

OT Optima Telekom d.d.
Management Interim Report
for the first quarter
of 2012
consolidated

Main features	3
Business indicators	4
Consolidated revenues	5
Earnings before taxation, interest and depreciation - EBITDA	5
Earnings before taxation - EBT	5
Telecommunications services revenue	6
LLU	7
Infrastructure Development	8
Significant events in the first quarter of 2012 and expectations for future development	9
Macroeconomic and market trends	9
Regulatory environment	11
Research and development activities	11
Changes in the Company's governing bodies	11
Statement of the Persons in Charge of Financial Statements	12
Financial Statements as of 31 March 2012.	13

Main features

The first quarter of 2012 has been characterized by an increase of revenue from the public voice service, internet services, data services as well as revenue from interconnection services, and 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 (hereinafter: Optima).

Business indicators

Optima ended the first quarter of 2012 with:

- an increase of total consolidated revenue by HRK **28,8** million (**24,6%**) with a simultaneous increase of total expenses by HRK **24,6** million (**19,0%**) compared to the same period of the previous year.
- an improvement of profit before taxation, interest and depreciation (EBITDA) by **21,0 %** compared to the same period of the previous year, so that a positive EBITDA of HRK **21,5** million was achieved in the first quarter of 2012
- a considerable decrease of loss before taxation (EBT) by **33,9%**

	Q1 2011	Q1 2012	Q4 2011/ Q4 2010
Total income	117.120	145.878	24,6%
EBITDA	17.801	21.545	21,0%
EBT	[12.336]	[8.152]	33,9%

	31.03.2011	31.03.2012/ 31.03.2011	31.12.2011	31.03.2012/ 31.12.2011	31.03.2012
Total number of OT users					
Number of voice channels	275.653	1,9%	275.796	1,9%	281.001
Number of users in own LLU network	106.327	7,8%	111.322	2,9%	114.599
Number of OptiDSL users in own LLU network	62.185	16,2%	68.898	4,9%	72.289
Number of OptiTV users in own LLU network	11.850	47,7%	15.300	14,4%	17.500
Number of collocations installed	259	3,9%	266	1,1%	269
North	82	11,0%	88	3,4%	91
West	45	0,0%	45	0,0%	45
East	52	0,0%	52	0,0%	52
South	80	1,3%	81	0,0%	81

Consolidated revenue

Total consolidated revenue in the first quarter of 2012 amount to HRK **145,9** million which, compared to the results achieved in the same period of the previous year, indicates an increase of **24,6%**.

The 24,6% increase was mostly contributed to by the public voice service revenue, interconnection revenue, internet services and multimedia services revenue due to the increase of the number of users of the OptiTV service.

Profit before interest, taxation and depreciation - EBITDA

EBITDA amounts to HRK **21,5** million for the first quarter of 2012 and growing continuously, which represents an increase of **21,0%** compared to the same period of the previous year.

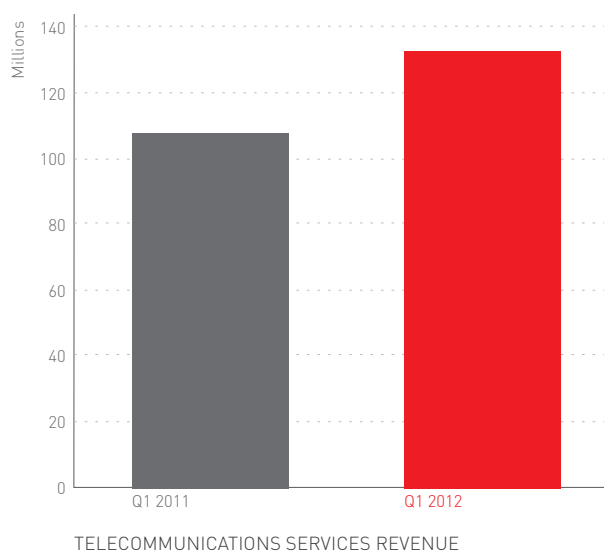
The positive trend of EBITDA improvement is a result of continuous investments into own infrastructure, orientation towards the sales of more profitable services, optimal management of operative costs and regulated prices.

Profit before taxation - EBT

For the first quarter of 2012, EBT amounts to HRK **-8,2** million, which is a better result by HRK **4,2** million or **33,9%** compared to the same period of the previous year.

Telecommunications services revenue

Compared to the same period of the previous year, total revenue from telecommunications services have recorded a 22,5% increase. Such an increase is primarily a result of intense sales activities supported by advertising and promotional activities.



A double-digit increase has been recorded in services that are, in the most part, directly connected with the services intended for the residential market.

Wholesale services have also recorded an increase, while the **interconnection revenue** amounts to HRK **28,8** million, showing a 44,65 increase compared to the same period of the previous year. In any event, it should be mentioned that the interconnection prices have dropped compared to the same period of the previous year, making this result even more valuable.

In the first quarter of 2012, **multimedia services revenue** continues to record an increase that will, through further investments and focusing development on multimedia services, become one of the fixed revenue generators.

The increase of **revenue from internet services (17,7%)** is directly connected with the growth of the user base in the residential segment, i.e. the users of 0 packages containing the ADSL service.

Data services have increased by 8,2% even though they are under constant pressure resulting from market circumstances, meaning primarily the reduction and optimization of the corporate segment's operating costs, particularly the KA segment of corporate users as the predominant users of these services.

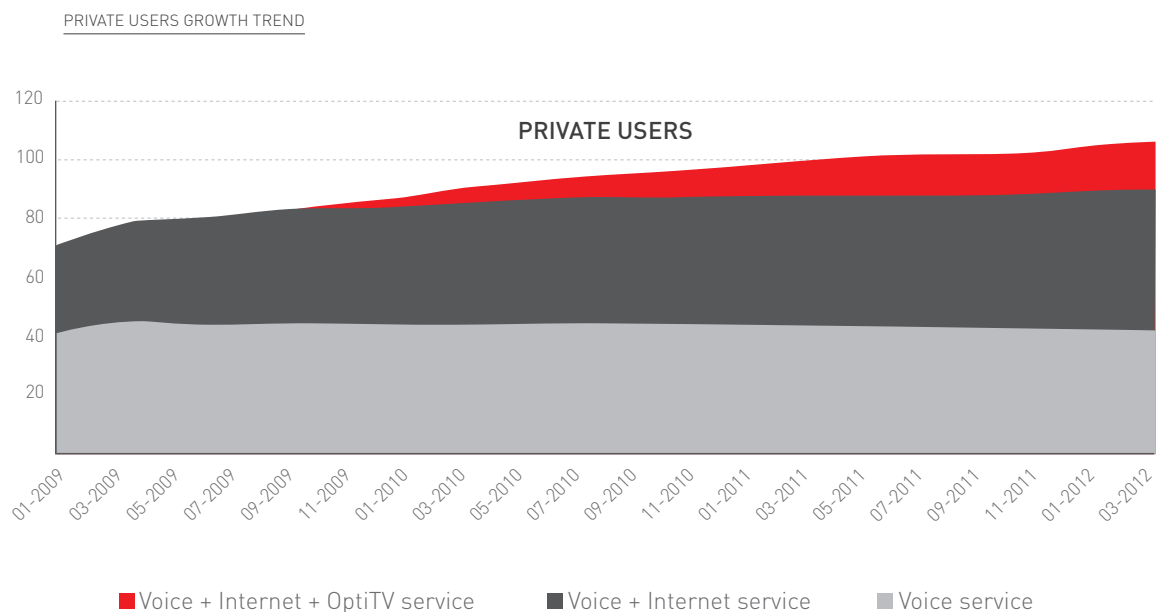
LLU

At the end of the first quarter of 2012, **the number of LLU users in own network (LLU) has recorded a 7,8% increase** (from 106.327 to 114.599) compared to the same period of 2011.

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

- Considerable success has been achieved in the existing users segment, in the form of upgrading through the use of new services (OptiDSL, OptiTV)
- The acquisition of entirely new users to own network is being intensified (particularly in the corporate SoHo segment), and such a change in the user base structure is also influencing the profitability improvement
- 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 62.185 at the end of the first quarter of 2011 to 72.289 in the same period of 2012, being a considerable **16,2%**.



Infrastructural development

In accordance with the own infrastructure development plan for 2012, in the first quarter of 2012 new collocations have been erected in Jastrebarsko and Bjelovar (RSS5), preparations have been made for the erection of six new collocations in Solin (Rupotine), Požega (Vidovci, Babin vir and Sajmište collocations), Brdovec, Sv. Filip i Jakov which will be active in the course of the second quarter, and capacities have been increased for six collocations - Petrinja, Ivanić-Grad, Novska, Popovača, Duga Resa, Valpovo, Varaždin west.

During the first quarter of 2012, the construction and electric works have been carried out on the Vinkovačka 2 facility in Osijek, where the construction of a new data center is planned, and where the equipment from the Jagerova 2 location will be moved.

The total number of active collocations at the end of the first quarter of 2012 is **269**.

Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network. During the first quarter of 2012, along with the construction of two city optical sections because of a high degree of use of the optical network in Zagreb and Varaždin, the construction of the Varaždin-Čakovec optical section has been completed which, with the increase of transfer capacities between those two largest cities in the far north of Croatia, has a considerable wholesale potential. The overall length of built optical feeds and sections is considerably bigger compared to the same period of the previous year, and a more than double increase has been achieved in the optical infrastructure construction.

In numbers, we are talking about **28,7** km of new optical sections through which **33** new feeds and **5** new optical sections have been realized.

Comparing overall lengths, this is **1,2%** increase of the optical network compared to the previous quarter (**2.451** km compared to **2.422** km realized by the end of the fourth quarter of 2011). The majority of feeds and sections has been realized in the region North (22,6 km), followed by region West (3 km), region South (2,2 km) and region East (0,9 km).

During the upcoming period, the continuation of growth of optical network is expected, through the completion of optical sections in the region East, between Višnjevac (Osijek) and Valpovo as well as between Osijek and Vukovar, while the realization of a main Zagreb – Varaždin – Koprivnica section is in preparation, with the regularly planned realization of corporate user feeds, of course.

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

Macroeconomic and market trends

In January, there was a trend of slight devaluation of HRK compared to the common European currency, in February the exchange rate was exceptionally stable, while in March HRK revaluated slightly compared to the Euro. As a result of these trends, at the end of the first quarter, HRK was worth only 0,3% more than at the beginning of the year.

More recent data shows a zero rate of the increase of GDP for 2011, and in a less than favourable global surroundings, especially the situation in the European Union which is unable to find a model of long term recovery, the Croatian economy continues in the negative tendencies in the first quarter of this year as well.

The year started with a very low annual inflation, amounting to 1,2 % in January and 1,3% in February, which are the lowest levels in the last 15 months. Significant inflatory pressures arise from the prices of goods with smaller elasticity, such as prices of foodstuffs and oil derivatives which formed about 90% of the annual consumer prices index growth in February.

The registered unemployment rate in February amounted to 20,1%, and the prognoses predict that the number of unemployed persons will grow until the middle of May, when it could reach a record level of 350.000 unemployed persons, and after that, under the influence of seasonal employment, moderate or even stop the growth.

The average net salary paid for the first month of 2012 amounted to HRK 5.463 which is, compared to the same period of the previous year, nominally 0,5% less and actually 0,1% less. At an interannual level, the net salary is nominally larger by 2,3 which, considering the inflation trends in the same period, represents a 1,1% growth.

Still there are no indications of an improvement in liquidity of the real sector, so that at the end of February the value of outstanding payment titles has reached a record level of HRK 42,8 billion. The number of insolvent business entities increased by 714, to the level of 72,6 thousand, which represents the highest level since the middle of 2011.

MARKET POTENTIAL

According to data available to the public, Croatia has approximately 1,49 million active phone lines. Within this potential, at the end of the first quarter, Optima has a total of 281.001 voice channels in its network.

In the first quarter of 2012, the number of potentially available connections in Optima went up to 674.934 connections, which represents:

- A slight decrease (from 677.548 to 674.934) of available connections compared to the same period of the previous year.

The decrease of the number of available connections, despite the increase of the number of realized collocations, is a result of interventions in the reconstruction of the access carrier's network, which is decreasing the length of the local twisted pair cabling for the purposes of service quality improvement. By opening new UPSs, the access carrier has been decreasing the number of existing twisted pair cables within reach on the existing UPSs. This is the reason for the decrease of the quantity of twisted pair cables within Optima's reach, even though new collocations have been realized.

- Over **45,2%** of available connections, which is slightly above the benchmark of the share of alternative carriers developed markets.

Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) continued to regulate the electronic communications market, especially in respect of retail services, and after conducting a market analysis, it had designated carriers with significant market strength in the retail market of broadband internet access and the closely connected market of television channels transmission with payment.

With the aim of implementing the principle of cost orientation of prices, after years of analysis, HAKOM has defined a methodology of making and applying cost models for the fixed and mobile network and the universal services. Even though the benchmark and retail minus methods proved useful as transitional methods, cost models should represent the ultimate means in fulfilling the obligation of price control.

For this reporting period, among the relevant proceedings the outcome of which could influence Optima's business, we would like to point out the administrative proceedings in which HAKOM, after the Administrative Court avoided the previous decree class: UP/I-344-01/09-01/188, cons.no.: 376-04-09-10 of October 28, 2009 which then ruled in favor of Optima, rendered a decision in favor of HT d.d. in the new proceedings, and denied Optima's request for amendments to the Interconnection Agreement in respect of termination prices in Optima's network (decree class: UP/I-344-08/12-03/01, cons. no: 376-04/ZJ-12-06). Optima has filed a claim against the said decree and a decision by the High Administrative Court is anticipated.

Research and development activities

Product development activities were mostly oriented towards the development of additional services in the existing O packages and the development of services realized on the BSA access technology. The existing O packages have been supplemented with over 10 tariff options for voice and internet services which enables the existing, as well as potential users to choose according to the "service for everyone" system.

The OptimaLAN Office service users got the possibility of service administration through a graphic interface (GUI), which makes the use significantly easier.

Changes in the Company's governing bodies

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

Statement of the Persons in Charge of Financial Statements

In accordance with Article 430 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.

(signatures of Management Board members)



Matija Martić Goran Jovičić Jadranka Suručić

OT-Optima Telekom d.d.
ZAGREB

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.
and subsidiaries**

**Consolidated financial Statements
as of 31 March 2012**

Enclosure 1

Reporting period:

1 Jan 2012

to

31 Mar 2012

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification Number (OIB): **36004425025**

Number (OIB):

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.hrand name for municipality/city **133**Code and name for county **21**Number of employees **376**
(at the year's end)Consolidated Report **YES**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

OPTIMA DIRECT d.o.o.**Buje****03806014****OPTIMA TELEKOM d.o.o.****Koper, Republika Slovenija****02236133****OPTIMA TELEKOM za upravljanje nekretninama i savjetovanje d.o.o.****Kuzminečka 8, Zagreb****21017859228**

Book-keeping firm

Contact person **Svetlana Kundović**


(unosi se samo prezime i ime osobe za kontakt)

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

BALANCE SHEET
as at 31 Mar 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	447.481.471	443.706.549
I. INTANGIBLE ASSETS (004 through 009)	003	25.143.187	23.317.131
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	25.143.187	23.317.131
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	374.371.577	371.337.060
1. Land	011	23.269	23.269
2. Building objects	012	20.884.012	20.764.988
3. Facilities and equipment	013	347.294.765	344.379.296
4. Tools, production inventory and transport assets	014	375.206	870.725
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	5.228.626	4.785.388
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	518.877	466.572
III. FIXED FINANCIAL ASSETS (021 through 028)	020	47.966.707	49.052.358
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	0	0
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	47.966.707	49.052.358
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	88.110.611	95.072.818
I. INVENTORY (036 do 042)	035	2.238.822	2.573.858
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	2.238.822	2.573.858
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	83.816.293	90.540.989
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	82.171.332	88.100.154
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	42.138	48.216
5. Receivables from the state and other institution	048	328.456	537.372
6. Other receivables	049	1.274.367	1.855.247
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	660.962	642.962
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	660.962	642.962
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.394.534	1.315.009
D) PREPAYMENTS AND ACCRUED INCOME	059	61.349.288	61.777.038
E) TOTAL ASSETS (001+002+034+059)	060	596.941.370	600.556.405
F) OFF-BALANCE RECORDS	061	1.107.721.790	1.100.285.104

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-486.678.809	-493.985.115
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	-641.764.148	-708.387.576
1. Retained earnings	073	0	0
2. Loss carried forward	074	641.764.148	708.387.576
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-67.469.361	-8.152.239
1. Profit of the year	076	0	0
2. Loss of the year	077	67.469.361	8.152.239
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.548.088	2.548.088
1. Provisions for pensions, severance payments and similar obligations	080	2.548.088	2.548.088
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	570.350.294	560.470.241
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	37.409.704	33.756.338
3. Liabilities towards banks and other financial institutions	086	532.940.590	526.713.903
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	464.095.077	485.055.947
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	67.589.816	38.947.058
3. Liabilities towards banks and other financial institutions	096	12.263.547	18.861.292
4. Liabilities for advances	097	8.130.081	8.130.081
5. Liabilities towards suppliers	098	97.928.407	155.960.498
6. Liabilities as per securities	099	267.952.500	251.208.438
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.531.653	2.564.109
9. Liabilities for taxes, contributions and similar levies	102	7.611.953	9.326.469
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	58.002
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	46.626.720	46.467.244
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	596.941.370	600.556.405
G) OFF – BALANCE RECORDS	108	1.107.721.790	1.100.285.104
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	-486.678.809	-493.985.115
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

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2012 to 31 Mar 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	115.356.516	115.356.516	142.207.809	142.207.809
1. Sales income	112	114.420.421	114.420.421	140.855.680	140.855.680
2. Other operating income	113	936.095	936.095	1.352.129	1.352.129
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	111.035.417	111.035.417	134.682.263	134.682.263
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	79.176.764	79.176.764	103.589.912	103.589.912
a) Costs of raw material and supplies	117	528.299	528.299	688.110	688.110
b) Costs of goods sold	118	3.266.857	3.266.857	6.163.823	6.163.823
c) Other external costs	119	75.381.608	75.381.608	96.737.979	96.737.979
3. Staff costs (121 do 123)	120	12.397.604	12.397.604	13.052.643	13.052.643
a) Net salaries and wages	121	6.969.219	6.969.219	7.236.284	7.236.284
b) Expenses of taxes and contributions from salaries	122	3.629.730	3.629.730	3.902.221	3.902.221
c) Contributions to salaries	123	1.798.655	1.798.655	1.914.138	1.914.138
4. Amortization	124	13.479.540	13.479.540	14.019.203	14.019.203
5. Other costs	125	2.885.166	2.885.166	2.925.018	2.925.018
6. Value adjustment (127+128)	126	3.096.343	3.096.343	1.095.487	1.095.487
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	3.096.343	3.096.343	1.095.487	1.095.487
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	1.763.129	1.763.129	3.669.961	3.669.961
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	1.763.129	1.763.129	3.669.961	3.669.961
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	18.420.381	18.420.381	19.347.746	19.347.746
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	18.420.381	18.420.381	19.347.746	19.347.746
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	117.119.645	117.119.645	145.877.770	145.877.770
X. TOTAL EXPENSES (114+137+143 + 145)	147	129.455.798	129.455.798	154.030.009	154.030.009
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-12.336.153	-12.336.153	-8.152.239	-8.152.239
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	12.336.153	12.336.153	8.152.239	8.152.239
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-12.336.153	-12.336.153	-8.152.239	-8.152.239
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	12.336.153	12.336.153	8.152.239	8.152.239
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS OF THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	-12.336.153	-12.336.153	-8.152.239	-8.152.239
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-12.336.153	-12.336.153	-8.152.239	-8.152.239
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 revalorization 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	-12.336.153	-12.336.153	-8.152.239	-8.152.239
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	-12.336.153	-12.336.153	-8.152.239	-8.152.239
2. Assigned to minority interest	170	0	0	0	0

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2012 to 31 Mar 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	-12.336.153	-8.152.239
2. Depreciation	002	13.479.540	14.019.203
3. Increase of short-term liabilities	003	12.267.081	43.005.882
4. Decrease of short-term receivables	004	573.285	0
5. Decrease of inventories	005	633.288	0
6. Other increase of cash flow	006	1.165.794	18.000
I. Total increase of cash flow from operating activities (001 through 006)	007	15.782.835	48.890.846
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	0	6.724.696
3. Increase of inventories	010	0	335.036
4. Other decrease of cash flow	011	7.490.792	826.943
II. Total decrease of cash flow from operating activities (008 through 011)	012	7.490.792	7.886.675
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	8.292.043	41.004.171
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	4.573.574	9.158.630
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	4.573.574	9.158.630
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	4.573.574	9.158.630
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	027	0	0
2. Cash receipt from loan principal, debentures, loans and other borrowing	028	5.746.910	0
3. Other receipt from financial activities	029	158.333	0
V. Total cash receipt from financial activities (027 through 029)	030	5.905.243	0
1. Cash expenditure for the payment of loan principal and bonds	031	7.854.724	31.925.066
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	981.961	0
VI. Total cash expenditure from financial activities (031 through 035)	036	8.836.685	31.925.066
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	2.931.442	31.925.066
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	787.027	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	79.525
Cash and cash equivalents at the beginning of the period	041	1.215.915	1.394.534
Increase of cash and cash equivalents	042	787.027	0
Decrease of cash and cash equivalents	043	0	79.525
Cash and cash equivalents at the end of the period	044	2.002.942	1.315.009

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2012 to 31.3.2012

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	28.200.700	28.200.700
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	0
4. Retained profit or loss carried forward	004	-641.764.148	-708.387.576
5. Profit or loss of the current year	005	-67.469.361	-8.152.239
6. Revaluation of fixed tangible assets	006	0	
7. Revaluation of intangible assets	007	0	
8. Revaluation of financial property available for sale	008	0	
9. Other revaluation	009	0	
10. Total capital and reserves (EDP 001 through 009)	010	-486.678.809	-493.985.115
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	-486.678.809	-493.985.115
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.

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, which currently is not operating

Investments in affiliated companies as on 31 March 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 market terms and conditions.

Staff

On 31 March 2012, the Company employed 376 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 31 March 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 - March 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 31 Mar 2012 was HRK 7,506917 for EUR 1 and HRK 5,623580 for USD 1.

112. SALES INCOME

	31 Mar 2012	31 Mar 2011
Public voice services	75.451.374	64.691.109
Interconnection services	28.838.747	19.948.236
Internet services	19.107.888	16.236.673
Data services	5.497.846	5.080.930
Multimedia services	3.413.296	2.071.164
Lease and sale of equipment	1.095.396	561.337
Sale of goods and products	3.662.484	2.316.535
Trade agency income	2.277.724	1.940.989
Other services	1.510.925	1.573.448
	140.855.680	114.420.421

113. OTHER OPERATING INCOME

	31 Mar 2012	31 Mar 2011
Write off old trade payables	1.170.420	810.294
Income from in kind payments	107.581	74.360
Other income	74.128	51.441
	1.352.129	936.095

119. MATERIAL COSTS

	31 Mar 2012	31 Mar 2011
Costs of maintenance	4.356.734	3.439.685
Marketing services	1.324.863	2.076.050
Billing costs	1.976.853	1.729.018
Line lease costs	11.138.998	10.501.023
Intellectual and other services	923.595	567.820
Utilities	2.395.893	2.331.266
Customer attraction costs	2.703.580	3.702.042
Pair connection fees	14.905.477	16.436.211
Telecommunications costs	54.078.414	33.104.381
Residential sales services	1.474.976	902.157
Other costs	1.458.596	591.955
	96.737.979	75.381.608

120. STAFF EXPENSES

	31 Mar 2012	31 Mar 2011
Net salaries	7.236.284	6.969.219
Taxes and contributions from salaries	3.902.221	3.629.730
Taxes and contributions on salaries	1.914.138	1.798.655
	13.052.643	12.397.604

Number of employees on 31 Mar 2012	376	387
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Mar 2012	31 Mar 2011
Amortization of intangible assets	2.099.131	2.529.281
Amortization of fixed tangible assets	11.920.072	10.950.259
	14.019.203	13.479.540

125. OTHER OPERATING EXPENSES

	31 Mar 2012	31 Mar 2011
Compensations to employees	497.338	492.974
Representation	286.428	160.870
Insurance premiums	418.789	532.534
Bank charges	757.620	936.291
Taxes, contributions and membership fees	217.860	282.005
Costs of sold and written off assets	55.356	0
Gifts and sponsorships	244.320	73.280
Other expenses	447.307	407.212
	2.925.018	2.885.166

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

	31 Mar 2012	31 Mar 2011
Interest income	1.351.984	1.467.060
Foreign exchange gains	2.317.977	296.069
	3.669.961	1.763.129

137. FINANCIAL EXPENSES

	31 Mar 2012	31 Mar 2011
Interest expenses	19.103.753	18.035.718
Fee	210.605	172.064
Foreign exchange losses	33.388	212.599
	19.347.746	18.420.381

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	80.599.075	0	88.786.765
Additions			273.075	273.075
Transfer from assets in progress		273.075	-273.075	0
Disposals and retirements				0
As at 31 Mar 2012	8.187.690	80.872.150	0	89.059.840
VALUE ADJUSTMENT				
As at 01 Jan 2012	1.657.824	61.985.754	0	63.643.578
Amortization of the current year	68.162	2.030.969		2.099.131
Disposals and retirements				0
Amortization as at 31 Mar 2012	1.725.986	64.016.723	0	65.742.709
NET ACCOUNTING VALUE				
As at 31 Mar 2012	6.461.704	16.855.427	0	23.317.131

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	25.892.462	544.873.166	5.542.803	46.822	5.228.626	4.040.546	585.647.694
Additions	0	0	563.670	578.680	0	7.819.372	3.514	8.965.236
Transfer from assets in progress	0	50.961	8.211.649	0	0	-8.262.610	0	0
Disposals and retirements	0	-6.984	-173.449	-15.000	0	0	0	-195.433
As at 31 Mar 2012	23.269	25.936.439	553.475.036	6.106.483	46.822	4.785.388	4.044.060	594.417.497
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	5.008.450	197.578.401	5.167.597	0	0	3.521.669	211.276.117
Amortization of the current year	0	163.001	11.618.093	83.159	0	0	55.819	11.920.072
Disposals and retirements	0	0	-100.754	-14.998	0	0	0	-115.752
Amortization as at 31 Mar 2012	0	5.171.451	209.095.740	5.235.758	0	0	3.577.488	223.080.437
NET ACCOUNTING VALUE								
As at 31 Mar 2012	23.269	20.764.988	344.379.296	870.725	46.822	4.785.388	466.572	371.337.060

020. LONG-TERM FINANCIAL ASSETS

	31 Mar 2012
Loans to majority shareholder	13.100.888
Loans to third party companies	35.893.797
Long term deposits	3.511.805
	52.506.490
Value adjustment	-3.454.132
	49.052.358

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 3,08 million) and 30 April 2013 (loans in the amount of HRK 29,36 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.

043. RECEIVABLES

	31 Mar 2012
Trade receivables	88.100.154
Employee receivables	48.216
Receivables from the state and other institutions	537.372
Other receivables	1.855.247
	90.540.989

045. TRADE RECEIVABLES

	31 Mar 2012
Domestic trade receivables	106.150.278
Foreign trade receivables	12.642.195
Interests receivables	3.332
	118.792.473
Value adjustment	-30.695.651
	88.096.822

Movement of value adjustment for doubtful receivables:

	31 Mar 2012
1 January 2012	30.315.722
Write off during the year	-93.588
Collected during the year	-621.971
Reserved during the year	1.095.488
Closing balance	30.695.651

Aging of trade receivables of the Company:

	31 Mar 2012
Undue	67.244.535
Up to 120 days	19.850.312
120-360 days	7.096.730
over 360 days	<u>24.600.897</u>
	<u>118.792.474</u>

049. OTHER RECEIVABLES

	31 Mar 2012
Interest receivables	397.036
Advance payments receivables	1.892.259
Other receivables	<u>16.307</u>
	2.305.602
Value adjustment	<u>-450.355</u>
	<u>4.160.849</u>

056. GRANTED LOANS AND DEPOSITS

	31 Mar 2012
Loans	113.530
Deposits	<u>642.962</u>
	756.492
Value adjustment	<u>-113.530</u>
	<u>642.962</u>

058. CASH IN BANK AND REGISTER

	31 Mar 2012
Kuna accounts balance	927.192
Foreign currency accounts balance	369.099
Cash in register	<u>18.718</u>
	<u>1.315.009</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Mar 2012
Differed customer related expenses	41.621.237
Bond issuing expenses	1.048.840
Prepaid expenses	<u>19.106.961</u>
	<u>61.777.038</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 31 Mar 2012, loss per share is as follows:

Net result - loss	8.152.239
Number of shares	2.820.070
Loss per share	2,89

In the same period last year, loss per share amounted to HRK 4,37

Price of shares realized on the stock exchange within the current quarter (1 Jan - 31 Mar 2012) varied from HRK 19,02 (the lowest price) to HRK 26,00 (the highest price). Market capitalization in thousands of HRK on 31 March 2012 amounted to HRK 70.107 thousand.

In the period from January to March 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 31 Mar 2012:

Shareholders	u 000 HRK	%
MARTIĆ MATIJA	18.596	65,94
	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	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
	7.013	24,87
SMALL SHAREHOLDERS	2.592	9,19
	28.201	100,00

083. LONG-TERM LIABILITIES

	31 Mar 2012
Loan based liabilities	33.756.338
Liabilities towards credit institutions	526.713.903
	<u>560.470.241</u>

093. SHORT-TERM LIABILITIES

	31 Mar 2012
Loan based liabilities	38.947.058
Liabilities towards credit institutions	12.907.826
Interest liabilities	5.953.466
Liabilities for bonds issued	251.208.438
Liabilities for advances received	8.130.081
Trade payables	155.960.498
Liabilities towards employees	2.564.109
Taxes, contributions and other levies	9.326.469
Other liabilities	58.002
	<u>485.055.947</u>

098. LIABILITES TOWARDS SUPPLIERS

	31 Mar 2012
Domestic trade payables	139.667.779
Foreign trade payables	10.025.760
Invoice accrual	6.266.959
	<u>155.960.498</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

	31 Mar 2012
Nominal value	250.000.000
Compensations for issuance of bonds	-2.557.187
Liabilities based on calculated interest	3.765.625
	<u>251.208.438</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Mar 2012
VAT Liabilities	5.871.127
Taxes and contributions on and from salaries	1.948.232
Other taxes and contributions	1.507.110
	<u>9.326.469</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Mar 2012
Domestic payables for which invoices have not been received	4.502.150
Foreign payables for which invoices have not been received	5.084.136
Accrued interests	19.326.585
Deferred income	14.250.000
Deferred income due to uncertainty	3.304.373
	<u>46.467.244</u>

Accrued interest refer to undue interest for loans reprogrammed in Zagrebačka banka in December 2010, 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	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	581.084	584.015	-23.022	-23.000
USD	2.641	264	0	-109
CHF				
GPB				
	<u>583.725</u>	<u>584.279</u>	<u>-23.022</u>	<u>-23.109</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 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 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	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	58.108	58.402	-2.302	-2.300
USD	264	26	0	-11
CHF				
GPB				
	58.372	58.428	-2.302	-2.311

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 362,05 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
31 Mar 2012				
Non-interest bearing liabilities	166.713			166.713
Interest bearing liabilities	109.087	758.248	2.152	869.487
	275.800	758.248	2.152	1.036.200
31 Mar 2011				
Non-interest bearing liabilities	167.649			167.649
Interest bearing liabilities	53.141	781.146	2.436	836.723
	220.790	781.146	2.436	1.004.372

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 155.960 thousand for the period from January to March 2012 (HRK 165.129 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
31 Mar 2012				
Non-interest bearing liabilities	91.319			91.319
Interest bearing liabilities	3.811	40.913	4.972	49.696
	95.130	40.913	4.972	141.015
31 Mar 2011				
Non-interest bearing liabilities	78.089			77.589
Interest bearing liabilities	452	32.292	12.358	19.220
	78.541	32.292	12.358	123.191

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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