

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

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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

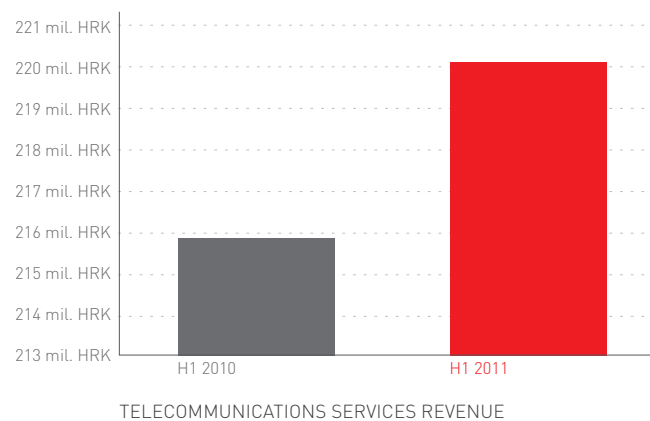
In the first half of 2011, the EBT amounts to HRK **-22,98** million which is a better result by HRK **15,73** million or by **40,6%** compared to the same period of the previous year.

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.

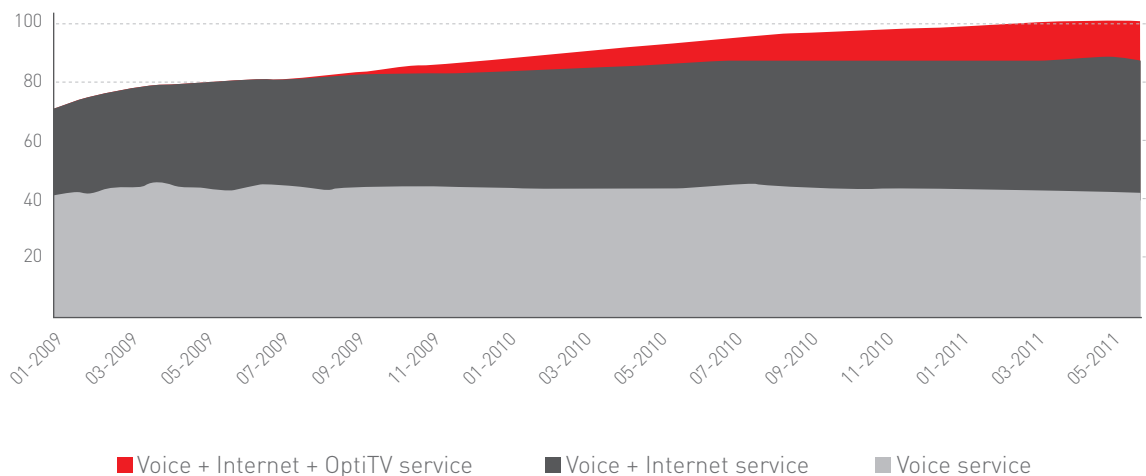
At the end of the first half of 2011, the number of LLU users in own network (LLU) has recorded an increase of 9,2% (from 98.919 to 108.067), compared to the same period of 2011.

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.

**Financial Statements
as of 30 June 2011**

Enclosure 1

Reporting period:

1 Jan 2011

to

30 Jun 2011

Quarterly Financial Report-TFI-PODTax 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 **188**
(at the year's end)Consolidated Report **NO**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm:

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone: **01/5492 027**Telefaks: **01/5492 019**e-mail address: **svetlana.kundovic@optima-telekom.hr**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

OT-Optima^{MP} 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 | 218.109.014 | 111.322.221 | 226.780.404 | 115.483.817 |
| 1. Sales income | 112 | 215.258.844 | 110.002.010 | 223.806.599 | 113.994.850 |
| 2. Other operating income | 113 | 2.852.170 | 1.320.211 | 2.973.805 | 1.488.867 |
| II. OPERATING EXPENSES (115+116+120+124+125+126+129+130) | 114 | 218.409.897 | 112.365.953 | 219.622.776 | 110.108.141 |
| 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 | 161.168.917 | 81.508.321 | 163.715.925 | 81.937.441 |
| a) Costs of raw material and supplies | 117 | 2.318.631 | 1.955.577 | 870.954 | 436.575 |
| b) Costs of goods sold | 118 | 3.130.576 | 1.485.502 | 2.298.610 | 1.123.971 |
| c) Other external costs | 119 | 155.721.710 | 78.067.242 | 160.546.381 | 80.376.895 |
| 3. Staff costs (121 do 123) | 120 | 17.514.557 | 8.676.989 | 18.218.973 | 9.236.355 |
| a) Net salaries and wages | 121 | 9.390.597 | 4.677.187 | 9.840.294 | 4.986.956 |
| b) Expenses of taxes and contributions from salaries | 122 | 5.632.923 | 2.768.091 | 5.727.502 | 2.902.690 |
| c) Contributions to salaries | 123 | 2.491.037 | 1.231.711 | 2.651.177 | 1.346.709 |
| 4. Amortization | 124 | 25.177.115 | 12.658.405 | 26.782.632 | 13.643.256 |
| 5. Other costs | 125 | 4.688.766 | 1.700.969 | 4.842.472 | 2.324.658 |
| 6. Value adjustment (127+128) | 126 | 9.860.542 | 7.821.269 | 6.062.774 | 2.968.431 |
| a) fixed assets (apart from financial assets) | 127 | 0 | 0 | 0 | 0 |
| b) current assets (apart from financial assets) | 128 | 9.860.542 | 7.821.269 | 6.062.774 | 2.968.431 |
| 7. Provisions | 129 | 0 | 0 | 0 | 0 |
| 8. Other operating expenses | 130 | 0 | 0 | 0 | 0 |
| III. FINANCIAL INCOME (132 through 136) | 131 | 5.760.456 | 3.658.640 | 4.544.877 | 2.597.544 |
| 1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings | 132 | 897.382 | 396.791 | 562.134 | 277.751 |
| 2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons | 133 | 4.863.074 | 3.261.849 | 3.982.743 | 2.319.793 |
| 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 | 46.019.421 | 22.883.361 | 37.409.996 | 19.125.921 |
| 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 | 46.019.421 | 22.883.361 | 37.409.996 | 19.125.921 |
| 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 | 0 | 0 | 0 | 0 |
| IX. TOTAL INCOME (111+131+142 + 144) | 146 | 223.869.470 | 114.980.861 | 231.325.281 | 118.081.361 |
| X. TOTAL EXPENSES (114+137+143 + 145) | 147 | 264.429.318 | 135.249.314 | 257.032.772 | 129.234.062 |
| XI. PROFIT / LOSS BEFORE TAXATION (146-147) | 148 | -40.559.848 | -20.268.453 | -25.707.491 | -11.152.701 |
| 1. Profit before taxation (146-147) | 149 | 0 | 0 | 0 | 0 |
| 2. Loss before taxation (147-146) | 150 | 40.559.848 | 20.268.453 | 25.707.491 | 11.152.701 |
| XII. PROFIT TAX | 151 | 0 | 0 | 0 | 0 |
| XIII. PROFIT / LOSS FOR THE PERIOD (148-151) | 152 | -40.559.848 | -20.268.453 | -25.707.491 | -11.152.701 |
| 1. Profit for the period (149-151) | 153 | 0 | 0 | 0 | 0 |
| 2. Loss for the period (151-148) | 154 | 40.559.848 | 20.268.453 | 25.707.491 | 11.152.701 |
| ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report) | | | | | |
| XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD | | | | | |
| 1. Assigned to the holders of parent company's capital | 155 | | | | |
| 2. Assigned to minority interest | 156 | | | | |
| OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a) | | | | | |
| I. PROFIT / LOSS FOR THE PERIOD (= 152) | 157 | -40.559.848 | -20.268.453 | -25.707.491 | -11.152.701 |
| 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 | -40.559.848 | -20.268.453 | -25.707.491 | -11.152.701 |
| 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 | | | | |
| 2. Assigned to minority interest | 170 | | | | |

BALANCE SHEET
as at 30 Jun 2011

| Issuer: OT - Optima Telekom d.d. | | | |
|---|------------|-----------------|----------------|
| Item | EDP | Previous period | Current period |
| 1 | 2 | 3 | 4 |
| ASSETS | | | |
| A) SUBSCRIBED CAPITAL UNPAID | 001 | | |
| B) FIXED ASSETS (003+010+020+029+033) | 002 | 470.314.173 | 473.551.381 |
| I. INTANGIBLE ASSETS (004 through 009) | 003 | 35.935.432 | 27.951.223 |
| 1. Development expenses | 004 | 0 | 0 |
| 2. Concessions, patents, licences, goods and services trademarks, software and other rights | 005 | 35.935.432 | 27.951.223 |
| 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 | 381.217.601 | 369.274.757 |
| 1. Land | 011 | 23.269 | 23.269 |
| 2. Building objects | 012 | 14.504.642 | 14.091.784 |
| 3. Facilities and equipment | 013 | 314.033.780 | 324.173.192 |
| 4. Tools, production inventory and transport assets | 014 | 25.857 | 446.072 |
| 5. Biological assets | 015 | 0 | 0 |
| 6. Advances for tangible assets | 016 | 0 | 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 | 570.961 |
| III. FIXED FINANCIAL ASSETS (021 through 028) | 020 | 53.161.140 | 76.325.401 |
| 1. Shares (stock) in affiliated entrepreneurs | 021 | 19.279.314 | 19.280.895 |
| 2. Loans granted to affiliated entrepreneurs | 022 | 23.694.429 | 19.185.640 |
| 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 | 10.187.397 | 37.858.866 |
| 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 | 0 | 0 |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 109.487.232 | 85.114.254 |
| I. INVENTORY (036 do 042) | 035 | 6.428.733 | 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 | 6.428.733 | 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 | 76.941.784 | 80.114.574 |
| 1. Receivables from affiliated entrepreneurs | 044 | 315.963 | 0 |
| 2. Receivables from buyers | 045 | 74.082.627 | 79.113.666 |
| 3. Receivables from participating entrepreneurs | 046 | 0 | 0 |
| 4. Receivables from employees and members of the entrepreneur | 047 | 41.739 | 41.222 |
| 5. Receivables from the state and other institution | 048 | 150.957 | 242.248 |
| 6. Other receivables | 049 | 2.350.498 | 717.438 |
| III. CURRENT FINANCIAL ASSETS (051 through 057) | 050 | 24.923.806 | 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 | 24.923.806 | 521.266 |
| 7. Other financial assets | 057 | 0 | 0 |
| IV. CASH IN BANK AND REGISTER | 058 | 1.192.909 | 1.217.786 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 56.862.103 | 51.011.987 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 636.663.508 | 609.677.622 |
| F) OFF-BALANCE RECORDS | 061 | 590.064.398 | 1.009.331.738 |

| LIABILITIES | | | |
|--|------------|--------------------|----------------------|
| A) CAPITAL AND RESERVES (063+064+065+071+072+075+078) | 062 | -371.601.094 | -422.402.837 |
| 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 | -553.595.946 | -619.250.046 |
| 1. Retained earnings | 073 | 0 | 0 |
| 2. Loss carried forward | 074 | 553.595.946 | 619.250.046 |
| VI. PROFIT OR LOSS OF THE YEAR (076-077) | 075 | -40.559.848 | -25.707.491 |
| 1. Profit of the year | 076 | 0 | 0 |
| 2. Loss of the year | 077 | 40.559.848 | 25.707.491 |
| VII. MINORITY INTEREST | 078 | 0 | 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 | 570.599.591 |
| 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 | 525.754.584 |
| 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 | 746.216.650 | 440.282.215 |
| 1. Liabilities towards affiliated entrepreneurs | 094 | 3.298.366 | 9.652.808 |
| 2. Liabilities for loans, deposits and similar | 095 | 0 | 1.722.650 |
| 3. Liabilities towards banks and other financial institutions | 096 | 347.066.968 | 2.465.017 |
| 4. Liabilities for advances | 097 | 0 | 8.130.081 |
| 5. Liabilities towards suppliers | 098 | 132.478.606 | 155.322.767 |
| 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 | 1.592.064 | 1.730.389 |
| 9. Liabilities for taxes, contributions and similar levies | 102 | 5.369.317 | 5.421.007 |
| 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 | 2.056.954 | 21.871 |
| E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD | 106 | 14.392.088 | 18.402.510 |
| F) TOTAL - LIABILITIES (062+079+083+093+106) | 107 | 636.663.508 | 609.677.622 |
| G) OFF - BALANCE RECORDS | 108 | 590.064.398 | 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 | | |
| 2. Assigned to minority interest | 110 | | |

Note 1.: annex 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 1 | EDP 2 | Previous period 3 | Current period 4 |
|--|------------|----------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| 1. Profit before taxation | 001 | -40.559.848 | -25.707.491 |
| 2. Depreciation | 002 | 25.177.115 | 26.782.632 |
| 3. Increase of short-term liabilities | 003 | 64.150.968 | 26.369.080 |
| 4. Decrease of short-term receivables | 004 | 1.013.605 | 0 |
| 5. Decrease of inventories | 005 | 1.948.740 | 418.484 |
| 6. Other increase of cash flow | 006 | 0 | 2.065.527 |
| I. Total increase of cash flow from operating activities (001 through 006) | 007 | 51.730.580 | 29.928.232 |
| 1. Decrease of short-term liabilities | 008 | 0 | 0 |
| 2. Increase of short-term receivables | 009 | 0 | 1.166.466 |
| 3. Increase of inventories | 010 | 0 | 0 |
| 4. Other decrease of cash flow | 011 | 16.709.123 | 3.182.340 |
| II. Total decrease of cash flow from operating activities (008 through 011) | 012 | 16.709.123 | 4.348.806 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012) | 013 | 35.021.457 | 25.579.426 |
| A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007) | 014 | 0 | 0 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | |
| 1. Cash receipt from sale of tangible and intangible assets | 015 | 466.514 | 0 |
| 2. Cash receipt from sale of ownership and debt instruments | 016 | 0 | 0 |
| 3. Cash receipt from interest rates | 017 | 120.624 | 0 |
| 4. Cash receipt from dividends | 018 | 0 | 0 |
| 5. Other cash receipts from investment activities | 019 | 0 | 0 |
| III. Total cash receipts from investment activities (015 through 019) | 020 | 587.138 | 0 |
| 1. Cash expenditure for buying tangible and intangible fixed assets | 021 | 12.434.667 | 16.793.127 |
| 2. Cash expenditure for acquiring ownership and debt financial instruments | 022 | 0 | 0 |
| 3. Other expenditures from investment activities | 023 | 0 | 0 |
| IV. Total cash expenditures from investment activities (021 through 023) | 024 | 12.434.667 | 16.793.127 |
| 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 | 11.847.529 | 16.793.127 |
| CASH FLOW FROM FINANCIAL ACTIVITIES | | | |
| 1. Cash receipt from issuing of ownership and debt financial instruments | 027 | 0 | 0 |
| 2. Cash receipt from loan principal, debentures, loans and other borrowing | 028 | 5.300.684 | 2.838.272 |
| 3. Other receipt from financial activities | 029 | 0 | 0 |
| V. Total cash receipt from financial activities (027 through 029) | 030 | 5.300.684 | 2.838.272 |
| 1. Cash expenditure for the payment of loan principal and bonds | 031 | 29.797.131 | 11.554.827 |
| 2. Cash expenditure for the payment of dividend | 032 | 0 | 0 |
| 3. Cash expenditure for financial lease | 033 | 0 | 0 |
| 4. Cash expenditure for own shares buy-off | 034 | 0 | 0 |
| 5. Other expenditures from financial activities | 035 | 0 | 0 |
| VI. Total cash expenditure from financial activities (031 through 035) | 036 | 29.797.131 | 11.554.827 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036) | 037 | 0 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030) | 038 | 24.496.447 | 8.716.555 |
| Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038) | 039 | 0 | 69.744 |
| Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037) | 040 | 1.322.519 | 0 |
| Cash and cash equivalents at the beginning of the period | 041 | 2.515.428 | 1.148.042 |
| Increase of cash and cash equivalents | 042 | 0 | 69.744 |
| Decrease of cash and cash equivalents | 043 | 1.322.519 | 0 |
| Cash and cash equivalents at the end of the period | 044 | 1.192.909 | 1.217.786 |

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2011 to 30.6.2011

| Item | EDP | Previous period | Current period |
|---|------------|---------------------|---------------------|
| 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 | -553.595.946 | -619.250.046 |
| 5. Profit or loss of the current year | 005 | -65.654.100 | -25.707.491 |
| 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 | -396.695.346 | -422.402.837 |
| 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 | | |
| 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.

Staff

On 30 Jun 2011 the Company employed 188 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 06.06.2011. |
| Zrinka Vuković Berić | Member as of 06.06. 2011. |
| Duško Grabovac | Member as of 06.06. 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 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 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 30 June 2011 was HRK 7,373946 for EUR 1 and HRK 5,127205 for USD 1.

112. SALES INCOME

| | 30 Jun 2011 | 30 Jun 2010 |
|-----------------------------|--------------------|--------------------|
| Public voice services | 128.421.670 | 142.060.128 |
| Interconnection services | 43.974.379 | 33.528.619 |
| Internet services | 33.162.059 | 26.272.085 |
| Data services | 10.167.925 | 9.582.140 |
| Multimedia services | 4.469.034 | 1.036.297 |
| Lease and sale of equipment | 1.108.787 | 964.847 |
| Other services | 2.502.746 | 1.812.729 |
| | <u>223.806.599</u> | <u>215.256.845</u> |

113. OTHER OPERATING INCOME

| | 30 Jun 2011 | 30 Jun 2010 |
|--------------------------------------|------------------|------------------|
| Write off old trade payables | 1.515.691 | 1.020.082 |
| Income from rent - billing system | 888.578 | 654.951 |
| Income from collected penalties etc. | 0 | 76.630 |
| Income from in kind payments | 194.447 | 200.708 |
| Other income | 375.089 | 899.799 |
| | 2.973.805 | 2.852.170 |

116. MATERIAL COSTS

| | 30 Jun 2011 | 30 Jun 2010 |
|------------------------------------|--------------------|--------------------|
| Costs of raw material and supplies | 870.954 | 2.316.631 |
| Costs of goods sold | 2.298.610 | 3.130.576 |
| Costs of services | 0 | 191.323 |
| Costs of maintenance | 6.786.985 | 7.916.953 |
| Marketing services | 3.610.896 | 991.728 |
| Billing costs | 3.474.479 | 5.004.337 |
| Line lease costs | 21.897.144 | 21.513.043 |
| Intellectual and other services | 1.384.244 | 929.220 |
| Utilities | 4.397.792 | 1.741.097 |
| Customer attraction costs | 11.063.595 | 9.493.428 |
| Pair connection fees | 30.586.916 | 30.304.383 |
| Telecommunications costs | 68.601.721 | 67.928.418 |
| Residential sales services | 8.017.050 | 7.734.300 |
| Other costs | 725.539 | 1.973.479 |
| | 163.715.925 | 161.168.916 |

120. STAFF EXPENSES

| | 30 Jun 2011 | 30 Jun 2010 |
|---------------------------------------|-------------------|-------------------|
| Net salaries | 9.840.294 | 9.390.597 |
| Taxes and contributions from salaries | 5.727.502 | 5.632.923 |
| Taxes and contributions on salaries | 2.651.177 | 2.491.037 |
| | 18.218.973 | 17.514.557 |

| | | |
|------------------------------------|-----|-----|
| Number of employees on 31 Mar 2011 | 188 | 183 |
|------------------------------------|-----|-----|

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

| | 30 Jun 2011 | 30 Jun 2010 |
|---------------------------------------|-------------------|-------------------|
| Amortization of intangible assets | 4.849.324 | 5.196.958 |
| Amortization of fixed tangible assets | 21.933.308 | 19.980.157 |
| | 26.782.632 | 25.177.115 |

125. OTHER OPERATING EXPENSES

| | 30 Jun 2011 | 30 Jun 2010 |
|--|------------------|------------------|
| Compensations to employees | 728.934 | 523.669 |
| Representation | 372.558 | 240.999 |
| Insurance premiums | 729.191 | 914.708 |
| Bank charges | 1.737.271 | 1.345.159 |
| Taxes, contributions and membership fees | 491.021 | 875.518 |
| Costs of sold and written off assets | 3.069 | 472.006 |
| Gifts and sponsorships | 100.750 | 38.000 |
| Subsequently determined operating expenses | 0 | 82.206 |
| Other expenses | 679.678 | 196.501 |
| | 4.842.472 | 4.688.766 |

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 related to affiliated undertakings | 562.134 | 897.382 |
| Interest income | 2.764.144 | 2.617.294 |
| Foreign exchange gains | 1.218.599 | 2.245.780 |
| | 4.544.877 | 5.760.456 |

137. FINANCIAL EXPENSES

| | 30 Jun 2011 | 30 Jun 2010 |
|-------------------------|-------------------|-------------------|
| Interest expenses | 36.699.464 | 44.680.537 |
| Fee | 371.798 | 359.193 |
| Foreign exchange losses | 338.734 | 979.691 |
| | 37.409.996 | 46.019.421 |

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

| | CONCESSIONS AND RIGHTS | SOFTWARE | ASSETS IN PROGRESS | TOTAL |
|----------------------------------|---------------------------|------------|-----------------------|------------|
| PURCHASE VALUE | | | | |
| As at 01 Jan 2011 | 8.187.690 | 75.756.560 | | 83.944.250 |
| 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 | 76.945.656 | 0 | 85.133.346 |
| VALUE ADJUSTMENT | | | | |
| As at 01 Jan 2011 | 1.385.174 | 50.947.625 | | 52.332.799 |
| Amortization of the current year | 136.325 | 4.712.999 | | 4.849.324 |
| Disposals and retirements | | | | 0 |
| Amortization as at 30 Jun 2011 | 1.521.499 | 55.660.624 | 0 | 57.182.123 |
| NET ACCOUNTING VALUE | | | | |
| As at 30 Jun 2011 | 6.666.191 | 21.285.032 | 0 | 27.951.223 |

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 | 16.514.322 | 474.276.111 | 128.055 | 46.822 | 41.904.067 | 3.767.834 | 536.658.480 |
| Additions | | | 753.571 | | | 15.865.508 | 177.117 | 16.798.196 |
| Transfer from assets in progress | | | 26.657.822 | | | -27.846.918 | | -1.189.096 |
| Disposals and retirements | | | -5.776 | | | | | -5.776 |
| As at 30 Jun 2011 | 23.269 | 16.514.322 | 501.681.728 | 128.055 | 46.822 | 29.922.657 | 3.944.951 | 552.259.804 |
| VALUE ADJUSTMENT | | | | | | | | |
| As at 01 Jan 2011 | | 2.216.110 | 155.555.408 | 72.997 | | | 3.209.931 | 161.054.446 |
| Amortization of the current year | | 206.428 | 21.550.216 | 12.605 | | | 164.059 | 21.933.308 |
| Disposals and retirements | | | -2.707 | | | | | -2.707 |
| Amortization as at 30 Jun 2011 | 0 | 2.422.538 | 177.102.917 | 85.602 | 0 | 0 | 3.373.990 | 182.985.047 |
| NET ACCOUNTING VALUE | | | | | | | | |
| As at 30 Jun 2011 | 23.269 | 14.091.784 | 324.578.811 | 40.453 | 46.822 | 29.922.657 | 570.961 | 369.274.757 |

020. LONG-TERM FINANCIAL ASSETS

| | 30 Jun 2011 | 30 Jun 2010 |
|-----------------------------------|-------------------|-------------------|
| Loans to majority shareholder | 4.681.967 | 4.238.057 |
| Loans to third party companies | 31.302.228 | 3.996.317 |
| Long term deposits | 3.414.963 | 3.368.568 |
| | 39.399.158 | 11.602.942 |
| Value adjustment | -1.540.292 | -1.516.288 |
| | 37.858.866 | 10.086.654 |
| Loans to affiliated undertakings | 19.185.640 | 23.566.921 |
| Loans and deposits | 57.044.506 | 33.653.575 |
| Shares in affiliated undertakings | 19.280.895 | 19.279.891 |
| | 76.325.401 | 52.933.466 |

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.

SHARES IN AFFILIATED UNDERTAKINGS

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 d.o.o.

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

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.

043. RECEIVABLES

| | 30 Jun 2011 | 30 Jun 2010 |
|---|-------------------|-------------------|
| Trade receivables | 79.113.666 | 74.398.590 |
| Employee receivables | 41.222 | 41.739 |
| Receivables from the state and other institutions | 242.248 | 150.957 |
| Interest receivables | 333.776 | 729.637 |
| Advance payments receivables | 344.348 | 1.534.813 |
| Other receivables | 39.314 | 86.048 |
| | 80.114.574 | 76.941.784 |

045. TRADE RECEIVABLES

| | 30 Jun 2011 | 30 Jun 2010 |
|--|--------------------|-------------------|
| Receivables from affiliated undertakings | 91.506.650 | 79.201.627 |
| Domestic trade receivables | 298.683 | 315.963 |
| Foreign trade receivables | 13.400.590 | 5.738.561 |
| | 105.205.923 | 85.256.151 |
| Value adjustment | -26.092.257 | -10.857.561 |
| | 79.113.666 | 74.398.590 |

Movement of value adjustment for doubtful receivables:

| | 30 Jun 2011 |
|---------------------------|-------------------|
| 1 January 2011 | 22.485.387 |
| Write off during the year | -1.102.920 |
| Collected during the year | -1.378.508 |
| Reserved during the year | 6.088.298 |
| Closing balance | 26.092.257 |

Aging of trade receivables of the Company:

| | 30 Jun 2011 |
|----------------|---------------------------|
| Undue | 52.798.497 |
| Up to 120 days | 32.499.957 |
| 120-360 days | 5.258.608 |
| over 360 days | 14.648.861 |
| | <u>105.205.923</u> |

056. GRANTED LOANS AND DEPOSITS

| | 30 Jun 2011 | 30 Jun 2010 |
|------------------|-----------------------|--------------------------|
| Loans | 30.000 | 24.182.930 |
| Deposits | 521.266 | 900.876 |
| | <u>551.266</u> | <u>25.083.806</u> |
| Value adjustment | -30.000 | -160.000 |
| | <u>521.266</u> | <u>24.923.806</u> |

058. CASH IN BANK AND REGISTER

| | 30 Jun 2011 | 30 Jun 2010 |
|-----------------------------------|-------------------------|-------------------------|
| Kuna accounts balance | 598.013 | 931.333 |
| Foreign currency accounts balance | 603.805 | 254.996 |
| Cash in register | 15.968 | 6.580 |
| | <u>1.217.786</u> | <u>1.192.909</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 | 3.886.018 | 4.070.998 |
| Accrued income | 0 | 0 |
| Insurance premiums | 0 | 0 |
| Prepaid maintenance expenses | 0 | 0 |
| | <u>51.011.987</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 | 25.707.491 |
| Number of shares | 2.820.070 |
| Loss per share | 9,12 |

In the same period last year, loss per share amounted to HRK 14,38

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 | 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 | 525.754.584 | 190.500.122 |
| | 570.599.591 | 246.317.286 |

093. SHORT-TERM LIABILITIES

| | 30 Jun 2011 | 30 Jun 2010 |
|--|--------------------|--------------------|
| Loan based liabilities | 1.722.650 | 0 |
| Liabilities towards credit institutions | 1.800.000 | 276.777.366 |
| Interest liabilities | 665.017 | 70.289.602 |
| Liabilities for bonds issued | 255.815.625 | 254.354.375 |
| Receivables toward affiliated undertakings | 9.652.808 | 3.298.366 |
| Trade payables | 155.322.767 | 132.478.606 |
| Liabilities towards employees | 1.730.389 | 1.592.064 |
| Taxes, contributions and other levies | 5.421.007 | 5.369.317 |
| Other liabilities | 8.151.952 | 2.056.954 |
| | 440.282.215 | 746.216.650 |

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 | 140.514.520 | 122.613.646 |
| Foreign trade payables | 4.308.267 | 7.791.973 |
| Invoice accrual | 10.499.980 | 2.072.987 |
| | 155.322.767 | 132.478.606 |

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

| | 30 Jun 2011 | 30 Jun 2010 |
|--|------------------|------------------|
| VAT Liabilities | 3.572.593 | 3.351.135 |
| Taxes and contributions on and from salaries | 1.411.544 | 1.380.824 |
| Other taxes and contributions | 436.870 | 637.357 |
| | 5.421.007 | 5.369.317 |

106. DEFERRED PAYMENTS AND FUTURE INCOME

| | 30 Jun 2011 | 30 Jun 2010 |
|---|-------------------|-------------------|
| Domestic payables for which invoices have not been received | 12.440.666 | 11.248.645 |
| 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 |
| | 18.402.510 | 14.392.088 |

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 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 | |
|-----|---------------------------|---------------------------|---------------------------|---------------------------|
| | 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 | 566.900 | 184.801 | -24.521 | -17.071 |
| USD | 3.539 | 3.769 | -0,93 | -127 |
| CHF | | | | |
| GPB | | | | |
| | 570.439 | 188.570 | -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 2011 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 | 56.690 | 18.480 | -2.452 | -1.707 |
| USD | 354 | 377 | 0 | -13 |
| CHF | | | | |
| GPB | | | | |
| | 57.044 | 18.857 | -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 366,56 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 | 174.858 | | | 174.858 |
| Interest bearing liabilities | 49.101 | 779.148 | 2.355 | 830.604 |
| | 223.959 | 779.148 | 2.355 | 1.005.462 |
| 30 Jun 2010 | | | | |
| Non-interest bearing liabilities | 144.794 | | | 144.794 |
| Interest bearing liabilities | 404.299 | 416.744 | 26.695 | 847.738 |
| | 549.093 | 416.744 | 26.695 | 992.532 |

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 155,323 thousand for the period from January to June 2011 (HRK 132,479 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 | 81.090 | | | 81.090 |
| Interest bearing liabilities | 2.371 | 38.025 | 17.170 | 57.566 |
| | 83.461 | 38.025 | 17.170 | 138.656 |
| 30 Jun 2010 | | | | |
| Non-interest bearing liabilities | 78.135 | | | 78.135 |
| Interest bearing liabilities | 29.116 | 8.006 | 21.684 | 58.806 |
| | 107.251 | 8.006 | 21.684 | 136.941 |

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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