

OT Optima Telekom d.d.
Management Interim Report
for the second quarter and
first half of 2011
consolidated

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Main features

Compared to the same period of 2010, Optima Telekom concluded the first half of 2011 with an increase of revenue from Internet services, data services and of revenue from interconnection services, as well as a significant increase of revenue from multimedia services.

The subsidiary – Optima Direct - continues to provide customer care and residential sales services for Optima Telekom.

Business indicators

Optima Telekom ended the second quarter, i.e. the first half of 2011 with:

- an increase of overall consolidated revenue by HRK **11,4** million (**5,0%**) with a simultaneous decrease of overall expenses by HRK **4,32** million (**-2%**) compared to the same period of the previous year
- an improvement of earnings before taxation, interest and depreciation (EBITDA) by **34,6%** compared to the same period of the previous year, so that in the first half of 2011 a positive EBITDA of HRK **37,95** million was reached, and HRK **20,15** million in the second quarter
- a significant decrease of the loss before taxation (EBT) by **40,6%**

	H1 2010	H1 2011	H1 2011/ H1 2010	Q2 2010	Q2 2011	Q2 2011/ Q2 2010	
Total income	227.231	238.645	[5%]	116.210	121.526	4.6%	
EBITDA	28.183	37.946	34.6%	13.365	20.146	50.7%	
EBT	(38.709)	(22.981)	[40.6%]	(19.554)	(10.645)	(45.6%)	
	30.06.2010	30.06.2011./ 30.06.2010.	31.12.2010.	30.06.2011./ 31.12.2010.	31.03.2011.	30.06.2011./ 31.03.2011.	30.06.2011.
Total number of OT users							
Number of voice channels*	271.658	0.3%	271.937	0.2%	275.653	-1.1%	272.540
Number of users in own LLU network	98.919	9.2%	103.351	4.6%	106.327	1.6%	108.067
Number of OptiDSL users in own LLU network	53.686	19.8%	58.818	9.3%	62.185	3.4%	64.291
Number of OptiTV users in own LLU network	6.700	94%	9.800	32.7%	11.850	9.7%	13.000
Number of collocations installed	252	2.8%	257	0.8%	259	0%	259
North	79	3.8%	81	1.2%	82	0%	82
West	45	0%	45	0%	45	0%	45
East	50	4%	51	2%	52	0%	52
South	78	2.6%	80	0%	80	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.

Consolidated revenue

The overall consolidated revenue in the first half amounts to HRK **238,65** million which, compared to the results of the same period of 2010, shows an increase of 5,0%, while the overall consolidated revenue in the second quarter of 2011 amounts to HRK **121,56** million, which is a **4,6%** increase compared to the same period of 2010.

The 5% increase is primarily a result of revenue from internet services and multimedia services, arising out of the increase in the number of users of the OptiTV service, which was introduced in 2009.

Earnings before taxation, interest and depreciation - EBITDA

EBITDA continues in its positive trend from 2010 and amounts to HRK **37,95** million for the first half, which represents an increase of HRK **9,8** million compared to the same period of the previous year. For the second quarter of 2011, it amounts to HRK 20,15 million, which represents a 50,7% increase compared to the same period of the previous year.

The improvement of EBITDA is a result of continuous investments into own infrastructure, orientation towards the sale of more profitable services, optimal management of operating costs and regulated prices.

Earnings before taxation – EBT

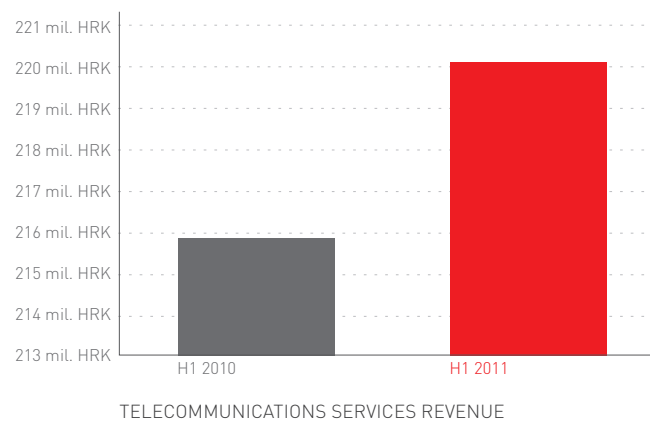
In the first half of 2011, the EBT amounts to HRK **-22,98** million which is a better result by HRK **15,73** million or by **40,6%** compared to the same period of the previous year.

Telecommunications services revenue

The overall telecommunications services revenue has recorded a 2% increase, compared to the same period of the previous year.

From the retail services viewpoint, the revenue increase is primarily result of aiming towards data, internet and multimedia services, the revenue from which continues to compensate the decrease of revenue from voice services, resulting from changes in the way and habits of using telecommunications services.

This trend clearly shows that OT-Optima Telekom has chosen the right direction in its development, relying on the development of own infrastructure.



Wholesale services have also recorded a continued growth, especially in **interconnection revenue**, having shown a 31,2% increase compared to the same period of the previous year and amounting to HRK **43,98** million.

The multimedia services revenue continues to increase rapidly in the first half of 2011, and with further investment and aiming towards multimedia services development, it will become one of the fixed revenue generators.

The increase in internet services revenue (26,2%) is connected with the increase of the user base. In the residential segment this pertains to OptiDSL users, while the corporate segment shows, apart from the user base increase, a need for greater internet access capacities.

Data services have recorded a stable revenue in the amount of HRK **10,2** million. These services are under constant pressure due to market circumstances, which primarily means the reduction and optimization of the corporate segment's operating costs, especially the KA corporate users, the predominant users of these services.

LLU

Optima Telekom is continuing the activities of transferring carrier pre-selection service users to its own network, and also acquiring entirely new users.

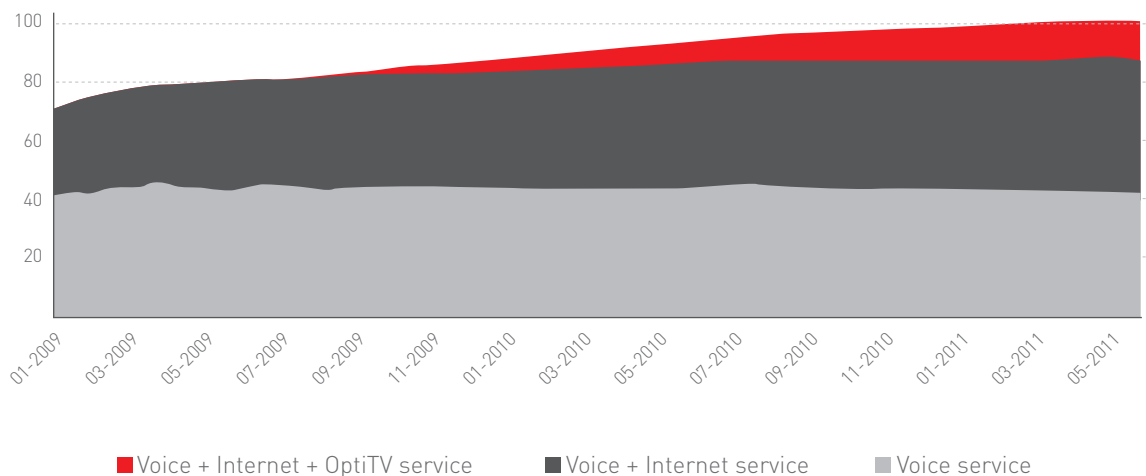
At the end of the first half of 2011, the number of LLU users in own network (LLU) has recorded an increase of 9,2% (from 98.919 to 108.067), compared to the same period of 2011.

The key indicators of the LLU process show that positive trends in the following activities continue:

- Significant success has been made in the segment of existing users, by upgrading through the use of new services (OptiDSL, OptiTV)
- The acquisition of entirely new users to own network is intensifying (particularly in the corporate SoHo segment, and that change in the user base structure is also influencing the improvement in profitability)
- The transfer of carrier pre-selection service (CPS) users to own network continues

A significant increase has been recorded precisely in the segment of ADSL users in own network, from 53.686 at the end of the first half of 2010 to 64.291 in the same period of 2011, i.e. a significant 19,8%.

GROWTH TREND OF RESIDENTIAL USERS



Infrastructural development

In accordance with the own infrastructure development plan for 2011, in the first half preparations have been made for the installation of eight new collocations, which will be active in Q3 and Q4, as well as an increase in capacity of six collocations. During the second quarter, capacities have been increased for the collocations Valpovo, Slatina, Županja, Ivanić grad, Sisak Viktorovac, and Banfica Varaždin.

The total number of active collocations at the end of the first half of 2011 is **259**.

Except for collocations, infrastructural development necessarily requires the construction of own optical network.

During the second quarter of 2011, the said construction has been characterized primarily by the construction of shorter sections, i.e. user feeds for new OT users. The length of constructed optical user feeds is slightly larger compared to the same period of the previous year.

In numbers, we are talking about **18,5** km of new optical sections with **58** user feeds.

Comparing overall lengths, the optical network has grown by **0,7%** (**2.359** km, compared to the **2.340** km at the end of the first quarter of 2011). The largest amount of user feeds has been constructed in region South (10,2 km), followed by region North (5,6 km), region East (1,8 km) and region West (0,9 km).

During the upcoming period, the construction of longer optical feeds for the installation of new collocations is expected, primarily in Jastrebarsko, Đurđevac and Sv. Nedelja. Also, within the project of renting threads of Universal Communications, the construction of the Strizivojna – Đakovo section of about 8 km through the existing HT cable channeling is planned, which will connect the said town to the OT optical network.

We would like to emphasize the completion of the project of connecting HT local and transit switchboards directly to Optima network, which ended in May of 2011. This reduced the monthly expenses of leasing interconnection lines towards the HT voice network and modem access lines in HT network (Dial-UP). By connecting local switchboards, we also achieved better rates for voice communications towards HT network. Optima is connected with all the 72 local and 10 transit HT switchboards. Overall, this means 354 interconnection lines of 2Mb/s towards the HT voice network, and 8 interconnection lines for modem access.

Significant events in 2011 and expectations for future development

Macroeconomic and market trends¹

The macroeconomic indicators in the first half of 2011 show that there is still no recovery of the economy. Namely, compared to the first half of 2010, we are recording a decrease in economic activity, i.e. the GDP by 0,8%.

The export of goods and services has had a predominant influence over the GDP trends, and it decreased by 11,1% at an annual level. Likewise, in the first 5 months of 2011 a decrease of 1,9 % has been recorded in industrial production, and 2,5% in tourism, compared to the previous year. Unemployed has been decreased by 10,2 thousand in May, which was helped by seasonal employment, so that the overall number of unemployed persons is 298.719. At an annual level, an increase of salaries has been recorded. So, the net salaries in April increased by 2,9% compared to the same month of 2010, while the gross amount increased by 1,9%. In the first four months of 2011 the average gross salary amounted to HRK 7.692 (HRK 5.365 net).

The negative trends in liquidity and solvency continues to progress. In May 2011 the value of outstanding payment orders has increased by HRK 807 million to a new record of HRK 38,9 billion, which represents 84.692 business entities with overdrawn accounts.

MARKET POTENTIAL

According to data available to the public, Croatia has approximately 1,52 million active phone lines. Within this potential, at the end of the first half year period Optima has a total of 272.540 voice channels in its network.²

In the first half of 2011 the number of potentially available connections in Optima Telekom went up to 671.590 connections, which represents:

- a **1%** decrease (from 680.883 to 671.590 connections compared to the same period of the previous year).

The decrease in the number of available connections, despite the increased number of collocations, is a result of reconstruction of own access carrier network, which decreases the length of local twisted pair cabling in order to improve the quality of service. By opening new UPSs, the access carrier has been decreasing the number of twisted pair cables within reach of the existing UPSs. This is the reason of the decrease in the number of twisted pair cables within Optima Telekom's reach, even though new collocations have been installed.

- over **44,2%** of available connections, which is slightly above the benchmark of the share of alternative carriers in developed markets

¹ Data source: National Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

² Indicators published by HAKOM; 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.

³ Benchmark- continuing, systematic process of evaluation of products, services or business operations of an organization, recognized as the best praxis with the purpose of realizing organizational improvements.

Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) continued to regulate the electronic communications market in this reporting period as well, and thus completed the Market Analysis of access to public communications network at a fixed location for private and corporate users, by which for the first time in a market regulation, Hrvatski Telekom d.d. (hereinafter: HT), together with its affiliate Iskon Internet d.d., was designated as a carrier of significant influence in the market and was obligated to supervise prices of retail services. The document of the said analysis enabled the existing users of the carrier pre-selection service to pay all voice services by way of a single bill by the pre-selected carrier. The aforestated possibility is based on the wholesale service of renting the user lines owned by the access carrier – HT. In light of the possibility of charging all voice services in a single bill, amongst other things, HAKOM changed HT's standard offer for the wholesale broadband internet access, in a way to make it possible to select and agree on independent broadband access services, not related to other services (voice services).

A big step towards liberalizing the market was also made by initiating a regulation of the retail internet access market, which is not regulated by the European regulatory framework, so the same is also expected to have supervision of retail prices soon, all in an attempt to enable efficient competition.

Research and development activities

Product development activities were for the most part aimed at developing services and tariff models intended for corporate users, especially lower market segments SME and SoHo.

During the first half of 2011, activities have been initiated, which will influence the efficiency of sale of services significantly, both in the residential and the corporate segment.

Changes in the Company's governing bodies

At the regular General Assembly of the Company held on 06.06.2011, two new members of the Supervisory Board have been elected for a period of 4 years, Mrs. Zrinka Vuković Berić and Mr. Duško Grabovac.

Mr. Marijan Hanžeković, a member and the deputy chairperson of the Supervisory Board resigned from his membership in the Supervisory Board.

The current Supervisory Board members held a meeting on 06.06.2011, and elected Mrs. Nada Martić as the Chairperson, as she has been thus far, while Mr. Ivan Martić has been elected as deputy.

Statement of the Persons in Charge of Financial Statements

In accordance with Article 410 of the Capital Market Act, the members of the Management Board, Mr. Matija Martić as Chairman of the Management Board, Mr. Goran Jovičić, as Member of the Management Board and Ms. Jadranka Suručić, as Member of the Management Board, jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable standards of financial reporting and that they contain overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the companies included in consolidation.

The quarterly financial report contains a true presentation of development, results and position of Optima Telekom and its subsidiaries, as well as a 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.
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The Management Board would like to emphasise 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.

The Supervisory Board declares that it accepts the financial report in its entirety and confirms that during the reporting period, the Management Board acted in accordance with the relevant legislation and statutory authorities.

Additional information and significant changes have been made available by the company at its website: www.optima.hr/investitori.hr

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Benchmark	continuing, systematic process of evaluation of products, services or business operations of an organization, recognized as the best praxis with the purpose of realizing organizational improvements
Collocation	location of own telecommunications equipment connected on own or HT's access infrastructure
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
DTK	Distribution telecommunication sewer (underground telecommunications infrastructure)
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
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
VAS	eng. Value added services - information, advice, entertainment and other contents offered through 060 numeration
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.

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

**Consolidated financial Statements
as of 30 June 2011**

Enclosure 1

Reporting period:

1 Jan 2011

to

30 Jun 2011

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

Internet address: www.optima.hr

and name for municipality/city 133

Code and name for county 21

Number of employees 375
(at the year's end)

Consolidated Report YES

Business activity code: 6110

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

OPTIMA DIRECT d.o.o.

Buje

03806014

OPTIMA TELEKOM d.o.o.

Koper, Republika Slovenija

02236133

Book-keeping firm

Contact person: Svetlana Kundović

(unosí se samo prezime i ime osobe za kontakt)

Telephone: 01/5492 027

Telefaks: 01/5492 019

e-mail address: svetlana.kundovic@optima-telekom.hr


Surname and name: MATIJA MARTIĆ, JADRANKA SURUČIĆ

(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.


Optima Telekom d.d.
ZAGREB

 (signature of authorized person)

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2011 to 30 Jun 2011

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	222.176.399	112.852.191	234.454.377	119.097.860
1. Sales income	112	220.068.948	111.788.040	232.379.389	117.958.968
2. Other operating income	113	2.107.451	1.064.151	2.074.988	1.138.892
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	219.848.650	112.823.641	223.965.771	112.930.354
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	154.075.261	73.965.814	159.533.089	80.356.305
a) Costs of raw material and supplies	117	2.646.999	2.285.945	1.074.967	546.668
b) Costs of goods sold	118	3.151.967	1.506.893	6.867.827	3.600.970
c) Other external costs	119	149.276.295	70.172.976	151.590.275	76.208.667
3. Staff costs (121 do 123)	120	24.743.050	15.905.482	25.023.074	12.625.470
a) Net salaries and wages	121	13.846.551	9.133.141	14.055.184	7.085.965
b) Expenses of taxes and contributions from salaries	122	7.381.634	4.516.802	7.331.684	3.701.934
c) Contributions to salaries	123	3.514.865	2.255.539	3.636.226	1.837.571
4. Amortization	124	25.855.318	13.336.608	27.457.541	13.978.001
5. Other costs	125	5.314.479	1.794.468	5.647.566	2.762.400
6. Value adjustment (127+128)	126	9.860.542	7.821.289	6.304.521	3.208.178
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	9.860.542	7.821.289	6.304.521	3.208.178
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	5.054.178	3.357.745	4.190.894	2.427.765
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	5.054.178	3.357.745	4.190.894	2.427.765
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
IV. FINANCIAL EXPENSES (138 do 141)	137	46.089.475	22.939.417	37.660.586	19.240.205
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	46.089.475	22.939.417	37.660.586	19.240.205
3. Unrealized losses (expenses) of the financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	142	0	0	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	1.049	1.049	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	227.230.577	116.209.936	238.645.271	121.525.625
X. TOTAL EXPENSES (114+137+143 + 145)	147	265.939.174	135.764.107	261.826.357	132.170.559
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-38.708.597	-19.554.171	-22.981.086	-10.644.934
1. Profit before taxation (146-147)	149	-38.708.597	-19.554.171	0	0
2. Loss before taxation (147-146)	150	38.708.597	19.554.171	22.981.086	10.644.934
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-38.708.597	-19.554.171	-22.981.086	-10.644.934
1. Profit of the period (149-151)	153	-38.708.597	-19.554.171	0	0
2. Loss of the period (151-148)	154	38.708.597	19.554.171	22.981.086	10.644.934
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS OF THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155				
2. Assigned to minority interest	156				
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-38.708.597	-19.554.171	-22.981.086	-10.644.934
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	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
III. COMPREHENSIVE INCOME TAX	166	0	0	0	0
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	168	-38.708.597	-19.554.171	-22.981.086	-10.644.934
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	0	0	-22.981.086	-10.644.934
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
as at 30 Jun 2011

Issuer: OT - Optima Telekom d.d.

Item 1	EDP # 2	Previous period 3	Current period 4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001		
B) FIXED ASSETS (003+010+020+029+033)	002	449.614.021	456.409.556
I. INTANGIBLE ASSETS (004 through 009)	003	36.940.874	28.557.391
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	36.940.874	28.557.391
3. Goodwill	006	0	0
4. Advances for procurement of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 through 019)	010	394.932.699	382.135.237
1. Land	011	23.269	23.269
2. Building objects	012	21.436.562	20.840.701
3. Facilities and equipment	013	320.682.526	330.210.669
4. Tools, production inventory and transport assets	014	68.659	520.157
5. Biological assets	015	0	0
6. Advances for tangible assets	016	91.630	0
7. Tangible assets in preparation	017	51.696.588	29.922.657
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	886.643	570.962
III. FIXED FINANCIAL ASSETS (021 through 028)	020	17.685.440	45.716.928
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	0	0
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	17.685.440	45.716.928
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	55.008	0
C) CURRENT ASSETS (035+043+050+058)	034	110.755.829	86.245.538
I. INVENTORY (036 do 042)	035	6.702.590	3.260.628
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	6.702.590	3.260.628
5. Inventory advances	040	0	0
6. Assets intended for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	77.876.119	81.200.608
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	75.106.410	80.044.332
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	46.471	42.883
5. Receivables from the state and other institution	048	310.851	451.042
6. Other receivables	049	2.412.387	662.351
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	24.928.806	521.266
1. Shares (stock) in affiliated entrepreneurs	051	0	0
2. Loans granted to affiliated entrepreneurs	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans given to entrepreneurs with participating interests	054	0	0
5. Securities investments	055	0	0
6. Granted loans, deposits and such	056	24.928.806	521.266
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.248.314	1.263.036
D) PREPAYMENTS AND ACCRUED INCOME	059	56.862.103	51.656.309
E) TOTAL ASSETS (001+002+034+059)	060	617.231.953	594.311.403
F) OFF-BALANCE RECORDS	061		1.009.331.738

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-394.946.424	-442.199.637
I. BASE (registered) capital	063	28.200.700	28.200.700
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	0	0
1. Legal reserves	066	0	0
2. Own stock reserves	067	0	0
3. Own stocks and shares (deductable item)	068	0	0
4. Statutory reserves	069	0	0
5. Other reserves	070	0	0
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-578.836.676	-641.773.252
1. Retained earnings	073		
2. Loss carried forward	074	578.836.676	641.773.252
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-38.708.597	-22.981.085
1. Profit of the year	076		
2. Loss of the year	077	38.708.597	22.981.085
VII. MINORITY INTEREST	078	44.149	0
B) PROVISIONS (080 through 082)	079	1.338.578	2.796.143
1. Provisions for pensions, severance payments and similar obligations	080	409.736	1.867.301
2. Provisions for tax liabilities	081	928.842	928.842
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	246.317.286	575.351.690
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	55.817.164	44.845.007
3. Liabilities towards banks and other financial institutions	086	190.500.122	530.506.683
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	0
6. Liabilities as per securities	089	0	0
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	749.811.575	439.294.441
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	0	1.722.654
3. Liabilities towards banks and other financial institutions	096	347.533.343	2.465.017
4. Liabilities for advances	097	0	8.130.081
5. Liabilities towards suppliers	098	135.978.154	161.790.629
6. Liabilities as per securities	099	254.354.375	255.815.625
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.599.055	2.507.319
9. Liabilities for taxes, contributions and similar levies	102	6.934.696	6.841.245
10. Liabilities as per share in results	103	0	0
11. Liabilities as per longterm assets intended for sale	104	0	0
12. Other current liabilities	105	2.411.952	21.871
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	14.710.938	19.068.766
F) TOTAL - LIABILITIES (062+079+083+093+106)	107	617.231.953	594.311.403
G) OFF - BALANCE RECORDS	108		1.009.331.738
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	-394.946.424	-442.199.637
2. Assigned to minority interest	110		

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 2011 to 30 Jun 2011

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	-38.708.597	-22.981.086
2. Depreciation	002	25.855.318	27.457.541
3. Increase of short-term liabilities	003	57.725.059	22.863.350
4. Decrease of short-term receivables	004		0
5. Decrease of inventories	005	2.290.172	418.484
6. Other increase of cash flow	006		3.323.181
I. Total increase of cash flow from operating activities (001 through 006)	007	47.161.952	31.081.470
1. Decrease of short-term liabilities	008		0
2. Increase of short-term receivables	009	813.108	1.962.655
3. Increase of inventories	010		0
4. Other decrease of cash flow	011	58.358.017	2.737.660
II. Total decrease of cash flow from operating activities (008 through 011)	012	59.171.125	4.700.315
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	26.381.155
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	12.009.173	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	015	0	
2. Cash receipt from sale of ownership and debt instruments	016	0	
3. Cash receipt from interest rates	017	0	
4. Cash receipt from dividends	018	0	
5. Other cash receipts from investment activities	019	0	
III. Total cash receipts from investment activities (015 through 019)	020	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	31.567.690	16.789.668
2. Cash expenditure for acquiring ownership and debt financial instruments	022	0	
3. Other expenditures from investment activities	023	10.451.263	
IV. Total cash expenditures from investment activities (021 through 023)	024	42.018.953	16.789.668
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	42.018.953	16.789.668
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	027	0	
2. Cash receipt from loan principal, debentures, loans and other borrowing	028	18.997.393	2.838.276
3. Other receipt from financial activities	029	0	
V. Total cash receipt from financial activities (027 through 029)	030	18.997.393	2.838.276
1. Cash expenditure for the payment of loan principal and bonds	031	-31.163.552	12.382.642
2. Cash expenditure for the payment of dividend	032	0	
3. Cash expenditure for financial lease	033	0	
4. Cash expenditure for own shares buy-off	034	0	
5. Other expenditures from financial activities	035	0	
VI. Total cash expenditure from financial activities (031 through 035)	036	-31.163.552	12.382.642
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	50.160.945	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	9.544.366
Total increase of cash flow (013 - 014 + 025 - 026 + 037 - 038)	039	0	47.121
Total decrease of cash flow (014 - 013 + 026 - 025 + 038 - 037)	040	3.867.181	0
Cash and cash equivalents at the beginning of the period	041	2.618.867	1.215.915
Increase of cash and cash equivalents	042	0	47.121
Decrease of cash and cash equivalents	043	3.867.181	0
Cash and cash equivalents at the end of the period	044	-1.248.314	1.263.036

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2011 to 30.6.2011

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	28.200.700	28.200.700
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003		
4. Retained profit or loss carried forward	004	-578.836.676	-641.773.252
5. Profit or loss of the current year	005	-38.708.597	-22.981.085
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		
10. Total capital and reserves (EDP 001 through 009)	010	-394.990.573	-442.199.637
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	-394.990.573	-442.199.637
17 b. Assigned to minority interest	019		

Items that reduce capital entered with a negative sign
Data under EDP codes 001-009 to be input balance sheet as at date

Notes to the Financial Statements

1. GENERAL INFORMATION

History and incorporation

The company Optima Telekom d.d. (hereinafter: the Company) was established in 1994 as Syskey d.o.o., while its principal operating activity and company name was changed to Optima Telekom d.o.o. on 22 April 2004.

The Company changed its legal status from a limited liability company to a joint stock company in July 2007. The Council of the Croatian Telecommunications Agency issued a licence for public voice service in fixed networks for the company on 19 November 2004, for a period of 30 years.

Principal Business Activities

The Company's principal business activity is the provision of telecommunications services to private and business users in the Croatian market. The Company began to provide its telecommunications services in May of 2005.

In the beginning, Optima Telekom d.d. focused on business users, but soon after starting business operations, it began to aim for the private users market offering quality voice packages.

To its business users, Optima Telekom d.d. offers services of direct access, internet services, as well as voice telecommunication services through its own network and/or migrated previously chosen services. Along with that, the leading services which Optima Telekom d.d. provides to business users is the IP Centrex solution, among the first of this kind in the Croatian market and IP VPN Services. The existing capacities enable Optima Telekomu d.d. to provide services of collocation and hosting. To its large business clients, the Company also offers specifically designed solutions relying on its exceptional skills in the field of IT technology.

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which changed its name to Optima Direct. The main business activities of Optima Direct d.o.o. are trading and providing various services which mainly relate to telecommunications. In 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.

As a sole member-founder, the Company established Optima Telekom d.o.o. Kopar, Slovenia in 2007.

Investments in affiliated companies as on 30 June 2011:

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

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

Staff

On 30 June 2011, the Company employed 375 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2011:

Matija Martić	Chairman of the Company
Goran Jovičić	Member
Jadranka Suručić	Member

Supervisory Board of the Company:

Nada Martić	Chairman
Ivan Martić	Member and Deputy Chairman as of 06 Jun 2011
Zrinka Vuković Berić	Member as of 06 Jun 2011
Duško Grabovac	Member as of 06 Jun 2011

REVIEW OF 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 30 June 2011 have been prepared on the basis of accounting policies presented and published in the Audited Consolidated Financial Statements of the Group on 31 December 2010 which were made available on Zagreb Stock Exchange d.d. on 06 April 2011.

In the period January - June 2011, 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 30 June 2011 was HRK 7,373956 for EUR 1 and HRK 5,127205 for USD 1.

112. SALES INCOME

	30 Jun 2011	30 Jun 2010
Public voice services	128.333.398	145.421.212
Interconnection services	43.974.379	33.528.619
Internet services	33.161.645	26.272.085
Data services	10.167.925	9.582.140
Multimedia services	4.469.034	1.036.297
Lease and sale of equipment	1.108.661	964.847
Sale of goods and products	5.051.380	38.968
Trade agency income	2.972.029	0
Other services	3.140.938	3.224.781
	232.379.389	220.068.949

113. OTHER OPERATING INCOME

	30 Jun 2011	30 Jun 2010
Write off old trade payables	1.515.691	1.030.078
Income from rent - billing system	0	90.790
Income from collected penalties etc.	0	76.630
Income from in kind payments	212.592	213.981
Other income	346.705	695.972
	2.074.988	2.107.451

116. MATERIAL COSTS

	30 Jun 2011	30 Jun 2010
Costs of raw material and supplies	1.074.967	2.646.999
Costs of goods sold	6.867.827	3.151.967
Costs of services	0	676.472
Costs of maintenance	6.809.473	8.021.091
Marketing services	3.619.180	992.528
Billing costs	3.474.479	5.094.337
Line lease costs	21.419.104	20.973.229
Intellectual and other services	1.468.933	1.004.789
Utilities	4.632.469	1.837.521
Customer attraction costs	7.425.252	6.440.589
Pair connection fees	30.586.916	30.304.383
Telecommunications costs	68.618.405	67.928.419
Residential sales services	2.304.069	2.431.267
Other costs	1.231.995	2.571.670
	159.533.069	154.075.261

120. STAFF EXPENSES

	30 Jun 2011	30 Jun 2010
Net salaries	14.055.184	13.846.551
Taxes and contributions from salaries	7.331.664	7.381.634
Taxes and contributions on salaries	3.636.226	3.514.865
	25.023.074	24.743.050

Number of employees on 30 Jun 2011	375	381
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Jun 2011	30 Jun 2010
Amortization of intangible assets	5.048.961	5.396.595
Amortization of fixed tangible assets	22.408.580	20.458.723
	27.457.541	25.855.318

125. OTHER OPERATING EXPENSES

	30 Jun 2011	30 Jun 2010
Compensations to employees	1.203.321	976.103
Representation	422.024	303.198
Insurance premiums	833.291	959.925
Bank charges	1.749.380	1.362.770
Taxes, contributions and membership fees	525.415	897.440
Costs of sold and written off assets	11.592	472.006
Gifts and sponsorships	104.750	38.000
Subsequently determined operating expenses	0	82.206
Other expenses	797.793	222.831
	5.647.566	5.314.479

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.

126. VALUE ADJUSTMENT

Value adjustment is performed at the end of the reporting period if there is evidence that there are uncollectible trade receivables arising from significant financial difficulties on the clients' side, cancellation of contracts and forced execution, pending bankruptcy etc.

131. FINANCIAL INCOME

	30 Jun 2011	30 Jun 2010
Interest income	2.943.163	2.800.512
Foreign exchange gains	1.247.731	2.253.666
	4.190.894	5.054.178

137. FINANCIAL EXPENSES

	30 Jun 2011	30 Jun 2010
Interest expenses	36.928.758	44.750.088
Fee	371.798	359.193
Foreign exchange losses	360.030	980.194
	37.660.586	46.089.475

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

By reducing interest expense occurred due to the decrease in interest rates that are achieved with reprogram in year 2010

003. INTANGIBLE ASSETS

	CONCESSION S AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2011	8.187.690	77.752.928		85.940.618
Additions		1.189.096		1.189.096
Transfer from assets in progress				0
Disposals and retirements				0
As at 30 Jun 2011	8.187.690	78.942.024	0	87.129.714
VALUE ADJUSTMENT				
As at 01 Jan 2011	1.385.174	52.138.188		53.523.362
Amortization of the current year	136.325	4.912.636		5.048.961
Disposals and retirements				0
Amortization as at 30 Jun 2011	1.521.499	57.050.824	0	58.572.323
NET ACCOUNTING VALUE				
As at 30 Jun 2011	6.666.191	21.891.200	0	28.557.391

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
PURCHASE VALUE								
As at 01 Jan 2011	23.269	25.523.821	483.838.300	126.055	46.822	41.904.067	3.767.834	555.230.168
Additions			770.867			15.865.508	177.117	16.813.492
Transfer from assets in progress			26.657.822			-27.846.918		-1.189.096
Disposals and retirements		-3.335	-41.694					-45.029
As at 30 Jun 2011	23.269	25.520.486	511.225.296	126.055	46.822	29.922.657	3.944.951	570.809.535
VALUE ADJUSTMENT								
As at 01 Jan 2011	0	4.357.228	158.646.766	72.997	0	0	3.209.930	166.286.921
Amortization of the current year		322.557	21.909.359	12.605			164.059	22.408.580
Disposals and retirements			-21.203					-21.203
Amortization as at 30 Jun 2011	0	4.679.785	180.534.922	85.602	0	0	3.373.989	188.674.298
NET ACCOUNTING VALUE								
As at 30 Jun 2011	23.269	20.840.701	330.690.373	40.453	46.822	29.922.657	570.962	382.135.237

020. LONG-TERM FINANCIAL ASSETS

	30 Jun 2011	30 Jun 2010
Loans to majority shareholder	12.540.030	11.821.192
Loans to third party companies	33.188.221	5.921.443
Long term deposits	3.414.961	3.331.291
	49.143.212	21.073.926
Value adjustment	-3.426.284	-3.388.486
	45.716.928	17.685.440

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 2,83 million) and 30 April 2013 (loans in the amount of HRK 26,94 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.

043. RECEIVABLES

	30 Jun 2011	30 Jun 2010
Trade receivables	80.044.332	75.106.410
Employee receivables	42.883	46.471
Receivables from the state and other institutions	451.042	310.851
Interest receivables	333.776	729.637
Advance payments receivables	288.544	1.534.813
Other receivables	40.031	147.937
	81.200.608	77.876.119

045. TRADE RECEIVABLES

	30 Jun 2011	30 Jun 2010
Domestic trade receivables	95.860.626	79.928.250
Foreign trade receivables	13.400.590	8.918.601
	109.261.216	88.846.851
Value adjustment	-29.216.884	-13.740.441
	80.044.332	75.106.410

Movement of value adjustment for doubtful receivables:

	30 Jun 2011
1 January 2011	25.368.267
Write off during the year	-861.173
Collected during the year	-1.378.508
Reserved during the year	6.088.298
Closing balance	29.216.884

Aging of trade receivables of the Company:

	30 Jun 2011
Undue	56.724.821
Up to 120 days	32.567.310
120-360 days	5.400.999
over 360 days	14.568.086
	<u>109.261.216</u>

056. GRANTED LOANS AND DEPOSITS

	30 Jun 2011	30 Jun 2010
Loans	113.530	24.271.430
Deposits	521.266	900.876
	<u>634.796</u>	<u>25.172.306</u>
Value adjustment	-113.530	-243.500
	<u>521.266</u>	<u>24.928.806</u>

058. CASH IN BANK AND REGISTER

	30 Jun 2011	30 Jun 2010
Kuna accounts balance	640.914	964.291
Foreign currency accounts balance	606.153	277.361
Cash in register	15.969	6.662
	<u>1.263.036</u>	<u>1.248.314</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Jun 2011	30 Jun 2010
Differed customer related expenses	45.722.883	50.583.645
Bond issuing expenses	1.403.086	2.207.460
Prepaid expenses	4.530.340	4.070.998
Accrued income	0	0
Insurance premiums	0	0
Prepaid maintenance expenses	0	0
	<u>51.656.309</u>	<u>56.862.103</u>

063. 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 2.020.070 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 2.820.070. 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.

At 30 Jun 2011, loss per share is as follows:

Net result - loss	22.981.086
Number of shares	2.820.070
Loss per share	8,15

In the same period last year, loss per share amounted to HRK 13,73

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Jun 2011) varied from HRK 32,00 (the lowest price) to HRK 45,00 (the highest price). Market capitalization in thousands of HRK on 30 June 2011 amounted to HRK 123.745 thousand.

In the period from January to June 2011 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Ten major shareholders as on 30 June 2011:

Shareholder	in 000 HRK	%
MARTIĆ MATIJA (1/1)	18.596	65,94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	1.570	5,57
RAIFFEISENBANK AUSTRIA D.D./R5	1.345	4,77
HANŽEKOVIĆ MARIJAN (1/1)	1.340	4,75
RAIFFEISENBANK AUSTRIA D.D./RBA	979	3,47
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2,72
ZAGREBAČKA BANKA D.D. (1/1)	428	1,52
RAIFFEISENBANK AUSTRIA D.D. (1/1)	318	1,13
ŽUVANIĆ ROLAND (1/1)	303	1,07
JOVIČIĆ GORAN (1/1)	202	0,72

083. LONG-TERM LIABILITIES

	30 Jun 2011	30 Jun 2010
Loan based liabilities	44.845.007	55.817.164
Liabilities towards credit institutions	530.506.683	190.500.122
	575.351.690	246.317.286

093. SHORT-TERM LIABILITIES

	30 Jun 2011	30 Jun 2010
Loan based liabilities	1.722.654	0
Liabilities towards credit institutions	1.800.000	277.243.741
Interest liabilities	665.017	70.289.602
Liabilities for bonds issued	255.815.625	254.354.375
Trade payables	161.790.629	135.978.154
Liabilities towards employees	2.507.319	2.599.055
Taxes, contributions and other levies	6.841.245	6.934.696
Other liabilities	8.151.952	2.411.952
	439.294.441	749.811.575

099. 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 is paid on annual basis on 1 February 2011

	30 Jun 2011	30 Jun 2010
Nominal value	250.000.000	250.000.000
Compensations for issuance of bonds	-3.653.125	-5.114.375
Liabilities based on calculated interest	9.468.750	9.468.750
	255.815.625	254.354.375

098. LIABILITIES TOWARDS SUPPLIERS

	30 Jun 2011	30 Jun 2010
Domestic trade payables	145.335.662	126.113.194
Foreign trade payables	5.954.987	7.791.973
Invoice accrual	10.499.980	2.072.987
	161.790.629	135.978.154

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Jun 2011	30 Jun 2010
VAT Liabilities	4.533.368	4.201.233
Taxes and contributions on and from salaries	1.842.602	1.822.691
Other taxes and contributions	465.275	910.772
	6.841.245	6.934.696

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Jun 2011	30 Jun 2010
Domestic payables for which invoices have not been received	12.440.666	11.567.495
Foreign payables for which invoices have not been received	3.041.945	2.289.732
Income deferred due to uncertainty	2.919.899	853.711
Other deferred payments	666.256	0
	19.068.766	14.710.938

3. FINANCIAL INSTRUMENTS

During the reporting period, the Company used most of its financial instruments to finance its operations. Financial instruments include loans, bills of exchange, cash and liquid assets and other various instruments, such as trade receivables and trade payables arising directly from ordinary business activities.

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 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	
	30 Jun 2011 in 000 HRK	30 Jun 2010 in 000 HRK	30 Jun 2011 in 000 HRK	30 Jun 2010 in 000 HRK
EUR	571.652	185.237	-24.521	-17.071
USD	3.539	3.769	-0,93	-127
CHF				
GPB				
	575.191	189.006	-24.522	-17.198

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	
	30 Jun 2011 in 000 HRK	30 Jun 2010 in 000 HRK	30 Jun 2011 in 000 HRK	30 Jun 2010 in 000 HRK
EUR	57.165	18.524	-2.452	-1.707
USD	354	377	0	-13
CHF				
GPB				
	57.519	18.901	-2.452	-1.720

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 371,31 million, and therefore, the Company's exposure to the interest rate risk is significant.

Other assets and liabilities, including bonds issued, are not exposed to interest rate risk.

Credit Risk

Credit risk is the risk that the Company's customers will default on their contractual obligations causing possible financial loss to the Company. The Company 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 fulfilment of contractual obligations.

Trade receivables are monitored continuously in order to determine their risk level and apply the appropriate procedures. Customers' credit ratings are also monitored on a continuous basis in order to establish the Company's credit exposure, which is reviewed at least once a year.

The Company 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.

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 Review

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 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2011				
Non-interest bearing liabilities	172.450			172.450
Interest bearing liabilities	50.084	781.114	4.157	835.355
	222.534	781.114	4.157	1.007.805
30 Jun 2010				
Non-interest bearing liabilities	140.644			140.644
Interest bearing liabilities	357.236	450.314	32.603	840.153
	497.880	450.314	32.603	980.797

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 161.791 thousand for the period from January to June 2011 (HRK xxx thousand for the same period last year).

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 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2011				
Non-interest bearing liabilities	82.013			82.013
Interest bearing liabilities	573	33.126	12.540	46.239
	82.586	33.126	12.540	128.252
30 Jun 2010				
Non-interest bearing liabilities	77.589			77.589
Interest bearing liabilities	4.068	3.331	11.821	19.220
	81.657	3.331	11.821	96.809

The balance of cash and cash equivalents is indicated under non-interest bearing financial assets due to the low interest rate on these assets.

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