

OT – Optima Telekom d.d.
Management Interim Report
for the first half and second
quarter of 2012
unconsolidated

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Main features

The first half of 2012 is characterized with an increase of income from the public voice service, internet services, data services and interconnection services income, as well as a significant increase of income from multimedia services compared to the same period of the previous year.

Business indicators

Optima Telekom (hereinafter: Optima) has ended the second quarter, i.e. the first half of 2012 with:

- An increase of overall consolidated income by HRK **51,6** million (**21,6%**) with a simultaneous increase of overall business costs by HRK **44,9** million (**20,0%**) compared to the same period of the previous year
- An improvement of profit before taxation, interest and depreciation (EBITDA) by **18,4%** compared to the same period of the previous year, and the achievement of a positive EBITDA of HRK **44,9** million in the first half of 2012
- A significant decrease of loss before taxation (EBT) by **27,3%**

	H1 2011	H1 2012	H1 2012/ H1 2011	Q2 2011	Q2 2012	Q2 2012 / Q2 2011
Total income	238.645	290.248	21,6%	121.526	144.311	18,7%
EBITDA	37.946	44.921	18,4%	20.146	23.317	15,7%
EBT	(22.981)	(16.715)	(27,3%)	(10.645)	(8.623)	(19,0%)

	30.06.2011	30.06.2012/ 30.06.2011	31.12.2011	30.06.2012/ 31.12.2011	31.03.2012	30.06.2012/ 31.03.2012	30.06.2012
Total number of OT users							
Number of voice channels	272.540	-1,9%	275.796	-3,1%	281.001	-4,9%	267.240
Number of users in own LLU network	108.067	8,1%	111.322	4,9%	114.599	1,9%	116.785
Number of OptiDSL users in own LLU network	64.291	16,2%	68.898	8,5%	72.289	3,4%	74.734
Number of OptiTV users in own LLU network	13.000	47,7%	15.300	25,5%	17.500	9,7%	19.200
Number of collocations installed	259	4,2%	266	1,5%	269	0,4%	270
North	82	12,2%	88	4,5%	91	1,1%	92
West	45	0,0%	45	0,0%	45	0,0%	45
East	52	0,0%	52	0,0%	52	0,0%	52
South	80	1,3%	81	0,0%	81	0,0%	81

Consolidated income

Overall consolidated income in the first half of 2012 amounts to HRK **290,2** million, which indicates a **21,6%** increase compared to the results achieved in the same period of the previous year. In the second quarter, the overall consolidated income amounts to HRK **144,3** million, which represents an **18,7%** increase compared to the second quarter of 2011.

What contributed the most to the **21,6%** increase is the income from the public voice service, interconnection income, internet services and multimedia services income due to the increase in the number of the OptiTV service users.

Profit before interest, taxation and depreciation - EBITDA

EBITDA amounts to HRK **44,9** million for the first half of 2012 and is increasing continuously, which represents an **18,4%** growth compared to the same period of the previous year, while for the second quarter the same amounts to HRK **23,3** million, i.e. **15,7%**.

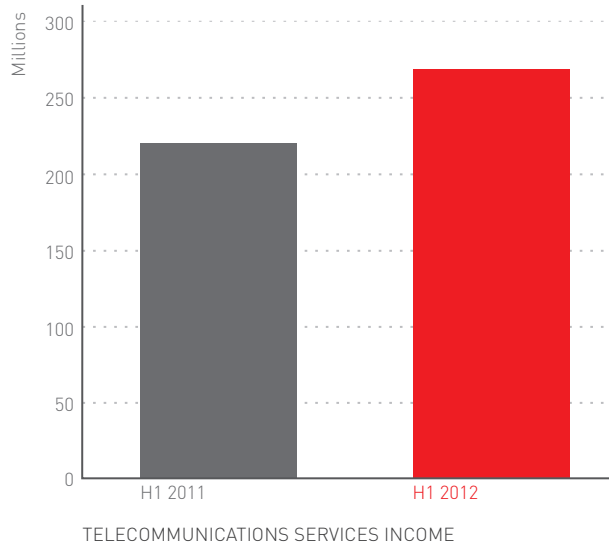
The positive trend of EBITDA improvement is a result of orientation towards the sale of more profitable services, continuous management of operating costs, as well as investments into own infrastructure.

Profit before taxation - EBT

The EBT for the first half of 2012 amounts to HRK **-16,7** million, which is a better result by HRK **6,3** million or **27,3%** compared to the same period of the previous year.

For the second quarter, EBT amounts to HRK **-8,6** million, which makes a better result by **19,0%** compared to the same period of the previous year.

Telecommunications services income



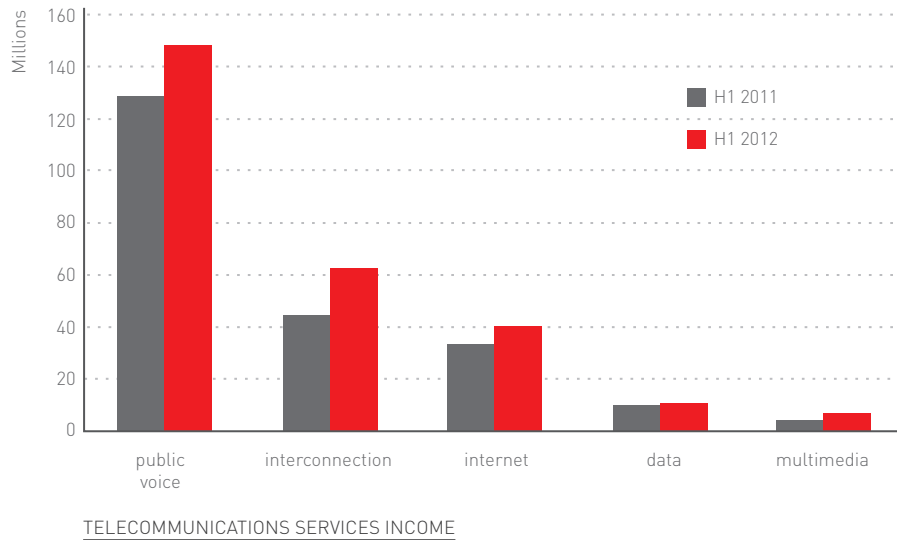
Optima ended the first half of 2012 with an increase of income from telecommunications services of **22,2%** compared to the same period of the previous year, while the increase in the second quarter reached a **21,9%** growth rate compared to the same period of the previous year.

The public voice service income increased by **15,4%** in the first half of 2012, and by **14,1%** in the quarter.

The income from internet and multimedia services increased by **21,0%** and **64,2%** respectively in the half year period, and **24,3%** and **63,7%** respectively in the quarter and are a direct result of the user base spread, sales activities oriented towards the more valuable services within the O2/O3 packages.

The wholesale services have also recorded an increase in the first half year period, while **interconnection income** amounts to HRK **62,5** million and has recorded a **42,2%** increase compared to the same period of the previous year, bearing in mind that the interconnection price has somewhat decreased compared to the previous period. In the second quarter, the interconnection income increased by **40,2%** compared to the second quarter of 2011.

Data services have increased by **6,7%** compared to the first half of 2011, and **5,2%** compared to the second quarter of 2011, which is a result of sales activities in the corporate market primarily.



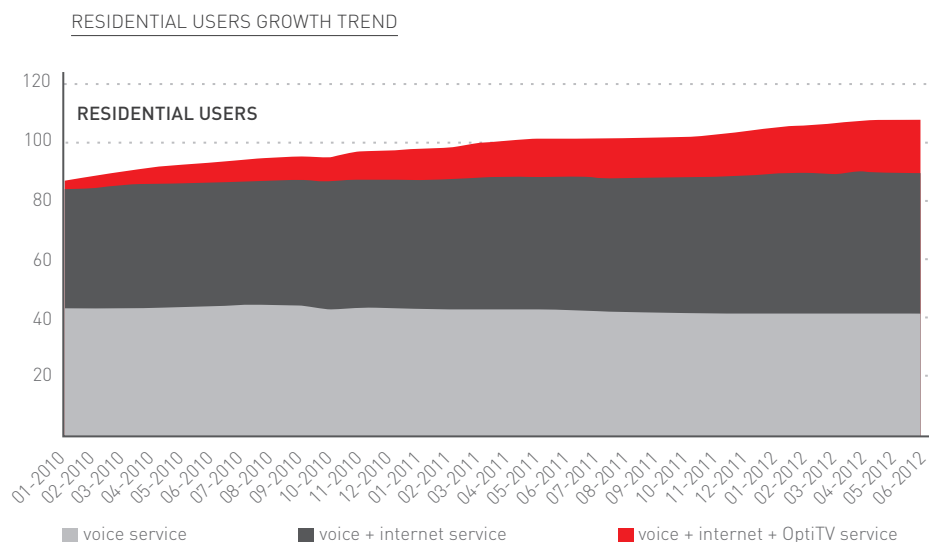
LLU

At the end of the first half of 2012, the number of LLU users in own network (LLU) has recorded an 8,1% increase (from 108.067 to 116.785) compared to the same period of 2011.

The key indicators of the LLU process point to the continuation of positive trends in the following activities:

- Significant success has been achieved in the existing users segment, by upgrading through the use of new services (OptiDSL, OptiTV)
- The acquisition of entirely new users to own network is being intensified, and that change in the user base structure is also influencing the improvement of profitability

A significant increase has been recorded precisely in the segment of ADSL users in own network, from 64.291 at the end of the first half of 2011 to 74.734 in the same period of 2012, meaning a significant **16,2%**.



Infrastructural development

In accordance with the plan for development of own infrastructure for 2012, new collocations have been erected in the cities of Jastrebarsko, Bjelovar (RSS5), Karlovac (Grabrik) and Zagreb (Žitnjak) in the first half of 2012, and preliminary activities have been carried out for the realization of new collocations in Požega. Apart from the realization of collocations using the ADSL2+ technology, during this half year period activities for the realization of a pilot project aiming to implement the VDSL technology have been initiated. A new system room has been set up in Osijek, and the preconditions have been created to offer additional services such as “disaster recovery site” and similar.

The overall number of active collocations in this quarter of 2012 is **270**.

Alongside the erection of new collocations, infrastructural development necessarily requires the construction of own optical network. During the first half of 2012, alongside the construction of two new city optical routes due to the over capacitating of the optical network in Zagreb and Varaždin, the construction of intercity optical routes has been completed between Varaždin-Čakovec, Višnjevac-Valpovo and Osijek-Vukovar, which not only increase the carriage capacity between cities they connect, but also have a significant wholesale potential. The overall length of constructed optical feeds is at the level of the same period of 2011, while a significant increase has been achieved in the field of optical routes construction, particularly intercity routes, which resulted in over a three-time increase in the construction of optical infrastructure compared to the same period of 2011.

In numbers, this represents **93,7** km of new optical network, i.e. **84** new feeds and **9** new optical routes.

Comparing overall lengths, we are dealing with a growth of the optical network compared to the construction level established at the end of 2011 by **3,8%** (**2.515** km compared to the **2.422** km of network constructed by the end of the fourth quarter of 2011). The largest quantity of feeds and routes has been realized in the East region (47,4 km), followed by the North region (31,6 km), West region (9,3 km) and the South region (5,4 km).

Significant events in the first half of 2012 and expectations for future development

OPTIMA DIRECT

The customer care and residential sales activities for Optima are still handled within the subsidiary – Optima Direct.

During the first half year period, Optima Direct has drafted and implemented the Plan for managing excess personnel due to the reorganization of business involving 33 employees. Changes have also occurred in company management, so that Ivan Drčec has been appointed the sole member of management, who previously held the position of director for region North in Optima Telekom.

Macroeconomic and market trends¹

June was only the second month in the current year which recorded the strengthening of the Croatian Kuna against the common European currency, HRK being worth 0,6% more at the end of the month than at its beginning.

According to DZS data, the first quarter of the current year showed an actual decrease of the GDP by 1,3% compared to the same period of the previous year, which continued the negative trend from the final quarter of the previous year. This decrease has been caused by a further decrease of domestic demand, mostly by further decreasing investments into fixed assets.

Alongside the impact of the VAT rate increase from March, a new price increase for electricity and gas raised the yearly inflation to 3,9% in May, being the highest level since 2009. The inflation growth trend separates Croatia from EU trends significantly, where inflation in the past few months has taken a mild downward curve which, after nearly two and a half years, dropped below the inflation rate in Croatia in May.

Despite the positive trends in the labor market, showing for three months in a row now, there is still a drop at the annual level. The overall number of employed persons

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

is, compared to April, higher by 1,1%, but at the annual level, employment is down by 2,2%. Due to the impact of seasonal employment, unemployment has decreased by 5,5% compared to the previous month, so that the registered unemployment rate has been decreased by 1,1% (in April it amounted to 19,1%, and 18% in May). Nevertheless, unemployment is 2,5% higher than in May of 2011, so the registered unemployment rate is higher this year as well (by 0,6 percentiles).

After a shorter period of recovery in March, there has been a salary decrease on monthly level, both in the nominal and actual amounts. Thus, in April the average salary amounted to HRK 5.403 which, compared to March, represents a nominal decrease of 1,7% and an actual decrease of 2,5%. The average gross salary in the amount of HRK 7.767 has nominally decreased by 2,4%, and actually by 3,2%.

In May (second consecutive month) there was a significant increase in the value of outstanding receivables (by HRK 1,1 billion to the new record of HRK 44,56 billion). Also, there was a steep increase of the number of over indebted business entities (by 1,7 thousand) up to 74,2 thousand, being the highest level since June of last year (right before the one sharp administrative cut).

MARKET POTENTIAL

According to publicly available data, Croatia has approximately 1,48 million active phone lines. Within this potential, at the end of the first half year period Optima has a total of 267.240 voice channels² in its network.

In the first half of 2012 the number of potentially available connections in Optima went up to 671.186 connections, representing:

- A subtle decrease (from 671.590 to 671.186) of available connections compared to the same period of the previous year.
The decrease in the number of available connections, despite the increase in the number of realized collocations, is the result of activities in the reconstruction of own access carrier network, causing the decrease in the length of the local area fiber in order to improve service quality. By opening new UPSs, the access carrier has been decreasing the number of fibers within reach on the existing UPSs. This is the reason for the decrease of the quantity of fibers within Optima's reach, despite the new collocations.
- Over **45,2%** of available connections, which is just above the benchmark³ for the share of alternative carriers in developed markets.

²Indicators 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..

³Benchmark- 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) has continued to regulate the electronic communications market in this reporting period, and after conducting a market analysis, it has designated carriers having significant market strength in the broadband internet access retail market, as well as the closely connected television transmission market subject to payment of fee. Also, HAKOM has defined cost models for both the fixed and mobile networks and universal services. These models should represent the final means in the implementation of price control. In light of the aforementioned, in March 2012 HAKOM has rendered an interim decision, whereby ordering Hrvatski Telekom d.d. (hereinafter: HT) to, until the conclusion of the proceedings, refrain from further entering into contracts and providing services in the market concerning certain user packages and options (MAX3 and MAX2 packages for residential users, MAX2 Biz packages for corporate users), while in due course of the proceedings exact costs will be determined, and the lowest price amounts to be applied by HT will be established as required.

Currently, HAKOM is conducting a market analysis concerning the market of network access for special tariff service carriers with a special tariff through 06X numbers, in order to determine whether the same is subject to previous regulation, or whether all three standards set by the Electronic Communications Act (hereinafter: the Act) have been simultaneously met in the said market, and in order to decide on further market regulation and the evaluation of existence of carriers possessing significant market strength.

Research and development activities

Development activities have been oriented towards the development of the Tornado service which enables both the existing and potential Optima Telekom to engage in VoIP conversation for far lower prices using a smartphone device. Tornado users can talk from any location in the world according to Tornado tariff prices by using the awarded 074 number.

Apart from the new service, Optima has enabled its users to select simple and reasonably priced tariff options that can be used in any combination with the existing voice services. In this way, the intention was to replace the large quantity of existing tariff models, meaning also the simplification of communication with the users.

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, and in light of the HANFA opinion of 21.10.2010. pertaining to the publication of reports concerning the issuers included in the regulated market, 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.

(signatures of Management Board members)



Matija Martić Goran Jovičić Jadranka Suručić

OT-**Optima Telekom d.d.**
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The Management Board would like to emphasize 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.

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

Optima Telekom d.d.

**Financial Statements
as of 30 June 2012**

Enclosure 1

Reporting period:

1 Jan 2012

to

30 Jun 2012

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.hrInternet address: www.optima.hr

and name for municipality/city 133

Code and name for county 21

Number of employees 180

(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


 Optima Telekom d.d.
ZAGREB


 (signature of authorized person)

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2012 to 30 Jun 2012

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	226.780.404	115.483.817	277.154.725	140.330.246
1. Sales income	112	223.806.599	113.994.950	273.589.141	138.792.298
2. Other operating income	113	2.973.805	1.488.867	3.565.584	1.537.948
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	219.622.776	110.108.141	262.833.103	132.835.178
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	163.715.925	81.937.441	210.574.898	107.025.456
a) Costs of raw material and supplies	117	870.954	436.575	1.048.292	543.834
b) Costs of goods sold	118	2.298.610	1.123.971	2.757.417	0
c) Other external costs	119	160.546.361	80.376.895	206.769.189	106.481.622
3. Staff costs (121 do 123)	120	18.218.973	9.236.355	17.780.876	8.809.305
a) Net salaries and wages	121	9.840.294	4.986.956	9.509.168	4.731.869
b) Expenses of taxes and contributions from salaries	122	5.727.502	2.902.690	5.748.316	2.870.846
c) Contributions to salaries	123	2.651.177	1.346.709	2.523.392	1.206.590
4. Amortization	124	26.782.632	13.643.256	26.975.999	13.304.686
5. Other costs	125	4.842.472	2.324.658	5.350.623	2.640.511
6. Value adjustment (127+128)	126	6.062.774	2.966.431	2.150.707	1.055.220
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	6.062.774	2.966.431	2.150.707	1.055.220
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	4.544.877	2.597.544	4.125.375	493.777
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	562.134	277.751	151.902	74.845
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	3.982.743	2.319.793	3.973.473	418.932
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	37.409.996	19.125.921	37.647.355	18.540.802
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	37.409.996	19.125.921	37.647.355	18.540.802
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	231.325.281	118.081.361	281.280.100	140.824.023
X. TOTAL EXPENSES (114+137+143 + 145)	147	257.032.772	129.234.062	300.480.458	151.375.980
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-25.707.491	-11.152.701	-19.200.358	-10.551.957
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	25.707.491	11.152.701	19.200.358	10.551.957
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-25.707.491	-11.152.701	-19.200.358	-10.551.957
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	25.707.491	11.152.701	19.200.358	10.551.957
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	0	0	0	0
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS FOR THE PERIOD (= 152)	157	-25.707.491	-11.152.701	-19.200.358	-10.551.957
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	-25.707.491	-11.152.701	-19.200.358	-10.551.957
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	0	0	0	0
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
as at 30 Jun 2012

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+029+033)	002	452.183.931	451.570.867
I. INTANGIBLE ASSETS (004 through 009)	003	24.736.656	22.374.245
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	24.736.656	22.374.245
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	361.923.839	362.020.226
1. Land	011	23.269	23.269
2. Building objects	012	14.210.300	14.546.861
3. Facilities and equipment	013	341.638.072	338.960.655
4. Tools, production inventory and transport assets	014	314.030	847.613
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	5.228.626	7.231.036
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	462.720	363.970
III. FIXED FINANCIAL ASSETS (021 through 028)	020	65.523.436	67.176.396
1. Shares (stock) in affiliated entrepreneurs	021	19.302.266	19.302.088
2. Loans granted to affiliated entrepreneurs	022	6.330.230	5.950.268
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	39.890.940	41.924.040
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	88.310.309	105.209.101
I. INVENTORY (036 do 042)	035	2.585.871	3.446.301
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	2.585.871	3.446.301
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	83.691.051	100.301.808
1. Receivables from affiliated entrepreneurs	044	495.394	433.787
2. Receivables from buyers	045	81.604.914	97.207.235
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	40.385	41.654
5. Receivables from the state and other institution	048	157.670	420.317
6. Other receivables	049	1.392.688	2.198.815
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	660.961	613.999
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	660.961	613.999
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.372.426	846.993
D) PREPAYMENTS AND ACCRUED INCOME	059	61.048.364	61.481.791
E) TOTAL ASSETS (001+002+034+059)	060	601.542.604	618.261.759
F) OFF-BALANCE RECORDS	061	1.107.721.790	1.106.826.657

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-466.206.821	-485.407.180
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	-619.250.046	-688.761.522
1. Retained earnings	073	0	0
2. Loss carried forward	074	619.250.046	688.761.522
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-69.511.475	-19.200.358
1. Profit of the year	076	0	0
2. Loss of the year	077	69.511.475	19.200.358
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.098.917	2.098.917
1. Provisions for pensions, severance payments and similar obligations	080	2.098.917	2.098.917
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	566.501.410	550.383.976
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	37.409.703	30.945.064
3. Liabilities towards banks and other financial institutions	086	529.091.707	519.438.912
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	452.820.649	500.684.280
1. Liabilities towards affiliated entrepreneurs	094	2.966.647	10.577.965
2. Liabilities for loans, deposits and similar	095	67.589.816	4.096.895
3. Liabilities towards banks and other financial institutions	096	7.631.541	15.386.782
4. Liabilities for advances	097	8.130.081	8.130.081
5. Liabilities towards suppliers	098	91.534.566	198.777.429
6. Liabilities as per securities	099	267.952.500	257.276.875
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	1.709.888	1.649.690
9. Liabilities for taxes, contributions and similar levies	102	5.218.490	4.679.002
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	87.120	109.561
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	46.328.449	50.501.766
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	601.542.604	618.261.759
G) OFF – BALANCE RECORDS	108	1.107.721.790	1.106.826.657
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	0	0
2. Assigned to minority interest	110	0	0

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

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2012 to 30 Jun 2012

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	-25.707.491	-19.200.357
2. Depreciation	002	26.782.632	26.975.999
3. Increase of short-term liabilities	003	26.369.080	103.601.313
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005	418.484	0
6. Other increase of cash flow	006	2.065.527	4.220.275
I. Total increase of cash flow from operating activities (001 through 006)	007	29.928.232	115.597.230
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	1.166.466	16.610.757
3. Increase of inventories	010	0	860.430
4. Other decrease of cash flow	011	3.182.340	2.086.387
II. Total decrease of cash flow from operating activities (008 through 011)	012	4.348.806	19.557.574
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	25.579.426	96.039.656
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	015	0	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	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	16.793.127	24.709.975
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	16.793.127	24.709.975
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	16.793.127	24.709.975
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	2.838.272	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	2.838.272	0
1. Cash expenditure for the payment of loan principal and bonds	031	11.554.827	71.855.114
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	11.554.827	71.855.114
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	8.716.555	71.855.114
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	69.744	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	525.433
Cash and cash equivalents at the beginning of the period	041	1.148.042	1.372.426
Increase of cash and cash equivalents	042	69.744	0
Decrease of cash and cash equivalents	043	0	525.433
Cash and cash equivalents at the end of the period	044	1.217.786	846.993

CHANGE IN CAPITAL STATEMENT

for the period from **1.1.2012** to **30.6.2012**

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	0	0
4. Retained profit or loss carried forward	004	-619.250.046	-688.761.522
5. Profit or loss of the current year	005	-25.707.491	-19.200.358
6. Revaluation of fixed tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial property available for sale	008	0	0
9. Other revaluation	009	0	0
10. Total capital and reserves (EDP 001 through 009)	010	-422.402.837	-485.407.180
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
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	0	0
17 b. Assigned to minority interest	019	0	0

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

According to HANFA's instructions items in balance sheet in the positions of the previous period are as at 31 December 2011

1. GENERAL INFORMATION

History and incorporation

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

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

Principal Business Activities

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

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

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

Staff

On 30 Jun 2012 the Company employed 180 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2012:

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

Supervisory Board of the Company:

Nada Martić	Chairman
Ivan Martić	Member and Deputy Chairman
Zrinka Vuković Berić	Member
Duško Grabovac	Member

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 Jun 2012 have been prepared on the basis of accounting policies presented and published in the Audited Consolidated Financial Statements of the Group on 31 December 2011 which were made available on Zagreb Stock Exchange d.d. on 04 April 2012.

In the period January - June 2012, 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 Jun 2012 was HRK 7,510100 for EUR 1 and HRK 5,972247 for USD 1.

112. SALES INCOME

	30 Jun 2012	30 Jun 2011
Public voice services	148.121.384	128.421.670
Interconnection services	62.531.578	43.974.379
Internet services	40.142.933	33.162.059
Data services	10.849.373	10.167.925
Multimedia services	7.338.286	4.469.034
Lease and sale of equipment	1.967.244	1.108.787
Other services	2.638.343	2.502.746
	<u>273.589.141</u>	<u>223.806.599</u>

113. OTHER OPERATING INCOME

	30 Jun 2012	30 Jun 2011
Write off old trade payables and additional discounts	1.854.898	1.515.691
Income from rent - billing system	778.224	888.578
Income from in kind payments	193.062	194.447
Other income	739.400	375.089
	<u>3.565.584</u>	<u>2.973.805</u>

119. MATERIAL COSTS

	30 Jun 2012	30 Jun 2011
Costs of maintenance	8.465.546	6.786.985
Marketing services	2.672.055	3.610.896
Billing costs	3.931.716	3.474.479
Line lease costs	20.702.251	21.897.144
Intellectual and other services	1.028.027	1.384.244
Utilities	4.460.167	4.397.792
Customer attraction costs	11.288.717	11.063.595
Pair connection fees	30.272.189	30.586.916
Telecommunications costs	113.304.712	68.601.721
Residential sales services	9.701.950	8.017.050
Other costs	941.859	725.539
	<u>206.769.189</u>	<u>160.546.361</u>

120. STAFF EXPENSES

	30 Jun 2012	30 Jun 2011
Net salaries	9.509.168	9.840.294
Taxes and contributions from salaries	5.748.316	5.727.502
Taxes and contributions on salaries	2.523.392	2.651.177
	<u>17.780.876</u>	<u>18.218.973</u>

Number of employees on 30 Jun 2012	180	188
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Jun 2012	30 Jun 2011
Amortization of intangible assets	3.270.394	4.849.324
Amortization of fixed tangible assets	23.705.605	21.933.308
	<u>26.975.999</u>	<u>26.782.632</u>

125. OTHER OPERATING EXPENSES

	30 Jun 2012	30 Jun 2011
Compensations to employees	672.848	728.934
Representation	705.209	372.558
Insurance premiums	694.075	729.191
Bank charges	1.491.295	1.737.271
Taxes, contributions and membership fees	437.514	491.021
Costs of sold and written off assets	55.356	3.069
Gifts and sponsorships	457.975	100.750
Other expenses	836.351	679.678
	<u>5.350.623</u>	<u>4.842.472</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 Jun 2012	30 Jun 2011
Interest income from related companies	151.902	562.134
Interest income	2.719.404	2.764.144
Foreign exchange gains	1.254.069	1.218.599
	4.125.375	4.544.877

137. FINANCIAL EXPENSES

	30 Jun 2012	30 Jun 2011
Interest expenses	37.153.496	36.699.464
Fee	419.174	371.798
Foreign exchange losses	74.685	338.734
	37.647.355	37.409.996

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

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2012	8.187.690	78.602.707	0	86.790.397
Additions			907.983	907.983
Transfer from assets in progress		907.983	-907.983	0
Disposals and retirements				0
As at 30 Jun 2012	8.187.690	79.510.690	0	87.698.380
VALUE ADJUSTMENT				
As at 01 Jan 2012	1.657.824	60.395.917	0	62.053.741
Amortization of the current year	136.325	3.134.069		3.270.394
Disposals and retirements				0
Amortization as at 30 Jun 2012	1.794.149	63.529.986	0	65.324.135
NET ACCOUNTING VALUE				
As at 30 Jun 2012	6.393.541	15.980.704	0	22.374.245

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 2012	23.269	16.839.796	536.741.703	4.119.373	46.822	5.228.626	3.983.228	566.982.817
Additions		280.137	3.755.240	700.130		19.062.664	3.821	23.801.992
Transfer from assets in progress		268.488	16.788.251			-17.060.254	3.515	0
Disposals and retirements			-140.904	-47.244				-188.148
As at 30 Jun 2012	23.269	17.388.421	557.144.290	4.772.259	46.822	7.231.036	3.990.564	590.596.661
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	2.629.496	195.103.631	3.805.343	0	0	3.520.508	205.058.978
Amortization of the current year		212.064	23.220.908	166.547			106.086	23.705.605
Disposals and retirements			-140.904	-47.244				-188.148
Amortization as at 30 Jun 2012	0	2.841.560	218.183.635	3.924.646	0	0	3.626.594	228.576.435
NET ACCOUNTING VALUE								
As at 30 Jun 2012	23.269	14.546.861	338.960.655	847.613	46.822	7.231.036	363.970	362.020.226

020. LONG-TERM FINANCIAL ASSETS

	30 Jun 2012
Loans to majority shareholder	5.071.123
Loans to third party companies	34.918.718
Long term deposits	3.476.841
	43.466.682
Value adjustment	-1.542.642
	41.924.040
Loans to related companies	5.950.268
Loans and deposits	47.874.308
Shares in related companies	19.302.088
	67.176.396

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 3,17 million) and 30 April 2013 (loans in the amount of HRK 30,21 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 December 2013.

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 Jun 2012:

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 maket terms and conditions.

043. RECEIVABLES

	30 Jun 2012
Trade receivables	97.641.022
Employee receivables	41.654
Receivables from the state and other institutions	420.317
Other receivables	2.198.815
	<u>100.301.808</u>

045. TRADE RECEIVABLES

	30 Jun 2012
Receivables from related companies	106.974.017
Domestic trade receivables	433.787
Foreign trade receivables	17.609.373
Interests receivables	2.381
	<u>125.019.557</u>
Value adjustment	<u>-27.378.535</u>
	<u>97.641.022</u>

Movement of value adjustment for doubtful receivables:

	30 Jun 2012
1 January 2012	26.465.854
Write off during the year	-93.588
Collected during the year	-1.144.438
Reserved during the year	2.150.707
Closing balance	<u>27.378.535</u>

Aging of trade receivables of the Company:

	30 Jun 2012
Undue	68.313.843
Up to 120 days	24.219.312
120-360 days	6.875.627
over 360 days	25.608.395
	<u>125.017.177</u>

049. OTHER RECEIVABLES

	30 Jun 2012
Interest receivables	396.304
Advance payments receivables	1.800.174
Other receivables	2.337
	<u>2.198.815</u>

056. GRANTED LOANS AND DEPOSITS

	30 Jun 2012
Loans	30.000
Deposits	613.999
	643.999
Value adjustment	-30.000
	613.999

058. CASH IN BANK AND REGISTER

	30 Jun 2012
Kuna accounts balance	733.383
Foreign currency accounts balance	91.860
Cash in register	21.750
	846.993

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Jun 2012
Differed customer related expenses	39.785.897
Bond issuing expenses	930.660
Prepaid expenses	20.765.234
	61.481.791

063. SUBSCRIBED CAPITAL

On 24 August 2007, the sole shareholder at that time Mr. Matija Martić paid up the amount of HRK 20 million in the Company's share capital. In this way, the share capital of the Company has been increased from HRK 201 thousand to HRK 20.201 thousand. The Company has undergone transformation from limited liability company to joint stock company. The total number of shares amounted to 2.020.070 of ordinary shares with nominal value of HRK 10 each. The sole shareholder remained Matija Martić.

In December 2007, the Company increased the share capital through initial public offering. The Company issued 800.000 shares with nominal value of HRK 10 each. In this way, the total number of shares has been increased to 2.820.070. By subscribing the new shares, the Company realized capital gain of HRK 194.354 thousand representing the difference between the nominal value and the price determined on the initial public offering.

At 30 Jun 2012, loss per share is as follows:

Net result - loss	19.200.358
Number of shares	2.820.070
Loss per share	6,81

In the same period last year, loss per share amounted to HRK 9,12

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Jun 2012) varied from HRK 21,50 (the lowest price) to HRK 27,99 (the highest price). Market capitalization in thousands of HRK on 30 Jun 2012 amounted to HRK 60.970 thousand.

In the period from January to June 2012 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of 10 major shareholders as on 30 Jun 2012:

Shareholders	u 000 HRK	%
MARTIC MATIJA	18.596	65,94
	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 BANKA D.D./DF	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
JOVIČIĆ GORAN (1/1)	202	0,72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE	144	0,51
	7.157	25,38
SMALL SHAREHOLDERS	2.448	8,68
	28.201	100,00

083. LONG-TERM LIABILITIES

	30 Jun 2012
Loan based liabilities	30.945.064
Liabilities towards credit institutions	519.438.912
	<u>550.383.976</u>

093. SHORT-TERM LIABILITIES

	30 Jun 2012
Loan based liabilities	4.096.895
Liabilities towards credit institutions	10.227.713
Interest liabilities	5.159.069
Liabilities for bonds issued	257.276.875
Liabilities toward related companies	10.577.965
Liabilities for advances received	8.130.081
Trade payables	198.777.429
Liabilities towards employees	1.649.690
Taxes, contributions and other levies	4.679.002
Other liabilities	109.561
	<u>500.684.280</u>

098. LIABILITES TOWARDS SUPPLIERS

	30 Jun 2012
Domestic trade payables	174.694.343
Foreign trade payables	8.676.891
Invoice accrual	15.406.195
	<u>198.777.429</u>

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 27 January 2012.

	30 Jun 2012
Nominal value	250.000.000
Compensations for issuance of bonds	-2.191.875
Liabilities based on calvulated interest	9.468.750
	<u>257.276.875</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Jun 2012
VAT Liabilities	2.756.197
Taxes and contributions on and from salaries	1.325.291
Other taxes and contributions	597.514
	<u>4.679.002</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Jun 2012
Domestic payables for which invoices have not been received	4.512.090
Foreign payables for which invoices have not been received	5.845.513
Accrued interests	22.852.694
Deferred income	14.000.000
Deferred Income due to uncertainty	3.291.469
	<u>50.501.766</u>

Accrued interest refer to undue interest for loans reprogrammed in Zagrebačka banka in December 2011, which are attributable to principal payment

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	598.436	566.900	-27.786	-24.521
USD	2.782	3.539	-22	-0,93
CHF				
GPB				
	601.218	570.439	-27.808	-24.522

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 2012 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	59.844	56.690	-2.779	-2.452
USD	278	354	-2	0
CHF				
GPB				
	60.122	57.044	-2.781	-2.452

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 353,82 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 to interest rate risk.

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2012				
Non-interest bearing liabilities	219.245			219.245
Interest bearing liabilities	81.680	743.398	2.067	827.145
	300.925	743.398	2.067	1.046.389
30 Jun 2011				
Non-interest bearing liabilities	174.858			174.858
Interest bearing liabilities	49.101	779.148	2.355	830.604
	223.959	779.148	2.355	1.005.462

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 198.777 thousand for the period from January to June 2012 (HRK 155.323 thousand for the same period last year).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2012				
Non-interest bearing liabilities	100.728			100.728
Interest bearing liabilities	36.003	7.414	5.071	48.488
	136.731	7.414	5.071	149.217
30 Jun 2011				
Non-interest bearing liabilities	81.090			81.090
Interest bearing liabilities	2.371	38.025	17.170	57.566
	83.461	38.025	17.170	138.656

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

Matija Martić

Jadranka Suručić

Optima Telekom d.d.
ZAGREB

