

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

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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

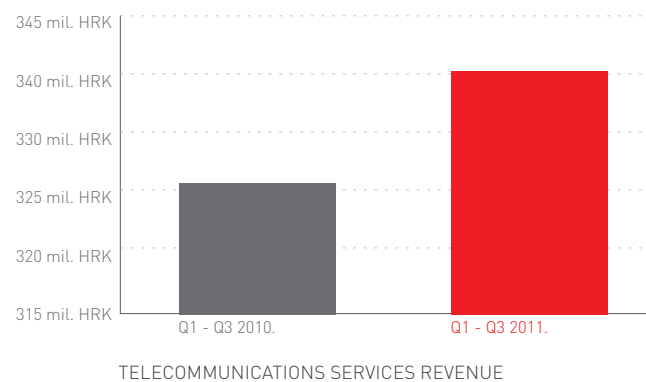
For the first nine months of 2011, the EBT amounts to HRK **-47,3** million, which is a better result compared to the same period of the previous year by HRK **12,4** million or **20,8**.

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.

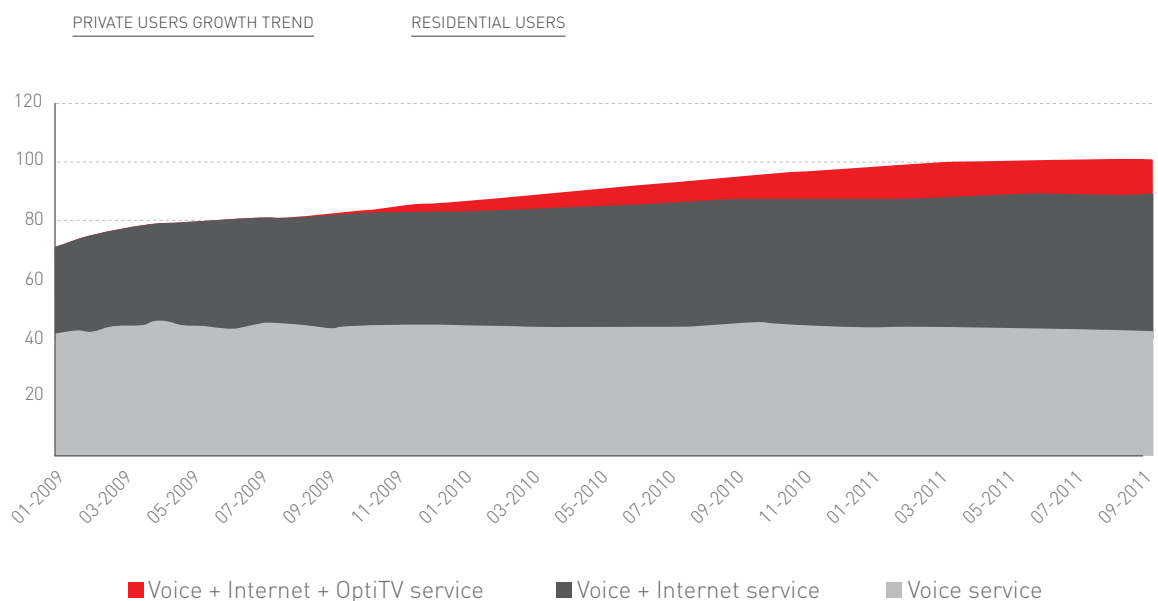
LLU

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 Višnjevci (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.
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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 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 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

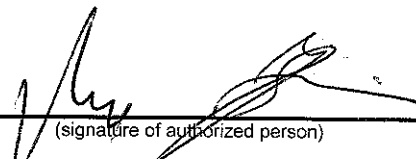
Surname and name: MATIJA MARTIĆ, JADRANKA SURUČIĆ

(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 Telekom d.d.
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 (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		
B) FIXED ASSETS (003+010+020+029+033)	002	462.457.755	462.871.127
I. INTANGIBLE ASSETS (004 through 009)	003	34.035.267	25.733.033
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	34.035.267	25.733.033
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	374.881.124	364.253.812
1. Land	011	23.269	23.269
2. Building objects	012	14.401.427	13.988.569
3. Facilities and equipment	013	307.166.483	332.504.546
4. Tools, production inventory and transport assets	014	21.364	339.720
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	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	716.278	531.955
III. FIXED FINANCIAL ASSETS (021 through 028)	020	53.541.364	72.884.282
1. Shares (stock) in affiliated entrepreneurs	021	19.280.184	19.301.930
2. Loans granted to affiliated entrepreneurs	022	23.885.716	14.702.713
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	10.375.464	38.879.639
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	115.309.270	91.081.319
I. INVENTORY (036 do 042)	035	6.411.179	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	6.411.179	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	82.015.619	85.344.447
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	79.638.449	83.997.635
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	38.235	43.638
5. Receivables from the state and other institution	048	182.724	192.823
6. Other receivables	049	2.156.211	1.110.351
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	25.069.550	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	25.069.550	571.737
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.812.922	1.245.390
D) PREPAYMENTS AND ACCRUED INCOME	059	56.211.554	65.899.495
E) TOTAL ASSETS (001+002+034+059)	060	633.978.579	619.851.941
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	-393.565.962	-447.168.770
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	-62.524.716	-50.473.424
1. Profit of the year	076	0	0
2. Loss of the year	077	62.524.716	50.473.424
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	235.549.762	576.640.955
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	530.263.513
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	775.295.950	449.207.896
1. Liabilities towards affiliated entrepreneurs	094	3.817.610	11.210.956
2. Liabilities for loans, deposits and similar	095	81.454.254	4.750.771
3. Liabilities towards banks and other financial institutions	096	272.344.160	7.592.247
4. Liabilities for advances	097	0	8.130.081
5. Liabilities towards suppliers	098	135.578.333	148.558.118
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	1.567.418	1.725.765
9. Liabilities for taxes, contributions and similar levies	102	5.512.346	5.340.127
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	14.599.016	15.768
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	15.360.251	38.375.717
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	633.978.579	619.851.941
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		
2. Assigned to minority interest	110		

Note 1.: anex 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	334.951.004	116.841.990	350.959.950	124.179.546
1. Sales income	112	329.643.500	114.386.656	346.057.792	122.251.193
2. Other operating income	113	5.307.504	2.455.334	4.902.158	1.928.353
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	333.283.853	114.873.956	340.012.645	120.390.069
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	250.332.134	89.163.217	256.953.501	93.237.577
a) Costs of raw material and supplies	117	3.749.601	1.432.970	1.334.629	463.675
b) Costs of goods sold	118	4.408.411	1.277.835	3.540.070	1.241.460
c) Other external costs	119	242.174.122	86.452.412	252.078.802	91.532.441
3. Staff costs (121 do 123)	120	26.388.970	8.874.413	27.457.669	9.238.696
a) Net salaries and wages	121	14.104.317	4.713.720	14.812.577	4.972.283
b) Expenses of taxes and contributions from salaries	122	8.437.899	2.804.966	8.644.312	2.916.810
c) Contributions to salaries	123	3.846.764	1.355.727	4.000.780	1.349.603
4. Amortization	124	37.945.684	12.768.569	40.968.769	14.186.137
5. Other costs	125	6.750.780	2.062.014	7.244.969	2.402.497
6. Value adjustment (127+128)	126	11.866.285	2.005.743	7.387.937	1.325.163
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	7.387.937	1.325.163
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	6.916.159	1.155.703	6.174.298	1.629.420
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	1.346.025	448.643	814.480	252.346
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	5.570.134	707.060	5.359.818	1.377.075
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	71.108.026	25.088.605	67.594.827	30.184.831
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	71.108.026	25.088.605	67.594.827	30.184.831
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	341.867.163	117.997.693	357.134.248	125.808.966
X. TOTAL EXPENSES (114+137+143 + 145)	147	404.391.879	139.962.561	407.607.672	150.574.900
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-62.524.716	-21.964.868	-50.473.424	-24.765.933
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	62.524.716	21.964.868	50.473.424	24.765.933
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-62.524.716	-21.964.868	-50.473.424	-24.765.933
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	62.524.716	21.964.868	50.473.424	24.765.933
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	-62.524.716	-21.964.868	-50.473.424	-24.765.933
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	-62.524.716	-21.964.868	-50.473.424	-24.765.933
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				

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	-62.524.715	-50.473.424
2. Depreciation	002	37.945.684	40.988.769
3. Increase of short-term liabilities	003	0	30.427.224
4. Decrease of short-term receivables	004	10.534.295	
5. Decrease of inventories	005	1.966.294	
6. Other increase of cash flow	006	465.287	20.231.984
I. Total increase of cash flow from operating activities (001 through 006)	007	-11.613.155	41.154.553
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	4.060.230	6.396.339
3. Increase of inventories	010	0	240.633
4. Other decrease of cash flow	011	2.592.228	16.160.265
II. Total decrease of cash flow from operating activities (008 through 011)	012	6.652.458	22.797.237
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	18.357.316
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	18.265.613	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	-753.148	0
III. Total cash receipts from investment activities (015 through 019)	020	-122.195	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	14.280.451	23.740.129
2. Cash expenditure for acquiring ownership and debt financial instruments	022	0	0
3. Other expenditures from investment activities	023	510.309	0
IV. Total cash expenditures from investment activities (021 through 023)	024	14.790.760	23.740.129
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	14.912.955	23.740.129
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	32.476.065	10.993.624
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	32.476.065	10.993.624
1. Cash expenditure for the payment of loan principal and bonds	031	0	5.513.463
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	0	5.513.463
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	32.476.065	5.480.161
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	97.348
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	702.503	0
Cash and cash equivalents at the beginning of the period	041	2.515.425	1.148.042
Increase of cash and cash equivalents	042	0	97.348
Decrease of cash and cash equivalents	043	702.503	0
Cash and cash equivalents at the end of the period	044	1.812.922	1.245.390

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2011 to 30.9.2011

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	-50.473.424
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)			
11. Foreign exchange differences from net investments in foreign operations	010	-396.695.346	-447.168.770
12. Current and deferred taxes (part)	011		
13. Cash flow protection	012		
14. Changes in accounting policies	013		
15. Correction of significant mistakes from the previous period	014		
16. Other equity changes	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 Sep 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
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 Sep 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 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 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	192.601.601	207.483.412
Interconnection services	73.716.328	58.191.596
Internet services	50.497.519	42.543.021
Data services	15.844.051	14.947.444
Multimedia services	7.425.093	2.347.351
Lease and sale of equipment	2.153.298	1.369.035
Other services	3.819.902	2.761.641
	<u>346.057.792</u>	<u>329.643.500</u>

113. OTHER OPERATING INCOME

	30 Sep 2011	30 Sep 2010
Write off old trade payables	2.727.718	1.249.292
Income from rent - billing system	1.336.690	982.922
Income from collected penalties etc.	0	76.630
Income from in kind payments	293.767	296.092
Other income	543.983	2.702.568
	<u>4.902.158</u>	<u>5.307.504</u>

116. MATERIAL COSTS

	30 Sep 2011	30 Sep 2010
Costs of raw material and supplies	1.334.629	3.749.601
Costs of goods sold	3.540.070	4.408.411
Costs of services	0	0
Costs of maintenance	10.408.740	12.197.260
Marketing services	4.964.780	1.445.333
Billing costs	5.307.732	6.772.347
Line lease costs	33.310.523	32.266.041
Intellectual and other services	2.227.915	1.345.579
Utilities	6.705.161	2.666.879
Customer attraction costs	17.017.356	14.748.716
Pair connection fees	44.832.012	46.178.622
Telecommunications costs	114.240.006	109.787.051
Residential sales services	11.932.050	11.550.120
Other costs	1.132.527	3.216.174
	<u>256.953.501</u>	<u>250.332.134</u>

120. STAFF EXPENSES

	30 Sep 2011	30 Sep 2010
Net salaries	14.812.577	14.104.317
Taxes and contributions from salaries	8.644.312	8.437.889
Taxes and contributions on salaries	4.000.780	3.846.764
	<u>27.457.669</u>	<u>26.388.970</u>

Number of employees on 31 Mar 2011	188	179
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2011	30 Sep 2010
Amortization of intangible assets	7.307.115	7.249.846
Amortization of fixed tangible assets	33.661.654	30.695.838
	<u>40.968.769</u>	<u>37.945.684</u>

125. OTHER OPERATING EXPENSES

	30 Sep 2011	30 Sep 2010
Compensations to employees	1.061.599	681.680
Representation	589.034	409.182
Insurance premiums	1.205.426	1.305.412
Bank charges	2.454.709	2.020.029
Taxes, contributions and membership fees	744.432	1.181.841
Costs of sold and written off assets	6.937	688.591
Gifts and sponsorships	148.105	40.000
Subsequently determined operating expenses	0	82.206
Other expenses	1.034.727	341.839
	<u>7.244.969</u>	<u>6.750.780</u>

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 from related companies	814.480	1.346.025
Interest income	4.218.760	4.007.346
Foreign exchange gains	1.141.058	1.562.788
	6.174.298	6.916.159

137. FINANCIAL EXPENSES

	30 Sep 2011	30 Sep 2010
Interest expenses	57.933.209	69.167.603
Fee	576.968	536.846
Foreign exchange losses	9.084.650	1.403.577
	67.594.827	71.108.026

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

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	75.756.560		83.944.250
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	77.185.257	0	85.372.947
VALUE ADJUSTMENT				
As at 01 Jan 2011	1.385.174	50.947.625		52.332.799
Amortization of the current year	204.488	7.102.627		7.307.115
Disposals and retirements				0
Amortization as at 30 Sep 2011	1.589.662	58.050.252	0	59.639.914
NET ACCOUNTING VALUE				
As at 30 Sep 2011	6.598.028	19.135.005	0	25.733.033

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			769.410			22.729.243	215.394	23.714.047
Transfer from assets in progress			46.385.682			-47.814.379		-1.428.697
Disposals and retirements			-9.737					-9.737
As at 30 Sep 2011	23.269	16.514.322	521.421.466	128.055	46.822	16.818.931	3.983.228	558.934.093
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		309.643	33.092.226	18.443			241.342	33.661.654
Disposals and retirements			-35.819					-35.819
Amortization as at 30 Sep 2011	0	2.525.753	188.611.815	91.440	0	0	3.451.273	194.680.281
NET ACCOUNTING VALUE								
As at 30 Sep 2011	23.269	13.988.569	332.809.651	34.615	46.822	16.818.931	531.955	364.263.812

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2011	30 Sep 2010
Loans to majority shareholder	4.777.012	4.410.910
Loans to third party companies	32.198.004	4.110.898
Long term deposits	3.469.641	3.376.941
	40.444.657	11.898.749
Value adjustment	-1.565.018	-1.523.285
	38.879.639	10.375.464
Loans to related companies	14.702.713	23.885.716
Loans and deposits	53.582.352	34.261.180
Shares in related companies	19.301.930	19.280.184
	72.884.282	53.541.364

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.

SHARES IN RELATED COMPANIES

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.

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

Investments in affiliated companies as on 30 Sep 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.

043. RECEIVABLES

	30 Sep 2011	30 Sep 2010
Trade receivables	83.997.635	79.638.449
Employee receivables	43.638	38.235
Receivables from the state and other institutions	192.823	182.724
Interest receivables	333.776	729.646
Advance payments receivables	771.671	1.406.194
Other receivables	4.904	20.371
	85.344.447	82.015.619

045. TRADE RECEIVABLES

	30 Sep 2011	30 Sep 2010
Receivables from related companies	94.732.222	84.723.749
Domestic trade receivables	0	0
Foreign trade receivables	15.288.894	10.779.775
	110.021.116	95.503.524
Value adjustment	-26.023.481	-15.865.075
	83.997.635	79.638.449

Movement of value adjustment for doubtful receivables:

	30 Sep 2011
1 January 2011	22.485.387
Write off during the year	-1.666.777
Collected during the year	-2.208.590
Reserved during the year	7.413.461
Closing balance	26.023.481

Aging of trade receivables of the Company:

	30 Sep 2011
Undue	60.071.334
Up to 120 days	21.006.643
120-360 days	12.349.860
over 360 days	16.593.279
	<u>110.021.116</u>

056. GRANTED LOANS AND DEPOSITS

	30 Sep 2011	30 Sep 2010
Loans	30.000	24.886.015
Deposits	571.737	343.535
	<u>601.737</u>	<u>25.229.550</u>
Value adjustment	-30.000	-160.000
	<u>571.737</u>	<u>25.069.550</u>

058. CASH IN BANK AND REGISTER

	30 Sep 2011	30 Sep 2010
Kuna accounts balance	448.606	1.280.016
Foreign currency accounts balance	787.389	522.545
Cash in register	9.395	10.361
	<u>1.245.390</u>	<u>1.812.922</u>

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	21.256.868	4.245.539
	<u>65.899.495</u>	<u>56.211.554</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 Sep 2011, loss per share is as follows:

Net result - loss	50.473.424
Number of shares	2.820.070
Loss per share	17,90

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 Sep 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 Sep 2011:

Shareholder	in 000 HRK	%
MARTIĆ MATIJA (1/1)	18.596	65,94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT	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	530.263.513	181.597.747
	576.640.955	235.549.762

093. SHORT-TERM LIABILITIES

	30 Sep 2011	30 Sep 2010
Loan based liabilities	4.750.771	0
Liabilities towards credit institutions	1.800.000	272.344.160
Interest liabilities	5.792.247	81.454.254
Liabilities for bonds issued	261.884.063	260.422.813
Liabilities toward related companies	11.210.956	3.817.810
Liabilities for advances received	8.130.081	0
Trade payables	148.558.118	135.578.333
Liabilities towards employees	1.725.765	1.567.418
Taxes, contributions and other levies	5.340.127	5.512.346
Other liabilities	15.768	14.599.016
	449.207.896	775.295.950

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	132.699.388	119.085.580
Foreign trade payables	5.423.907	9.930.518
invoice accrual	10.434.823	6.562.235
	148.558.118	135.578.333

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2011	30 Sep 2010
VAT Liabilities	3.444.180	3.639.276
Taxes and contributions on and from salaries	1.400.456	1.365.956
Other taxes and contributions	495.491	507.114
	<u>5.340.127</u>	<u>5.512.346</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2011	30 Sep 2010
Domestic payables for which invoices have not been received	15.941.242	10.801.231
Foreign payables for which invoices have not been received	4.559.669	3.719.015
Deferred income	14.750.000	0
Deferred Income due to uncertainty	3.124.806	840.005
	<u>38.375.717</u>	<u>15.360.251</u>

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 Kuna 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 Sep 2011 in 000 HRK	30 Sep 2010 in 000 HRK	30 Sep 2011 in 000 HRK	30 Sep 2010 in 000 HRK
EUR	581.547	180.275	-26.221	-21.892
USD	3.143	226	0	-110
CHF				
GPB				
	<u>584.690</u>	<u>180.501</u>	<u>-26.221</u>	<u>-22.002</u>

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 Kuna 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 in 000 HRK	30 Sep 2010 in 000 HRK	30 Sep 2011 in 000 HRK	30 Sep 2010 in 000 HRK
EUR	58.155	18.027	-2.622	-2.189
USD	314	23	0	-11
CHF				
GPB				
	<u>58.469</u>	<u>18.050</u>	<u>-2.622</u>	<u>-2.200</u>

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 367,66 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	169.641			169.641
Interest bearing liabilities	49.855	798.701	2.312	850.868
	219.496	798.701	2.312	1.020.509
30 Sep 2010				
Non-interest bearing liabilities	161.075			161.075
Interest bearing liabilities	671.233	168.489	19.741	859.463
	832.308	168.489	19.741	1.020.538

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 Sep 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 Sep 2011				
Non-interest bearing liabilities	86.397			86.397
Interest bearing liabilities	2.478	38.687	12.989	54.154
	88.875	38.687	12.989	140.551
30 Sep 2010				
Non-interest bearing liabilities	83.829			83.829
Interest bearing liabilities	344	30.691	28.297	59.332
	84.173	30.691	28.297	143.161

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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