

**OT - Optima  
Telekom d.d.  
Unconsolidated  
Report for the first  
nine months  
of 2016.**

20  
16

**Optima**  
TELEKOM



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# Corporate Governance and General Information

|                           |   |
|---------------------------|---|
| <b>SUPERVISORY BOARD</b>  | Siniša Đuranović — CHAIRMAN<br>Ariana Bazala-Mišetić — DEPUTY CHAIRMAN<br>Marina Brajković — MEMBER<br>Jasenka Anica Kreković — MEMBER<br>Marko Makek — MEMBER<br>Ana Hanžeković — MEMBER<br>Rozana Grgorinić — MEMBER<br>Maša Serdinšek — MEMBER<br>Ivica Hunjek, Member — EMPLOYEE REPRESENTATIVE |
| <b>BOARD OF DIRECTORS</b> | Zoran Kežman — CHAIRMAN<br>Irena Domjanović — MEMBER<br>Mirela Šešerko — MEMBER<br>Tomislav Tadić — MEMBER  |
| <b>IBAN</b>               | HR3023600001101848050<br>Zagrebačka banka d.d. Zagreb<br>Commercial Court of Zagreb   |
| <b>OIB</b>                | 36004425025   |
| <b>MBS</b>                | 040035070   |
| <b>MB</b>                 | 0820431   |
| <b>SHARE CAPITAL</b>      |   |
| <b>AMOUNT</b>             | 635.568.080,00 HRK  |
| <b>NUMBER OF SHARES</b>   | 63.556.808, nominal value of HRK 10.00 each   |

# Optima Telekom Group Members and Regional Centers

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21, 6 000 Koper, Republika Slovenija
- Optima telekom za upravljanje  
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I. **Business and Financial  
Overview**

# Introduction

## I.1

In the observed quarter, the Company has continued to operate successfully, which is also witnessed by the fact that the Company entered into a Acquisition Agreement with H1 TELEKOM d.d., Split, Dračevac 2/d, OIB: 88551335012, an electronic communications operator, on 29 July 2016. Pursuant to the said Agreement, after obtaining the required approvals and consents, H1 as the acquired company will become part of Optima as the acquiring company, with all of its assets, rights and obligations transferred to Optima, without conducting the liquidation of the acquired company. As consideration for the transfer of all assets rights and obligations of H1, Optima shall transfer Optima shares to H1 shareholders in the appropriate ratio. The acquisition should take effect on 1 January 2017, after obtaining all required approvals and consents. The purpose of the acquisition is to achieve positive synergies between the companies and the increase Optima's value for the existing and new shareholders (the former shareholders of H1).

The Company feels that business, organizational, legal and financial association is in the mutual interest of both Optima and H1, considering that the acquisition and the achievement of envisaged synergies will result in enhancing business efficiency and reducing

costs, which will in turn inevitably result in a value increase for Optima as the third respectable operator in the fixed telephony market. Therefore, and pursuant to the Competition Act, on 29 July 2016 Optima filed a Notification of Intended Concentration with the Croatian Competition Agency (AZTN) and the proceedings are pending.

In the observed quarter, there were no changes to the Company's governing bodies.

Just as in the previous two-year period, the Company continues to duly perform all due obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on 30 April 2016, case reference Stpn-354/13, and reports to the public regarding the said actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, [www.fina.hr](http://www.fina.hr).

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

## I.2

## Statement by the Chairman of the Board

Through our proactive business and customer orientation and provision of high quality services rich in content, we continue to achieve good business results. At the end of the third quarter, we are particularly satisfied with the ongoing increase in revenue. Reversing the revenue trends was a highly challenging task, so we are very proud to have been able to compensate the general decrease in revenue from public voice services with a significant increase in revenue from Internet, multimedia and data services, which has persisted for three quarters in a row now.

Our plans for the upcoming period are aimed at further infrastructural development enabling high Internet speeds and, particularly for the business segment, expansion in the ICT market, all with a view to further strengthen Optima's market position.



Zoran Kežman,  
Chairman of the Board



# Market Overview

## I.3

### Fixed Telephony Market

The fixed telephony market is still recording negative trends. The total outgoing traffic (in minutes) of all fixed public communications network operators in the second quarter of 2016 was 3.8% lower compared to the previous quarter. In spite of the drop in traffic, revenues have stabilized in this period and have increased by 1.8% as opposed to the annual level where the decrease in traffic results in a decrease in revenue.

The total outgoing traffic (in minutes) of all fixed public communications network operators is 4.1% lower in the second quarter of 2016, compared to the traffic in the second quarter of 2015.

In that period, revenue has dropped by a significant 10.7%.

This negative trend in the fixed telephony market has been present for a while now and is predicted to continue in the future.

### Broadband Access Market

In the second quarter of 2016, the growing trend in the use of broadband Internet access via fixed networks continued. Compared to the first quarter of 2016, the number of broadband access via fixed network connections increased by 1.4% in the second quarter of 2016, while revenue has increased by 4.8%.

Compared to the second quarter of the pre-

vious year, in the second quarter of 2016 the number of broadband access connections via fixed networks increased by 4.6%. At the same time, revenue increased by 3.9%.

The growing trend for the use of broadband Internet in Croatia should continue in the future. According to the European Commission report – DESI (Digital Economy and Society Index from 2015), Croatia is still behind in the field of Internet use. Only 66% of Croatians use the internet on a regular basis, while the EU average is 76%. A high speed connection is present in only 2.8% of fixed Internet subscribers, while in the EU this parameter is 30%.

### IPTV-a Market

The Internet protocol based television (IPTV) market has shown a minimal growth. Compared to the first quarter of this year, the total number of connections in the second quarter of 2016 is higher by 0.8%.

Comparing the total number of connections at the level of the second quarter of 2015 and the second quarter of 2016, it shows a similar increase, by 0.9%.

The total number of IPTV connections in the Croatian market has shown similar values for some time now, which indicates the stabilization of the IPTV market at this parameter.

# Economic Environment

## I.4

In the first quarter of this year, the gross domestic product grew by 2.7%, which is a relatively high increase rate considering the expectations. The greatest impact on this growth continues to come from the export of goods with a 9.4% increase rate, while the export of services also grew by a significant 4.6%. Apart from this, in the first three months of this year there was also a significant increase in personal consumption, which has the largest share in the overall demand structure. After a mild 1.2% recovery in the previous year, the actual

value of personal consumption increased in the first quarter of this year, by as much as 3.1%. State consumption is growing slightly as well and there is a mild recovery of investments into fixed assets.

In May, consumer prices were 1.8% lower than one year ago, which is a record in their annual decrease. This continues the trend of a negative annual change in prices which has been ongoing for eleven months. However, it should be noted that a price increase exceeding 0.1% has not been recorded since the end of 2014.

There are positive and optimistic indications in the employment trends, but the dynamic of positive changes is too slow, especially considering the low base (a continued drop over six years) and putting the employment in Croatia in the EU average context (Croatia has the second lowest employment rate of all EU members). Even though the number of registered unemployed persons now is below last year's level, and the number of employed persons is showing signs of stabilization and slight growth, the state of the active population is still on a steep downward slope (it's 53.3 thousand less at the annual level) because it remains under the pressure of unfavourable demographic trends and economic emigration (according to data from the Croatian Employment Bureau, 2 475 persons left to work abroad in the first five months), as well as problems of a complex and long term nature.

With the consumer prices dropping, the actual increase in salaries was significantly higher, so the gross salary actually increased by 2.6% and the net salary by 2.4%. The dynamic of faster growth in gross salaries than in net salaries is

higher in all the months of this year, which is connected with the fact that changes in income taxation no longer have an impact, while they influenced a strong increase in net salaries last year.

After a more prominent appreciation of the Croatian Kuna in March, in the subsequent months its value remained at a high level. More precisely, May started with an exchange rate of HRK 7.48 for one euro, and with minor oscillations ended with the exchange rate of HRK 7.49 for 1 EUR.

At the end of May, there were 32.8 thousand business entities with overdrawn bank accounts with just a little over HRK 19.4 billion debt which, compared to the previous year, is 15.2 thousand less business entities with overdrawn accounts and 8.7 billion less outstanding enforceable titles. This continued their decreasing trend which started after the introduction of the Financial Operations and Pre-bankruptcy Settlement Act at the end of 2012 and is now somewhat expedited due to the application of the new Bankruptcy Act which entered into force in September of last year.

## 1.5

# Regulatory Environment

In this reporting period, the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) rendered final decisions in all proceedings for the change of HT's monthly charges for wholesale services. The Company uses HT's wholesale services in order to provide retail services to its end customers.

Based on the updated cost model, and after calculating the new monthly charge for the wholesale unbundled access to the local loop service, HAKOM has calculated new prices of monthly charges for wholesale broadband access service and the wholesale high-quality access service, as well as new prices of interconnection services in fixed public communications network. Based on the "retail price minus" method, HAKOM also concluded the process of changing the prices of wholesale line rental services (hereinafter: WLR services). All the new wholesale service prices shall apply as of 1 January 2017, apart from the

prices of interconnections in the fixed public communications network and the prices of WLR services which shall apply as of 1 July 2017.

Out of the more relevant changes to legislation in force in the field of electronic communications, one should point out the entry into force of the new provisions of the Ordinance on the manner and conditions for provision of electronic communications networks and services. Namely, the operator's obligation to ensure that customers have a minimal broadband internet access speed of 70 percent of the maximum speed agreed for all services, as well as the obligation 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, shall apply as of 1 January 2017.

# Business Indicators and Segments

I.6

| Number of Customers | 30.09.2016 | 30.06.2016 | 30.09.2016/<br>30.06.2016 | 30.09.2015 | 30.09.2016/<br>30.09.2015 |
|---------------------|------------|------------|---------------------------|------------|---------------------------|
| <b>Business</b>     |            |            |                           |            |                           |
| PVS                 | 15.382     | 15.605     | -1,4%                     | 15.678     | -1,9%                     |
| IPTV                | 1.083      | 1.100      | -1,5%                     | 1.028      | 5,4%                      |
| Internet            | 11.717     | 11.890     | -1,5%                     | 11.073     | 5,8%                      |
| Data                | 1.408      | 1.401      | 0,5%                      | 1.269      | 11,0%                     |
| <b>Residential</b>  |            |            |                           |            |                           |
| PVS                 | 139.260    | 139.717    | -0,3%                     | 136.570    | 2,0%                      |
| IPTV                | 29.617     | 28.785     | 2,9%                      | 23.998     | 23,4%                     |
| Internet            | 89.565     | 89.423     | 0,2%                      | 84.919     | 5,5%                      |

NOTE: 1

## a. Residential Sales Segment

In the third quarter of 2016, Optima Telekom has continued to invest in marketing and sales activities aimed at the decrease in outflow of existing customers and the increase of the inflow of new customers.

Thanks to this, success has been achieved in the residential segment concerning customer base development for all types of services, while a significant increase in revenue has been achieved in the field of broadband Internet access and IPTV service.

Compared to the number of fixed public voice service residential customers in the third qu-

arter of 2015, Optima Telekom has concluded the third quarter of 2016 with a 2.0% increase, while in the third quarter of 2016 compared to the second quarter of 2016 the fixed public voice service residential customer base has had a minimal drop of 0.3%. However, the negative trends in revenue from fixed public voice service at the entire market level also reflect on Optima's revenue. Thus the revenue from fixed public voice service residential customers is 13.1% lower in the third quarter of 2016 compared to the third quarter of 2015, and 3.2% lower compared to the second quarter of 2016. However, considering the revenue trends in the first three quarters of 2015, it is

1

The data provided differs from previous data published in the Company's financial reports for 2015, solely in respect of the customer base data. This is a consequence of circumstances that occurred after the publication of financial reports but had affected reporting.

Namely, in the structure of providing services to end customers there was a change regarding the used wholesale service. Therefore, instead of the previous practice of performing services using the ULL or WLR+CPS+BSA wholesale services, new services are performed by using the ULL or NBSA wholesale service. In cases when the PVS is performed via ULL or via the wholesale WLR+CPS or WLR+CPS+BSA service, the income from PVS access is included in the category of income from PVS. However, in cases when the voice service is performed using the wholesale NBSA service, the access income is allocated and reported in the Internet income category, given that the whole service (both the voice service and the Internet service) has been provided through broadband Internet access. Regardless of the wholesale service used, the income deriving from voice minutes is always reported as PVS income.

obvious that in 2016 Optima slowed down the revenue drop in this segment compared to the revenue drops in previous periods, thanks to the positive customer base development.

In the broadband internet access segment, Optima is recording further increases in revenue and customer base expansion. In the third quarter of 2016, the broadband internet access revenue has increased by 18.6% compared to the third quarter of 2015, and by 2.6% compared to the second quarter of 2016. At the same time, the customer base also expanded by 5.5% compared to the third quarter of 2015, and by 0.2% compared to the second quarter of 2016.

There was a customer base increase in the residential customers IPTV segment as well, both at an annual and quarterly level. Compared to the same quarter of the previous year, there was a significant increase in the number of customers by 23.4% with a revenue increase of 21.1%. Compared to the second quarter of 2016, there has been a 2.9% increase in the number of customers, while the revenue is 2.0% higher.

## **b. Business Sales Segment**

In the business sales segment, the third quarter of 2016 has shown continuing positive trends due to targeted activities of all sales channels towards increasing the number of new connections and increasing the value of services to the existing customer base.

Compared to the number of active connections for public voice service customers in the business segment in the third quarter of 2015, Optima Telekom has concluded the third quarter of 2016 with a 1.9% decrease in the number of connections with a 9.5% revenue drop. Negative trends in the fixed public voice service business customers segment have been recorded at national level as well, which is the primary cause of the negative trend within Optima Telekom. The negative trends in the fixed public voice service segment at a national level are equally predicted in the future.

In the broadband Internet access segment there has been a 5.8% increase in the number of connections and a 16.1% increase in reve-

nue compared to the third quarter of 2015. In line with the market expansion trend and a growing demand for higher speeds in this segment, in the third quarter of 2016 Optima Telekom has had a 2.4% increase in revenue with a decrease in the number of connections compared to the second quarter of 2016, which is a result of activities aimed at increasing the value of services within the existing customer base.

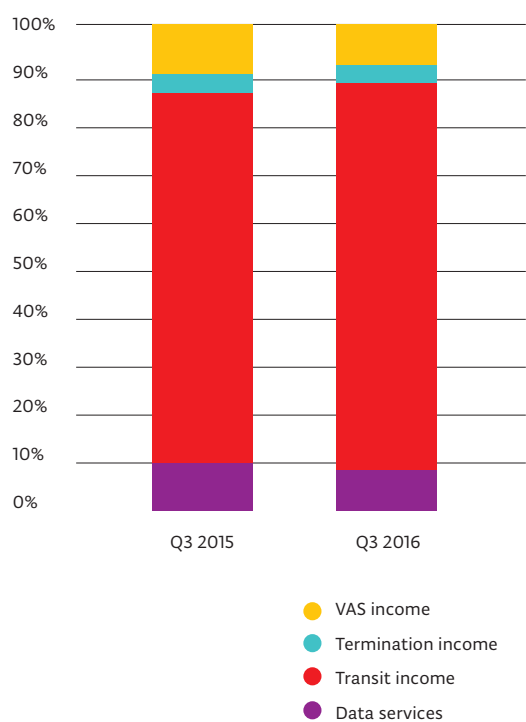
In the data services segment there was an increase in the number of connections by 11.0%, and a 15.0% increase in revenue compared to the third quarter of 2015. The trends are equally positive when compared to the second quarter of 2016, with a 1.8% increase in revenue, thanks to the realisation of several major projects of connecting key customer locations into private data networks in line with the demands of business operations, organization, safety and upgrading infrastructure.

During the third quarter of 2016 business sales greatly focused on offering ICT solutions to business customers in cooperation with several renowned partners. There were significant activities with an aim to constantly expand the partner network and the portfolio of ICT solutions and services. As per the last day of the third quarter of 2016, the revenue achieved in the first nine months 2016. amounted to HRK 0.8 million. In the future period we expect to further expand our internal organization and partner network to be able to respond to market demands and offer a wide spectrum of innovative solutions to both existing and new customers.

In the first nine months of 2016, the wholesale sales revenue increased by 8.7% compared to the same period of the previous year. Within these, the wholesale voice services sales (transit) revenue increased by 11.7%. This increase is a result of the positive impact of regulatory changes that entered into force on 1 April 2015, i.e. the deregulation of the interconnections charge in international calls originating outside the EU/EEA. For the same reason, termination revenue went up by 1.8%.

In the first nine months of 2016, VAS service sales revenue decreased by 3.1% compared to the same period of the previous year.

Interconnection Income Structure



Data Source: Company's business records

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

#### Voice Networks

In the first three quarters of 2016, the internally developed class 5 NGN switchboard, used for providing voice service to residential customers and to small business customers, has been upgraded.

The internally developed class 5 NGN switchboard used to provide voice service to business customers for the business trunking service has been integrated into the voice network.

The SBC-IC (Session Border Controller – Interconnection) system has been integrated, enabling the technological migration of existing TDM/ISUP IC connections to the IP/SIP IC connection. Technological progress and regulatory changes made it possible to achieve interconnections for voice interconnections by using new technologies and protocols (IP/SIP). The precondition was to introduce a new SessionBorderController system into Optima's voice network. This created the prerequisites for diminishing existing interconnection capacities for voice interconnections using older technologies (TDM/ISUP) to a minimum. During the first three quarters of 2016, within the in-

tegration, extensive functionality testing has been carried out when interconnecting voice networks with four domestic operators and the migration of voice traffic from the existing TDM/ISUP IC connections to the new IP/SIP IC connections for three domestic operators. Furthermore, a new system for advanced supervision and in-depth analysis of the customer and operator voice traffic in Optima's voice network core has been integrated, which provides a higher quality and more detailed analysis of realized calls, a faster and higher quality response to customer and operator issue reports, as well as a prompt analysis and troubleshooting when connecting new customers into the voice network.

#### Data Networks

In the first quarter of 2016, by upgrading capacities and increasing redundancy of the existing MPLS routing tables to 53 nodes (out of a total of 60), the physical optimization of the configuration of IP/MPLS routing tables has been carried out in order to enhance reliability. During the first quarter of 2016, the upgrade to the final 7 nodes has been completed.

A new BRAS system has been integrated into the network environment, which increased the capacity to take on new Internet users and enhanced the redundancy level within the BRAS systems themselves.

The system for automatic configuration of customer equipment has been upgraded (ACS - Automatic Configuration Server – TRO69) due to the increase in the number of customers. In the second quarter of 2016 new IPTV channels have been promoted into Optima's IP/MPLS network: Sport klub 4, 5 and 6 (in SD format), Sport klub 1, 2 and 3 (in HD format), HBO3 (SD) and HBO3 (HD), Orlando Kids (SD), Grand TV (SD), Fight Chanel World (HD), HRT2 (HD), Laudato TV (SD), CNBC (SD), Fight Cannel (Pay Per View) (SD).

There has been an upgrade to the telecommunications connections for interconnecting the networks of Hrvatski Telekom and Optima, with a view to exchange bitstream traffic. Multiple interfaces at a 1Gb/s level have been upgraded by multiple interfaces with a capacity of 10Gb/s. The traffic migration from old domains into new interconnection domains is ongoing.

During the first three quarters of 2016, the scope of vDSL access technology has been



additionally expanded.

### **Network Infrastructure and Optical Fibre Network**

Optical infrastructure development, i.e. the construction of the individual optical fibre network in the first three quarters of 2016 consisted primarily of the construction of optical feeds to our new end wholesale and retail customers.

In numbers, we are talking about 61.3 km of new optical fiber network in the first three quarters, consisting of 174 new optical feeds. Most feeds have been built in Northern Croatia (73 feeds), followed by the West (50 feeds), South (28 feeds) and East with 23 optical feeds.

In the third quarter alone 47 new optical feeds have been constructed (a new 28.1 km). Most optical feeds have been constructed in Western Croatia (20), followed by Northern Croatia (16), Southern Croatia (10) and Eastern Croatia (1).

### **Supervision (NOC)**

Through the migration of performance supervision from the old Cacti system to the new Zabbix supervision system (BRAS and CGNAT systems, collocation routing tables, radio systems: Pasoling, Ubiquiti and Mikrotik as well as firewall systems), the supervision of telecommunications systems and services has been expanded and improved in the first half of 2016.

For that same purpose, new systems have been added to the supervision (Session Border Controller – systems for SIP/IP interconnection of voice networks, new VDSL Iskratel cards, supervision of IPTV flow traffic received from provider, telecommunications 10Gbps connections for bitstream interconnections with HT, HaloSurf optical user interfaces).

The system has been upgraded with new functionalities with a view to discover the source and destination of DDoS attacks, expanding the active supervision of the number of customers (Bitstream and big business customers) by county, controlling the execution of automatic configuration of IPTV channels on DSLAM systems and adding the function of selecting individual parameters that are supervised for reporting purposes as to their quality level to either

the end customer or internally for business purposes.

### **Technical Services**

In the technical services segment, hard-copy work orders have been abolished. Being ecologically aware, Optima has switched to electronic assignment distribution only. This has increased internal efficiency and contributed towards preserving the environment.

The provision of services using the VDSL technology is initiated. VDSL profiles with various speeds have been implemented into our own infrastructure and VDSL capacities are increasing on a monthly basis.

The customers are being migrated to new technologies ensuring higher quality, better control and faster realization of services. Technical services are equipped with state of the art measurement devices for the XDSL technology. Aiming to relieve internal resources, partners have been allowed to use additional tools when activating services or dealing with malfunctions. Additional resources have been engaged in the realization of services, thus decreasing the time of realization, which has a positive impact on customer satisfaction. We are currently introducing application support for the management of field technicians and partners, which will additionally contribute to the agility of organization. Metrics for monitoring the realization of services and fixing malfunctions has been introduced, making it possible to monitor the efficiency of internal and external resources. The existing troubleshooting process has been optimized, which resulted in faster solving of customer requests.

### **Internal Application Development**

During the first half of 2016, the databases have been migrated to a new version, new servers and a new disc system, which creates greater stability and faster query response in databases (faster account processing, getting reports, faster query response in CRM, etc.). In cooperation with our partners, a new sales management system has been introduced ("campaigning"), which enables a higher quality and more efficient routing and monitoring of the sales force in the field.

New systems have been internally developed for the customers' mail service (reducing

SPAM), for authentication and authorization (increasing system stability and IPv6 support) and protection of DNS servers from DDoS attacks.

With a view to enhance efficiency of the customer activation process and troubleshooting, availability control systems have been redesigned, the malfunction repair system at the second level (SMC) and the work order system.

In line with modern IT sector trends, the Company transferred to the Microsoft Office365 cloud, which enhanced business efficiency, data safety and better collaboration.

#### Infrastructure

In the first half of 2016, the project of switching batteries in collocations started to secu-

re the system's autonomy in the event of an electrical grid failure.

#### ICT Solutions

As of the first quarter of this year, a new business process known as ICT solutions, i.e. special ICT solutions for end customers, has been put in motion.

Through ICT solutions, a complete business solution has been offered to customers alongside Optima Telekom's standard services, which creates added value to the same.

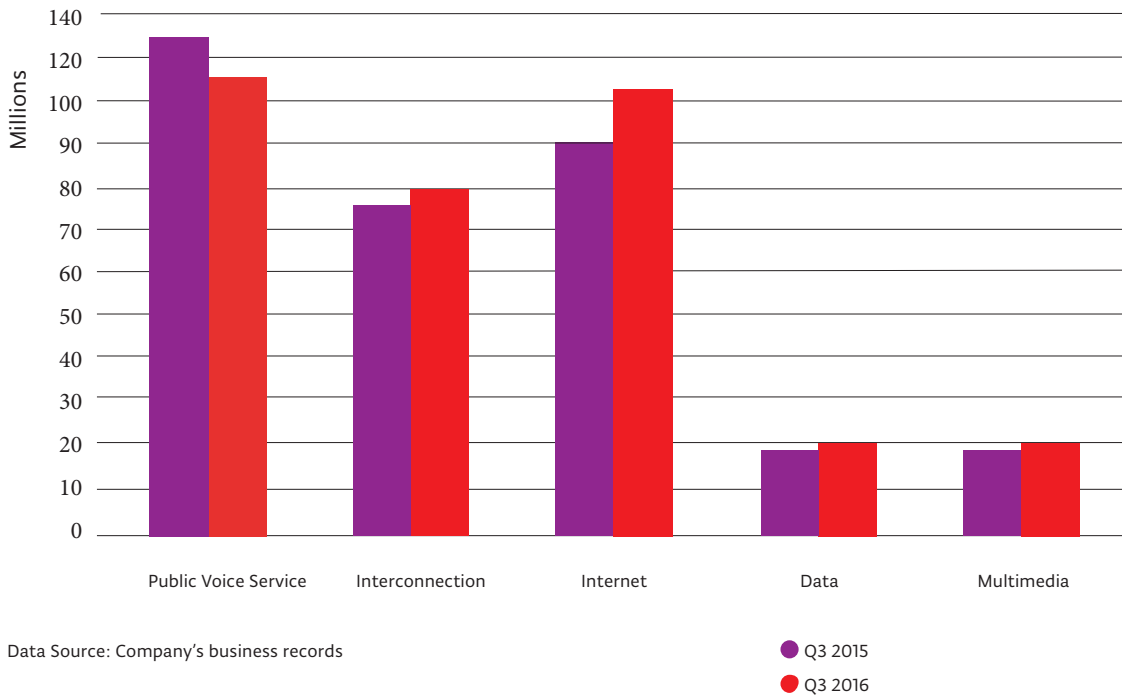
Optima Telekom's partner base will expand through this business segment, which will enhance the Company's presence in the market. The first ICT solution projects have been realised successfully, and we are planning to expand the solution portfolio in the upcoming quarters.

## Financial Results of the Group

1.7

| Summary (in tsd HRK)                                     | Q1-Q3<br>2015 | Q1-Q3 2016    | Q1-Q3 2016/<br>Q1-Q3 2015 | Q3 2015       | Q3 2016       | Q3 2016/<br>Q3 2015 |
|--|---------------|---------------|---------------------------|---------------|---------------|---------------------|
| Total income   | 332.381       | 341.995       | 2,9%                      | 108.891       | 113.821       | 4,5%                |
| Total expenses   | 258.029       | 267.031       | 3,5%                      | 80.588        | 86.953        | 7,9%                |
| EBITDA   | 74.352        | 74.964        | 0,8%                      | 28.303        | 26.868        | (5,1%)              |
| One times items  | 3.601         | 718           | (80,1%)                   | 193           | 191           | (1,1%)              |
| <b>EBITDA before one times items</b>                     | <b>77.952</b> | <b>75.682</b> | <b>(2,9%)</b>             | <b>28.496</b> | <b>27.059</b> | <b>(5,0%)</b>       |
| <b>EBITDA margin (before one times items)</b>            | <b>23,5%</b>  | <b>22,1%</b>  | <b>(5,6%)</b>             | <b>26,2%</b>  | <b>23,8%</b>  | <b>(9,2%)</b>       |
| Depreciation   | 54.938        | 50.362        | (8,3%)                    | 18.274        | 17.691        | (3,2%)              |
| Financial result (net)                                   | (18.073)      | (15.278)      | (15,5%)                   | (8.423)       | (6.164)       | (26,8%)             |
| Net profit/(loss) before income taxes                    | 1.340         | 9.324         |                           | 1.606         | 3.012         |                     |
| Net profit/(loss) before income taxes and one time items | 4.941         | 10.042        |                           | 1.799         | 3.203         |                     |

Telecommunication Services Revenue



**a. Consolidated Revenue**

Total telecommunications services revenue in the first nine months of 2016 is 3.0% higher compared to the same period of the previous year.

The positive trend of increase in revenue compared to the previous year is a result of the revenue increase in all service segments except the public voice service, mostly as a result of the increase in the number of customers.

Compared to the previous year, in the first nine months of 2016 Internet revenue is 17.9% higher, multimedia revenue 13.3% and data traffic revenue 10.5%.

Interconnection revenue is 9.9% higher as a consequence of higher transit income, caused by the deregulation of termination charges for international calls originating outside the EU/EEA.

On the other hand, the revenue increase is slightly offset due to the 13.3% drop in revenue from the public voice service, as a consequence of the declining trend in the use of the public voice service at a global level.

Positive trends are visible both at the annual and quarterly level.

**b. Earnings before Interest, Taxation and Depreciation – EBITDA**

The consolidated EBITDA is 0.8% higher compared to the first nine months of 2015, mostly due to the telecommunications income growth trend and lower one time items in 2016.

The EBITDA before one time items for the first nine months of 2016 amounts to HRK 75.7 million, which represents a 2.9% decrease compared to the previous year. The aforementioned decrease is a consequence of more intense marketing activities and an enhanced customer acquisition in 2016.

**c. Net profit/(loss)**

Excluding one time items and considering the financial costs related to the pre-bankruptcy settlement, the discounting effect for financial obligations and lower depreciation costs in 2016, the net result before one time items is HRK 5.1 million higher compared to the previous year.



|                                      | Q1-Q3 2016 (HRK 000 ) | share %     |
|--------------------------------------|-----------------------|-------------|
| <b>General Investments</b>           | <b>1.204</b>          | <b>3%</b>   |
| <b>Capital Technical Investments</b> | <b>39.943</b>         | <b>97%</b>  |
| ACCESS Network                       | 21.032                | 51%         |
| CORE Network                         | 5.011                 | 12%         |
| Telecommunications Center            | 13.901                | 34%         |
| <b>TOTAL</b>                         | <b>41.148</b>         | <b>100%</b> |

## d. Capital Investments in 2016

Consolidated capital investments in the third quarter of 2016 amounted to HRK 41.1 million. Out of this, HRK 21.0 million has been invested in the development of access fibre 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 5.0 million has been invested into the core network, while HRK 13.9 million have been invested in expanding the range of customer services.

## 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 the Group. The Group does not have a significant credit risk concentration with contractual parties possessing similar characteristics and has adopted procedures it applies in buyer transactions. The Group 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.

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

Apart from this, the Group 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 short-term, 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.

II.

# Financial Reports of the Group

# Profit and Loss Account

II. 1

| Position name  | <i>In thousand HRK</i> | 30.09.2016.      | 30.09.2015.<br><i>Restated</i> |
|--|------------------------|------------------|--------------------------------|
| Sales  |                        | 340.739          | 330.934                        |
| Other operating income   |                        | 1.256            | 1.447                          |
|  |                        | <b>341.995</b>   | <b>332.381</b>                 |
| Merchandise, material and energy expenses                      |                        | (5.334)          | (4.696)                        |
| Interconnection fee expenses                                   |                        | (125.541)        | (113.712)                      |
| Rent of telecommunication equipment                            |                        | (18.440)         | (19.599)                       |
| Customer attraction expenses                                   |                        | (4.649)          | (2.917)                        |
| Other service expenses   |                        | (48.110)         | (47.924)                       |
| Staff costs  |                        | (38.091)         | (43.469)                       |
| Own work capitalized   |                        | 4.553            | 1.986                          |
| Depreciation, amortisation and impairment charges              |                        | (50.362)         | (54.938)                       |
| Impairment charge on non-current and current receivables - net |                        | (2.690)          | (2.119)                        |
| Net loss on disposal of assets and equipment                   |                        | (22)             | -                              |
| Other operating expenses                                       |                        | (28.707)         | (25.580)                       |
|  |                        | <b>(317.393)</b> | <b>(312.968)</b>               |
| <b>OPERATING PROFIT</b>  |                        | <b>24.602</b>    | <b>19.413</b>                  |
| Finance income   |                        | 3.735            | 1.618                          |
| Finance costs  |                        | (19.013)         | (19.691)                       |
| <b>Finance costs - net</b>                                     |                        | <b>(15.278)</b>  | <b>(18.073)</b>                |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b>                           |                        | <b>9.324</b>     | <b>1.340</b>                   |
| Income tax expense   |                        | -                | (63)                           |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                              |                        | <b>9.324</b>     | <b>1.277</b>                   |
| Other comprehensive income                                     |                        | -                | -                              |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>                       |                        | <b>9.324</b>     | <b>1.277</b>                   |

Data Source: Company's business records

# Balance Sheet

II. 2

| <b>ASSETS</b>                        | <i>In thousand HRK</i> | <b>30.09.2016.</b> | <b>31.12.2015.</b> |
|--------------------------------------|------------------------|--------------------|--------------------|
| Intangible assets                    |                        | 43.238             | 45.221             |
| Property, plant and equipment        |                        | 300.080            | 307.584            |
| Given loans                          |                        | 307                | 312                |
| Deposits                             |                        | 3.540              | 3.598              |
| Available-for-sale financial assets  |                        | 35                 | 35                 |
| Other non-current assets             |                        | 8.750              | 9.500              |
| <b>Non-current assets</b>            |                        | <b>355.950</b>     | <b>366.250</b>     |
| Inventories                          |                        | 103                | 109                |
| Trade and other receivables          |                        | 78.238             | 71.140             |
| Given loans                          |                        | 10.763             | 10.767             |
| Deposits                             |                        | 213                | 88                 |
| Prepaid expenses and accrued income  |                        | 2.269              | 2.586              |
| Cash and cash equivalents            |                        | 9.802              | 20.418             |
| <b>Current assets</b>                |                        | <b>101.388</b>     | <b>105.108</b>     |
| <b>TOTAL ASSETS</b>                  |                        | <b>457.338</b>     | <b>471.358</b>     |
| <b>EQUITY AND LIABILITIES</b>        |                        |                    |                    |
| Issued share capital                 |                        | 635.568            | 635.568            |
| Capital gains                        |                        | 194.354            | 194.354            |
| Other equity (MCL)                   |                        | 24.677             | 32.904             |
| Accumulated losses                   |                        | (813.222)          | (819.787)          |
| <b>EQUITY</b>                        |                        | <b>41.377</b>      | <b>43.039</b>      |
| Long-term borrowings                 |                        | 198.873            | 209.303            |
| Issued bonds                         |                        | 72.097             | 71.085             |
| Trade payables                       |                        | 3.308              | 10.155             |
| Provisions                           |                        | 62                 | 62                 |
| Deferred income                      |                        | 20.199             | 21.835             |
| <b>Non-current liabilities</b>       |                        | <b>294.539</b>     | <b>312.440</b>     |
| Short-term borrowings                |                        | 7.876              | 434                |
| Issued bonds                         |                        | 402                | -                  |
| Trade payables                       |                        | 86.974             | 91.514             |
| Provisions                           |                        | 509                | 509                |
| Accrued expenses and deferred income |                        | 19.658             | 17.406             |
| Other current liabilities            |                        | 6.003              | 6.016              |
| <b>Current liabilities</b>           |                        | <b>121.422</b>     | <b>115.879</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |                        | <b>457.338</b>     | <b>471.358</b>     |

# Cash Flow

## II. 3

| Position name   | <i>In thousand HRK</i> | 30.09.2016.     | 30.09.2015.     |
|---|------------------------|-----------------|-----------------|
| <b>Operating activities</b>                                 |                        |                 |                 |
| Total profit for the year                                   |                        | 9.324           | 1.340           |
| Depreciation and amortisation                               |                        | 50.362          | 54.938          |
| Decrease/(increase) in inventories                          |                        | 6               | 1.296           |
| Decrease/(increase) in trade and other receivables          |                        | (7.309)         | (2.693)         |
| Increase/(decrease) in trade payables and other liabilities |                        | (4.553)         | (11.490)        |
| Other cash increase/(decrease)                              |                        | 1.991           | 9.348           |
| <b>Cash generated from operating activities</b>             |                        | <b>49.821</b>   | <b>52.739</b>   |
| <b>Cash flows from investing activities</b>                 |                        |                 |                 |
| Payments for property, plant and equipment                  |                        | (40.876)        | (30.738)        |
| Cash receipt from sale of ownership and debt instruments    |                        | -               | 2.909           |
| <b>Net cash used in investing activities</b>                |                        | <b>(40.876)</b> | <b>(27.829)</b> |
| <b>Cash flows from financing activities</b>                 |                        |                 |                 |
| Other proceeds from financing activities                    |                        | 246             | 1.147           |
| Repayment of finance lease liability and borrowings         |                        | (19.807)        | (24.179)        |
| <b>Net cash used in financing activities</b>                |                        | <b>(19.561)</b> | <b>(23.032)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |                        | <b>(10.616)</b> | <b>1.878</b>    |
| Cash and cash equivalents at 1 January                      |                        | 20.418          | 25.954          |
| <b>Cash and cash equivalents at 30 September</b>            |                        | <b>9.802</b>    | <b>27.832</b>   |

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.

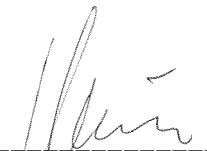
The financial report contains a true presentation of development, results and position

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](http://www.optima.hr/investitori.hr).

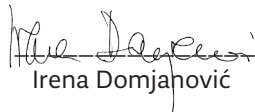
(Signatures of Board members)



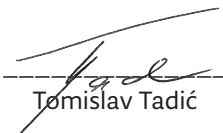
Zoran Kežman



Mirela Šešerko



Irena Domjanović



Tomislav Tadić

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

**Enclosure 1**

Reporting period:

1 Jan 2016

to

30 Sep 2016

**Quarterly Financial Report-TFI-POD**

Tax Number (MB): **0820431**

Registration Number (MBS): **040035070**

Personal Identification Number (OIB): **36004425025**

Issuer: **OT-OPTIMA TELEKOM d.d.**

Postal Code and Location: **10010**

**BUZIN**

Street and number: **BANI 75A**

e-mail address: [info@optima.hr](mailto:info@optima.hr)

Internet address: [www.optima.hr](http://www.optima.hr)

and name for municipality/city **133**

Code and name for county **21**

Number of employees **332**  
(at the year's end)

Consolidated Report **NO**

Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm

Contact person **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone **01/5492 027**

Telefaks: **01/5492 019**

e-mail address: [svetlana.kundovic@optima-telekom.hr](mailto:svetlana.kundovic@optima-telekom.hr)

Surname and name **ZORAN KEŽMAN, MIRELA ŠEŠERKO, TOMISLAV TADIĆ, IRENA DOMJANOVIĆ**

(osoba ovlaštene za zastupanje)

**Documents for publication**

1. Financial Statements (balance sheet, profit and loss account, cash flow statement, change in capital statement and notes)
2. Management report
3. Statements for persons responsible for composing financial statements

M.P.

(signature of authorized person)

**PROFIT AND LOSS ACCOUNT**  
for the period from 01 Jan 2016 to 30 Sep 2016

Issuer: OT - Optima Telekom d.d.

| Item   | EDP        | Previous period |             | Current period |             |
|--|------------|-----------------|-------------|----------------|-------------|
|  |            | Cumulative      | Quarter     | Cumulative     | Quarter     |
| 1  | 2          | 3               | 4           | 5              | 6           |
| <b>I. OPERATING INCOME (112+113)</b>   | <b>111</b> | 332.299.492     | 108.868.923 | 341.919.386    | 113.794.819 |
| 1. Sales income  | 112        | 330.932.363     | 108.182.355 | 340.664.223    | 113.341.121 |
| 2. Other operating income  | 113        | 1.367.129       | 686.568     | 1.255.163      | 453.698     |
| <b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>  | <b>114</b> | 312.747.222     | 99.048.550  | 317.289.179    | 104.660.619 |
| 1. Changes in the value of inventories of ongoing production and finished goods  | 115        | 0               | 0           | 0              | 0           |
| 2. MATERIAL COSTS (117 do 119)   | 116        | 184.183.109     | 58.935.849  | 195.393.782    | 65.198.968  |
| a) Costs of raw material and supplies  | 117        | 4.519.982       | 1.613.551   | 4.439.008      | 1.509.952   |
| b) Costs of goods sold   | 118        | 32.359          | 1.025       | 790.690        | 102.296     |
| c) Other external costs  | 119        | 179.630.768     | 57.321.273  | 190.164.084    | 63.586.720  |
| 3. Staff costs (121 do 123)  | 120        | 37.922.781      | 11.995.888  | 36.874.543     | 11.967.538  |
| a) Net salaries and wages  | 121        | 22.026.054      | 6.991.927   | 21.165.671     | 6.904.932   |
| b) Expenses of taxes and contributions from salaries   | 122        | 10.544.854      | 3.312.489   | 10.483.860     | 3.371.911   |
| c) Contributions to salaries   | 123        | 5.351.873       | 1.691.472   | 5.225.012      | 1.690.695   |
| 4. Amortization  | 124        | 54.365.441      | 18.086.206  | 49.237.833     | 17.318.758  |
| 5. Other costs   | 125        | 30.982.416      | 10.176.636  | 32.374.615     | 9.029.246   |
| 6. Value adjustment (127+128)  | 126        | 2.119.261       | -338.719    | 2.690.069      | 955.513     |
| a) fixed assets (apart from financial assets)  | 127        | 0               | 0           | 0              | 0           |
| b) current assets (apart from financial assets)  | 128        | 2.119.261       | -338.719    | 2.690.069      | 955.513     |
| 7. Provisions  | 129        | 3.174.214       | 192.690     | 718.337        | 190.596     |
| 8. Other operating expenses  | 130        | 0               | 0           | 0              | 0           |
| <b>III. FINANCIAL INCOME (132 through 136)</b>   | <b>131</b> | 1.930.039       | -1.363.426  | 4.927.472      | 554.203     |
| 1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings                     | 132        | 314.178         | 102.920     | 174.736        | 51.513      |
| 2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons | 133        | 1.615.861       | -1.466.346  | 4.752.736      | 502.690     |
| 3. Income from affiliated undertakings and participating interests   | 134        | 0               | 0           | 0              | 0           |
| 4. Unrealized income of the financial assets   | 135        | 0               | 0           | 0              | 0           |
| 5. Other financial income  | 136        | 0               | 0           | 0              | 0           |
| <b>IV. FINANCIAL EXPENSES (138 do 141)</b>   | <b>137</b> | 19.895.042      | 7.101.458   | 19.013.004     | 6.065.825   |
| 1. Interest, foreign exchange differences and other expenses related to affiliated undertakings                                | 138        | 0               | 0           | 0              | 0           |
| 2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons            | 139        | 19.697.458      | 6.903.874   | 18.962.718     | 6.015.539   |
| 3. Unrealized losses (expenses) of the financial assets  | 140        | 0               | 0           | 0              | 0           |
| 4. Other financial expenses  | 141        | 197.584         | 197.584     | 50.286         | 50.286      |
| <b>V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS</b>   | <b>142</b> | 0               | 0           | 0              | 0           |
| <b>VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS</b>  | <b>143</b> | 0               | 0           | 0              | 0           |
| <b>VII. EXTRAORDINARY - OTHER INCOME</b>   | <b>144</b> | 0               | 0           | 0              | 0           |
| <b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>  | <b>145</b> | 0               | 0           | 0              | 0           |
| <b>IX. TOTAL INCOME (111+131+142 + 144)</b>  | <b>146</b> | 334.229.531     | 107.505.497 | 346.846.858    | 114.349.022 |
| <b>X. TOTAL EXPENSES (114+137+143 + 145)</b>   | <b>147</b> | 332.642.264     | 106.150.008 | 336.302.183    | 110.726.444 |
| <b>XI. PROFIT / LOSS BEFORE TAXATION (146-147)</b>   | <b>148</b> | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| 1. Profit before taxation (146-147)  | 149        | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| 2. Loss before taxation (147-146)  | 150        | 0               | 0           | 0              | 0           |
| <b>XII. PROFIT TAX</b>   | <b>151</b> | 0               | 0           | 0              | 0           |
| <b>XIII. PROFIT / LOSS FOR THE PERIOD (148-151)</b>  | <b>152</b> | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| 1. Profit for the period (149-151)   | 153        | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| 2. Loss for the period (151-148)   | 154        | 0               | 0           | 0              | 0           |
| <b>ANEX TO P&amp;L (to be filled in by entrepreneur submitting consolidated financial report)</b>                              |            |                 |             |                |             |
| <b>XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD</b>  |            |                 |             |                |             |
| 1. Assigned to the holders of parent company's capital   | 155        | 0               | 0           | 0              | 0           |
| 2. Assigned to minority interest   | 156        | 0               | 0           | 0              | 0           |
| <b>OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)</b>                                    |            |                 |             |                |             |
| <b>I. PROFIT / LOSS FOR THE PERIOD (= 152)</b>   | <b>157</b> | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| <b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>   | <b>158</b> | 0               | 0           | 0              | 0           |
| 1. Exchange differences on translating foreign operations  | 159        | 0               | 0           | 0              | 0           |
| 2. Changes in revaluation reserves of fixed and intangible assets  | 160        | 0               | 0           | 0              | 0           |
| 3. Profit or loss from revaluation of financial assets available for sale  | 161        | 0               | 0           | 0              | 0           |
| 4. Profit or loss on effective cash flow protection  | 162        | 0               | 0           | 0              | 0           |
| 5. Profit or loss on effective hedge of a net foreign investment   | 163        | 0               | 0           | 0              | 0           |
| 6. Share of other comprehensive income / loss of associated companies  | 164        | 0               | 0           | 0              | 0           |
| 7. Actuarial income / loss on defined benefit plans  | 165        | 0               | 0           | 0              | 0           |
| <b>III. COMPREHENSIVE INCOME TAX</b>   | <b>166</b> | 0               | 0           | 0              | 0           |
| <b>IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)</b>  | <b>167</b> | 0               | 0           | 0              | 0           |
| <b>V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)</b>   | <b>168</b> | 1.587.267       | 1.355.489   | 10.544.675     | 3.622.578   |
| <b>ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)</b> |            |                 |             |                |             |
| <b>VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD</b>  |            |                 |             |                |             |
| 1. Assigned to the holders of parent company's capital   | 169        | 0               | 0           | 0              | 0           |
| 2. Assigned to minority interest   | 170        | 0               | 0           | 0              | 0           |



**BALANCE SHEET**  
on 30 Sep 2016

| Issuer: OT - Optima Telekom d.d.  |            |                 |                |
|---|------------|-----------------|----------------|
| Item  | EDP        | Previous period | Current period |
| 1   | 2          | 3               | 4              |
| <b>ASSETS</b>   |            |                 |                |
| <b>A) SUBSCRIBED CAPITAL UNPAID</b>   | <b>001</b> | 0               | 0              |
| <b>B) FIXED ASSETS (003+010+020+029+033)</b>  | <b>002</b> | 348.629.661     | 340.238.155    |
| I. INTANGIBLE ASSETS (004 through 009)  | <b>003</b> | 45.221.033      | 43.238.543     |
| 1. Development expenses   | <b>004</b> | 0               | 0              |
| 2. Concessions, patents, licences, goods and services trademarks, software and other rights | <b>005</b> | 45.221.033      | 43.238.543     |
| 3. Goodwill   | <b>006</b> | 0               | 0              |
| 4. Advances for procurement of intangible assets  | <b>007</b> | 0               | 0              |
| 5. Intangible assets in preparation   | <b>008</b> | 0               | 0              |
| 6. Other intangible assets  | <b>009</b> | 0               | 0              |
| II. TANGIBLE ASSETS (011 through 019)   | <b>010</b> | 299.261.426     | 293.031.931    |
| 1. Land   | <b>011</b> | 23.269          | 23.269         |
| 2. Building objects   | <b>012</b> | 9.094.176       | 8.878.018      |
| 3. Facilities and equipment   | <b>013</b> | 274.374.227     | 272.849.007    |
| 4. Tools, production inventory and transport assets   | <b>014</b> | 910.792         | 762.122        |
| 5. Biological assets  | <b>015</b> | 0               | 0              |
| 6. Advances for tangible assets   | <b>016</b> | 0               | 0              |
| 7. Tangible assets in preparation   | <b>017</b> | 14.453.640      | 10.238.915     |
| 8. Other tangible assets  | <b>018</b> | 46.822          | 46.822         |
| 9. Real estate investments  | <b>019</b> | 358.501         | 233.777        |
| III. FIXED FINANCIAL ASSETS (021 through 028)   | <b>020</b> | 4.147.202       | 3.967.681      |
| 1. Shares (stock) in affiliated entrepreneurs   | <b>021</b> | 86.907          | 85.791         |
| 2. Loans granted to affiliated entrepreneurs  | <b>022</b> | 115.782         | 0              |
| 3. Participating interests (shares)   | <b>023</b> | 35.000          | 35.000         |
| 4. Loans given to entrepreneurs with participating interests                                | <b>024</b> | 0               | 0              |
| 5. Securities investments   | <b>025</b> | 0               | 0              |
| 6. Granted loans, deposits and such   | <b>026</b> | 3.909.513       | 3.846.890      |
| 7. Own stocks and shares  | <b>027</b> | 0               | 0              |
| 8. Other fixed financial assets   | <b>028</b> | 0               | 0              |
| IV. RECEIVABLES (030 through 032)   | <b>029</b> | 0               | 0              |
| 1. Receivables from affiliated entrepreneurs  | <b>030</b> | 0               | 0              |
| 2. Receivables pertaining to sale on credit   | <b>031</b> | 0               | 0              |
| 3. Other receivables  | <b>032</b> | 0               | 0              |
| V. DEFERRED TAX ASSETS  | <b>033</b> | 0               | 0              |
| <b>C) CURRENT ASSETS (035+043+050+058)</b>  | <b>034</b> | 107.835.344     | 104.527.335    |
| I. INVENTORY (036 do 042)   | <b>035</b> | 108.795         | 103.211        |
| 1. Raw material and supplies  | <b>036</b> | 0               | 0              |
| 2. Ongoing production   | <b>037</b> | 0               | 0              |
| 3. Finished products  | <b>038</b> | 0               | 0              |
| 4. Trading goods  | <b>039</b> | 108.795         | 103.211        |
| 5. Inventory advances   | <b>040</b> | 0               | 0              |
| 6. Assets intended for sale   | <b>041</b> | 0               | 0              |
| 7. Biological assets  | <b>042</b> | 0               | 0              |
| II. RECEIVABLES (044 do 049)  | <b>043</b> | 71.034.332      | 78.363.653     |
| 1. Receivables from affiliated entrepreneurs  | <b>044</b> | 0               | 0              |
| 2. Receivables from buyers  | <b>045</b> | 70.120.974      | 77.554.351     |
| 3. Receivables from participating entrepreneurs   | <b>046</b> | 0               | 0              |
| 4. Receivables from employees and members of the entrepreneur                               | <b>047</b> | 33.083          | 26.674         |
| 5. Receivables from the state and other institution   | <b>048</b> | 181.396         | 89.443         |
| 6. Other receivables  | <b>049</b> | 698.879         | 693.184        |
| III. CURRENT FINANCIAL ASSETS (051 through 057)   | <b>050</b> | 16.322.932      | 16.344.726     |
| 1. Shares (stock) in affiliated entrepreneurs   | <b>051</b> | 0               | 0              |
| 2. Loans granted to affiliated entrepreneurs  | <b>052</b> | 0               | 0              |
| 3. Participating interests (shares)   | <b>053</b> | 0               | 0              |
| 4. Loans given to entrepreneurs with participating interests                                | <b>054</b> | 0               | 0              |
| 5. Securities investments   | <b>055</b> | 0               | 0              |
| 6. Granted loans, deposits and such   | <b>056</b> | 16.322.932      | 16.344.726     |
| 7. Other financial assets   | <b>057</b> | 0               | 0              |
| IV. CASH IN BANK AND REGISTER   | <b>058</b> | 20.369.286      | 9.715.745      |
| <b>D) PREPAYMENTS AND ACCRUED INCOME</b>  | <b>059</b> | 12.083.297      | 11.016.323     |
| <b>E) TOTAL ASSETS (001+002+034+059)</b>  | <b>060</b> | 468.548.302     | 455.781.814    |
| <b>F) OFF-BALANCE RECORDS</b>   | <b>061</b> | 328.151.090     | 330.221.517    |

| <b>LIABILITIES</b>   |            |              |              |
|--|------------|--------------|--------------|
| <b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>   | <b>062</b> | 40.237.248   | 39.795.838   |
| I. BASE (registered) capital   | <b>063</b> | 635.568.080  | 635.568.080  |
| II. CAPITA RESERVES  | <b>064</b> | 194.354.000  | 194.354.000  |
| III. PROFIT RESERVES (066+067-068+069+070)   | <b>065</b> | 32.903.264   | 24.677.448   |
| 1. Legal reserves  | <b>066</b> | 0            | 0            |
| 2. Own stock reserves  | <b>067</b> | 0            | 0            |
| 3. Own stocks and shares (deductable item)   | <b>068</b> | 0            | 0            |
| 4. Statutory reserves  | <b>069</b> | 0            | 0            |
| 5. Other reserves  | <b>070</b> | 32.903.264   | 24.677.448   |
| IV. REVALORIZATION RESERVES  | <b>071</b> | 0            | 0            |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)   | <b>072</b> | -834.810.724 | -825.348.364 |
| 1. Retained earnings   | <b>073</b> | 0            | 0            |
| 2. Loss carried forward  | <b>074</b> | 834.810.724  | 825.348.364  |
| VI. PROFIT OR LOSS OF THE YEAR (076-077)   | <b>075</b> | 12.222.628   | 10.544.675   |
| 1. Profit of the year  | <b>076</b> | 12.222.628   | 10.544.675   |
| 2. Loss of the year  | <b>077</b> | 0            | 0            |
| VII. MINORITY INTEREST   | <b>078</b> | 0            | 0            |
| <b>B) PROVISIONS (080 through 082)</b>   | <b>079</b> | 571.259      | 571.259      |
| 1. Provisions for pensions, severance payments and similar obligations                                       | <b>080</b> | 571.259      | 571.259      |
| 2. Provisions for tax liabilities  | <b>081</b> | 0            | 0            |
| 3. Other provisions  | <b>082</b> | 0            | 0            |
| <b>C) FIXED LIABILITIES (084 through 092)</b>  | <b>083</b> | 290.542.948  | 274.278.754  |
| 1. Liabilities towards affiliated entrepreneurs  | <b>084</b> | 0            | 0            |
| 2. Liabilities for loans, deposits and similar   | <b>085</b> | 0            | 0            |
| 3. Liabilities towards banks and other financial institutions  | <b>086</b> | 209.302.544  | 198.873.486  |
| 4. Liabilities for advances  | <b>087</b> | 0            | 0            |
| 5. Liabilities towards suppliers   | <b>088</b> | 10.155.207   | 3.308.121    |
| 6. Liabilities as per securities   | <b>089</b> | 71.085.197   | 72.097.147   |
| 7. Liabilities towards entrepreneur with participating interests   | <b>090</b> | 0            | 0            |
| 8. Other fixed liabilities   | <b>091</b> | 0            | 0            |
| 9. Deferred tax liabilities  | <b>092</b> | 0            | 0            |
| <b>D) CURRENT LIABILITIES (094 do 105)</b>   | <b>093</b> | 97.955.429   | 101.279.362  |
| 1. Liabilities towards affiliated entrepreneurs  | <b>094</b> | 0            | 0            |
| 2. Liabilities for loans, deposits and similar   | <b>095</b> | 0            | 0            |
| 3. Liabilities towards banks and other financial institutions  | <b>096</b> | 433.586      | 7.882.513    |
| 4. Liabilities for advances  | <b>097</b> | 0            | 0            |
| 5. Liabilities towards suppliers   | <b>098</b> | 91.510.561   | 86.999.083   |
| 6. Liabilities as per securities   | <b>099</b> | 0            | 401.670      |
| 7. Liabilities towards entrepreneur with participating interests   | <b>100</b> | 0            | 0            |
| 8. Liabilities towards employees   | <b>101</b> | 3.181.491    | 2.380.540    |
| 9. Liabilities for taxes, contributions and similar levies   | <b>102</b> | 2.827.744    | 3.598.901    |
| 10. Liabilities as per share in results  | <b>103</b> | 0            | 0            |
| 11. Liabilities as per longterm assets intended for sale   | <b>104</b> | 0            | 0            |
| 12. Other current liabilities  | <b>105</b> | 2.047        | 16.655       |
| <b>E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD</b>   | <b>106</b> | 39.241.420   | 39.856.601   |
| <b>F) TOTAL – LIABILITIES (062+079+083+093+106)</b>  | <b>107</b> | 468.548.302  | 455.781.814  |
| <b>G) OFF – BALANCE RECORDS</b>  | <b>108</b> | 328.151.090  | 330.221.517  |
| <b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b> |            |              |              |
| <b>A) CAPITAL AND RESERVES</b>   |            |              |              |
| 1. Assigned to the holders of parent company's capital   | <b>109</b> | 0            | 0            |
| 2. Assigned to minority interest   | <b>110</b> | 0            | 0            |

Note 1.: anex to the balance sheet to be filled in by entrepreneur submitting consolidated financial report

**CASH FLOW STATEMENT - Indirect method**  
in the period from 01 Jan 2016 to 30 Sep 2016

| Issuer: OT - Optima Telekom d.d.   |            |                   |                   |
|--|------------|-------------------|-------------------|
| Item   | EDP        | Previous period   | Current period    |
| 1  | 2          | 3                 | 4                 |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |            |                   |                   |
| 1. Profit before taxation  | 001        | 1.587.267         | 10.544.675        |
| 2. Depreciation  | 002        | 54.365.441        | 49.237.833        |
| 3. Increase of short-term liabilities  | 003        |                   |                   |
| 4. Decrease of short-term receivables  | 004        |                   |                   |
| 5. Decrease of inventories   | 005        | 1.295.503         | 5.584             |
| 6. Other increase of cash flow   | 006        | 9.348.012         | 1.682.155         |
| <b>I. Total increase of cash flow from operating activities (001 through 006)</b>  | <b>007</b> | <b>66.596.223</b> | <b>61.470.247</b> |
| 1. Decrease of short-term liabilities  | 008        | 11.489.504        | 4.526.664         |
| 2. Increase of short-term receivables  | 009        | 2.693.240         | 7.329.320         |
| 3. Increase of inventories   | 010        |                   |                   |
| 4. Other decrease of cash flow   | 011        |                   |                   |
| <b>II. Total decrease of cash flow from operating activities (008 through 011)</b> | <b>012</b> | <b>14.182.744</b> | <b>11.855.984</b> |
| <b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>           | <b>013</b> | <b>52.413.479</b> | <b>49.614.263</b> |
| <b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>           | <b>014</b> | <b>0</b>          | <b>0</b>          |
| <b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>  |            |                   |                   |
| 1. Cash receipt from sale of tangible and intangible assets                        | 015        |                   |                   |
| 2. Cash receipt from sale of ownership and debt instruments                        | 016        | 2.908.890         | 0                 |
| 3. Cash receipt from interest rates  | 017        |                   |                   |
| 4. Cash receipt from dividends   | 018        |                   |                   |
| 5. Other cash receipts from investment activities                                  | 019        |                   |                   |
| <b>III. Total cash receipts from investment activities (015 through 019)</b>       | <b>020</b> | <b>2.908.890</b>  | <b>0</b>          |
| 1. Cash expenditure for buying tangible and intangible fixed assets                | 021        | 31.608.747        | 41.025.848        |
| 2. Cash expenditure for acquiring ownership and debt financial instruments         | 022        |                   |                   |
| 3. Other expenditures from investment activities                                   | 023        |                   |                   |
| <b>IV. Total cash expenditures from investment activities (021 through 023)</b>    | <b>024</b> | <b>31.608.747</b> | <b>41.025.848</b> |
| <b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)</b>          | <b>025</b> | <b>0</b>          | <b>0</b>          |
| <b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)</b>          | <b>026</b> | <b>28.699.857</b> | <b>41.025.848</b> |
| <b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>   |            |                   |                   |
| 1. Cash receipt from issuing of ownership and debt financial instruments           | 027        | 0                 | 0                 |
| 2. Cash receipt from loan principal, debentures, loans and other borrowing         | 028        | 0                 | 0                 |
| 3. Other receipt from financial activities   | 029        | 1.146.886         | 135.931           |
| <b>V. Total cash receipt from financial activities (027 through 029)</b>           | <b>030</b> | <b>1.146.886</b>  | <b>135.931</b>    |
| 1. Cash expenditure for the payment of loan principal and bonds                    | 031        | 22.977.092        | 19.377.886        |
| 2. Cash expenditure for the payment of dividend                                    | 032        | 0                 | 0                 |
| 3. Cash expenditure for financial lease  | 033        | 0                 | 0                 |
| 4. Cash expenditure for own shares buy-off   | 034        | 0                 | 0                 |
| 5. Other expenditures from financial activities                                    | 035        | 0                 | 0                 |
| <b>VI. Total cash expenditure from financial activities (031 through 035)</b>      | <b>036</b> | <b>22.977.092</b> | <b>19.377.886</b> |
| <b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>           | <b>037</b> | <b>0</b>          | <b>0</b>          |
| <b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>           | <b>038</b> | <b>21.830.206</b> | <b>19.241.956</b> |
| Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)                    | <b>039</b> | <b>1.883.416</b>  | <b>0</b>          |
| Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)                    | <b>040</b> | <b>0</b>          | <b>10.653.541</b> |
| Cash and cash equivalents at the beginning of the period                           | <b>041</b> | <b>25.920.120</b> | <b>20.369.286</b> |
| Increase of cash and cash equivalents  | <b>042</b> | <b>1.883.416</b>  | <b>0</b>          |
| Decrease of cash and cash equivalents  | <b>043</b> | <b>0</b>          | <b>10.653.541</b> |
| Cash and cash equivalents at the end of the period                                 | <b>044</b> | <b>27.803.536</b> | <b>9.715.745</b>  |

**CHANGE IN CAPITAL STATEMENT**  
for the period from 1.1.2016 to 30.9.2016

| Item<br>1   | EDP<br>2   | Previous period<br>3 | Current period<br>4 |
|---|------------|----------------------|---------------------|
| 1. Subscribed capital   | 001        | 635.568.080          | 635.568.080         |
| 2. Capital reserves   | 002        | 194.354.000          | 194.354.000         |
| 3. Profit reserves  | 003        | 32.903.264           | 24.677.448          |
| 4. Retained profit or loss carried forward                                  | 004        | -836.078.704         | -825.348.364        |
| 5. Profit or loss of the current year                                       | 005        | 1.587.267            | 10.544.675          |
| 6. Revaluation of fixed tangible assets                                     | 006        |                      |                     |
| 7. Revaluation of intangible assets   | 007        |                      |                     |
| 8. Revaluation of financial property available for sale                     | 008        |                      |                     |
| 9. Other revaluation  | 009        |                      |                     |
| <b>10. Total capital and reserves (EDP 001 through 009)</b>                 | <b>010</b> | 28.333.907           | 39.795.838          |
| 11. Foreign exchange differences from net investments in foreign operations | 011        | 0                    | 0                   |
| 12. Current and deferred taxes (part)                                       | 012        | 0                    | 0                   |
| 13. Cash flow protection  | 013        | 0                    | 0                   |
| 14. Changes in accounting policies  | 014        | 0                    | 0                   |
| 15. Correction of significant mistakes from the previous period             | 015        | 0                    | 0                   |
| 16. Other equity changes  | 016        | 0                    | 0                   |
| <b>17. Total increase or decrease of capital (EDP 011 through 016)</b>      | <b>017</b> | 0                    | 0                   |
| 17 a. Assigned to holders of parent company's capital                       | 018        | 0                    | 0                   |
| 17 b. Assigned to minority interest   | 019        | 0                    | 0                   |

Items that reduce capital entered with a negative sign

Data under EDP codes 001-009 to be input balance sheet as at date