

OT – Optima Telekom d.d
Management Interim Report
for the First Half and Second
Quarter of 2014
unconsolidated

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Main Features

During the last quarter, the Company completed the pre-bankruptcy proceedings successfully, by entering into a Settlement before the Commercial Court in Zagreb on April 30, 2014 docket number Stpn-354/13, being the date when the Commercial Court rendered the Decision approving the Settlement. The said Decision became final on May 20, 2014.

In order to comply with the obligations arising out of the Settlement, and with a view to implement the Decision adopted by the Company's General Meeting on April 15, 2014 on increasing share capital by issuing ordinary shares, investing rights, with the exclusion of existing shareholders' priority rights, there were changes to the Company's shareholder structure that in turn resulted in changes to the Company's governing bodies as well, which is explained in greater detail under the heading "Changes to the Company's Governing Bodies".

The Company's Financial and Operative Restructuring Plan, as adopted by the majority of creditors at the hearing of November 5, 2013, envisaged the conversion of certain creditors' claims into the share capital of the Company as one of the principal financial restructuring measures. Therefore, by virtue of the Company's General Meeting Decision of April 15, 2014, the pre-bankruptcy creditors were offered to subscribe 53,988,017 ordinary registered shares, having the nominal value of HRK 10.00 each.

The subscription of new shares followed shortly after the execution of the Pre-Bankruptcy Settlement, i.e. after the Board of Directors published the Invitation to subscribe shares on May 2, 2012.

After the completion of the subscription process and after having obtained the Supervisory Board's consent, on May 30, 2014 the Board of Directors determined the exact amount of rights (claims) invested into the Company's share capital and the exact number of shares issued based on invested rights:

- A total of 53,558,757 of ordinary registered shares have been subscribed, for the nominal value of HRK 10.00 each, out of the total 53,988,017 offered
- Pursuant to Agreements on the Investment of Rights, HRK 535,587,570.00 of rights (claims) were invested into the Company's share capital, out of the maximum HRK 539,880,170.00

The share capital increase has been registered with the Commercial Court in Zagreb on June 9, 2014 based on the Decision adopted by the Company's General Meeting of April 15, 2014, being the decision to increase share capital by investing rights – converting a part of certain pre-bankruptcy creditors' claims. The share capital has thus been increased from the amount of HRK 28,200,700.00, by the amount of HRK 535,587,570.00 to the amount of HRK 563,788,270.00. The Company therefore issued 53,558,757 new dematerialized ordinary registered shares, each having the nominal value of HRK 10.00.

The Decision rendered by the Croatian Competition Agency (hereinafter: the AZTN) on conditionally approved concentration between OT – Optima Telekom (hereinafter: Optima) and HT has been published in this reporting period. The AZTN found the concentration in which HT gained controlling interest in Optima through pre-bankruptcy proceedings to be conditionally approved, and ordered the compliance with measures and terms meant to relieve the effects the concentration would have on competition. Such measures and terms are to be complied with by the participants in the concentration within the deadlines and/or in the manner defined in the AZTN Decision.

Business Indicators

Optima ended the first half-year period and the second quarter with the following results:

- Total revenue in the first half-year period came up to HRK **274.0** million, which represents a 1.3% decrease, with a simultaneous decrease of total costs by HRK **39.4** million or **12.9%** compared to the same period of the previous year. Looking at the second quarter, the revenue went up by **11.2%** compared to the second quarter of 2013,
- EBITDA amounted to HRK **31.7** million, with the EBITDA margin decrease by 2.8 percentages to **11.6%** compared to the same period of the previous year,
- The first half's EBT amounted to HRK **8,8** million, which represents a HRK **35.78** million increase compared to the same period of the previous year.

	H1 2013	H1 2014	H1 2014/ H1 2013	Q2 2013	Q2 2014	Q2 2014/ Q2 2013	
Ukupni prihodi	277.572	274.018	(1,3%)	140.308	156.014	11,7%	
EBITDA	39.973	31.683	(20,7%)	14.341	11.215	(21,8%)	
EBT	(27.029)	8.788	(132,5%)	(15.581)	10.320	(166,2%)	
	30.06.2013.	30.06.2014./ 30.06.2013.	31.12.2008.	30.06.2014./ 31.12.2013.	31.03.2014.	30.06.2014./ 31.03.2014.	30.06.2014.
Ukupan broj korisnika OT-a							
Broj govornih kanala	226.033	-14,0%	218.482	-11,0%	210.619	-7,7%	194.450
Broj korisnika na vlastitoj mreži LLU	115.732	-7,6%	112.896	-5,3%	110.089	-2,9%	106.941
Broj OptuDSL korisnika na vlastitoj mreži LLU	77.386	-1,9%	76.968	-1,4%	76.568	-0,8%	75.928
Broj OptuTV korisnika na vlastitoj mreži LLU	23.500	14,7%	25.500	5,7%	25.850	4,3%	26.950
Broj instaliranih kolokacija	280	1,1%	282	0,4%	283	0,0%	283
Sjever	94	0,0%	94	0,0%	94	0,0%	94
Zapad	47	4,3%	48	2,1%	49	0,0%	49
Istok	55	0,0%	55	0,0%	55	0,0%	55
Jug	84	1,2%	85	0,0%	85	0,0%	85

*(Column 1: Total Number of OT Users, Number of Voice Channels, Number of Users in own LLU Network, Number of OptiDSL Users in own LLU Network, Number of OptiTV Users in own LLU Network, Number of Collocations Installed, North, West, East, South)

Revenue

At the end of the first half of 2014, the total revenue amounts to HRK **274.0** million. These results indicate a **1.3%** decrease compared to the results achieved in the same period of the previous year.

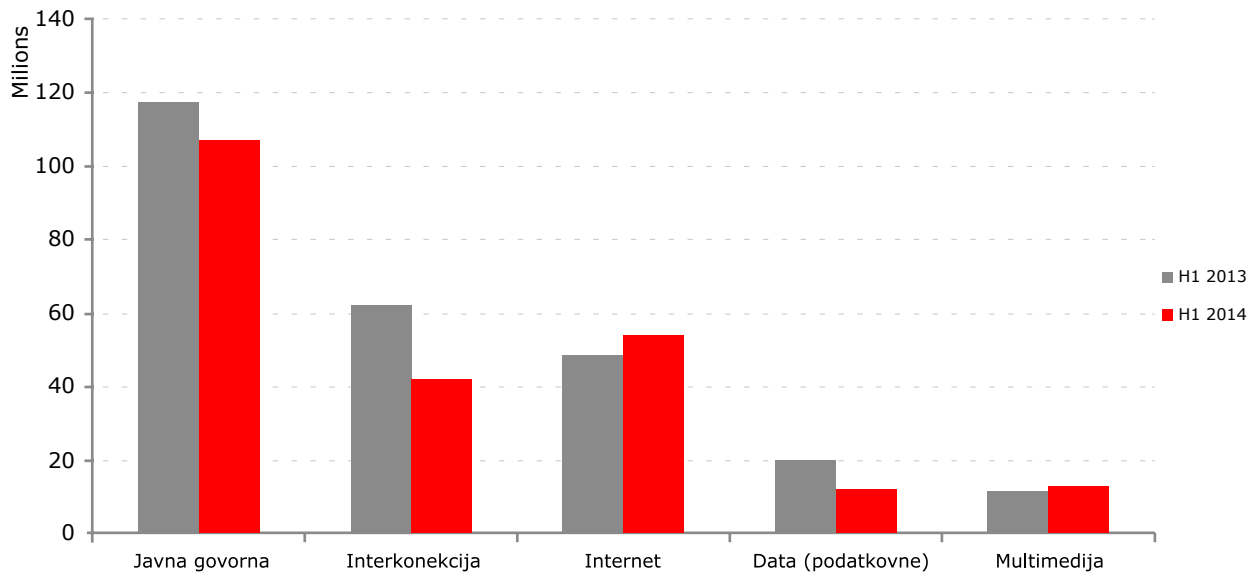
The decrease of total revenue was primarily influenced by the wholesale segment income, i.e. interconnection income. As of July 1, 2013, a regulatory decision significantly lowered the prices of international call termination in mobile networks (from HRK 1.28/min to HRK 0.45/min, which means 64%) which lead to a drop in interconnection income in the observed period. Public voice service is going through a downward trend at global level and the quantity of minutes spent in public voice service is dropping continuously, which also mirrors in the decline in public voice service revenue.

Telecommunications Services Revenue

H RK 227.8 million in revenue have been achieved in the first half of 2014. The positive impact on total revenue came from the increased income from selling multimedia services and Internet services. Multimedia services sales went up by 10.1% and the overall income amounted to HRK 12.7 million. Internet income increased by 11.5% and amounted to HRK 54.1 million. The increase of income deriving from the multimedia services and Internet segment did not compensate for the decrease in voice service income that amounts to HRK 107.0 million, being 8.7% lower compared to the same period of the previous year.



Data Source: Optima's internal data



(Chart Caption: Telecommunications Services Revenue; Chart Columns, left to right: Public Voice Service, Interconnection, Internet, Data, Multimedia)

Earnings before Interest, Taxation and Depreciation - EBITDA

At the end of the first half-year period, the EBITDA amounted to HRK 31.7 million, which is a 20.7% decrease compared to the same period of the previous year, while in the second quarter alone the EBITDA amounted to HRK 11.2 million, which is 21.8% compared to the previous year.

Earnings before Taxation - EBT

At the end of the first half of 2014, the EBT amounted to HRK 8.8 million, which is a better result compared to the same period of the previous year by HRK 35.8 million. In the second quarter of 2014, the EBT amounted to HRK 10.3 million, which is a HRK 25.9 million increase compared to 2013

Infrastructural Development

Apart from the erection of new collocations, infrastructural development necessarily requires the construction of one's own fiber optic network. During the first half of 2014, apart from regular construction of fiber optic feeds to our end-users, the fiber optic network construction also entailed the realization of an important inter-city cable route between Šibenik and Trogir.

In numbers, we are talking about 112.7 km of new fiber optic network and 109 new feeds, as well as the aforementioned Šibenik-Trogir cable route. The comparison of overall lengths shows a 4% enlargement of the fiber optic network compared to the construction level established at the end of 2012 (2,930 km compared to 2,817 km achieved by the end of the fourth quarter of 2013).

The overall length of fiber optic feeds and cable routes has multiplied compared to the same period of 2013 (first quarter) considering that in this period we built an inter-city cable route, and not only regular fiber optic feeds.

Most feeds and cable routes have been built in the Southern Region (82.4 km), followed by Region North (24.6 km), Region West (3.4 km) and East (2.3 km).

Regulatory environment

The Croatian Regulatory Authority for Networking Industries (hereinafter: HAKOM) continued to regulate the electronic communications market in this reporting period as well. Within its regular market analyses, after having commenced the market analysis in the relevant markets of access to the public telephone network at a fixed location for residential and non-residential customers, publicly available local and/or national telephone services provided at a fixed location for residential customers and publicly available local and/or national telephone services provided at a fixed location for non-residential customers, HAKOM also commenced the analyses of the retail broadband access market and the wholesale terminating segments of leased lines and wholesale trunk segments of leased lines markets. In the retail leased lines market, HAKOM rendered a decision determining that the said market is not subject to prior regulation, as there is efficient competition in this market, so HT was relieved of all its regulatory duties pertaining to it. The completion of the commenced relevant market analyses is anticipated in the upcoming reporting period.

After completing the calculation of single charges for full unbundled access to the local loop, in this reporting period HAKOM continued the process of calculating wholesale charges owed to Hrvatski Telekom d.d. (hereinafter: HT) based on its own cost model. Therefore, in the upcoming reporting period, final decisions should be made in the process of determining charges for wholesale broadband access, leased electronic communications lines. These decisions are expected to have a significant impact on the Company's financial operations in the upcoming period.

Out of the more relevant amendments to regulations currently in force in the field of electronic communications, we would like to point out the entry into force of the Act on Amendments to the Electronic Communications Act as well as the new Act on the Regulation of the Rail Services Market that took place on June 19, 2014, creating a single national regulatory authority for the regulation of electronic communications, postal services and rail services markets – the Croatian Regulatory Authority for Network Industries. The national network regulator was created by merging the Rail Market Regulatory Agency (ARTZU) with the Croatian Post and Electronic Communications (HAKOM), and kept its abbreviated name HAKOM. The financing of the new regulatory authority has been regulated as well, so that the funds necessary for its functioning are to be ensured from the regulatory authority's operations charge, which will be imposed on the participants in the rail services market as well, according to the same principle as operators and postal services providers – as a percentage of the overall gross revenue earned in the previous year. HAKOM will carry the excess funds accumulated from collecting charges forward into the following year. Exceptionally, it may decide to transfer the said excess into the newly formed Networking Industries Fund meant to work as an incentive

for the development of electronic communications networks and services.

As for secondary legislation, after the entry into force of the amended Ordinance on the Manner and Conditions for Provision of Electronic Communications Networks and Services, defining the process of changing one's public communications services operator in a fixed electronic communications network, in this reporting period the following acts entered into force: the new Ordinance on Optical Fiber Distribution Networks, whereby HAKOM regulated the joint usage of fiber optic installations in buildings, as well as the Ordinance on Payment of Fees for the Right to Use of Addresses, Numbers and Radio Frequency Spectrum, reducing the fees for the use of the radio frequency spectrum for point-to-point links, which will impact Optima's costs for the use of microwave links.

The new Consumer Protection Act was also passed in this reporting period. The new Act implements the Consumer Rights Directive which, apart from regulating distance contracts and off-premises contracts, contains joint provisions pertaining to all contracts concluded between a trader and a consumer, relative to the obligation to inform the consumer on the goods or services he/she is purchasing, contract fulfillment, transfer of risk, information requirements, additional payments, telephone communications costs and the like. Pursuant to the new Act, the period within which the consumer is free to change his/her mind regarding the conclusion of a distance contract or an off-premises contract is 14 days.

Changes to the Company's Governing Bodies

Pursuant to the General Meeting Decision of June 18, 2014, new Supervisory Board members have been elected: Siniša Đuranović, Ariana Bazala-Mišetić, Marina Brajković, Jasenka Anica Kreković, Marina Bengez-Sedmak, Marko Makek, Ana Hanžeković and Rozana Grgorinić, while Nada Martić, Ivan Martić and Zrinka Vuković Berić ceased to be Supervisory Board Members as per the same date. Duško Grabovac resigned from his membership in the Supervisory Board on May 29, 2014.

In their meeting of June 18, 2014, the newly elected Supervisory Board members appointed Mr. Siniša Đuranović as the Chairman of the Supervisory Board, and Mrs. Ariana Bazala-Mišetić as his deputy.

Mrs. Marina Bengez-Sedmak, a Supervisory Board member, resigned from her membership in the Supervisory Board on July 9, 2014.

On June 18, 2014, the Company's Supervisory Board also appointed new members of the Board of Directors and Zoran Kežman as the Chairman of the Board, while Mirela Šešerko has been appointed as a member of the Board, both having a two-year mandate.

Matija Martić is no longer the Chairman of the Board, and Jadranka Suručić is no longer a member of the Board of Directors,

The Company's Board of Directors currently has 3 members: Zoran Kežman, Chairman, Mirela Šešerko, member and Goran Jovičić, member, while the Supervisory Board has 7 members: Siniša Đuranović, Chairman, Ariana Bazala-Mišetić, deputy chair, and Marina Brajković, Jasenka Anica Kreković, Marko Makek, Ana Hanžeković and Rozana Grgorinić as members.

Statement of the Persons in Charge

of Financial Statements

In accordance with Article 410 of the Capital Market Act with respect to the publications by issuers participating in the regulated market, the members of the Board of Directors, Mr. Zoran Kežman as Chairman of the Board, Mr. Goran Jovičić, as Member of the Board and Ms. Mirela Šešerko, as Member of the Board, jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable financial reporting standards and that they contain an overall and true presentation of assets and liabilities, losses and profits, financial status and operation of Optima.

The 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 which the group is exposed to.

(signatures of Board members)



Zoran Kežman

Mirela Šešerko

Goran Jovičić

OT-**Optima Telekom d.d.**
ZAGREB

The Board of Directors 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 of
as of 30 June 2014**

Enclosure 1

Reporting period:

1 Jan 2014

to

30 Jun 2014

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification
Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hrand name for municipality/city **133**Code and name for county **21**Number of employees **209**
(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.hrSurname and name **MIRELA ŠEŠERKO, ZORAN KEŽMAN, GORAN JOVIČIĆ**

(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

M.P.

(signature of authorized person)


Optima Telekom d.d.
ZAGREB

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2014 to 30 Jun 2014

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	267.729.212	132.204.274	247.304.105	131.320.829
1. Sales income	112	262.821.547	128.667.209	230.634.074	116.874.673
2. Other operating income	113	4.907.665	3.537.065	16.670.031	14.446.156
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	254.196.569	131.083.608	253.399.214	139.038.312
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	196.411.907	100.934.679	163.103.236	84.498.293
a) Costs of raw material and supplies	117	861.660	456.943	982.244	458.628
b) Costs of goods sold	118	825.665	501.415	550.485	284.288
c) Other external costs	119	194.724.582	99.976.321	161.570.507	83.755.377
3. Staff costs (121 do 123)	120	19.024.856	9.471.754	35.935.648	25.126.033
a) Net salaries and wages	121	10.364.419	5.158.063	17.820.668	12.050.801
b) Expenses of taxes and contributions from salaries	122	6.149.786	3.063.663	13.002.332	9.389.025
c) Contributions to salaries	123	2.510.651	1.250.028	5.112.648	3.686.207
4. Amortization	124	26.440.736	13.220.751	37.778.224	18.932.633
5. Other costs	125	7.374.974	4.581.518	12.682.430	7.313.304
6. Value adjustment (127+128)	126	4.944.096	2.874.906	3.899.676	3.168.049
a) fixed assets (apart from financial assets)	127	1.635.734	518.904	0	0
b) current assets (apart from financial assets)	128	3.308.362	2.356.002	3.899.676	3.168.049
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	9.842.721	8.103.353	26.714.123	24.692.967
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	138.014	68.649	151.092	83.161
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	9.704.707	8.034.704	26.563.031	24.609.806
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	50.404.127	24.805.501	11.830.967	6.655.516
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	50.404.127	24.805.501	11.830.967	6.655.516
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	277.571.933	140.307.627	274.018.228	156.013.796
X. TOTAL EXPENSES (114+137+143 + 145)	147	304.600.696	155.889.109	265.230.181	145.693.828
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-27.028.763	-15.581.482	8.788.047	10.319.968
1. Profit before taxation (146-147)	149	0	0	8.788.047	10.319.968
2. Loss before taxation (147-146)	150	27.028.763	15.581.482	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-27.028.763	-15.581.482	8.788.047	10.319.968
1. Profit for the period (149-151)	153	0	0	8.788.047	10.319.968
2. Loss for the period (151-148)	154	27.028.763	15.581.482	0	0
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	-27.028.763	-15.581.482	8.788.047	10.319.968
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	-27.028.763	-15.581.482	8.788.047	10.319.968
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
on 30 Jun 2014

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	416.850.256	387.376.799
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.880	40.798.407
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	51.431.880	40.798.407
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	342.120.557	325.995.546
1. Land	011	23.269	23.269
2. Building objects	012	14.582.259	9.526.490
3. Facilities and equipment	013	316.751.221	306.625.999
4. Tools, production inventory and transport assets	014	1.437.653	1.036.229
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	8.640.361	8.183.849
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	638.972	552.888
III. FIXED FINANCIAL ASSETS (021 through 028)	020	23.297.819	20.582.846
1. Shares (stock) in affiliated entrepreneurs	021	15.025.790	15.025.162
2. Loans granted to affiliated entrepreneurs	022	4.753.183	1.955.385
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.483.846	3.567.299
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	162.208.577	132.239.028
I. INVENTORY (036 do 042)	035	1.343.689	1.577.480
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.343.689	1.577.480
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	91.743.345	94.058.010
1. Receivables from affiliated entrepreneurs	044	624.005	392.123
2. Receivables from buyers	045	84.568.706	82.059.633
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	40.629	25.836
5. Receivables from the state and other institution	048	126.907	437.458
6. Other receivables	049	6.383.098	11.142.960
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.271	1.783.342
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	1.248.271	1.783.342
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	67.873.272	34.820.196
D) PREPAYMENTS AND ACCRUED INCOME	059	38.049.824	36.754.534
E) TOTAL ASSETS (001+002+034+059)	060	617.108.657	556.370.361
F) OFF-BALANCE RECORDS	061	1.724.426.417	971.983.814

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-602.675.992	-68.608.464
I. BASE (registered) capital	063	28.200.700	563.788.269
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. REVALORIZACION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-785.106.794	-835.538.780
1. Retained earnings	073	0	0
2. Loss carried forward	074	785.106.794	835.538.780
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-40.123.898	8.788.047
1. Profit of the year	076	0	8.788.047
2. Loss of the year	077	40.123.898	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	1.783.513	1.783.513
1. Provisions for pensions, severance payments and similar obligations	080	1.783.513	1.783.513
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	13.664.931	485.863.023
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	13.664.931	4.124.499
3. Liabilities towards banks and other financial institutions	086	0	337.371.086
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	69.033.020
6. Liabilities as per securities	089	0	75.334.418
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	1.177.376.312	98.652.211
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	2.902.951	0
3. Liabilities towards banks and other financial institutions	096	596.164.277	5.374.354
4. Liabilities for advances	097	0	0
5. Liabilities towards suppliers	098	270.716.744	84.496.477
6. Liabilities as per securities	099	293.687.500	0
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	1.887.355	1.937.049
9. Liabilities for taxes, contributions and similar levies	102	11.946.893	6.812.671
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	70.592	31.660
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	26.959.893	38.680.078
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	617.108.657	556.370.361
G) OFF – BALANCE RECORDS	108	1.724.426.417	971.983.814
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 2014 to 30 Jun 2014

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	-27.028.763	8.788.047
2. Depreciation	002	26.440.736	37.778.224
3. Increase of short-term liabilities	003	42.545.898	0
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005	258.049	0
6. Other increase of cash flow	006	4.407.839	15.730.445
I. Total increase of cash flow from operating activities (001 through 006)	007	46.623.759	62.296.716
1. Decrease of short-term liabilities	008	0	606.526.006
2. Increase of short-term receivables	009	22.453.713	2.314.665
3. Increase of inventories	010	0	233.791
4. Other decrease of cash flow	011	34.379.004	535.071
II. Total decrease of cash flow from operating activities (008 through 011)	012	56.832.717	609.609.533
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	10.208.958	547.312.817
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	525.279.481
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	525.279.481
1. Cash expenditure for buying tangible and intangible fixed assets	021	7.938.055	11.019.740
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	7.938.055	11.019.740
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	514.259.741
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	7.938.055	0
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	48.703.104	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	48.703.104	0
1. Cash expenditure for the payment of loan principal and bonds	031	0	0
2. Cash expenditure for the payment of dividend	032	0	0
3. Cash expenditure for financial lease	033	0	0
4. Cash expenditure for own shares buy-off	034	0	0
5. Other expenditures from financial activities	035	0	0
VI. Total cash expenditure from financial activities (031 through 035)	036	0	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	48.703.104	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	30.556.091	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	33.053.076
Cash and cash equivalents at the beginning of the period	041	1.747.858	67.873.272
Increase of cash and cash equivalents	042	30.556.091	0
Decrease of cash and cash equivalents	043	0	33.053.076
Cash and cash equivalents at the end of the period	044	32.303.949	34.820.196

CHANGE IN CAPITAL STATEMENT

for the period from **1.1.2014** to **30.6.2014**

Item	EDP	Previous period	Current period
1	2	3	4
1. Subscribed capital	001	28.200.700	563.788.269
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	0
4. Retained profit or loss carried forward	004	-785.106.794	-835.538.780
5. Profit or loss of the current year	005	-27.028.763	8.788.047
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	-589.580.857	-68.608.464
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 2013

During the last quarter, the Company completed the pre-bankruptcy proceedings successfully, by entering into a Settlement before the Commercial Court in Zagreb on April 30, 2014, docket number Stpn-354/13, being the date when the Commercial Court rendered the Decision approving the Settlement. The said Decision became final on May 20, 2014.

In order to comply with the obligations arising out of the Settlement, and with a view to implement the Decision adopted by the Company's General Meeting on April 15, 2014 on increasing share capital by issuing ordinary shares, investing rights, with the exclusion of existing shareholders' priority rights, there were changes to the Company's shareholder structure that in turn resulted in changes to the Company's governing bodies as well, which is explained in greater detail under the heading "Changes to the Company's Governing Bodies".

1. GENERAL INFORMATION

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 its beginnings, 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 2014 the Company employed 209 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2014:

Matija Martić	Chairman of the Company (until 18 Jun 2014.)
Zoran Kežman	Chairman of the Company (as of 18 Jun 2014.)
Jadranka Suručić	Member (until 18 Jun 2014.)
Mirela Šešerko	Member (as of 18 Jun 2014.)
Goran Jovičić	Member

Supervisory Board of the Company:

Nada Martić	Chairman (until 18 Jun 2014.)
Siniša Đuranović	Chairman (as of 18 Jun 2014.)
Ivan Martić	Member and Deputy Chairman (until 18 Jun 2014.)
Ariana Bazala-Mišetić	Member and Deputy Chairman (as of 18 Jun 2014.)
Zrinka Vuković Berić	Member (until 18 Jun 2014.)
Duško Grabovac	Member (until 18 Jun 2014.)
Marina Brajković	Member (as of 18 Jun 2014.)
Marina Bengez-Sedmak	Member (as of 18 Jun 2014.)
Marko Makek	Member (as of 18 Jun 2014.)
Ana Hanzeković	Member (as of 18 Jun 2014.)
Rozana Grgorinić	Member (as of 18 Jun 2014.)

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.

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 2014 was HRK 7,571371 for EUR 1 and HRK 5,562277 for USD 1.

112. SALES INCOME

	30 Jun 2014	30 Jun 2013
Public voice services	107.085.971	117.214.477
Interconnection services	41.962.781	61.961.695
Internet services	54.062.187	48.491.592
Data services	12.091.267	20.063.660
Multimedia services	12.695.272	11.530.783
Lease and sale of equipment	1.719.509	2.540.021
Other services	1.017.087	1.019.319
	230.634.074	262.821.547

113. OTHER OPERATING INCOME

	30 Jun 2014	30 Jun 2013
Write off old trade payables and additional discounts	638.683	783.603
Income from collected penalties etc.	1.009.307	862.651
Income from rent - billing system	517.788	589.137
Income from in kind payments	1.076.873	183.034
Income from assets sale	0	1.657.303
Revenue from liabilities discount	11.863.855	0
Other income	1.563.525	831.937
	16.670.031	4.907.665

119. OTHER MATERIAL COSTS

	30 Jun 2014	30 Jun 2013
Costs of maintenance	8.597.262	7.903.457
Marketing services	3.176.926	1.097.047
Billing costs	2.597.337	2.932.500
Line lease costs	20.501.921	23.847.587
Intellectual and other services	978.032	2.418.652
Utilities	4.148.644	3.997.152
Customer attraction costs	9.729.005	8.435.019
Pair connection fees	29.001.262	30.982.971
Telecommunications costs	75.764.634	105.194.892
Residential sales services	6.156.700	7.023.800
Other costs	918.784	891.505
	161.570.507	194.724.582

120. STAFF EXPENSES

	30 Jun 2014	30 Jun 2013
Net salaries	17.820.668	10.364.419
Taxes and contributions from salaries	13.002.332	6.149.786
Taxes and contributions on salaries	5.112.648	2.510.651
	35.935.648	19.024.856

Number of employees on 30 Jun 2014 209 204

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Jun 2014	30 Jun 2013
Amortization of intangible assets	12.603.871	2.458.443
Amortization of fixed tangible assets	25.174.353	23.982.293
	37.778.224	26.440.736

125. OTHER OPERATING EXPENSES

	30 Jun 2014	30 Jun 2013
Compensations to employees	897.035	783.733
Representation	456.157	559.875
Insurance premiums	593.608	576.885
Bank charges	292.133	1.284.634
Taxes, contributions and membership fees	492.736	748.289
Costs of sold and written off assets	3.532.289	1.065.683
Gifts and sponsorships	427.159	279.620
Unpaid receivables write-offs	4.736.382	0
Other expenses	1.254.931	2.076.255
	12.682.430	7.374.974

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.

131. FINANCIAL INCOME

	30 Jun 2014	30 Jun 2013
Interest income from related companies	151.092	138.014
Interest income	3.810.612	3.450.130
Foreign exchange gains	3.300.309	6.254.577
Income from financial liability write offs based on prebankruptcy agreement	19.452.110	0
	26.714.123	9.842.721

137. FINANCIAL EXPENSES

	30 Jun 2014	30 Jun 2013
Interest expenses	9.151.413	49.900.316
Fee	7.000	263.750
Foreign exchange losses	18.391	240.061
Financial assets value adjustment	2.654.163	0
	11.830.967	50.404.127

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2014	62.364.332	82.680.180	0	145.044.512
Additions	106.867		1.863.531	1.970.398
Transfer from assets in progress		1.863.531	-1.863.531	0
Disposals and retirements				0
As at 30 Jun 2014	62.471.199	84.543.711	0	147.014.910
VALUE ADJUSTMENT				
As at 01 Jan 2014	23.258.343	70.354.289	0	93.612.632
Amortization of the current year	10.624.674	1.979.197		12.603.871
Disposals and retirements				0
Amortization as at 30 Jun 2014	33.883.017	72.333.486	0	106.216.503
NET ACCOUNTING VALUE				
As at 30 Jun 2014	28.588.182	12.210.225	0	40.798.407

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 2014	23.269	18.100.210	604.001.690	5.821.046	46.822	8.640.361	4.642.720	615.009.900
Additions			1.679.798	844.989		13.177.554		15.702.341
Transfer from assets in progress		76.449	13.544.986	7.230		-13.634.066	5.401	0
Disposals and retirements		-6.648.273	-1.366.382	-2.349.319				-10.363.974
As at 30 Jun 2014	23.269	11.528.386	617.860.092	4.323.946	46.822	8.183.849	4.648.121	646.614.485
VALUE ADJUSTMENT								
As at 01 Jan 2014	0	3.517.951	287.250.469	4.383.393	0	0	4.003.748	299.155.561
Amortization of the current year		226.987	24.565.261	290.620			91.485	25.174.353
Disposals and retirements		-1.743.042	-581.637	-1.386.296				-3.710.975
Amortization as at 30 Jun 2014	0	2.001.896	311.234.093	3.287.717	0	0	4.095.233	320.618.939
NET ACCOUNTING VALUE								
As at 30 Jun 2014	23.269	9.526.490	306.625.999	1.036.229	46.822	8.183.849	552.888	325.995.546

020. LONG-TERM FINANCIAL ASSETS

	30 Jun 2014
Loans to majority shareholder	5.947.159
Loans to third party companies	37.322.207
Long term deposits	3.453.618
Loans to related companies	4.159.160
	50.882.144
Value adjustment	-45.359.460
	5.522.684
Loans and deposits	5.522.684
Shares in related companies	15.025.162
Participating interests (shares)	35.000
	20.582.846

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. and they come due on 13. June 2028.
Participating interests are related to the shares in company Pevec d.d., acquired by uncollected receivables.

Movement of value adjustment of long term assets

	30 Jun 2014
1 January 2014	42.705.297
Write off during the year	0
Reserved during the year	2.654.163
Closing balance	45.359.460

021. 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. entering claims for loans and accrued interest into equity.

As a sole member-founder, the Company established Optima Telekom d.o.o. Kopar, Slovenia, in 2007.

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

Investments in affiliated companies as on 30 Jun 2014:

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

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

043. RECEIVABLES

	30 Jun 2014
Receivables from related companies	392.123
Trade receivables	82.059.633
Employee receivables	25.836
Receivables from the state and other institutions	437.458
Other receivables	11.142.960
	<u>94.058.010</u>

045. TRADE RECEIVABLES

	30 Jun 2014
Domestic trade receivables	103.690.482
Foreign trade receivables	6.242.148
	<u>109.932.630</u>
Value adjustment	<u>-27.872.997</u>
	<u>82.059.633</u>

Movement of value adjustment for doubtful receivables:

	30 Jun 2014
1 January 2014	26.610.666
Write off during the year	0
Collected during the year	-575.746
Reserved during the year	1.838.077
Closing balance	<u>27.872.997</u>

Aging of trade receivables of the Company without interests receivables:

	30 Jun 2014
Undue	53.788.305
Up to 120 days	20.869.581
120-360 days	7.152.698
over 360 days	28.122.046
	<u>109.932.630</u>

049. OTHER RECEIVABLES

	30 Jun 2014
Interest receivables	5.423.125
Advance payments receivables	8.456.571
Other receivables	2.399.327
	<u>16.279.023</u>
Value adjustment	<u>-5.136.063</u>
	<u>11.142.960</u>

058. CASH IN BANK AND REGISTER

	30 Jun 2014
Kuna accounts balance	33.931.204
Foreign currency accounts balance	874.005
Cash in register	14.987
	<u>34.820.196</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Jun 2014
Differed customer related expenses	21.378.443
Prepaid expenses	15.376.091
	<u>36.754.534</u>

063. SUBSCRIBED CAPITAL

The Company's Financial and Operative Restructuring Plan, as adopted by the majority of creditors at the hearing of November 5, 2013, envisaged the conversion of certain creditors' claims into the share capital of the Company as one of the principal financial restructuring measures. Therefore, by virtue of the Company's General Meeting Decision of April 15, 2014, the pre-bankruptcy creditors were offered to subscribe 53,988,017 ordinary registered shares, having the nominal value of HRK 10.00 each.

The share capital increase has been registered with the Commercial Court in Zagreb on June 9, 2014 based on the Decision adopted by the Company's General Meeting of April 15, 2014, being the decision to increase share capital by investing rights – converting a part of certain pre-bankruptcy creditors' claims. The share capital has thus been increased from the amount of HRK 28,200,700.00, by the amount of HRK 535,587,570.00 to the amount of HRK 563,788,270.00. The Company therefore issued 53,558,757 new dematerialized ordinary registered shares, each having the nominal value of HRK 10.00.

At 30 Jun 2014, earning per share is as follows:

Net result - earnings	8.788.047
Number of shares	56.378.827
Earnings per share	0,16

In the period from January to June 2014 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of major shareholders as on 30 Jun 2014:

	u 000 HRK	%
ZAGREBAČKA BANKA D.D. (1/1)	255.830	45,38
HT D.D. (1/1)	52.031	9,23
HANŽEKOVIĆ MARIJAN (1/1)	23.923	4,24
RAIFFEISENBANK AUSTRIA D.D. (1/1)	21.246	3,77
MARTIĆ MATIJA (1/1)	18.596	3,30
ZAGREBAČKA BANKA D.D./ZAGREBAČKA BANKA/ZBIRNI SKRBNIČKI RAČUN - VIPNET D.O.O. (1/1)	14.759	2,62
HRVATSKA POŠTANSKA BANKA D.D./ HPB GLOBAL - OIF S JAVNOM PONUDOM	10.854	1,93
RAIFFEISENBANK AUSTRIA D.D./RAB	9.873	1,75
HRVATSKA POŠTANSKA BANKA D.D. (1/1)	9.407	1,67
MERKUR OSIGURANJE D.D. (1/1)	8.109	1,44
MERKUR OSIGURANJE D.D. (1/1) /MATEMATIČKA PRIČUVA	6.082	1,08
ALLIANZ ZAGREB D.D. (1/1)	5.839	1,04
HYPO ALPE-ADRIA-BANK D.D./ PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI	5.677	1,01
ZAGREBAČKA BANKA D.D./ZB AKTIV	5.677	1,01
BASLER OSIGURANJE ZAGREB D.D. (1/1) /MATEMATIČKA PRIČUVA	5.474	0,97
COMPUTECH D.O.O. (1/1)	5.333	0,95
ODAŠILJAČI I VEZE D.O.O. (1/1)	4.841	0,86
ZAGREBAČKA BANKA D.D./ZB GLOBAL	4.837	0,86
HUAWEI TECHNOLOGIES CO.LTD (1/1)	4.482	0,80
	478.547	84,88
OSTALI DIONIČARI	85.241	15,12
	563.788	100,00

083. LONG-TERM LIABILITIES

	30.06.2014.
Loan based liabilities	4.124.499
Liabilities towards credit institutions	337.371.086
Trade payables based on prebankruptcy agreement	69.033.020
Liabilities from bonds issued	75.334.418
	485.863.023

093. SHORT-TERM LIABILITIES

	30 Jun 2014
Liabilities towards credit institutions	3.664.399
Interest liabilities	1.709.955
Trade payables	84.496.477
Liabilities towards employees	1.937.049
Taxes, contributions and other levies	6.812.671
Other liabilities	31.660
	98.652.211

098. LIABILITES TOWARDS SUPPLIERS

	30 Jun 2014
Domestic trade payables	55.848.894
Foreign trade payables	4.103.069
Invoice accrual	24.544.514
	84.496.477

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%.

In accordance with the Company's obligation arising out of the final and enforceable Settlement, on May 30, 2014 the features of the OPTE-O-124A bond have been changed so that the bond has been converted into a debt security with multiple maturity dates having the share of remaining principal balance in the nominal amount of HRK 0.30 per bond. In the period between May 30, 2014 and May 30, 2017, the Issuer shall pay interest to holders semi-annually, which are to be calculated applying the 5.25% per annum interest rate. From May 30, 2017 until May 30, 2022, apart from the said interest, the Issuer shall pay the bond holders 3% of the principal every six months.

	30 Jun 2014
Nominal value	75.000.000
Liabilities based on calculated interest	334.418
	75.334.418

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Jun 2014
VAT Liabilities	5.239.622
Taxes and contributions on and from salaries	1.571.494
Other taxes and contributions	1.555
	6.812.671

VAT Liabilities include liabilities based on prebankruptcy agreement in amount of HRK 2,7 milion

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Jun 2014
Domestic payables for which invoices have not been received	9.528.347
Foreign payables for which invoices have not been received	3.504.561
Deferred income	21.942.262
Deferred Income due to uncertainty	3.704.908
	38.680.078

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 2014 in 000 HRK	30 Jun 2013 in 000 HRK	30 Jun 2014 in 000 HRK	30 Jun 2013 in 000 HRK
EUR	236.583	610.410	-15.109	-27.093
USD	329	1.334	0	0
CHF				
GPB				
	236.912	611.744	-15.109	-27.093

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 2014 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 2014 in 000 HRK	30 Jun 2013 in 000 HRK	30 Jun 2014 in 000 HRK	30 Jun 2013 in 000 HRK
EUR	23.658	61.041	-1.511	-2.709
USD	33	133	0	0
CHF				
GPB				
	23.691	61.174	-1.511	-2.709

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

The Company's exposure to interest rate risk is not significant, since the Company has no liabilities at variable interest rates

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 2014				
Non-interest bearing liabilities	155.498			155.498
Interest bearing liabilities	78.794	155.157	188.253	422.204
	234.292	155.157	188.253	577.702
30 Jun 2013				
Non-interest bearing liabilities	225.239			225.239
Interest bearing liabilities	612.282	283.906	1.686	897.874
	837.521	283.906	1.686	1.123.113

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 153.529 thousand for the period from January to June 2014 (HRK 182.265 on 31 December 2013).

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 2014				
Non-interest bearing liabilities	128.441			128.441
Interest bearing liabilities	5.237	2.069	0	7.306
	133.678	2.069	0	135.747
30 Jun 2013				
Non-interest bearing liabilities	135.401			135.401
Interest bearing liabilities	1.080	8.591	0	9.671
	136.481	8.591	0	145.072

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

Zoran Kežman



Mirela Šešerko



Goran Jovičić

