the situation caused

by the COVID-19 virus.

Compared to the third quarter of 2020 year, the number of broadband access connections via fixed networks increased by 0.4%, while revenues from Internet access via fixed network for the same period increased by 0.5%. If we compare the fourth quarter of 2020 year with the same period in 2019 year, the number of broadband access connections via fixed networks decreased by 10.7% while revenues from Internet access via fixed network in the same period decreased by 8.5%

The total revenue from Internet access services in the fourth quarter of 2020 year is lower by 9.0% compared to the third quarter of 2020 year, while compared to the fourth quarter of 2019 year, a growth of 5.3% is visible.

### IPTV Market

The Internet Protocol based television (IPTV) market continues its positive growth trend. Comparing the fourth quarter of 2020 year with the third quarter of 2020 year, the increase in the total number of connections is 0.7%, while compared to the same quarter of 2019 year, an increase of 1.7% was recorded. The number of connections of private users shows a positive growth in contrast to business users, so the increase in private users is 0.8%, and in business users there is a visible decrease of 0.3% compared to the third quarter of 2020 year. If we compare with the same quarter in 2019 year, private users have a growth of 1.9% while business users recorded a decline of 0.5%.

# Economic environment

## I.4

The real value of GDP decreased by 7.0% on an annual basis in the last quarter of last year, which is significantly less than in the previous two quarters. Such a decline continued to be mostly due to the reduced value of exports. Due to the COVID pandemic and its consequences for the decline in domestic and foreign demand, as well as the closure of the economy, GDP was 8.4% lower in real terms last year than in the previous year. Such a decline was in line with global trends. The biggest impact on the decline in GDP was the real decline in the value of exports of services of as much as 45.2% on an annual basis. Such a decline in exports of services was a consequence of far weaker performance in tourism. In some activities, however, growth was recorded, and the highest growth rates were achieved in construction (4.1%) and information and communication (3.9%).

In January, the (temporary) administrative unemployment rate increased compared to December 2020 (9.8% vs 9.5%). The monthly decline in the number of employees was the largest within the activity of accommodation and food service, and trade. On the other hand, a large monthly increase in the number of employees was recorded in construction and computer programming. Compared to the same period last year, the unemployment rate was higher by 1.4 percentage points in January. In February, for the first time since September last year, there was a monthly decline in the number of the unemployed (- 1.8%), with most new employees in the industry. In January, the survey's seasonally adjusted unemployment rate (ILO methodology) was 7.1%, up 1.1 percentage points from a year earlier. Croatia's rate was slightly lower than the EU average (7.3%), for the first time since March last year. Among the 22 members for which data were published, Croatia had the eighth highest rate. The annual growth of the unemployment rate in Croatia was above the growth of the average rate at the EU level (1.1 versus 0.7 percentage points). The unemployment rate in the EU was the highest since the end of 2008. The average net salary in legal entities in 2020 amounted to

HRK 6,763 and was 2.6% (in real terms) higher than in the previous year, thus maintaining the same dynamics of real growth as in 2019. The average gross salary per employee in legal entities in 2020 amounted to HRK 9,216 and was higher by 2.5% (nominally) or 2.4% (real) compared to the 2019 average. Due to the still current coronavirus pandemic, it is very difficult to predict wage developments monthly and yearly in the coming months.

Last year's slight depreciation of the kuna against the common currency of the euro area continued during the first two months of this year. Specifically, the average middle exchange rate of the kuna against the euro in that period was 1.6% lower than in the same period last year. Such a movement in the average exchange rate was primarily due to last year's trends. Namely, under the influence of the closure of the economy during the second part of March and the first part of April, there was a more pronounced increase in the value of the euro, which was subsequently mitigated, and the whole year was largely marked by a significant decrease in foreign exchange earnings from tourism, which caused weakening of kuna against euro. During January and February, no more pronounced oscillations were recorded, the average middle exchange rate of the euro was 7,5619 kuna, and the highest 7,5822. Although the further development of the COVID pandemic and consequently this year's tourism achievements are still unknown, it is expected that under the influence of some recovery as well as significant inflow of funds from various EU funds, there should be no significant pressure on exchange rates. According to other major global currencies, the kuna fluctuated slightly more during the first two months due to their relationship with the euro. Thus, at the end of February, it was 1.9% lower against the US dollar than at the very beginning of the year.

Due to non-executed payment bases on February 28, 2021, 233,736 consumers were registered, which is 6,151 or 2.6% less than a year ago. Consumer debt basically amounted to HRK

16.9 billion (principal), which is HRK 0.1 billion (0.9%) more than in February 2020. The largest part of the debt, in the amount of HRK 5.1 billion (excluding interest), referred to the debt of consumers to banks as creditors, and to all financial institutions the debt amounted to HRK 5.9 billion. From the analysis of consumer debt, by segments, the largest number

of consumers, 103,050 of them, owe less than HRK 10,000. The amount of HRK 10,000 to HRK 100,000 is owed by 100,904 consumers. The smallest number of consumers, 1,537, owe more than HRK one million. Consumers who have debts of more than one million HRK account for 38.5% of the total debt.

## I.5

# Regulatory Environment

In this reporting period, the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) made final decisions on new prices of regulated wholesale services in the market of wholesale local access provided at a fixed location (M3a market) and the market of wholesale central access provided at a fixed location for mass market products (M3b market). The new prices for the M3a and M3b markets will be in force from April 1, 2021, and the same will have a positive impact on the Company's operations. In the next reporting period, decisions on new wholesale prices for regulated markets of wholesale high-quality

access are expected (M4 and exM14).

In this reporting period, HAKOM completed the regular annual update of the Margin Squeeze Test model, which the Company is obliged to apply in relation to the corresponding retail prices for new regulated products and services, which it will include in its offer from April 1, 2021.

In this reporting period, there were no significant changes in laws and regulations in the field of electronic communications.

# Business indicators and segments

I.6

Number of Customers	31.03.2021	31.12.2020	31.03.2021/ 31.12.2020	31.03.2020	31.03.2021/ 31.03.2020
<b>Business</b>					
PVS	16.130	16.396	-1,6%	17.166	-6,0%
IPTV	1.606	1.595	0,7%	1.682	-4,5%
Internet	15.195	15.388	-1,3%	15.874	-4,3%
Data	2.970	2.980	-0,3%	2.910	2,1%
<b>Residential</b>					
PVS	142.726	146.687	-2,7%	154.782	-7,8%
IPTV	55.475	55.850	-0,7%	54.947	1,0%
Internet	101.551	103.956	-2,3%	107.256	-5,3%

## a. Residential Sales Segment

In the first quarter of 2021, in the segment of residential sales, Optima Telekom recorded negative parameters compared to the last quarter of 2020.

After a series of consecutive quarters with positive growth in the IPTV segment, in the first quarter of 2021, negative parameters for the user base and revenues are visible. If we compare the first quarter of 2021 with the fourth quarter of 2020, the number of users of the IPTV service decreased by 0.7%. In the same period, the decline in the number of IPTV service users was followed by a decline in revenues from IPTV users in the residential segment of 6.9%. Compared to the same quarter in 2020, the first quarter of 2021 recorded an increase in the number of IPTV service users in the re-

sidential segment of 1.0%, which is mainly the result of numerous activities in 2020 towards new and existing residential users that resulted in contracting packages containing the IPTV service. Revenue from IPTV services compared to the first quarter of 2020 increased by 2.4%. In 2020, the Company carried out a series of activities aimed at attracting new IPTV users and retaining existing IPTV users.

In the segment of Internet service users, a decrease of 2.3% was recorded compared to the fourth quarter of 2020. The impact of a smaller number of residential Internet service users is visible in revenues from Internet services, which fell by 4.7% compared to the fourth quarter of 2020. Compared to the first quarter of 2020, the user base of Internet services decreased by 5.3%, while revenues in the same period decreased by 9.3%.

The number of residential users of fixed public voice service shows the continuation of the negative trend from previous periods. Substitutive technologies continue to 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 fourth quarter of 2020. Revenue from telephone services in the fixed public communications network, for the residential segment, decreased by 6.1% compared to the fourth quarter of 2020. If we compare the number of users of fixed public voice service with the same quarter in 2020, the user base is lower by 7.8% while revenue is lower by 5.5%.

The total number of residential users fell by 2.8% compared to the fourth quarter of 2020, while the revenue side showed a decline of 5.5% due to negative trends. The total number of residential users in the first quarter of 2021 was lower by 7.9% compared to the same quarter in 2020, and the total decline in revenues was 6.2%.

### b. Business Sales Segment

The activities of business sales channels in the first quarter of 2021 were focused on the targeted acquisition of telecommunications services to customers as part of overall 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 fourth quarter of 2020, there was a decrease in revenues of 1.8%, while revenues compared to the same period last year decreased by 7.9%. The customer base in the segment of public voice service is lower by 1.6% compared to the fourth quarter of 2020, and compared to the same period last year the decrease is 6.0%.

This decline is mostly the result of the national trend of reducing the use of public voice service, the substitution of fixed voice service with voice service in the mobile network and the migration of Optima Telekom users to more advanced solutions and packages.

In the segment of broadband Internet access, compared to the fourth quarter of 2020, revenue increased by 1.3%, while compared to the same period last year, revenue increased by 2.8%. Compared to the same period in 2020, the user base of broadband Internet access decreased by 4.3%, and compared to the fourth quarter of 2020 by 1.3%.

Revenue trends in the broadband Internet access se-

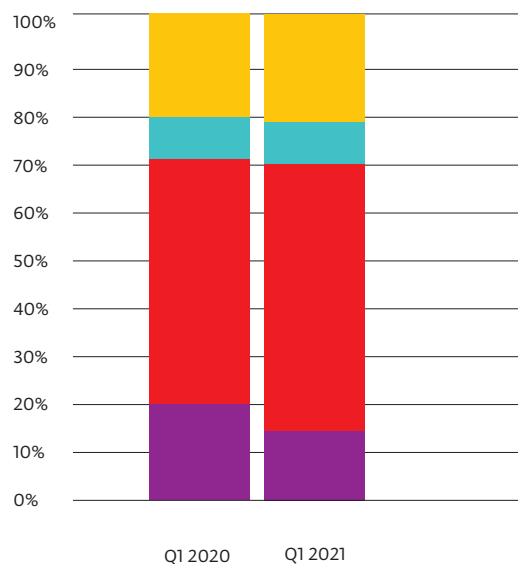
gment are a consequence of sales activities focused on the sale of higher access Internet access services and the realization of services contracted in the segment of key business users, i.e. increased demand for higher access speeds due to new modes resulting from the coronavirus pandemic.

In the data services segment, compared to the previous quarter, Optima Telekom recorded a decline in the customer base of 0.3% with stable revenues. Compared to the same quarter in 2020, revenue growth of 1.7% is visible, with a user base growth of 2.1% due to increased sales of the private data connection service on an asymmetric approach.

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

In the first quarter of 2021, Optima Telekom continues to record positive trends in the segment of sales of ICT solutions and services with a revenue of around HRK 3.6 million with a margin of 17.5%. The result was achieved due to a strong focus on the sale of ICT solutions and services and cooperation with ICT partners with whom Optima Telekom responds well to market needs.

Interconnection Income Structure



- VAS income
- Termination income
- Transit income
- Data services

Data Source: Company's business records

In the first quarter of 2021, total revenues from wholesale services recorded an increase of 12.1% compared to the same period last year, and an increase of 13.8% compared to the fourth quarter of 2020.

The increase in wholesale revenues in the first quarter of 2021 compared to the same period last year was largely due to the increase in voice transit services (23.7%), which is due to the increase in international transit of voice wholesale services. This increase was accompanied by an increase in revenues from termination in the Company's network of 12.9% and an increase in revenues from VAS of 19.6%. Revenue from data services decreased by 22.7%, mostly due to the cancellation of services of one major user of data services.

Compared to the fourth quarter of 2020, revenues from transit increased by 38.8%, while revenues from other services decreased by 11.4% for termination services in the Company's network, and by 13.5% for the area of data services, which is a smaller decrease compared to the first quarter of 2020. Revenues from VAS services increased by 0.9% compared to the fourth quarter of 2020.

### **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. At the beginning of the second quarter of 2021, an upgrade of UC software and databases is planned, which will enable the introduction of new functionalities.

In order to upgrade the core of the voice network and raise the level of quality and innovation of voice services in the first quarter of 2021, bids were collected from potential suppliers as part of the tender for IMS (IP Multimedia Subsystem) system, which will enable the transition from NGN voice network architecture to standardized IMS architecture.

#### **Data networks**

In order to upgrade the capacity of the IP/MPLS

core of the packet, transport network and 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 have been expanded.

#### **Transmission networks**

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

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

The development of the fiber optic infrastructure, i.e. the construction of its own fiber optic network, during the first quarter of 2021, consisted mostly of the construction of the access fiber optic network, i.e. access to the locations of our business users.

Speaking of numbers, this is a total of 9.97 km of new fiber optic network, which consists of the construction of 41 new fiber optic connections.

The largest number of connections was made in the area of western Croatia (16 connections), southern Croatia (10 connections), northern Croatia (9 connections) and eastern Croatia (6 connections).

**Access networks**

In the fourth quarter of 2020, work continued on expanding the capacity of the Unbundled Local Loop (ULL) network, primarily on increasing the number of vDSL access interfaces.

At the end of the first quarter of 2021, the number of vDSL access interfaces was 32,030, which is an increase of 4.7% compared to 30,595 access interfaces installed at the end of the fourth quarter of 2020.

**Power systems**

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

In the first quarter of 2021, 76 batteries were

replaced in 11 telecommunications hubs.

The power supply of the Zagreb-Bosiljevska and Varaždin nodes was also reconstructed in order to provide power to the new DWDM systems.

**Information technologies (IT)**

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

The remaining user accounts (<10%) were migrated from the old to the new billing system, which was integrated into the oss Optime (Operations Support System) in the fourth quarter of 2020.

Additionally, the automation of basic business processes for large business users has been developed into an oss system through a workflow engine system connected to a new billing system.



# Financial Results of the Group

I.7

Summary (in tsd HRK)	Q1 2020	Q1 2021	Q1 2021/ Q1 2020
Total income	112.376	108.431	(3,5%)
Total expenses	77.545	76.603	(1,2%)
Depreciation and impairment	29.218	30.773	5,3%
EBIT	5.613	1.055	(81,2%)
Financial result (net)	(9.558)	(6.047)	(36,7%)
Profit (loss) before tax	(3.945)	(4.993)	26,5%
Deffered taxes	(135)	419	(410,8%)
Net profit	(4.080)	(4.574)	12,1%
<b>EBITDA before one time items after lease</b>	<b>29.282</b>	<b>26.061</b>	<b>(11,0%)</b>
<b>EBITDA margin before one time items after lease</b>	<b>26,1%</b>	<b>24,0%</b>	<b>(2,0%)</b>

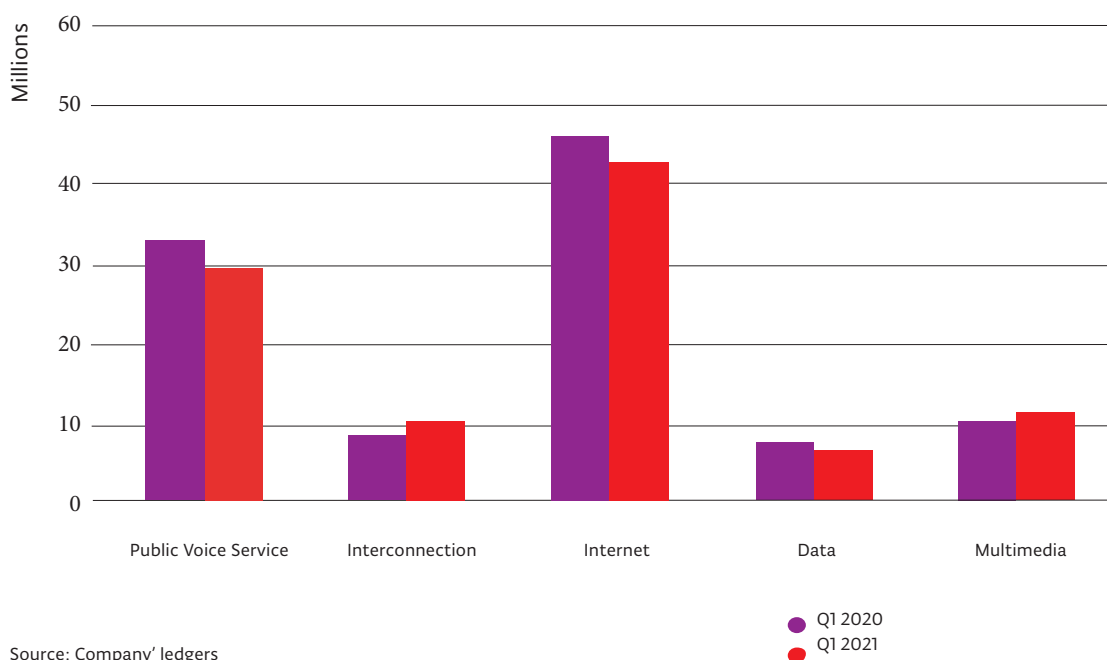
**a. Unconsolidated Results of the Company**

Summary (in tsd HRK)	Q1 2020	Q1 2021	Q1 2021/ Q1 2020
Total income	112.194	108.431	(3,4%)
Total expenses	77.396	76.574	(1,1%)
Depreciation and impairment	29.186	30.743	5,3%
EBIT	5.612	1.114	(80,1%)
Financial result (net)	(9.559)	(6.030)	(36,9%)
Profit (loss) before tax	(3.947)	(4.916)	24,6%
Deffered taxes	(135)	419	(410,8%)
Net profit	(4.081)	(4.497)	10,2%
<b>EBITDA before one time items after lease</b>	<b>29.250</b>	<b>26.090</b>	<b>(10,8%)</b>
<b>EBITDA margin before one time items after lease</b>	<b>26,1%</b>	<b>24,1%</b>	<b>(2,0%)</b>

Compared to the first quarter of the previous year, the Group achieved lower EBITDA before one-time items after leases by 11.0%, while EBITDA at the Company level was lower by

10.8%. These developments at the Group and Company levels are primarily the result of greater negative impacts of IFRS 15 and lower own work capitalization achievement.

Telecommunication Services Revenue



Source: Company' ledgers

## b. Consolidated Revenues

Total revenues from services in the first quarter of 2021 recorded a decrease of 3.5%, compared to the same period last year.

As a consequence of the general trend at the global level, revenues from the public voice service in the first quarter of 2021 compared to the same period last year decreased by 6.1%. Internet revenues in the first quarter of 2021 recorded a decrease of 6.8% due to a smaller user base and increased demand for the Internet via mobile networks.

Revenues from data services in the first quarter of 2021 compared to the same period last year decreased by 7.8%, mostly due to the termination of contracts with one major user of data services. Revenues from interconnection increased by 21.3% in the first quarter of 2021 compared to the same period last year due to the growth of revenues from voice transit

services.

Revenues from multimedia in the first quarter of 2021 increased by 2.2% compared to the same period last year under the influence 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 26.1 million and is HRK 3.2 million lower compared to the same period last year. The achieved reduced EBITDA is primarily a reflection of the negative impacts of the application of IFRS 15 and lower own work capitalization.

EBITDA margin after leases at the level of the first quarter of 2021 for the Group is 24.0%, which is a decrease of 2.0 percentage points

compared to the same period last year. The same trends of the Group are present at the level of the Company.

#### d. Net profit/(loss)

In the first quarter of 2021, the Group made a loss in the amount of HRK 4.6 million, and the Company in the amount of HRK 4.5 million. The achieved negative financial result on Group and the Company level is influenced by lower EBITDA before one-time items after leases and higher depreciation, which is partially mitigated by the positive impact of the financial result and taxation.

#### e. Capital investments in 2021

Consolidated capital investments in the first quarter of 2021 for the Group and the Company amounted to HRK 22.3 million, of which HRK 10.9 million was invested in content capitalization, while HRK 1.9 million was invested in the construction of optical infrastructure, access network and core network. In the current quarter, investments in customer equipment for the provision of services to residential and business customers amounted to HRK 7.0 million, and HRK 2.5 million was invested in information technology systems.

	Q1 2021 (in 000 HRK)	share %
<b>General Investments</b>	<b>19</b>	<b>0,1%</b>
<b>Capital Technical Investments</b>	<b>22.281</b>	<b>99,9%</b>
ACCESS Network	7.002	31,4%
CORE Network	1.919	8,6%
Telecommunications Center	2.452	11,0%
Content capitalization	10.908	48,9%
<b>TOTAL</b>	<b>22.300</b>	<b>100,0%</b>

## f. Risk Management

### Currency Risk Management

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

### Interest risk

The Group's and the Company's exposure to interest risk is not significant, since the Group and the Company do not have liabilities subject to variable interest rates.

The remaining assets and liabilities, including issued bonds, are not exposed to interest risk.

### Credit risk

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

The Group and the Company consider that their maximum exposure reflects in the amount of receivables from debtors, minus value depreciation reservations recognized on the date of the financial position report.

### Liquidity risk management

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

### Risk management related to virus COVID-19

The Group and the Company continuously monitor the situation regarding COVID-19 and related impacts on its operations. The emergence of the COVID-19 virus has affected all industries and highlighted the need for a strong digital infrastructure in business and all segments of society.

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.

Having in mind the further development of the situation with COVID-19, there are potentials and risks in the segments of revenues 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 impact on operating operations and financial results through continuous activities.

## Purchase of Own Shares

The Company does not own its own shares on March 31, 2021.

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

# Profit and Loss Account

II. 1

Position name	Group		Company	
	I-III 2021.	I-III 2020.	I-III 2021.	I-III 2020.
	<i>In thousand HRK</i>			
Sales	107.702	111.517	107.702	111.336
Other operating income	729	859	729	859
	<b>180.431</b>	<b>112.376</b>	<b>108.431</b>	<b>112.194</b>
Merchandise, material and energy expenses	(4.130)	(3.221)	(4.126)	(3.124)
Interconnection fee expenses	(31.786)	(30.395)	(31.786)	(30.395)
Rent of telecommunication equipment	(2.517)	(2.816)	(2.517)	(2.816)
Customer attraction expenses	(3.509)	(4.146)	(3.509)	(4.146)
Other service expenses	(14.071)	(15.362)	(14.057)	(15.356)
Staff costs	(12.743)	(13.679)	(12.743)	(13.679)
Own work capitalised	2.781	4.096	2.781	4.096
Amortization	(30.773)	(29.218)	(30.743)	(29.186)
Provision for trade receivables - net	(3.791)	(4.698)	(3.719)	(4.698)
Net loss on disposal of assets and equipment	0	(130)	0	(1)
Other operating expenses	(6.838)	(7.194)	(6.827)	(7.187)
	<b>(107.376)</b>	<b>(106.763)</b>	<b>(107.317)</b>	<b>(106.582)</b>
<b>OPERATING PROFIT</b>	<b>1.055</b>	<b>5.613</b>	<b>1.114</b>	<b>5.612</b>
Finance income	46	43	70	61
Finance costs	(6.093)	(9.601)	(6.100)	(9.619)
<b>Finance costs - net</b>	<b>(6.047)</b>	<b>(9.558)</b>	<b>(6.030)</b>	<b>(9.559)</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>(4.993)</b>	<b>(3.945)</b>	<b>(4.916)</b>	<b>(3.947)</b>
Income tax expense	419	(135)	419	(135)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(4.574)</b>	<b>(4.080)</b>	<b>(4.497)</b>	<b>(4.081)</b>
Other comprehensive income	0	0	0	0
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>(4.574)</b>	<b>(4.080)</b>	<b>(4.497)</b>	<b>(4.081)</b>

Data Source: Company's business records

## II. 2

**Balance Sheet**

<i>In thousand HRK</i>	<b>Group</b>		<b>Company</b>	
	<b>31.03.2021.</b>	<b>31.12.2020.</b>	<b>31.03.2021.</b>	<b>31.12.2020.</b>
<b>ASSETS</b>				
Intangible assets	152.816	151.877	152.816	151.877
Property, plant and equipment	340.852	308.940	302.503	306.567
Right-of-use assets	40.765	40.397	40.765	40.397
Investments in subsidiaries	-	-	86	86
Contract assets	6.598	7.990	6.598	7.990
Given loans	504	505	504	505
Deposits	3.466	3.451	3.466	3.451
Available-for-sale financial assets	-	-	-	-
Deferred tax assets	3.153	2.735	3.153	2.735
Other non-current assets	278	240	278	240
<b>Non-current assets</b>	<b>512.432</b>	<b>516.135</b>	<b>510.169</b>	<b>513.848</b>
Inventories	973	1.686	973	1.686
Trade and other receivables	79.955	89.729	79.776	89.521
Contract assets	6.861	8.177	6.861	8.177
Given loans	-	-	3.286	3.268
Deposits	-	-	-	-
Other assets	4	4	4	4
Prepaid expenses and accrued income	2.079	1.071	2.076	1.068
Cash and cash equivalents	26.328	25.637	26.291	25.595
<b>Current Assets</b>	<b>116.200</b>	<b>126.304</b>	<b>119.267</b>	<b>129.319</b>
<b>TOTAL ASSETS</b>	<b>628.632</b>	<b>642.439</b>	<b>629.436</b>	<b>643.167</b>
<b>EQUITY AND LIABILITIES</b>				
Issued share capital	694.433	694.433	694.433	694.433
Capital gains	178.234	178.234	178.234	178.234
Accumulated losses	(862.171)	(857.598)	(861.326)	(856.829)
<b>Equity</b>	<b>10.496</b>	<b>15.069</b>	<b>11.341</b>	<b>15.838</b>
Long-term borrowings	118.654	122.510	118.654	122.510
Issued bonds	15.430	23.579	15.430	23.579
Trade payables	2.842	2.320	2.842	2.320
Long-term lease liabilities	17.497	15.105	17.497	15.105
Provisions	55	55	55	55
Deferred income	14.027	14.734	14.027	14.734
<b>Non-current liabilities</b>	<b>168.505</b>	<b>178.303</b>	<b>168.505</b>	<b>178.303</b>
Short-term borrowings	240.084	235.937	240.084	235.937
Issues bonds	23.116	23.623	23.116	23.623
Trade payables	143.737	146.409	143.711	146.383
Short-term lease liabilities	13.120	15.214	13.120	15.214
Provisions	226	226	226	226
Accrued expenses and deferred income	20.495	18.665	20.495	18.665
Other current liabilities	8.853	8.993	8.838	8.978
<b>Total non-current liabilities</b>	<b>449.631</b>	<b>449.067</b>	<b>449.590</b>	<b>449.026</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>628.632</b>	<b>642.439</b>	<b>629.436</b>	<b>643.167</b>

Data Source: Company's business records



# Cash Flow

## II.3

Posititon name	<i>In thousand HRK</i>		<b>Group</b>		<b>Company</b>	
			<b>I - III 2021.</b>	<b>I - III 2020.</b>	<b>I - III 2021.</b>	<b>I - III 2020.</b>
<b>Operating activities</b>						
Total profit before taxes			(4.993)	(3.945)	(4.916)	(3.947)
Amortization			30.773	29.218	30.743	29.186
Decrease/(increase) in inventories			713	(520)	713	(520)
Increase/(decrease) in contract assets			7.645	(6.714)	7.616	(6.592)
Increase/(decrease) in trade payables and other liabilities			(6.994)	(64.641)	(6.995)	(64.779)
Other increase/(decrease) in cash flow			3.676	6.642	3.683	6.661
<b>Net cash flow from operating activities</b>			<b>30.821</b>	<b>(39.960)</b>	<b>30.843</b>	<b>(39.991)</b>
<b>Cash flow from investing activities</b>						
Payments for property, plant and equipment			(10.087)	(14.959)	(10.087)	(14.959)
Proceeds from sale of property, plant and equipment			(14)	(18)	(32)	(36)
<b>Net cash flow in investing activities</b>			<b>(10.101)</b>	<b>(14.977)</b>	<b>(10.119)</b>	<b>(14.995)</b>
<b>Cash flow from financing activities</b>						
Proceeds from borrowing			-	201.000	-	201.000
Repayment of finance lease liability and brorrowings			(20.028)	(180.992)	(20.028)	(180.992)
<b>Net cash used in financing activities</b>			<b>(20.028)</b>	<b>20.008</b>	<b>(20.028)</b>	<b>20.008</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>			<b>692</b>	<b>(34.929)</b>	<b>696</b>	<b>(34.978)</b>
Cash and cash equivalents at 1 January			25.637	44.990	25.595	44.943
<b>Cash and cash equivalents at 31 March</b>			<b>26.328</b>	<b>10.061</b>	<b>26.291</b>	<b>9.965</b>

Data Source: Company's business records

## III.

## Statement of Persons in Charge of Financial Reports


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](http://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