

OT Optima Telekom d.d.
Management Interim Report
for the first nine months
of 2011
consolidated

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Main features

Optima Telekom concluded the first nine months of 2011 with an increase of revenue from internet services, data services and revenue from interconnection services, accompanied by a significant increase of revenue from multimedia services, compared to the same period of the previous year.

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

Business indicators

Optima Telekom ended the first nine months of 2011 with:

- an increase of overall consolidated revenue by HRK **21,1** million (**6,1%**) with a simultaneous slight increase of overall expenses by HRK **8,7** million (**2,1%**) compared to the same period of the previous year
- an improvement of earnings before taxation, interest and depreciation (EBITDA) by **28,3%** compared to the same period of the previous year, achieving a positive EBITDA of HRK **57,1** million in the first nine months of 2011, i.e. HRK **19,2** million in the third quarter
- a significant decrease of loss before taxation (EBT) by **20,8%**

	Q1-Q3 2010.	Q1-Q3 2011.	Q1-Q3 2011./ Q1-Q3 2010.	Q3 2010.	Q3 2011.	Q3 2011./ Q3 2010.
Total income	346.537	367.667	6,1%	119.307	129.022	8,1%
EBITDA	44.543	57.146	28,3%	16.360	19.199	17,4%
EBT	(59.709)	(47.279)	(20,8%)	(21.002)	(24.298)	15,7%
	30.09.2010.	30.09.2011./ 30.09.2010.	30.6.2011.	30.09.2011./ 30.06.2011.	30.09.2011.	
Total number of OT users						
Number of voice channels*	271.432	-0,8%	272.540	-1,2%	269.279	
Number of users in own LLU network	101.528	7,4%	108.067	0,9%	109.049	
Number of OptiDSL users in own LLU network	56.068	18,1%	64.291	3,0%	66.237	
Number of OptiTV users in own LLU network	8.200	71,3%	13.000	8,1%	14.050	
Number of collocations installed	256	1,6%	259	0,4%	260	
North	80	2,5%	82	0%	82	
West	45	0%	45	0%	45	
East	51	2%	52	0%	52	
South	80	1,3%	80	1,3%	81	

* 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

Overall consolidated revenue in the first nine months of 2011 amount to HRK **367,7** million, which indicates a **6,1%** increase compared to the results achieved in the same period of the previous year, while in the third quarter they amount to HRK **129** million, which represents an **8,1%** increase compared to the same period of 2010.

The revenue from interconnection services, revenue from internet services and multimedia services as a result of an increase in the number of OptiTV users, are what contributed most to the 6,1% increase.

Earnings before taxation, interest and depreciation - EBITDA

EBITDA is increasing continuously and amounts to HRK **57,1** million for the first nine months of 2011, which represents a **28,3%** increase compared to the same period of the previous year. For the third quarter of 2011 it amounts to HRK **19,2** million, which represents a **17,4%** compared to the third quarter of 2010.

The positive trend of improving the EBITDA is a result of continuous investment into own infrastructure, focusing on sales of more profitable services, optimal management of operating costs and price regulation.

Earnings before taxation – EBT

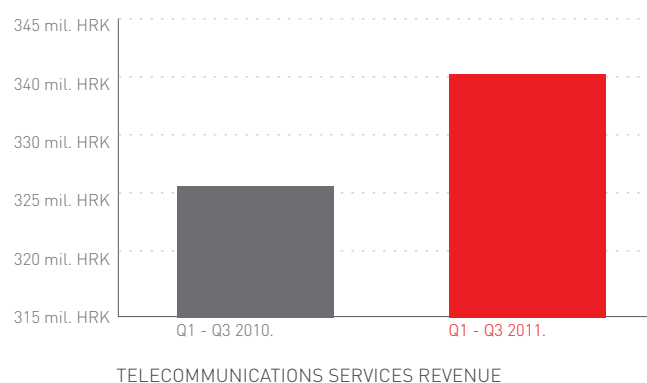
For the first nine months of 2011, the EBT amounts to HRK **-47,3** million, which is a better result compared to the same period of the previous year by HRK **12,4** million or **20,8**.

Telecommunications services revenue

The overall telecommunications revenue has shown an increase of **4,4%** compared to the same period of the previous year.

From the retail services standpoint, the increase of revenue is primarily a result of focusing on the Internet, data and telecommunications services, the revenue from which continues to compensate for the decrease in voice services revenue resulting from changes in the manner and habits of using telecommunications services.

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



Wholesale services also show a continuous increase, especially the interconnection revenue, which have shown a **26,7%** increase compared to the same period of the previous year and now amount to HRK **73,7** million.

In the first nine months of 2011, the multimedia services revenue continues to show an exceptional growth, which will become one of the generators of a stable revenue through further investment and focusing on the development of multimedia services.

The increase of internet services revenue (**18,7%**) is connected with the growth of the user base. In the residential segment this pertains to OptiDSL users, while in the corporate segment, apart from the user base growth, a need for ever larger internet access capacities is detected.

Data services have shown a stable revenue in the amount of HRK **15,8** million. These services are under constant pressure due to market conditions, which primarily means the reduction and optimization of operating costs for the corporate segment, especially the KA segment of corporate users who are the largest consumers for these services.

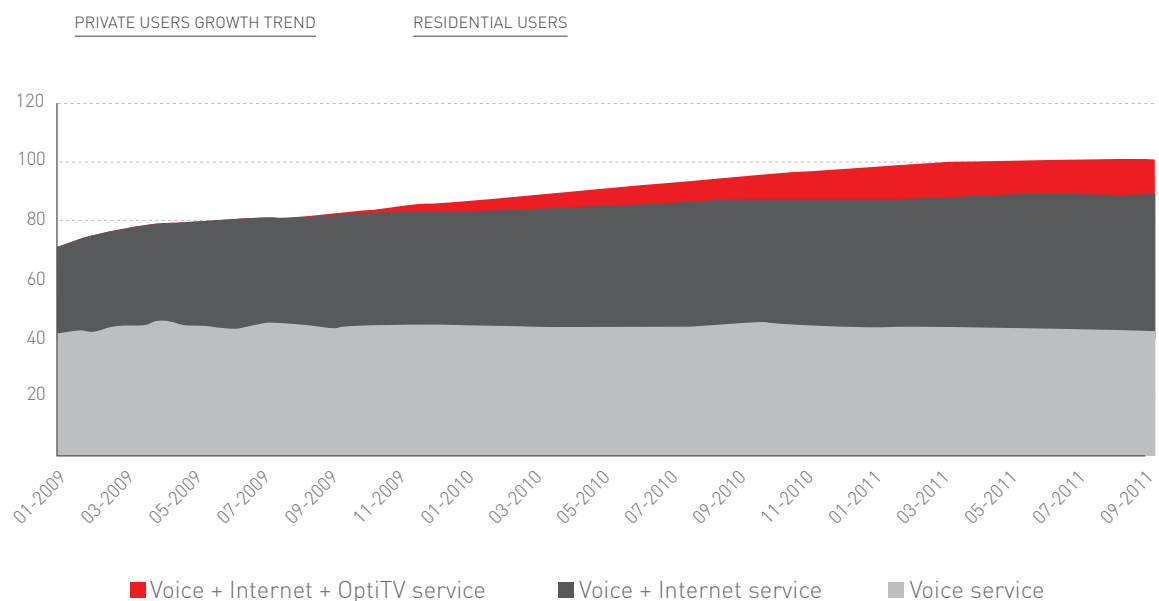
LLU

At the end of the first nine months of 2011, the number of LLU users in own network (LLU) has shown a 7,4% increase (from 101.528 to 109.049) compared to the same period of 2010.

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

- A significant success was achieved in the existing users segment by upgrading through the use of new services (OptiDSL, OptiTV)
- The acquisition of entirely new users for own network is being intensified (especially in the corporate SoHo segment), and this change in the user base structure also influences the improvement of 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 56.068 at the end of the first nine months of 2010 to 66.237 in the same period of 2011, i.e. a significant **18,1%**.



Infrastructural development

In line with the own infrastructure development plan for 2011, in the first half year period preparations have been made for the erection of eight new collocations in Đurđevac, Daruvar, Bjelovar, Jastrebarsko, Karlovac Grabrik, Sisak Caprag, Sveta Nedjelja and Vrbovec which are going to be active in Q4, and expanding capacities to six collocations. During the third quarter capacities have been expanded on collocations in Dugo selo, Karlovac, Lovran, Knin.

The total number of active collocations at the end of the third quarter of 2011 is **260**.

Apart from the collocations, infrastructural development necessarily requires the construction of own optical network.

During the third quarter of 2011, this construction has been characterized, for the most part, by construction of shorter sections, i.e. user feeds for new Optima Telekom end users, but in this quarter there has been a significant increase in the realization of optical sections as a part of the city, and intercity base infrastructure. So, in the previous quarter a reconstruction of the city grid in Zagreb, Rijeka and Split was undertaken, aiming to connect to the leased intercity 10G lines operated by Odašiljači i veze, as well as smaller capacity lines operated by Hrvatske telekomunikacije. Also, a city line in Đurđevac was realized in the previous quarter, as well as the Sisak – Petrinja intercity line, all in view of erecting the first collocations in Đurđevac and Petrinja. The length of the constructed optical feeds and lines is bigger by far compared to the same period of the previous year, the growth in construction of optical infrastructure being almost quadrupled.

In numbers, we are talking about **39,6** km of new optical sections, through which 58 feeds and 10 new city and intercity optical lines have been realized. Comparing overall lengths, this is an optical network increase of 1,6% compared to the previous quarter (2.395 km compared to the 2.358 km achieved by the end of the second quarter of 2011). The largest quantity of feeds and lines was realised in region North (18 km), followed by region South (13,3 km), region West (4,8 km) and region East (3,5 km).

During the upcoming period, the realization of longer optical feeds is anticipated, in a view to erect new collocations, primarily in Vrbovec, Jastrebarsko, Sv. Nedelja, as well as to start the realization of the intercity line Višnjevac (Osijek) – Valpovo, which would connect Valpovo entirely with the optical backbone of OT, thus reducing the costs of the line leased from HEP. Also, the completion of the optical line Strizivojna – Đakovo, about 7,5 km long, through the existing HT cable channelling is anticipated at the very beginning of the fourth quarter of 2011, whereby the said city will be connected to the optical network of Optima Telekom, i.e. Univerzalne Telekomunikacije.

Significant events in 2011 and expectations for future development

Macroeconomic and market trends¹

During the past several months, there has been a trend of HRK depreciation towards the joint European currency. At the end of September, the highest value of the Euro for this year of HRK 7,50 has been achieved, while the average HRK value in the first nine months has been reduced by 2,1% compared to the same period of the previous year.

The final DZS data have confirmed the first estimate of GDP for the second quarter of this year. The GDP was in reality increased by 0,8% in the second quarter which, cumulatively with the 0,8% decrease in the first quarter, represents the same GDP level as in the first half of 2010.

The negative trends in industrial production have been continued in July and August, and so in the first eight months it decreased by 1,6% compared to the same period of the previous year, while retail still shows growth trends, and in the first eight months it has shown a 1% increase compared to the previous year.

The data on consumer prices trends have shown a somewhat intensified growth at a yearly level. According to DZS data, the yearly inflation rate, measured by the consumer prices index, amounted to 2,2% in September. At a monthly level, consumer prices went up by 0,4%. Due to its base effect, the yearly inflation growth continues to be overwhelmingly influenced by the increase of energy and foodstuffs prices, even though the process seems to be somewhat slower than in the previous months, while there is still no pressure of domestic demand on the increase of prices.

Even after the seasonal impact on the decrease of unemployment, the unemployment rate has been minimally decreased or, to be precise, by 0,1% to 16,7%. In the first seven months of this year, the average monthly gross salary per employee amounted to HRK 7.734, which is a nominal increase of 1,1%, but in reality, it is 1,1% less compared to the same period of the previous year. At the same time, the average monthly net salary amounted to HRK 5.393, which represents a nominal increase of 1,9%, but in reality, this is 0,3% less than in the first seven months of the previous year.

August was the second consecutive month in which the number of business entities with overdrawn accounts dropped by 4,4 thousand in total. Thereby, in the last two months alone their number was reduced by 17,3 thousand, stopping at a level of (still high) 68,3 thousand. However, the value of their overdrafts was only marginally reduced (in July a HRK 41 million drop, in August HRK 13 million), which would mean that the average debts of the entities stricken from the record in the past two months amounted to a little over HRK 2 thousand.

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 third quarter period Optima has a total of 272.540 voice channels in its network.²

In the first nine months of 2011 the number of potentially available connections in Optima Telekom went up to 669.538 connections, which represents:

- a **2%** decrease (from 683.121 to 669.538 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 benchmark³ 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 intensely regulate the electronic communications market in this reporting period as well.

A HAKOM Decision was published whereby it was determined that the retail market of broadband internet access is subject to previous regulation, because according to relevant legislation, the conditions of the Three Indicators Test have been met. We anticipate further regulation of other retail markets which could influence future business significantly.

Following the earlier public debates, on 1 July 2011, Hrvatski Telekom d.d. published the Standard offer for the wholesale service of renting user lines, which enable gradual migration of CPS users to WLR (wholesale line rental) for Optima Telekom. For the end users, this finally represents the possibility to get a single bill for communications services, with, of course, other advantages. However, in part due to not following the regulatory body's instructions, and in part due to the motion of the carrier of the users of this service, at the beginning of October HAKOM rendered a decision amending the said Standard offer, which decision is currently subject to a public debate. In that sense, new improvements of the process at the operative level should be expected, and these could have a positive influence on the business of Optima Telekom.

Furthermore, within the activities at the wholesale level, HAKOM has initiated a process of analysis of the leased lines market. Due to the specific nature of the wholesale service of leasing lines, HAKOM has decided that HT will still be subject to all previously imposed regulatory obligations, until the market analysis process has been completed.

As expected, at the beginning of August of 2011, the Law on Amendments to the Law on Electronic Communications was published. The carriers were granted a period of 90 days from the Law's entering into force to adapt, which means that in the upcoming reporting period Optima Telekom will have to undertake measures to comply with the amendments. For the most part, the amendments pertain to relations with the end users of Optima Telekom's services, and consequently represent a string of new, additional obligations for the carriers, making the field of electronic communications one of the most regulated in the sense of consumer rights protection.

In the same period, the Law on Amendments to the Law on Audiovisual Activities entered into force, by which the electronic communications services carriers were imposed a levy of 0,8% of the overall yearly gross revenue achieved in the previous calendar year from the transmission or retransmission of audiovisual programs.

Research and development activities

Product development activities were focused on the development of services and tariff options intended for the residential market and corporate users, particularly in the lower market segments, SME and SoHo.

In the first nine months, in line with previous announcements, activities which will influence the effectiveness of sales of services were completed, both in the residential and corporate segment.

O2 packages can contain the following combinations:

- TELEPHONE + INTERNET
- TELEPHONE + TELEVISION
- INTERNET + TELEVISION,

while O3 packages contain:

- TELEPHONE + INTERNET + TELEVISION

The purpose of the packages is clearer communication, obtaining new users, enlarging the user base and expanding services for the existent Optima Telekom users.

For the corporate segment, we expanded our service offer with the OptimaLAN XL service, which represents an upgrade of the existing OptimaLAN ured service.

Together with the existing analogue telephone devices, the users are offered the possibility to use advanced digital IP devices. OptimaLAN ured is intended for all businesses operating at one or more locations, wishing to connect into a voice VPN in a functional fashion and achieving a simple and functional way to communicate by using IP technology.

Because of simpler communication and a simpler selection of services, Optima Telekom has created the new O packages which provide for a selection of a combination of various individual Optima Telekom services, in the form of packages that include the TELEPHONE, INTERNET AND TELEVISION.

Changes in the Company's governing bodies

There were no changes in the Company's management bodies.

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.

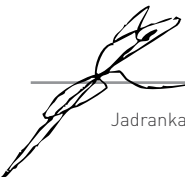
The quarterly financial report contains a true presentation of development, results and position of Optima Telekom and its subsidiaries, as well as a description of the most significant risks and uncertainties to which the group is exposed.



Matija Martić



Goran Jovičić



Jadranka Suručić

OT- Optima Telekom d.d.
ZAGREB

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 September 2011**

Enclosure 1

Reporting period:

1 Jan 2011

to

30 Sep 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 382
(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

OPTIMA TELEKOM za upravljanje nekretninama i
savjetovanje d.o.o.

Kuzminečka 8, Zagreb

21017859228

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 Telekom d.d.
M.P.ZAGREB

(signature of authorized person)

BALANCE SHEET

as at 30 Sep 2011

Issuer: OT - Optima Telekom d.d.			
Item	EDP #	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	
B) FIXED ASSETS (003+010+020+029+033)	002	441.494.384	450.241.789
I. INTANGIBLE ASSETS (004 through 009)	003	34.940.891	26.239.383
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	34.940.891	26.239.383
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	388.534.232	377.137.745
1. Land	011	23.269	23.269
2. Building objects	012	21.318.161	20.705.332
3. Facilities and equipment	013	313.860.055	338.602.731
4. Tools, production inventory and transport assets	014	64.165	408.705
5. Biological assets	015		0
6. Advances for tangible assets	016		0
7. Tangible assets in preparation	017	52.505.481	16.818.931
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	716.279	531.955
III. FIXED FINANCIAL ASSETS (021 through 028)	020	17.964.252	46.864.661
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	17.964.252	46.864.661
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	55.009	0
C) CURRENT ASSETS (035+043+050+058)	034	116.443.926	92.658.071
I. INVENTORY (036 do 042)	035	7.028.807	3.919.745
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	7.028.807	3.919.745
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	82.392.821	85.881.354
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	79.673.827	84.394.031
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	44.567	45.392
5. Receivables from the state and other institution	048	406.274	403.551
6. Other receivables	049	2.268.153	1.038.380
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	25.074.550	571.737
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	25.074.550	571.737
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.947.748	2.285.235
D) PREPAYMENTS AND ACCRUED INCOME	059	56.230.903	66.460.168
E) TOTAL ASSETS (001+002+034+059)	060	614.169.213	609.360.028
F) OFF-BALANCE RECORDS	061	591.187.733	1.036.631.473

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-415.945.780	-466.491.172
I. BASE (registered) capital	063	28.200.700	28.200.700
II. CAPITAL 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	-578.832.138	-641.766.389
1. Retained earnings	073	0	0
2. Loss carried forward	074	578.832.138	641.766.389
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-59.709.150	-47.279.483
1. Profit of the year	076	0	0
2. Loss of the year	077	59.709.150	47.279.483
VII. MINORITY INTEREST	078	40.808	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	235.549.762	580.969.679
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	53.952.015	46.377.442
3. Liabilities towards banks and other financial institutions	086	181.597.747	534.592.237
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	777.747.816	452.671.972
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	81.454.254	4.750.771
3. Liabilities towards banks and other financial institutions	096	272.537.564	12.223.787
4. Liabilities for advances	097	0	8.130.081
5. Liabilities towards suppliers	098	138.973.710	156.150.615
6. Liabilities as per securities	099	260.422.813	261.884.063
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.611.449	2.542.230
9. Liabilities for taxes, contributions and similar levies	102	7.149.009	6.974.654
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	14.599.017	15.771
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	15.478.837	39.413.406
F) TOTAL - LIABILITIES (062+079+083+093+106)	107	614.169.213	609.360.028
G) OFF - BALANCE RECORDS	108	591.187.733	1.036.631.473
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	-415.986.588	-466.491.172
2. Assigned to minority interest	110		

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

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2011 to 30 Sep 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	340.693.700	118.517.301	362.001.478	127.547.101
1. Sales income	112	335.100.085	115.031.137	358.565.172	126.185.783
2. Other operating income	113	5.593.615	3.486.164	3.436.306	1.361.318
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	334.978.822	115.130.172	346.888.572	122.922.801
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	239.590.551	85.515.290	250.777.667	91.244.598
a) Costs of raw material and supplies	117	4.224.452	1.577.453	1.629.681	554.714
b) Costs of goods sold	118	4.469.608	1.317.641	10.687.019	3.819.192
c) Other external costs	119	230.896.491	82.620.196	238.460.967	86.870.692
3. Staff costs (121 do 123)	120	36.940.073	12.197.023	37.795.588	12.772.514
a) Net salaries and wages	121	20.704.853	6.858.312	21.184.794	7.129.610
b) Expenses of taxes and contributions from salaries	122	10.984.413	3.602.779	11.112.765	3.781.101
c) Contributions to salaries	123	5.250.797	1.735.932	5.498.029	1.861.803
4. Amortization	124	38.827.940	12.972.622	42.032.721	14.575.180
5. Other costs	125	7.753.973	2.439.494	8.290.291	2.642.725
6. Value adjustment (127+128)	126	11.866.285	2.005.743	7.992.305	1.687.784
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	11.866.285	2.005.743	7.992.305	1.687.784
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	5.843.563	789.385	5.665.695	1.474.801
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	5.843.563	789.385	5.665.695	1.474.801
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	71.267.591	25.178.116	68.058.084	30.397.498
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	71.267.591	25.178.116	68.058.084	30.397.498
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	346.537.263	119.306.686	367.667.173	129.021.902
X. TOTAL EXPENSES (114+137+143 + 145)	147	405.245.413	140.308.288	414.946.656	153.320.299
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-59.709.150	-21.001.602	-47.279.483	-24.298.397
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	59.709.150	21.001.602	47.279.483	24.298.397
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-59.709.150	-21.001.602	-47.279.483	-24.298.397
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	59.709.150	21.001.602	47.279.483	24.298.397
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	-59.709.150	-21.001.602	-47.279.483	-24.298.397
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-59.709.150	-21.001.602	-47.279.483	-24.298.397
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	-59.709.150	-21.001.602	-47.279.483	-24.298.397
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	-59.709.150	-21.001.602	-47.279.483	-24.298.397
2. Assigned to minority interest	170	0	0	0	0

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2011 to 30 Sep 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	-59.709.150	-47.279.483
2. Depreciation	002	38.827.940	42.032.721
3. Increase of short-term liabilities	003	9.506.600	23.453.992
4. Decrease of short-term receivables	004	0	
5. Decrease of inventories	005	1.620.366	
6. Other increase of cash flow	006		19.863.524
I. Total increase of cash flow from operating activities (001 through 006)	007	-9.754.244	38.070.754
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	3.750.252	6.643.399
3. Increase of inventories	010	0	240.633
4. Other decrease of cash flow	011	0	14.928.567
II. Total decrease of cash flow from operating activities (008 through 011)	012	3.750.252	21.812.599
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	16.258.155
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	13.504.496	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	015	630.953	0
2. Cash receipt from sale of ownership and debt instruments	016	0	0
3. Cash receipt from interest rates	017	0	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	630.953	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	20.272.907	24.049.347
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	20.272.907	24.049.347
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	19.641.954	24.049.347
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	32.476.065	15.625.164
3. Other receipt from financial activities	029	0	
V. Total cash receipt from financial activities (027 through 029)	030	32.476.065	15.625.164
1. Cash expenditure for the payment of loan principal and bonds	031	0	6.764.652
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	0	6.764.652
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	32.476.065	8.860.512
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	1.069.320
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	670.385	0
Cash and cash equivalents at the beginning of the period	041	2.618.133	1.215.915
Increase of cash and cash equivalents	042	0	1.069.320
Decrease of cash and cash equivalents	043	670.385	0
Cash and cash equivalents at the end of the period	044	1.947.748	2.285.235

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2011 to 30.9.2011

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	-578.925.164	-641.766.389
5. Profit or loss of the current year	005	-62.844.897	-47.279.483
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	-419.215.361	-466.491.172
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	-419.215.361	-466.491.172
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.

As a sole member-founder, the Company established Optima telekom za upravljanje nekretninama i savjetovanje d.o.o., on 16 Aug 2011, which currently is not operating.

Investments in affiliated companies as on 30 September 2011:

Subsidiaries	Shareholding
Optima Direct d.o.o., Croatia	100%
Optima Telekom d.o.o., Slovenia	100%
Optima telekom za upravljanje nekretninama i savjetovanje d.o.o.	100%

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

Staff

On 30 September 2011, the Company employed 382 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
Marijan Hanžeković	Member and Deputy Chairman until 06 Jun 2011
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 September 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 - September 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 Sep 2011 was HRK 7,492023 for EUR 1 and HRK 5,493894 for USD 1.

112. SALES INCOME

	30 Sep 2011	30 Sep 2010
Public voice services	192.482.229	207.483.412
Interconnection services	73.716.328	58.191.596
Internet services	50.496.898	42.543.021
Data services	15.844.051	14.947.444
Multimedia services	7.425.093	2.347.351
Lease and sale of equipment	2.153.169	1.369.035
Sale of goods and products	7.690.695	1.421.446
Trade agency income	3.794.190	3.359.761
Other services	4.762.519	3.437.019
	358.565.172	335.100.085

113. OTHER OPERATING INCOME

	30 Sep 2011	30 Sep 2010
Write off old trade payables	2.727.832	1.259.234
Income from rent - billing system	0	1.230.564
Income from collected penalties etc.	0	76.630
Income from in kind payments	321.043	314.673
Other income	387.431	2.712.514
	3.436.306	5.593.615

116. MATERIAL COSTS

	30 Sep 2011	30 Sep 2010
Costs of raw material and supplies	1.629.681	4.224.452
Costs of goods sold	10.687.019	4.469.608
Costs of services	0	0
Costs of maintenance	10.443.723	11.276.159
Marketing services	4.978.327	1.446.433
Billing costs	5.195.131	6.907.347
Line lease costs	32.558.641	32.790.128
Intellectual and other services	2.396.392	1.428.110
Utilities	7.182.006	2.776.768
Customer attraction costs	11.217.595	10.980.707
Pair connection fees	44.832.012	46.178.622
Telecommunications costs	114.262.786	109.787.051
Residential sales services	3.369.811	3.488.907
Other costs	2.024.543	3.836.259
	250.777.667	239.590.551

120. STAFF EXPENSES

	30 Sep 2011	30 Sep 2010
Net salaries	21.184.794	20.704.863
Taxes and contributions from salaries	11.112.765	10.984.413
Taxes and contributions on salaries	5.498.029	5.250.797
	37.795.588	36.940.073

Number of employees on 30 Sep 2011	382	377
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2011	30 Sep 2010
Amortization of intangible assets	7.606.570	7.549.301
Amortization of fixed tangible assets	34.426.151	31.278.639
	42.032.721	38.827.940

125. OTHER OPERATING EXPENSES

	30 Sep 2011	30 Sep 2010
Compensations to employees	1.717.659	1.459.345
Representation	662.182	490.606
Insurance premiums	1.313.204	1.370.340
Bank charges	2.515.066	2.041.626
Taxes, contributions and membership fees	805.214	1.201.551
Costs of sold and written off assets	15.460	688.591
Gifts and sponsorships	152.105	40.000
Subsequently determined operating expenses	0	82.206
Other expenses	1.109.401	379.708
	8.290.291	7.753.973

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 Sep 2011	30 Sep 2010
Interest income	4.488.568	4.272.890
Foreign exchange gains	1.177.127	1.570.673
	5.665.695	5.843.563

137. FINANCIAL EXPENSES

	30 Sep 2011	30 Sep 2010
Interest expenses	58.273.981	69.320.641
Fee	576.968	536.846
Foreign exchange losses	9.207.135	1.410.104
	68.058.084	71.267.591

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

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

Foreign exchange losses increased as a result of the depreciation rate of kuna to euro in the reporting period and the existence of long-term liabilities related to foreign currency

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2011	8.187.690	77.752.928		85.940.618
Additions		1.428.697		1.428.697
Transfer from assets in progress				0
Disposals and retirements				0
As at 30 Sep 2011	8.187.690	79.181.625	0	87.369.315
VALUE ADJUSTMENT				
As at 01 Jan 2011	1.385.174	52.138.188		53.523.362
Amortization of the current year	204.488	7.402.082		7.606.570
Disposals and retirements				0
Amortization as at 30 Sep 2011	1.589.662	59.540.270	0	61.129.932
NET ACCOUNTING VALUE				
As at 30 Sep 2011	6.598.028	19.641.355	0	26.239.383

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			1.073.750			22.729.243	215.394	24.018.387
Transfer from assets in progress			46.360.593			-47.814.379		-1.453.786
Disposals and retirements		31.756	-9.737					22.019
As at 30 Sep 2011	23.269	25.555.577	531.262.906	126.055	46.822	16.818.931	3.983.228	577.816.788
VALUE ADJUSTMENT								
As at 01 Jan 2011	0	4.357.228	158.646.766	72.997	0	0	3.209.931	166.286.922
Amortization of the current year		474.663	33.691.703	18.443			241.342	34.426.151
Disposals and retirements		18.354	-52.384					-34.030
Amortization as at 30 Sep 2011	0	4.850.245	192.286.085	91.440	0	0	3.451.273	200.679.043
NET ACCOUNTING VALUE								
As at 30 Sep 2011	23.269	20.705.332	338.976.821	34.615	46.822	16.818.931	531.955	377.137.745

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2011	30 Sep 2010
Loans to majority shareholder	12.725.820	11.999.698
Loans to third party companies	34.083.997	5.996.891
Long term deposits	3.505.855	3.376.941
	50.315.672	21.373.530
Value adjustment	-3.451.011	-3.409.278
	46.864.661	17.964.252

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 2,91 million) and 30 April 2013 (loans in the amount of HRK 27,72 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 Sep 2011	30 Sep 2010
Trade receivables	84.394.031	79.673.827
Employee receivables	45.392	44.567
Receivables from the state and other institutions	403.551	406.274
Interest receivables	334.506	729.646
Advance payments receivables	648.289	1.356.005
Other receivables	55.585	182.502
	85.881.354	82.392.821

045. TRADE RECEIVABLES

	30 Sep 2011	30 Sep 2010
Domestic trade receivables	99.084.799	85.102.450
Foreign trade receivables	14.819.960	13.662.654
	113.904.759	98.765.104
Value adjustment	-29.510.728	-19.091.277
	84.394.031	79.673.827

Movement of value adjustment for doubtful receivables:

	30 Sep 2011
1 January 2011	25.368.266
Write off during the year	-1.062.409
Collected during the year	-2.208.590
Reserved during the year	7.413.461
Closing balance	29.510.728

Aging of trade receivables of the Company:

	30 Sep 2011
Undue	63.905.334
Up to 120 days	21.091.170
120-360 days	12.368.284
over 360 days	16.539.971
	113.904.759

056. GRANTED LOANS AND DEPOSITS

	30 Sep 2011	30 Sep 2010
Loans	113.530	24.974.545
Deposits	571.737	343.535
	685.267	25.318.080
Value adjustment	-113.530	-243.530
	571.737	25.074.550

058. CASH IN BANK AND REGISTER

	30 Sep 2011	30 Sep 2010
Kuna accounts balance	1.487.215	1.409.520
Foreign currency accounts balance	788.626	13.817
Cash in register	9.394	524.411
	2.285.235	1.947.748

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Sep 2011	30 Sep 2010
Differed customer related expenses	43.357.429	49.869.919
Bond issuing expenses	1.285.198	2.096.096
Prepaid expenses	21.817.541	4.264.888
	66.460.168	56.230.903

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 Sep 2011, loss per share is as follows:

Net result - loss	47.279.483
Number of shares	2.820.070
Loss per share	16,77

In the same period last year, loss per share amounted to HRK 22,17

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Sep 2011) varied from HRK 25,00 (the lowest price) to HRK 42,56 (the highest price). Market capitalization in thousands of HRK on 30 September 2011 amounted to HRK 76.114 thousand. In the period from January to September 2011 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Ten major shareholders as on 30 September 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	1.605	5,69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA	1.385	4,91
RAIFFEISENBANK AUSTRIA D.D./R5	1.345	4,77
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
ŽUVANIĆ ROLAND (1/1)	303	1,07
RAIFFEISENBANK AUSTRIA D.D. (1/1)	224	0,80
JOVIČIĆ GORAN (1/1)	202	0,72

083. LONG-TERM LIABILITIES

	30 Sep 2011	30 Sep 2010
Loan based liabilities	46.377.442	53.952.015
Liabilities towards credit institutions	534.592.237	181.597.747
	580.969.679	235.549.762

093. SHORT-TERM LIABILITIES

	30 Sep 2011	30 Sep 2010
Loan based liabilities	4.750.771	0
Liabilities towards credit institutions	6.431.540	272.537.564
Interest liabilities	5.792.247	81.454.254
Liabilities for bonds issued	261.884.063	260.422.813
Liabilities for advances received	8.130.081	0
Trade payables	156.150.615	138.973.710
Liabilities towards employees	2.542.230	2.611.449
Taxes, contributions and other levies	6.974.654	7.149.009
Other liabilities	15.771	14.599.017
	452.671.972	777.747.816

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 Sep 2011	30 Sep 2010
Nominal value	250.000.000	250.000.000
Compensations for issuance of bonds	-3.287.812	-4.749.062
Liabilities based on calculated interest	15.171.875	15.171.875
	261.884.063	260.422.813

098. LIABILITIES TOWARDS SUPPLIERS

	30 Sep 2011	30 Sep 2010
Domestic trade payables	138.357.895	121.279.894
Foreign trade payables	7.357.897	11.131.582
Invoice accrual	10.434.823	6.562.234
	156.150.615	138.973.710

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2011	30 Sep 2010
VAT Liabilities	4.547.627	4.658.995
Taxes and contributions on and from salaries	1.903.129	1.905.698
Other taxes and contributions	523.898	584.316
	6.974.654	7.149.009

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2011	30 Sep 2010
Domestic payables for which invoices have not been received	16.418.258	10.919.817
Foreign payables for which invoices have not been received	4.743.170	3.719.015
Deferred income	14.750.000	0
Deferred income due to uncertainty	3.124.806	840.005
Other deferred payments	377.172	0
	39.413.406	15.478.837

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. 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 Sep 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	585.876	181.670	-26.221	-22.043
USD	3.143	226	0	-110
CHF				
GPB				
	589.019	181.896	-26.221	-22.153

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 Sep 2011	30 Sep 2010	30 Sep 2011	30 Sep 2010
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	58.588	18.167	-2.622	-2.204
USD	314	23	0	-11
CHF				
GPB				
	58.902	18.190	-2.622	-2.215

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 371,99 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 Sep 2011				
Non-interest bearing liabilities	166.839			166.839
Interest bearing liabilities	54.986	802.530	2.312	859.828
	<u>221.825</u>	<u>802.530</u>	<u>2.312</u>	<u>1.026.667</u>
30 Sep 2010				
Non-interest bearing liabilities	161.075			161.075
Interest bearing liabilities	671.431	168.489	19.741	859.661
	<u>832.506</u>	<u>168.489</u>	<u>19.741</u>	<u>1.020.736</u>

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 September 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 Sep 2011				
Non-interest bearing liabilities	86.397			86.397
Interest bearing liabilities	660	41.999	4.777	47.436
	<u>87.057</u>	<u>41.999</u>	<u>4.777</u>	<u>133.833</u>
30 Sep 2010				
Non-interest bearing liabilities	84.341			77.589
Interest bearing liabilities	349	30.691	35.886	19.220
	<u>84.690</u>	<u>30.691</u>	<u>35.886</u>	<u>151.267</u>

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

Marija Martić Jadranka Suručić

Optima Telekom d.d.
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