

Interim unaudited financial statements for 2010

11 February 2011

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About Optima Telekom

OT – Optima Telekom d.d (hereinafter: Optima) is the first and the largest alternative fixed line service provider in the Republic of Croatia and the second fixed line telecommunications operator at the Croatian market. In the sixth year of commercial operations, Optima participates at the Croatian market offering full span of telecommunications services in more than 100 Croatian towns.

The current market potential of over half a million of connections, is connected through more than 2.300 km of own fiber optic. Optima's corporate culture supports innovativeness, loyalty, constant learning, entrepreneurship and desire to win of each and every employee. This has been recognized by more than **270.000** of our loyal customers. At the beginning of February 2007, Optima launched corporate bonds in the value of HRK 250 million. For more than three years, Optima's regular shares have been listed at the official market of the Zagreb Stock Exchange.

- Supervisory Board: Nada Martić - Chairman, Marijan Hanžeković - Member, Ivan Martić - Member
- Management Board: Matija Martić - Chairman, Goran Jovičić - Member, Jadranka Suručić - Member
- Bank account: 2360000-1101848050 opened with Zagrebačka banka d.d.
- Commercial Court of Zagreb
- OIB: 36004425025
- MBS: 040035070
- MB: 0820431
- Basic capital amounts to: HRK 28.200.700,00
- Number of shares: 2.820.070, with nominal value of HRK 10,00 each

O Optima Telekomu

Optima Telekom regije i centri

CENTER – MANAGEMENT OF THE COMPANY

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 Ivana Matijaševića 14, Dubrovnik

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**In addition to OT- OPTIMA TELEKOM d.d., the Group in 2010
 comprised of the following member companies:**

Optima Direct d.o.o.	Optima-Telekom d.o.o.	Optima Pazinka d.o.o.
Trg Josipa Broza Tita 1	Ulica 15.maja 21	Šime Kurelića 20
52 460 Buje	6 000 Koper	52 000 Pazin
Republika Hrvatska	Republika Slovenija	Republika Hrvatska

Main Features of the Group

- EBITDA improved by as much as **140,1%** in comparison to 2009, and in 2010 amounted to HRK **54,6** million
- EBT amounts to HRK **-61,5** million which indicates the continuation of the trend of **decreasing the total loss** by HRK **49,6** million
- Decrease of total consolidated income by HRK **7** million (**1,5%**) with simultaneous reduction of total costs by HRK **56,8** million (**9,8%**), as compared to 2009
- In 2010, the telecommunications services income registered insignificant decrease of **0,4%**, as compared to the same referent period of the previous year
- As compared to the same period 2009, internet services income increased by **38,6%**. Data services income and public voice services income grew by **17,1%** and **2,3%** respectively
- The short-term liabilities towards creditors Zagrebačka banka d.d. and Hypo Alpe-Adria-Bank d.d. have been reprogrammed to long-term liabilities, resulting with significant decrease of short-term liabilities
- The number of LLU users increased by **13,8%** (from 90.844 to 103.351 users)
- The greatest growth of **8,3%** has been registered in residential segment. The income in SOHO segment increased by **5,2%**, while the income of large and small and medium-size business users decreased by **1,6%** and **4%**, respectively
- The number of collocations grew by **6,6%**, meaning that in 2010 there were **257** collocations
- The number of potentially available connections grew by **0,7%** (from **677.024** to **681.740** collocations which makes **44%** of the market of active fixed line connections)

	2009	2010	2010/ 2009	Q4 2009	Q4 2010	Q4 2010/ Q4 2009
Total income	467,433	460,456	(1.5%)	117,255	113,919	(2.8%)
EBITDA	22,718	54,552	140.1%	4,018	10,009	149.1%
EBT	(111,085)	(61,494)	(44.6%)	(32,320)	(1,539)	(95.2%)

	30 Sep 2009	31 Dec 2010/ 30 Sep 2009	31 Dec 2009	31 Dec 2010/ 31 Dec 2009	30 Sep 2010	31 Dec 2010/ 30 Sep 2010	31 Dec 2010
Total number of OT users							
Number of voice channels	266,723	2.0%	277,299	-1.9%	271,432	0.2%	271,937
Number of LLU users [own network]	87,483	18.1%	90,844	13.8%	101,528	1.8%	103,351
Number of OptiDSL LLU users [own network]	42,983	36.8%	45,188	30.2%	56,068	4.9%	58,818
Number of OptiTV LLU users [own network]	209	4589.0%	2,677	266.1%	8,200	19.5%	9,800
Number of installed collocations	239	7.5%	241	6.6%	256	0.4%	257
North	77	5.2%	77	5.2%	80	1.3%	81
West	42	7.1%	42	7.1%	45	0.0%	45
East	45	13.3%	47	8.5%	51	0.0%	51
South	75	6.7%	75	6.7%	80	0.0%	80

* Voice channel is the basic unit for transfer of voice or data. The number of voice channels determines how many conversations can take place simultaneously on one telephone connection. Telephone connection is a physical connection of the use to the telecommunications network. A telephone connection may have one or more voice channels.

Matija Martić - Chairman of the Management Board:

"This year, just as 2009, was very challenging for our country as a whole. Given that we envisaged the pressure the recession is going to make to our operations, we have started the year by setting the protection of income and margins as our top priorities. It is my pleasure to declare that our strategy has been efficient and that we have realized stable results which reflect the high quality of services and rigorous control of costs. Our results, which are primarily reflected in decrease of loss by HRK 49,6 million and increase of EBIDTA by HRK 31,8 million, give us the right to expect to continue the same pace in 2011."

Trends in the Croatian Economy and their Influence on Optima

In the first three quarters of 2010, GDP* decreased by -1,6%, as compared to the same period 2009. Among various categories of consumption, the most significant drop was registered with regard to the value of gross investment in fixed capital and decrease of personal consumption (-1,6%).

In November 2010, the number of unemployed persons again reached 312 thousand of persons. In the first ten months of 2010, the average monthly gross salary per employed person amounted to HRK 7.645 which is a decrease by 0,6% nominally or 1,6% effectively, as compared to the same period last year.

There is no indication of improving liquidity in the real sector: In November 2010 the amount of unsettled payment orders reached the record of HRK 35,037 billion. Simultaneously, the number of business entities with blocked accounts grew, and therefore the total number of business entities being unable to settle their current liabilities reached a new record of 74.778.

As compared to the last pre-crisis year 2008, the situation got significantly worse: the amount of unsettled payment orders is higher by as much as 90% (or by HRK 16,6 billion), and a number of business entities with blocked accounts grew by 28% (or by 15,5 thousand).

In spite of the economic crisis and the continued increase of number of unemployed persons and drop of gross salaries in Croatia, Optima has neither decreased salaries nor terminated the labor contracts, but focused to restructuring of operating costs, changed the structure of business income and maintained approximately the same level of income.

	2009.	2010.
Number of employees	387	376
Costs of salaries	HRK 28,4 million	HRK 27,6 million

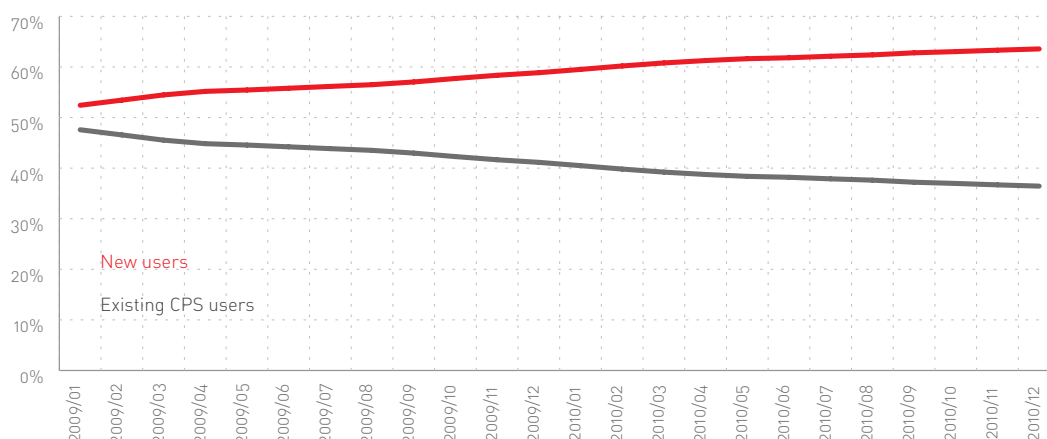
* Gross domestic product, macroeconomic indicator that shows the value of goods and services of some countries during the given year, expressed in monetary units

Market Strategy**Residential Segment**

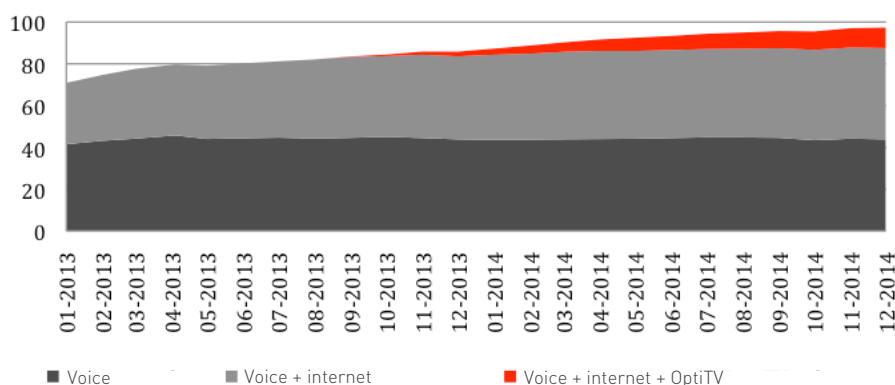
After launching of OptiTV service at the end of 2009, in 2010 Optima continued the trend of sales of ULL-based services in three directions of activities:

- Contracting new users
- Transferring of the existing Optima's users who are already using CPS* service (the so-called migration)
- Contracting additional services with the existing users - OptiDSL and OptiTV services, primarily (the so-called Upsell)

The result of these activities is seen as an increase of income of sales of services to private users. Apart from increase in income, the result of such sales activities is also seen as increase of gross margin.



NUMBER OF CONTRACTS FOR FULL TRANSFER TO OPTIMA



RESIDENTIAL SEGMENT

* CPS - eng. Carrier Pre Selection - the end user retains subscription with the existing operator (HT) and pays the costs of the voice services to Optima Telekom

Market Strategy

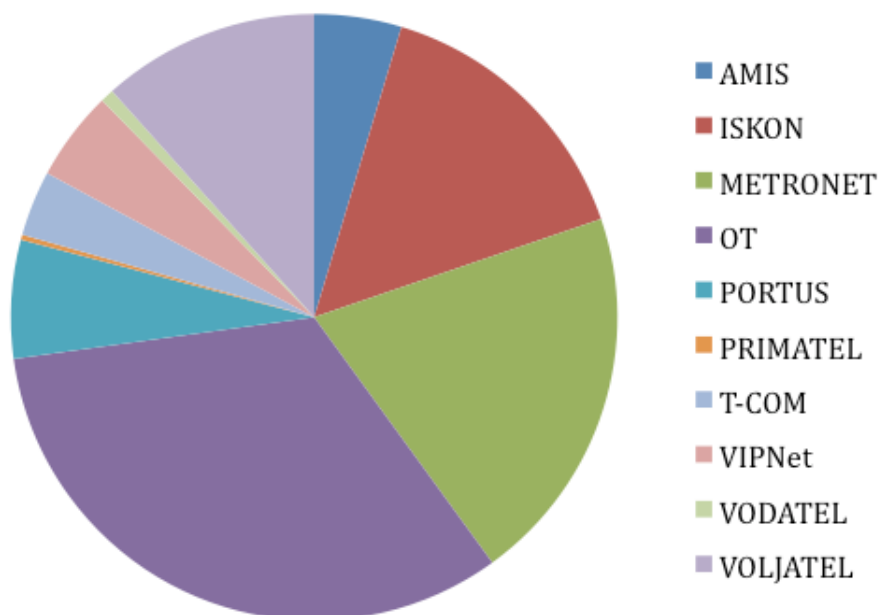
Transfer of Users to Optima Telekom's Network

In 2010, **26.768** contracts were executed for full transfer to Optima's network.

By such a trend, Optima continues with the planned strategy of migrating the existing CPS users and contracting new users to the own network.

Based on HAKOM's publicly available data on ported numbers (CADB) which daily registers the status of each transaction in porting numbers process, and contains the data required for routing the calls towards the ported number, it is apparent that Optima is the best fixed line service provider, according to migration of users to the own network.

Summary data on portability of phone numbers indicate transfer of **141.240** of numbers to Optima's network, which is **32,8%** of the total number of migrated numbers in fixed line and one of the most significant indicators of recognition of new operators, Croatian citizens' readiness to change the habits in using of telecommunications services and liberalization of the Croatian telecommunications market as a whole.



OPERATOR SHARES IN MIGRATED CONNECTIONS [SOURCE: HAKOM]

Market Strategy**Business Segment**

The business users segment is largely affected by the current economic situation, described in the section on trends in the Croatian market. These circumstances affected the telecommunications market through pressure to the prices, drop in the amount of minutes, but as well as in a large number of bankruptcies and illiquidity of business entities.

Such circumstances also affected decrease of income in KA and SME segment i.e. KA and SME segment users significantly reduced their business activities (decrease of number of employees, reduction of branch network) which directly reflected to the drop in the number of minutes in the public fixed line as well as reductions in other telecommunications services.

In response to such market trends, at the beginning of 2010 Optima started intensive sales activities in the broadest segment, the so-called SOHO segment, and that due to two reasons:

- In SOHO segment of users there is a large potential available to Optima via ULL
- By connecting the users to ULL, the investments made in ULL network are being capitalized

The focus to SOHO segment resulted in intensified sales activities and also in development of services targeting this market segment.

By this approach, Optima demonstrated that it is a company which met the unfavorable market circumstances ready, and that in spite of the recession, it adjusted to the new market conditions. A minimal decrease of income that occurred in higher segments, Optima mitigated by orientating to the lower market niche.

Another result of such business strategy is adjustment to the market with the services which have been developed in order to offer high quality services to lower market segments.

By the development of OptimaLAN office, the users are offered the possibility of using the most modern telecommunications equipment without further costs of investments.

OptimaLAN office enables usage of up to three analog and up to eight IP phone lines with

pertaining IP devices, any of the available ADSL access speeds with unlimited traffic, 25 e-mail addresses, and 1 GB of space for electronic mail. By this service, the possibilities of IP telephony got close to almost all market segments, at acceptable prices.

During 2010, Optima retained its presence tourism, commerce, transport and high education. Large business users are mostly represented in the following sectors:

- Hotels
- Intellectual services
- Media on national and regional level
- Financial institutions
- Intellectual services
- Transport
- Trade
- Tourism
- Association
- Hospitality
- Foreign missions and foreign representative offices
- Health sector
- Science

In 2010, Optima participated in public tenders and executed contracts with public institutions, participating, in total, in 41 public tender.

Wholesale

Relations with Other Operators

Optima has executed interconnection agreements with 26 international operators, 3 national mobile network operators and 9 national fixed line operators. This number of contracts has brought us interconnection income in the amount of HRK **77,8** million in 2010.

The income has been reduced in the segment of calls towards value added services, primarily due to the business policy of reducing the cooperation with VAS* operators.

Transit and termination income increased due to the increase in sales activities and despite of the reduction of the sales price as of 1 January 2010.



WHOLESALE INCOME

* VAS - eng. Value added services - information, advice, entertainment and other contents offered through 060 numeration

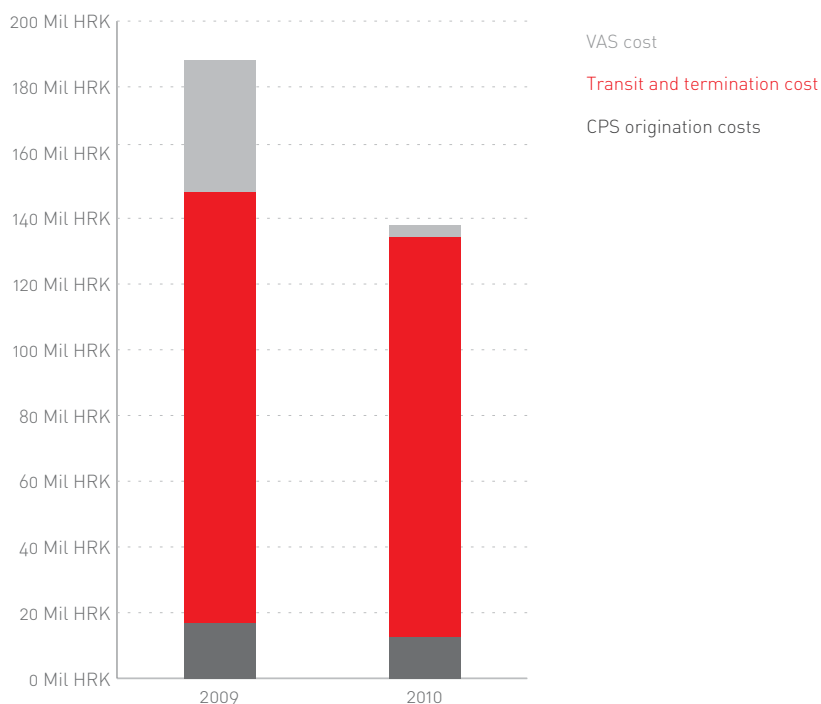
Wholesale

Total Interconnection Costs

Interconnection costs have been reduced, as compared to 2009, by **HRK 50 million** and in 2010 they amounted to **HRK 138 million**.

The reduction of costs reflects in several items:

- Total interconnection costs have been reduced due to the investments in connecting of the local switches of Croatian Telekom during the previous period. In this way, Optima became the operator terminating all interconnection traffic towards Hrvatski Telekom d.d. originating it at the lowest prices
- The reduction of cost of CPS origination has been additionally stimulated by migration of users to LLU*
- Further reduction has been driven by regulatory actions with regard to the price of termination of calls to the networks of all fixed line operators, as well as termination of national calls in the networks of mobile operators
- By strategic reduction of operations with VAS operators, the costs related to this service has been also reduced



INTERCONNECTION COSTS

* LLU - eng. Local Loop Unbundling - the process in which the existing operator (HT) enables the other operators to use the access infrastructure for providing services to their users. In such cases, the user pays the subscription and the price of voice services to Optima Telekom

Income from Sales of Telecommunication Services

The income from sales of telecommunications services in 2010 registered insignificant reduction by **0,4%** and it amounts to HRK **435,3** million.

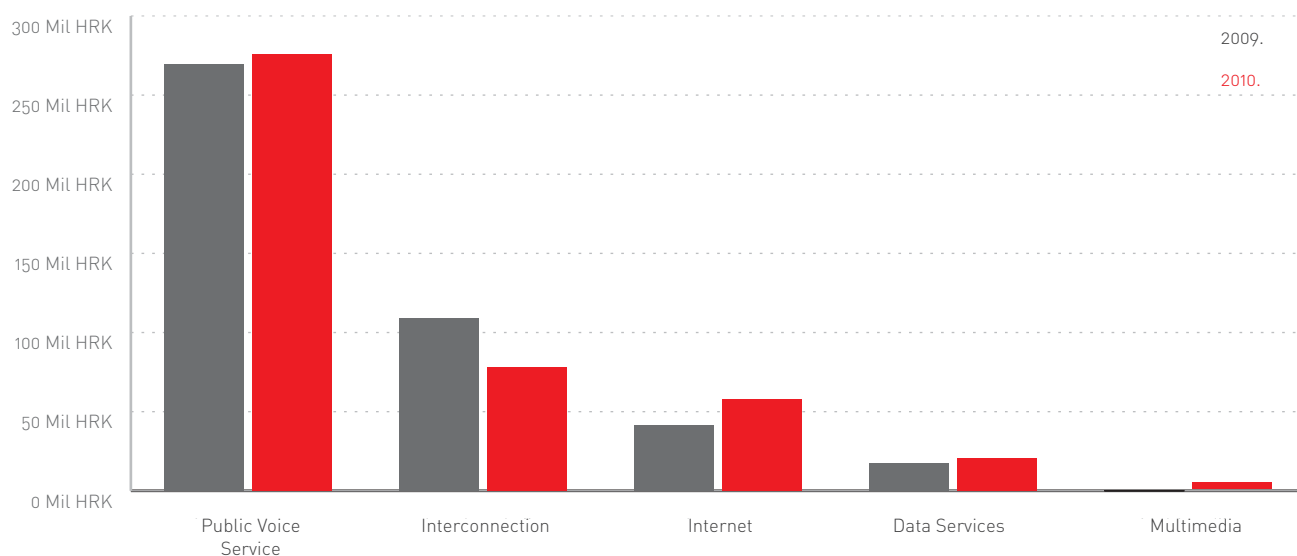
The majority of the income accounts for income of public voice service which continues to grow (by **2,3%**) and to enhance its structure (acquisition of new users to the own network).

The highest growth has been registered with regard to the income of internet services by as much as **38,6%** and that due to the increase of number of ADSL users, especially by upgrades and addition of new services to the existing users as well as by increase of number of OptiTV users.

Income of data services grew by **17,1%**.

Interconnection income has been reduced, as compared to 2009, by **28,6%** due to the significant reduction of income of value added services, which is in accordance with strategic determination to abandon this line of business. The reduction of interconnection income has been also driven by the decision of the regulatory entity to decrease the price.

The income of multimedia services register stable growth, which comes as a result of continuous increase of income of OptiTV service.



REVENUES FROM SALE OF TELECOMMUNICATIONS SERVICES

Earnings Before Interests, Taxes, Depreciation and Amortization - EBITDA

In 2010, EBITDA improved by HRK **31,8** million, as compared to 2009, and amounted to HRK **54,6** million.

The growth of the EBITDA comes as a result of:

- Continuation of strategic operations and investment in the own infrastructure
- Careful management and optimization of costs at all Group levels
- Influence of regulated prices
- Increase of profitability of services through increase of internet services

Earnings Before Taxes - EBT

The EBT realized in 2010 amounted to HRK **-61,5** million which is by HRK **49,6** million or **44,6%** better result as compared to 2009.

Taking into consideration the effect of increase of the EBITDA, the additional increase of EBT is a consequence of decrease of financial expenses, and reprogramming of short-term liabilities by Zagrebačka banka d.d.

Capital Investments and Projects in 2010

Capital investments in 2010 amounted to HRK **28,2** million, out of which HRK **15,1** million has been invested in the development of the access optical network, expansion of the collocations network, user equipment for providing IPTV service, and business users connection equipment. In the core network, the company invested HRK **9,1** million, which amount has been mainly used for upgrading the core of the network to 10G technology and for expansion of the subscriber switch.

	2010 (Kn)	Share %
General investments	240.950	1
Capital investments in technique	27.909.917	99
Access Network	15.134.985	79
Core Network	9.120.813	15
Telecommunications center	3.654.119	6
Total	28.150.867	

Market Potential

Optima, as the largest alternative operator in the Republic of Croatia, endeavors to reach each of its customers by own infrastructure. Due to this reason, construction of own collocations plays significant role in differentiation of Optima from other operators – we have the possibility to offer unique services to our users.

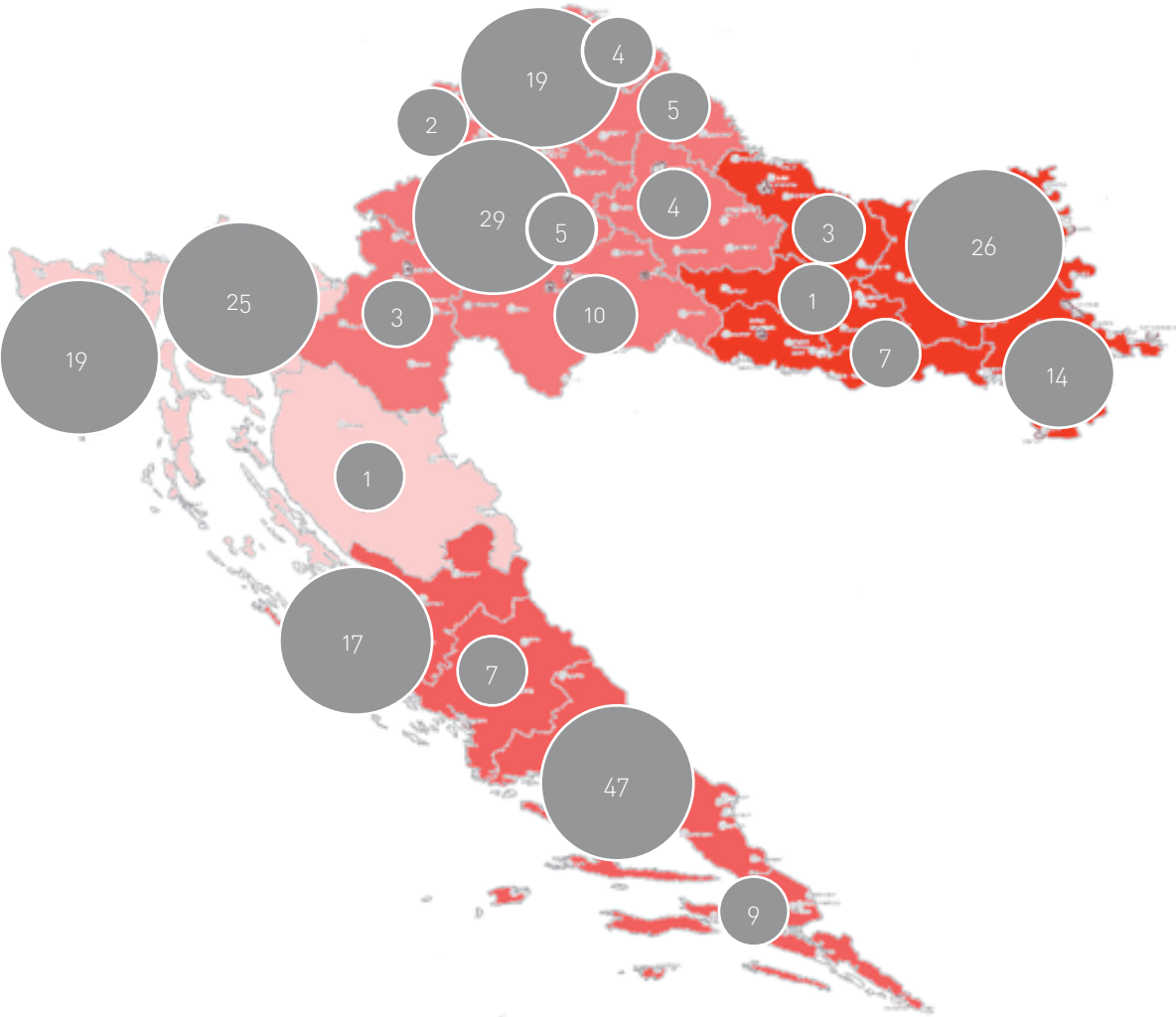
During 2010, we have provided the access to fixed telecommunications network to the users in following towns: Bol na Braču, Cavtat, Drniš, Duga Resa, Krapina, Vodice.

To date, Optima has raised **257** collocations* connecting them to the own infrastructural network - the number of available connections exceeded 680.000 which is more than **44%** of all connections in Croatia.

In the following years, the development strategy focuses to the strong development of local fiber optic network which will enable the access to all the users in the Republic of Croatia. Raising of the new collocations is also planned, which shall allow acceptance of more users.

* Collocation - location of own telecommunications equipment connected on own or HT's access infrastructure

County	Region	Pairs Total	Available
Dubrovačko-neretvanska	Jug	48.888	21.822
Splitsko-dalmatinska	Jug	152.808	85.432
Šibensko-kninska	Jug	43.587	21.773
Zadarska	Jug	64.289	34.379
Osječko-baranjska	Istok	98.977	53.927
Vukovarsko-srijemska	Istok	56.751	19.238
Virovitičko-podravska	Istok	27.086	6.849
Požeško-slavonska	Istok	24.205	3.638
Brodsko-posavska	Istok	47.281	16.710
Grad Zagreb	Sjever	326.279	177.470
Zagrebačka	Sjever	101.395	31.674
Međimurska	Sjever	34.010	5.714
Varaždinska	Sjever	54.485	26.469
Bjelovarsko-bilogorska	Sjever	38.876	8.927
Sisačko-moslavačka	Sjever	58.086	22.279
Karlovačka	Sjever	44.807	11.748
Koprivničko-križevačka	Sjever	35.697	10.162
Krapinsko-zagorska	Sjever	42.699	6.064
Primorsko-goranska	Zapad	134.424	65.840
Istarska	Zapad	88.88.569	48.497
Ličko-senjska	Zapad	20.899	3.128
TOTAL:	OT	1.544.098	681.740



Fiber Optic Network

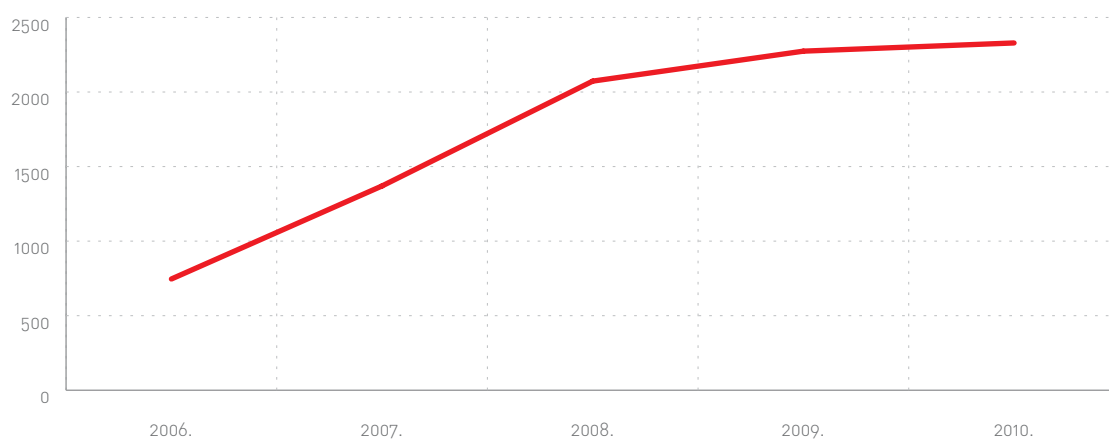
Optima, as the largest alternative operator in the Republic of Croatia, now has its network infrastructure in more than 100 Croatian towns. The majority of that infrastructure has been constructed by Optima's own fiber optic. In addition to the own infrastructure, the base of inter-city network are also the lines leased from HŽ, HEP, HT, Oiv, Universal telecommunications and some international operators.

Up to the present day, Optima successfully realized **2.329** km of own fiber optic network extending throughout the area of the entire Republic of Croatia. Therefore, Optima covers 50% of the potential market by its own infrastructure. The liberalization of the market positively affected the construction of the infrastructure, as well as new regulatory framework and HAKOM's activities with regard to underground telecommunications cables (DTK*). Today, Optima prides itself as the only operator with fully regulated status of usage of DTK infrastructure. There are great expectations with regard to further liberalization of the market - particularly significant changes are expected after publishing of the Standard Offer on the Method and Conditions of Common Usage of the Electronic Communications Infrastructure and Connected Equipment which, upon HAKOM's order, needs to be published by Hrvatske telekomunikacije d.d. being the largest infrastructure operator.

In spite of the financially limited recession year, in 2010 Optima constructed additional 55 km of fiber optic network, a half of which accounts for realization of 90 fiber optic feeds to end users and to the completion of capital project of Zadar - Šibenik route which has been put into operation in the 1Q 2010. Apart from that project, significant investments in fiber optic network have been made with regard to reconstruction of MAN network of the town of Osijek, with the end goal to move the main system hall to own premises in Vinkovačka street, which is expected to happen in 2011.

In the following years, the strategy of development focuses on significant expansion of the local fiber optic network in the below indicated towns, as well as inter-city routes enabling distribution of the fiber optic network and provision of Optima's services to the towns out of the regional centers. In addition, with the purpose of rationalizing the usage of the fiber optic capacities installed in DTK, and taking into consideration the increasing demand for new network capacities, especially in big regional centers, one portion of the funds will be spent on new city distribution hubs.

* DTK - Distribution telecommunication sewer (underground telecommunications infrastructure)



OPTIMA TELEKOM'S FIBER OPTIC NETWORK IN KILOMETERS

Optima Telekom's Fiber Optic Network in Kilometers	2006.	2007.	2008.	2009.	2010.	% changes
CROATIA	746	1.370	2.073	2.274	2.329	2%
North	300	540	792	862	875	2%
West	270	500	709	727	731	1%
East	0	80	179	183	192	5%
South	176	250	393	502	532	6%

Optima Direct d.o.o.

Optima Direct d.o.o. is Optima's wholly owned subsidiary. After inclusion into the Group in 2007, the influence of Optima Direct on business operations is growing, especially after migration and reorganization of certain key business process within the company.

Within its scope of activities, Optima Direct performs important business functions for the purposes of Optima Telekom's residential segment. These functions refer to the following processes:

- Customer care
- Residential sales
- Third party services

The development of Optima Direct in 2010 has been accompanied by further intensive development and growth which is in accordance with aggressive strategy of expanding customer base. On 31 December 2010, the company has employed 190 employees who mainly performed the activities of call center, back office and residential sales. The operations are organized in three separate locations at Zagreb, Varaždin and Osijek.

Apart from the usual tasks in domain of call center, the employees of Optima Direkt are carrying out the back office activities for Optima Telekom. It is important to emphasize that Optima Direct continuously works on the development of processes and applications which are used not only by Optima Telekom but also by other business partners of Optima Direct. Professional and educated employees of Optima Direct guarantee the quality of integrated call center service on the Croatian market. Strategy and goals of Optima Direct fit into the long term strategy of development of the Group. Optima sticks to the strategy of developing business within the affiliated company to which it approached in 2007 when the potential has been noted for development of two important participants in the telecom market.

Residential sale is one of the key segments of Optima Direct which directly positively affects the business operation of Optima Telekom. Optima Direct employs 63 employees organized regionally in 4 centers (Zagreb, Osijek, Rijeka, Split) and 4 offices (Zadar, Buje, Varaždin, Sisak) which are all harmonized with Optima's needs and plans. By the development of this particular segment a continuous income of new contracts and reduced dependability of a highly unreliably market of indirect partners has been ensured.

One of the fundamental reasons for migration of a part of employees into the affiliated company was the development of BPO* which has been recognized as a potential model of developing the scope of activities of the company and optimization of charges at the Group level. The following services are provided to the broader market:

- Call center (info desk, help desk)
- Telemarketing
- TV sale
- Direct mailing
- Door2Door Sales

Optima Direct has signed several significant contracts on providing of call center services for third party companies. Some of the reference projects include: Neckermann katalogská prodaja d.o.o., Ford Croatia, Unicef and other.

* Business process outsourcing

Regulatory Environment

During 2010, the Croatian Agency for Post and Electronic Communications ("the Agency") continued with its activities, especially with regard to regulation of the wholesale markets.

At the beginning of 2010, HAKOM passed a decision changing quite significantly the terms and conditions of usage of electronic communications infrastructure. Taken into account that Optima is the largest user of electronic communications infrastructure, this decision significantly affected Optima's operations.

The development of electronic communications market shall be largely affected by the regulation of the wholesale broadband access. Taking into account unfavorable economic conditions in 2010, by a Resolution dated 3 November 2010 HAKOM changed transparency obligations with regard to forced collection of debts, ordering the operators with significant market potential (HT and VIPnet) to additionally postpone the activation of security instruments. In this way, HAKOM showed its sensitivity to difficult economic situation in which the operators were functioning in 2010, and it also ensured additional stability in operations of the small operators.

HAKOM continued organizing public debates for all the decisions significant for the development of the market and similar activities are also expected in 2011. Already in January, HAKOM organized presentation of the market announcing further regulatory measures, after holding of public debates.

Corporate Governance

At the day of making of this report, the Management Board consists of: Matija Martić, Chairman of the Management Board, Goran Jovičić, Member of the Management Board, Jadranka Suručić, Member of the Management Board. The Chairman of the Supervisory Board is Nada Martić, and Supervisory Board Members are Marijan Hanžeković and Ivan Martić.

During the year, the composition and functions within the Management Board changed:

- On 8 July 2010, Matija Martić, the former Chairman of the Supervisory Board, became Member and Chairman of the Management Board, with 4-year mandate.
- On 8 July 2010, Goran Jovičić ceased to be Chairman of the Management Board. He was appointed Member of the Management Board again, with 4-year mandate
- On 8 July 2010, Damir Bokšić ceased to be Member of the Management Board. On 1 September 2010, he has been appointed Member of the Management Board in the affiliated company Optima Direct d.o.o.

Taken into account the changes in the Management Board, at the Shareholders' Meeting of the Company of 8 July 2010, it has been decided to effect changes in the Supervisory Board:

- New Supervisory Board Members have been elected - Mr. Marijan Hanžeković and Mrs. Nada Martić, both with 4-year mandate starting as of 8 July 2010.
- At this Shareholders' Meeting, Mr. Ivan Martić was also elected Supervisory Board member with 4-year mandate, starting as of registration in the court register the decision on the amendments to the Statute of the Company which have been also passed at the same Shareholders' Meeting.

As regards data on participation of the Management Board and Supervisory Board members in the shareholding of the company, there were no significant changes, apart from election of Mr. Marijan Hanžeković, as Supervisory Board Member, who is also one of the shareholders of the company. The data on Management Board and Supervisory Board members who are simultaneously shareholders of the company as per 31 Dec 2010:

- Matija Martić, Chairman of the Management Board, holds 65,94% of the share capital i.e. 1.850.569 ordinary shares
- Marijan Hanžeković, Member of the Supervisory Board, holds 4,75% of the share capital i.e. 133 962 ordinary shares
- Goran Jovičić, Management Board Member holds 0,71% of the share capital, i.e. 20 200 ordinary shares

Statement of the Persons in Charge of Composing the Financial Statements

In accordance with Article 410 of the Capital Markets Act, and acting in accordance with HANFA's opinion of 17 January 2010, the Management Board Members: Matija Martić, Chairman, Goran Jovičić, Member, Jadranka Suručić, Member, jointly declare that, to the best of their knowledge, the financial statements for the reporting period have been made in accordance with the appropriate standards of financial reporting, and that they give the overall and true presentation of assets and liabilities, profits and losses, financial position and operations of Optima as well as companies included in consolidation. The interim unaudited financial statements contain true presentation of development and results of operation and position of Optima and daughter companies, as well as description of the most significant risks and uncertainties to which the Group is exposed.



Matija Martić Goran Jovičić Jadranka Suručić

OT-Optima Telekom d.d.
ZAGREB

The Management Board has made the financial statements for the 4Q 2010 within interim unaudited annual financial statements. In this regard, there may be certain discrepancies, with regard to audited financial statements that the company shall create and publish within the legally prescribed deadlines.

The Management Board emphasizes that the interim statements contain certain forward-looking statements concerning financial situation, trends in the market of electronic communications, the results of activities that the company and the Group have been undertaking momentarily with the purpose of improving of its market position. Such statements are made to the best of current knowledge and expectations, but may not be considered as guarantee of their accomplishment.

The Supervisory Board declares that it approves the unaudited interim annual financial statements entirely, and confirms that in 2010 the Management Board was acting in accordance with the applicable laws and statutory powers.

The additional information and significant changes the Company makes available at its web pages www.optima.hr/investitori.hr

Index

BPO	Business process outsourcing	26
Collocation	location of own telecommunications equipment connected on own or HT's access infrastructure	20
CPS	eng. Carrier Pre Selection - the end user retains subscription with the existing operator (HT) and pays the costs of the voice services to Optima Telekom	11
DTK	Distribution telecommunication sewer (underground telecommunications infrastructure)	23
GDP	Gross domestic product, macroeconomic indicator that shows the value of goods and services of some countries during the given year, expressed in monetary units	10
LLU	eng. Local Loop Unbundling - the process in which the existing operator (HT) enables the other operators to use the access infrastructure for providing services to their users. In such cases, the user pays the subscription and the price of voice services to Optima Telekom	16
VAS	eng. Value added services - information, advice, entertainment and other contents offered through 060 numeration	15
Voice Channel	Voice channel is the basic unit of voice or data transmission. Number of voice channels determines how many conversations can take place simultaneously on one telephone connection. Telephone connection is defined as physical connection of the user to the telecommunications network. A telephone connection may have one or more voice channels.	8

**Optima Telekom d.d.
and subsidiaries**

**Non-consolidated financial Statements
as of 31 December 2010**

ENCLOSURE 1

Reporting period:

1 Jan 2010

to

31 Dec 2010

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 75 A

E-mail: info@optima.hr

Internet address: www.optima.hr

Code and city / municipality: 133

Code and county: 21 CITY OF ZAGREB

Number of employees: 186
(at the end of trimester)Consolidated Report: NO, UNAUDITED,
INTERIM

Business activity code: 6110

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping office:

Contact person: Svetlana Kundović

(name and surname of the contact person)

Telephone: 01/5492-027

Fax: 01/4817-160

E-mail: svetlana.kundovic@optima-telekom.hr

Name and surname: Matija Martić, Jadranka Suručić

(authorized representatives)

Documents to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons in charge of making Financial Statements
3. Management Board's Report

(seal)

OT-Optima Telekom d.d.
ZAGREB

(signature of authorized representative)

PROFIT AND LOSS ACCOUNT

for the period

1 Jan 2010

to

31 Dec 2010

Item	EDP #	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
OPERATING INCOME	035	448,597,931	113,913,195	447,426,405	112,475,401
1. Sales income	036	442,532,191	112,026,563	440,666,094	111,022,594
2. Income from usage of own products and services	037				
3. Other operating income	038	6,065,740	1,886,632	6,760,311	1,452,807
II. OPERATING COSTS	039	482,248,824	122,838,909	449,832,923	116,549,072
1. Reduction on stocks of finished goods and work in progress	040				
2. Increase of stocks of finished goods and work in progress	041				
3. Material costs	042	378,326,146	97,524,187	336,208,202	85,876,069
4. Staff expenses	043	35,994,864	7,695,739	35,690,740	9,301,769
5. Depreciation	044	51,806,860	13,087,246	50,896,006	12,950,323
6. Other expenditures	045	9,904,045	3,639,154	10,039,930	3,289,151
7. Value adjustment	046	5,050,168	-274,158	16,027,978	4,161,693
8. Reserves	047	1,166,741	1,166,741	970,067	970,067
9. Other operating costs	048	0	0	0	0
III. FINANCIAL INCOME	049	9,779,897	1,807,747	7,791,908	875,749
1. Interest income, foreign exchange differences, dividends and other financial income related to affiliated undertakings	050	2,119,431	253,664	1,666,165	310,125
2. Interest income, foreign exchange differences, dividends and other financial income related to unaffiliated undertakings and other persons	051	7,660,466	1,554,083	6,125,743	565,624
3. Income from affiliated undertakings and participating interests	052	0	0	0	0
4. Unrealized income of the financial assets	053	0	0	0	0
5. Other financial income	054	0	0	0	0
IV. FINANCIAL EXPENSES	055	90,888,819	27,176,534	69,676,124	-1,431,902
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	056				
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	057	88,187,290	24,475,005	69,676,124	-1,431,902
3. Unrealized losses (expenses) of the financial assets	058	2,701,529	2,701,529	0	
4. Other financial expenses	059				
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER COSTS	061				
VII. TOTAL INCOME	062	458,377,828	115,720,942	455,218,313	113,351,150
VIII. TOTAL COSTS	063	573,137,643	150,015,443	519,509,047	115,117,170
IX. PROFIT BEFORE TAXATION	064				
X. LOSS BEFORE TAXATION	065	-114,759,815	-34,294,501	-64,290,734	-1,766,020
XI. PROFIT TAX	066				
XII. PROFIT OF THE PERIOD	067				
XIII. LOSS OF THE PERIOD	068	-114,759,815	-34,294,501	-64,290,734	-1,766,020
DODATAK RDG-u (popunjavanje poduzetnik koji sastavlja konsolidirani godišnji financijski izvještaj)					
XIV.* DOBIT PRIPISANA IMATELJIMA KAPITALA MATICE	069				
XV.* DOBIT PRIPISANA MANJINSKOM INTERESU	070				
XVI.* GUBITAK PRIPISAN IMATELJIMA KAPITALA MATICE	071				
XVII.* GUBITAK PRIPISAN MANJINSKOM INTERESU	072				

BALANCE SHEET

as at

31 Dec 2010

Item	EDP #	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001		
B) FIXED ASSETS	002	482,748,840	480,645,076
I. INTANGIBLE ASSETS	003	40,372,544	32,169,354
II. TANGIBLE ASSETS	004	389,588,080	375,046,132
III. FIXED FINANCIAL ASSETS	005	52,788,216	73,429,590
IV. DEBTORS	006	0	0
V. DEFERRED TAX ASSETS	007	0	0
C) CURRENT ASSETS	008	119,073,760	84,189,874
I. STOCKS	009	8,377,473	3,679,112
II. RECEIVABLES	010	77,956,372	78,803,506
III. CURRENT FINANCIAL ASSETS	011	30,224,490	559,214
IV. CASH IN HAND AND AT BANK	012	2,515,425	1,148,042
D) PREPAYMENTS AND ACCRUED INCOME	013	54,650,330	53,008,079
E) LOSS ABOVE CAPITAL	014		
F) TOTAL ASSETS	015	656,472,930	617,843,029
G) OFF-BALANCE RECORDS	016	520,319,085	581,559,924
LIABILITIES			
A) CAPITAL AND RESERVES	017	-331,041,246	-395,331,980
I. INITIAL (SUBSCRIBED) CAPITAL	018	28,200,700	28,200,700
II. CAPITAL RESERVES	019	194,354,000	194,354,000
III. RESERVES FROM PROFIT	020		
IV. REVALUATION RESERVES	021		
V. RETAINED PROFIT	022		
VI. LOSS BROUGHT FORWARD	023	438,836,131	553,595,946
VII. PROFIT OF FINANCIAL YEAR	024		
VIII. LOSS OF FINANCIAL YEAR	025	114,759,815	64,290,734
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	1,338,578	2,308,645
C) LONG-TERM LIABILITIES	028	275,968,029	582,154,417
D) SHORT-TERM LIABILITIES	029	690,016,148	410,089,026
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	030	20,191,421	18,622,921
F) TOTAL-LIABILITIES	031	656,472,930	617,843,029
G) OFF-BALANCE RECORDS	032	520,319,085	581,559,924
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
KAPITAL I REZERVE			
1. Assigned to the holders of parent company's capital	033		
2. Assigned to minority interest	034		

CASH FLOW STATEMENT - Indirect method

in the period from 1/1/10 to 12/31/10

Item	EDP #	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	073	-114,759,815	-64,290,734
2. Depreciation	074	51,806,860	50,896,006
3. Increase of short-term liabilities	075	47,163,895	14,474,227
4. Decrease of short-term receivables	076	10,287,911	
5. Decrease of stocks	077	3,219,620	4,698,360
6. Other increase of cash flow	078	1,418,446	2,612,317
I. Total increase of cash flow from operating activities	079	-863,083	8,390,176
1. Decrease of short-term liabilities	080		
2. Increase of short-term receivables	081	1,278,633	847,133
3. Increase of stocks	082		
4. Other decrease of cash flow	083		1,568,499
II. Total decrease of cash flow from operating activities	084	1,278,633	2,415,632
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	085	0	5,974,544
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	086	2,141,716	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	087		
2. Cash receipt from sale of ownership and debt instruments	088		
3. Cash receipt from interest rates	089		
4. Cash receipt from dividends	090		
5. Other cash receipts from investment activities	091		
III. Total cash receipts from investment activities	092	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	093	59,759,426	28,150,868
2. Cash expenditure for acquiring ownership and debt financial instruments	094		
3. Other expenditures from investment activities	095		
IV. Total cash expenditures from investment activities	096	59,759,426	28,150,868
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	097	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	098	59,759,426	28,150,868
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	099		
2. Cash receipt from loan principal, debentures, loans and other borrowing	100	58,441,355	306,186,389
3. Other receipt from financial activities	101		29,665,276
V. Total cash receipt from financial activities	102	58,441,355	335,851,665
1. Cash expenditure for the payment of loan principal and bonds	103	1,215,018	294,401,350
2. Cash expenditure for the payment of dividend	104		
3. Cash expenditure for financial lease	105		
4. Cash expenditure for own shares buy-off	106		
5. Other expenditures from financial activities	107		20,641,374
VI. Total cash expenditure from financial activities	108	1,215,018	315,042,724
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	109	57,226,337	20,808,941
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES	110	0	
Total increase of cash flow	111	0	26,783,485
Total decrease of cash flow	112	4,674,805	28,150,868
Cash and cash equivalents at the beginning of the period	113	7,190,230	2,515,425
Increase of cash and cash equivalents	114		0
Decrease of cash and cash equivalents	115	4,674,805	1,367,383
Cash and cash equivalents at the end of the period	116	2,515,425	1,148,042

CHANGE IN CAPITAL STATEMENT

from 1/1/10 to 12/31/10

Item	EDP #	Previous period	Increase	Decrease	Current period
1	2	31 Dec of the previous year		3	4
1. Subscribed capital	117	28,200,700			28,200,700
2. Capital reserves	118	194,354,000			194,354,000
3. Profit reserves	119				0
4. Retained profit or loss carried forward	120	-438,836,131	-114,759,815		-553,595,946
5. Profit or loss of the current year	121	-114,759,815	-64,290,734	114,759,815	-64,290,734
6. Revaluation of fixed tangible assets	122				0
7. Revaluation of intangible assets	123				0
8. Revaluation of financial property available for sale	124				0
9. Other revaluation	125				0
10. Foreign exchange differences from net investments in foreign operations	126				0
11. Current and deferred taxes (part)	127				0
12. Cash flow protection	128				0
13. Changes in accounting policies	129				0
14. Correction of significant mistakes from the previous period	130				0
15. Other equity changes	131				0
16. Total capital increase or decrease	132	-331,041,246	-179,050,549	114,759,815	-395,331,980
16a. Assigned to holders of parent company's capital	133				
16b. Assigned to minority interest	134				

Notes to the Financial Statements

1. GENERAL

History and Incorporation

The Company Optima Telekom d.d. (hereinafter referred to as: "the Company") has been founded in 1994 under the company name Syskey d.o.o. On 22 April 2004 the Company changed its principal business activity and its name to Optima Telekom d.d.

In July 2007, the Company changed its legal form from limited liability company to joint stock company. On 19 November 2004, the Company obtained the license from the Croatian Telecommunications Agency Council to provide public voice service in fixed network, for the period of 30 years.

Principal Business Activities

The principal business activity of the Company is providing telecommunications services to private and business users on the Croatian market. The Company launched its telecommunications services in May 2005.

Optima Telekom d.d. initially focused on business users. Shortly after commencing business operations, it also began to target the residential market by offering good value voice packages.

Optima Telekom d.d. offers to its business users direct access and Internet services, as well as voice telecommunications services through its own network and/or carried pre-selected services. In addition to this, the Optima Telekom's flagship corporate services are its IP Centrex solution, which is among the first of a kind on the Croatian market and IP VPN services. The Company's existing capacities also allow it to provide collocation and hosting services. To serve its large corporate customers, the Company also provides customized solutions created on exceptional IT skills.

Staff

On 31 December 2010, the Company has been employing 186 employees.

Management Board and Supervisory Board

Management Board of the Company in 2010:

Matiija Martić	Chairman of the Company as of 8 July 2010
Goran Jovičić	Chairman of the Company until 8 July 2010; Member as of 8 July 2010
Jadranka Suručić	Member

Supervisory Board of the Company

Nada Martić	Member until 8 July 2010; Chairman as of 8 July 2010
Marjan Hanžeković	Member and Deputy Chairman as of 8 July 2010
Ivan Martić	Member as of 2 August 2010

REVIEW OF THE BASIC ACCOUNTING POLICIES

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Financial Statements have been prepared under the historical cost convention, except for the valuation of certain financial instruments.

Financial Statements as per 31 December 2010 have been prepared on the basis of accounting policies presented and published in the Audited Consolidated Financial Statements of the Group on 31 December 2009 which were made available on Zagreb Stock Exchange d.d. on 31 March 2010.

In the period January - December 2010, there were no changes in accounting policies and accounting estimations based on which the financial reports for the indicated period have been prepared.

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 31 December 2010 was HRK 7,385173 for EUR 1 and HRK 5,568252 for USD 1.

036. SALES

	31 Dec 2010	31 Dec 2009
Public voice services	275,484,995	269,160,554
Interconnection services	77,818,160	108,947,580
Internet services	57,601,118	41,556,556
Data services	20,399,911	17,423,921
Multimedia services	3,963,853	93,120
Lease and sale of equipment	1,746,515	1,876,645
Other services	3,651,544	3,473,814
	440,666,094	442,532,191

038. OTHER OPERATING INCOME

	31 Dec 2010	31 Dec 2009
Forced collection of debt	2,950,116	2,314,531
Income from rent	1,761,077	1,322,234
Collection of penalties and similar	76,630	446,180
In kind payments	393,532	428,830
Sales of fixed assets	630,953	185,652
Other income	948,002	1,368,313
	6,760,311	6,065,740

042. MATERIAL COSTS

	31 Dec 2010	31 Dec 2009
Costs of material	4,982,375	4,593,105
Costs of goods and services sold	5,754,622	6,808,526
Utilities	4,182,063	2,172,366
Telecommunications costs	147,124,614	192,673,650
Customer attraction costs	21,162,063	17,341,775
Pair connection fees	62,332,084	52,950,555
Billing Costs	8,315,841	10,675,355
Maintenance Costs	15,778,039	15,536,497
Line lease costs	43,057,582	49,688,685
Marketing costs	2,859,725	4,820,743
Intellectual and other services	1,508,202	1,843,709
Costs of services	451,685	820,623
Residential sales costs	14,751,720	14,885,700
Radio frequency charge	2,448,514	1,906,547
Other costs	1,499,077	1,608,309
	336,208,203	378,326,146

043. STAFF EXPENSES

	31 Dec 2010	31 Dec 2009
Net salaries	19,109,262	19,029,386
Taxes and contributions from salaries	11,383,485	11,686,701
Taxes and contributions on salaries	5,197,993	5,278,777
	35,690,740	35,994,864

Number of employees on
December 2010

31

186

177

044. DEPRECIATION AND AMORTISATION

	31 Dec 2010	31 Dec 2009
Depreciation	10,390,685	10,247,066
Amortisation	40,505,321	41,559,794
	50,896,006	51,806,860

045. OTHER OPERATING EXPENSES

	31 Dec 2010	31 Dec 2009
Compensations to employees	1,095,848	1,096,787
Representation expenses	814,864	918,031
Insurance premiums	1,737,178	1,919,607
Bank charges	3,566,597	2,496,706
Taxes, contributions and membership fees	1,343,836	1,177,707
Costs of sold and written off assets	688,591	163,585
Gifts and sponsorships	65,583	375,311
Other expenses	727,434	1,756,310
	10,039,930	9,904,045

Costs reimbursed to employees comprise of daily allowances, overnight accommodation and transport related to business travels, commutation allowance, reimbursement of costs for the use of personal cars for business purposes and similar.

049. FINANCIAL INCOME

	31 Dec 2010	31 Dec 2009
Affiliated undertakings interest income	1,656,150	2,119,431
Interest income	5,477,426	4,857,728
Foreign exchange gains	658,332	2,802,738
	7,791,908	9,779,897

057. INTERESTS, FOREIGN EXCHANGE DIFFERENCES AND OTHER EXPENSES

	31 Dec 2010	31 Dec 2009
Interest expenses	65,438,445	85,901,425
Charges	709,157	1,207,484
Foreign exchange losses	3,528,521	1,078,382
	69,676,124	88,187,290

Interest expenses consist of interests accrued on credits, bonds issued by the Company and default interest for untimely settlement of trade payables.

In 2010, the interest expenses have been reduced due to recalculation of regular and default interest in accordance with reprogramming of liabilities agreed with Zagrebačka banka d.d.

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	LEASEHOLD IMPROVEMENTS	ASSETS IN PROGRESS	TOTAL
COST					
As per 1 Jan 2010	8,187,690	74,832,491	3,767,834		86,788,016
Additions		924,069			924,069
Transfer from assets in progress					0
Disposals and retirements					0
As per 31 Dec 2010	8,187,690	75,756,560	3,767,834	0	87,712,085
VALUE ADJUSTMENT					
As per 1 Jan 2010	1,112,523	41,535,113	2,504,408		45,152,044
Amortization of the current year	272,651	9,412,513	705,522		10,390,686
Disposals and retirements					0
Amortization on 31 Dec 2010	1,385,174	50,947,626	3,209,930	0	55,542,730
NET BOOK VALUE					
As per 31 Dec 2010	6,802,516	24,808,934	557,904	0	32,169,354

004. PROPERTY PLANT AND EQUIPMENT

	LAND	BUILDINGS	PLANT AND EQUIPMENT	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	TOTAL
COST							
As per 1 Jan 2010	23,269	16,514,322	434,020,009	89,867	46,822	55,032,453	505,726,742
Additions			5,193,694	252,772		22,468,933	27,915,399
Transfer from assets in progress			35,597,319			-35,597,319	0
Disposals and retirements			-534,910	-216,584			-751,494
As per 31 Dec 2010	23,269	16,514,322	474,276,112	126,055	46,822	41,904,067	532,890,647
VALUE ADJUSTMENT							
As per 1 Jan 2010	0	1,803,252	115,543,813	55,023	0	0	117,402,087
Amortization of the current year		412,858	40,088,511	17,974			40,519,343
Disposals and retirements			-76,915				-76,915
Amortization on 31 Dec 2010	0	2,216,110	155,555,409	72,997	0	0	157,844,515
NET BOOK VALUE							
As per 31 Dec 2010	23,269	14,298,212	318,720,703	53,058	46,822	41,904,067	375,046,132

005. LONG-TERM FINANCIAL ASSETS

	12/31/10	12/31/09
Loans to majority shareholder	4,500,452	4,155,545
Loans to third party companies	29,662,401	3,955,884
Long term deposits	3,419,538	3,391,262
	37,582,392	11,502,691
Value adjustment	-1,542,642	-1,527,116
	36,039,750	9,975,575
Loans to affiliated undertakings	18,108,846	23,532,495
Loans and deposits	54,148,596	33,508,071
Shares in affiliated undertakings	19,280,994	19,280,145

73,429,590	52,788,216
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Loans to third party companies refer to the loans granted to company OSN INŽENJERING d.o.o. with interest rate of 11,5% and due dates 13 August 2012 (loan in the amount of HRK 2.67 million) and 30 April 2013 (loans in the amount of HRK 25,61 million)

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. for purchase and installation of telecommunications equipment and they come due on 16 February 2015 and 20 February 2015, respectively, as well as one deposit with BKS bank, coming due on 31 March 2012.

SHARES IN AFFILIATED COMPANIES

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which, in the moment of takeover, had 57% of interest in Optima Pazinka d.o.o. On 23 September 2008, Optima Grupa Holding d.o.o. changed its name to Optima Direct d.o.o.

On 12 October 2010, Optima Direct d.o.o. executed share transfer agreement with Mr. Milan Galant from Pazin, transferring the share of 57,51% of the basic capital in the company Optima Pazinka d.o.o. which thereby ceased to be a member of OT-Optima Telekom group.

The main business activities of Optima Direct d.o.o. are trading and providing various services which mainly relate to telecommunications sector.

n August 2008, the Parent Company increased the share capital of Optima Direct d.o.o. by HRK 15.888 i.e. the share capital was increased from HRK 3.328 to HRK 19.216.

The Parent Company established Optima Telekom d.o.o. Kopar, Slovenia in 2007, as a sole member - founder.

Investments into affiliated companies as per 31 December 201:

Subsidiaries	Shareholding
Optima Direct d.o.o., Buje, Croatia	100%
Optima Telekom d.o.o., Kopar, Slovenia	100%

Transactions within the group are carried out at fair market terms and conditions.

010 RECEIVABLES

	31 Dec 2010	31 Dec 2009
Trade receivables	75,965,095	74,191,595
Receivables from affiliated undertakings	345,935	108,580
Receivables from employees	41,743	41,863
Receivables from the state and other institutions	189,236	2,229,183
Interest receivables	796,133	850,261
Advance payments receivables	1,412,771	502,399
Other receivables	52,593	32,492
	78,803,506	77,956,372

TRADE RECEIVABLES

	31 Dec 2010	31 Dec 2009
Domestic trade receivables	89,315,897	75,538,932
Foreign trade receivables	9,134,584	6,692,171
Receivables from affiliated undertakings	288,123	108,580
	98,738,605	82,339,684
Value adjustment of trade receivables	-22,485,387	-8,039,508
	76,253,218	74,300,175

Provisions for doubtful and disputable receivables

	31 Dec 2010
1 January 2010	8,039,508
Write off during the year	-575
Collected during the year	-2,090,798
Reserved during the year	16,537,252
Closing balance	22,485,387

Aging of trade receivables of the Company

	31 Dec 2010
Undue	52,654,883
Up to 120 days	28,003,500
120-360 days	5,988,613
over 360 days	12,091,609
	98,738,605

011.SHORT-TERM FINANCIAL ASSETS

	31 Dec 2010	31 Dec 2009
Loans	160,000	22,857,415
Deposits	559,214	7,527,075
	719,214	30,384,490
Value adjustment	-160,000	-160,000
	559,214	30,224,490

012. CASH IN BANK AND IN HAND

	31 Dec 2010	31 Dec 2009
Bank account balance	1,057,223	1,440,617
Foreign account balance	83,434	1,071,140
Cash in hand	7,385	3,669
	1,148,042	2,515,425

013. PREPAID EXPENSES AND ACCRUED INCOME

	12/31/10	12/31/09
Differed customer related expenses	48,419,816	48,867,416
Bond issuing expenses	1,637,903	2,430,450
Prepaid expenses	2,950,360	2,643,032
Prepaid maintenance expenses	0	709,432
	53,008,079	54,650,330

017. SUBSCRIBED CAPITAL

On 24 August 2007, the sole shareholder at that time Mr. Matija Martić paid up the amount of HRK 20 million in the Company's share capital. In this way, the share capital of the Company has been increased from HRK 201 thousand to HRK 20,201 thousand. The Company has undergone transformation from limited liability company to joint stock company. The total number of shares amounted to 2,020,000 of ordinary shares with nominal value of HRK 10 each. The sole shareholder remained Matija Martić.

In December 2007, the Company increased the share capital through initial public offering. The Company issued 800,000 shares with nominal value of HRK 10 each. In this way, the total number of shares has been increased to 2,820,000. By subscribing the new shares, the Company realized capital gain of HRK 194,354 thousand representing the difference between the nominal value and the price determined on the initial public offering.

Earning per share as on 31 December 2010 amounted to:

Net result	64,290,734.00
Number of shares	2,820,070
Loss per share	22.80

Loss per share in the same period last year amounted to HRK 40,69.

Price of shares realized on the stock exchange in the period from 1 Jan to 31 Dec 2010 varied from HRK 25,00 (the lowest price) to HRK 44,80 (the highest price). Market capitalization in thousands of HRK on 31 December 2010 amounted to HRK 72,193 thousands.

In the period from January to December 2010, the Company did not buy-out the shares issued i.e. it does not hold treasury shares.

Structure of shareholders as on 31 December 2010

Shareholders	31 Dec 2010		31 Dec 2009	
	In thousands of HRK	%	In thousands of HRK	%
MARTIĆ MATIJA	18,596	65.94	18,596	65.94
	18,596	65.94	18,596	65.94
RAIFFEISENBANK AUSTRIA D.D./R5	1,345	4.77	1,345	4.77
HANŽEKOVIĆ MARIJAN	1,340	4.75	1,340	4.75
ZAGREBAČKA BANKA D.D.	1,716	6.09	428	1.52
RAIFFEISENBANK AUSTRIA D.D./RBA	979	3.47	979	3.47
SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA D.D./AZ MANDATORY	766	2.72	766	2.72
RAIFFEISENBANK AUSTRIA D.D.	365	1.29	410	1.45
ŽUVANIĆ ROLAND	303	1.07	303	1.07
SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA D.D./AZ PROFIT VOL	229	0.81	229	0.81
JOVIČIĆ GORAN	202	0.72	202	0.72
RAIFFEISENBANK AUSTRIA D.D./COLLECTIVE FOR PIM	176	0.63		
INTERKAPITAL D.D.	166	0.59	162	0.58
HRVATSKA POŠTANSKA BANKA D.D./COLLECTIVE ACCOUNT	144	0.51	144	0.51
ČORAK LJERKA	100	0.35	100	0.35
RAIFFEISENBANK AUSTRIA D.D./H2	96	0.34	151	0.54
ČERNOŠEK KRUNOSLAV (1/1)	65	0.23		
RAIFFEISENBANK AUSTRIA D.D./COLLECTIVE CUSTODY ACC	57	0.20	160	0.57
VARVODIĆ ANTE (1/1)	46	0.16		
ZAGREBAČKA BANKA D.D./COLLECTIVE CUSTODY ACCOUNT	45	0.16		
KMETOVIĆ IVO	43	0.15		
OREŠKOVIĆ STJEPAN	38	0.13		
RAIFFEISENBANK AUSTRIA D.D./COLLECTIVE CUSTODY ACCOUNT FOR DP			213	0.76
ALLIANZ ZAGREB D.D. /MATHEMATIC RESERVE			150	0.53
PBZ D.D./I - COLLECTIVE CUSTODY ACCOUNT			117	0.42
ZAGREBAČKA BANKA D.D./COLLECTIVE CUSTODY ACCOUNT FOR UNICREDIT BANK AUSTRIA AG			105	0.37
RAIFFEISENBANK AUSTRIA D.D./E			85	0.30
	8,220	29.15	7,389	26.20
MINORITY SHAREHOLDERS	1,385	4.91	2,216	7.86
	28,201	100	28,201	100

028. LONG-TERM LIABILITIES

	31 Dec 2010	31 Dec 2009
Loan based liabilities	48,151,307	58,320,982
Liabilities towards credit institutions	534,003,110	217,647,047
	582,154,417	275,968,029

In the last quarter of 2010, the Company has reprogrammed its short-term and long-term credit liabilities, agreed new terms and prolonged repayment deadlines.

029. SHORT-TERM LIABILITIES

	31 Dec 2010	31 Dec 2009
Loans, credits and interests	1,349,532	295,750,882
Liabilities for bonds issued	266,491,250	265,030,001
Liabilities towards affiliated undertakings	3,898,208	2,098,860
Trade payables	130,909,696	117,759,486
Liabilities towards employees	1,694,613	1,552,725
Taxes, contributions and other levies	4,798,161	4,521,506
Other short-term liabilities	947,565	3,302,687
	410,089,026	690,016,148

LOANS AND CREDIT LIABILITIES

	31 Dec 2010	31 Dec 2009
Loan liabilities	367,780	454,733
Credit liabilities	0	249,920,172
Interest liabilities	981,616	45,375,977
	1,349,396	295,750,882

TAXES, CONTRIBUTIONS AND OTHER LEVIES

	31 Dec 2010	31 Dec 2009
VAT Liabilities	2,772,257	2,111,509
Taxes and contributions on and from salaries	1,385,045	1,403,229
Other taxes and contributions	640,860	1,006,768
	4,798,161	4,521,506

BONDS ISSUED

On 5 February 2007, the Company issued bonds (OPTE-O-124A) with nominal value of HRK 250 million. The bonds have been issued on Zagreb Stock Exchange with interest rate of 9,125% and maturity date on 1 February 2014. The bonds have been issued with the price of 99,496%. The interest rate on annual basis has been paid on 1 February 2011.

	31 Dec 2010	31 Dec 2009
Nominal value	250,000,000	250,000,000

Bond issuing compensation	-4,383,750	-5,844,999
Interest based liabilities	20,875,000	20,875,000
	266,491,250	265,030,001

TRADE PAYABLES

	31 Dec 2010	31 Dec 2009
Domestic trade payables	124,623,979	110,896,269
Foreign trade payables	6,285,717	6,494,125
Invoice accrual	0	369,092
	130,909,696	117,759,486

030. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Dec 2010	31 Dec 2009
Domestic payables for which invoices have not been received	16,277,905	18,140,001
Foreign payables for which invoices have not been received	1,424,654	1,246,661
Income deferred due to uncertainty	920,362	804,759
	18,622,921	20,191,421

3. RISKS

Currency Risk Management

Currency risk may be defined as risk of fluctuation of value of financial instruments due to changes in the exchange rates. The Company's major exposure relates to long-term borrowings denominated in a foreign currency and converted to Croatian Kunas at the exchange rate applicable on the balance sheet date. Gains and losses resulting from conversion are credited and charged to the income statement, but do not affect the cash flow.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are given in the following table.

	Liabilities		Assets	
	31 Dec 2010 in '000 HRK	31 Dec 2009 in '000 HRK	31 Dec 2010 in '000 HRK	31 Dec 2009 in '000 HRK
EUR	580,167	178,520	-18,864	-20,508
USD	290	5,253	-110	-109
CHF				
GPB				
	580,457	183,773	-18,974	-20,617

Currency Risk Management (continued)

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of Croatian Kuna to Euro and US Dollar.

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 2010 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	31 Dec 2010 in '000 HRK	31 Dec 2009 in '000 HRK	31 Dec 2010 in '000 HRK	31 Dec 2009 in '000 HRK
EUR	58,017	17,852	-1,886	-2,051
USD	29	525	-11	-11
CHF				
GPB				
	58,046	18,377	-1,897	-2,062

Exposure to the currency exchange for 10% mainly relates to received loans, trade payables and receivables from affiliated companies indicated in Euros (EURO) and US Dollars (USD).

Interest Rate Risk

Long-term liabilities arising from credits and loans with variable interest rates amount to HRK 376,26 million, and therefore, the Company's exposure to the interest rate risk is significant. The increase of interest rates by 1% affects rise of financial expenses by HRK 3,76 million a year, and to the increase of indicated loss in the reporting period.

Credit Risk

Credit risk is the risk that the Group's customers will default on their contractual obligations causing possible financial loss to the Group. The Group has adopted procedures which are applied in dealing with customers and it requests and collects payment security instruments, where appropriate, in order to mitigate possible financial risks and losses resulting from a default in payment and fulfillment of contractual obligations.

The Group operates with a large number of customers from various industries and of various sizes as well as with individuals who have a specific credit risk. The Company has developed procedures for each particular group of customers in order to ensure that the credit risk is addressed in the most appropriate way.

Customers' credit ratings are also monitored on a continuous basis in order to establish the Group's credit exposure, which is reviewed at least once a year.

The risk of receivables by customers and other clients is determined on quarterly basis, in accordance with the adopted accounting policies and procedure of claims collection.

Liquidity Risk Management

The ultimate responsibility for liquidity risk management rests with the Management Board which is in charge of setting up the appropriate framework for liquidity risk management, all with the purpose of satisfying short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and credit lines, by continuous comparison of planned and realized cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity Risk and Interest Rate Risk Table Analysis

The following tables detail maturity of the Company's contractual liabilities indicated in the balance sheet at the end of the reporting period.

Tables have been created on the basis of undiscounted cash flows of financial liabilities on their due date. The tables include both interest and principal cash flows.

in thousands of HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
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31 Dec 2010

Non-interest bearing liabilities
Interest bearing liabilities

142,248			142,248
64,547	782,933	2,515	849,995
206,796	782,933	2,515	992,243

31 Dec 2009

Non-interest bearing liabilities
Interest bearing liabilities

129,235			203,371
358,766	421,346	41,607	675,207
488,001	421,346	41,607	878,578

Non-interest bearing liabilities of the Company aged up to one year mainly refer to trade payables, and that in the amount of HRK 130.909 thousand for the period January - December 2010 (HRK 121.810 thousand for the same period 2009).

Interest bearing liabilities include short-term and long-term borrowings, bonds issued and financial lease.

The following tables detail maturity of the Company's financial assets indicated in the balance sheet at the end of the reporting period.

Tables have been created on the basis of undiscounted cash flows of financial assets on their due date. The tables include both interest and principal cash flows.

in thousands of HRK

Up to one year From 1 to 5 years Over 5 years Total

31 Dec 2010

Non-interest bearing assets
Interest bearing assets

79,952			79,952
610	37,517	16,581	54,708
80,562	37,517	16,581	134,660

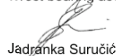
31 Dec 2009

Non-interest bearing assets
Interest bearing assets

77,956			95,434
30,224	29,352	4,156	63,831
108,180	29,352	4,156	159,265

Due to the low interest rate, cash and cash equivalents are included in non-interest bearing assets.


Matija Martić


Jadranka Suručić

QT-Optima Telekom d.d.
ZAGREB