2014 Audited Consolidated Annual Financial Report

Optimatelekom

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I. Business and Financial Overview

1. Introduction

In 2014, OT – Optima telekom d.d. (hereinafter: the Company) has undergone changes in its ownership and management structures as well as changes pertaining to the increase of share capital, all a result of the implementation of the Settlement concluded before the Commercial Court of Zagreb on 4/30/2014, docket number Stpn-354/13.

With a view to fulfill the obligations under the Settlement, and as a result of the Company's General Meeting Decision of 4/15/2014, regarding the increase of share capital through the issuance of new shares, investing rights, with the exclusion on existing shareholders' priority rights, changes occurred in the Company's ownership structure, which in turn resulted in changes within the Company's governing bodies, the latter being explained in more detail under the "Changes within Governing Bodies" heading.

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 a part of creditors' claims into 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 common registered shares, of HRK 10.00 nominal value each.

The subscription process started after the execution of the Pre-Bankruptcy Settlement, i.e. after the publication of the Invitation to Subscribe Common Registered Stock which took place on 5/2/2014.

After the finalization of the subscription process and with the Supervisory Board's consent, on 5/30/2014 the Board of Directors established the exact amount of rights (claims) invested into the Company's share capital and the exact number of shares issued based on the invested rights:

- A total of 53,558,757 common registered stock have been subscribed, each having the nominal value of HRK 10.00, out of the total 53,988,017 offered.
- Pursuant to executed Agreements on Investment of Rights, rights (claims) in the amount of HRK 535,587,570.00 have been invested into the Company's share capital, out of the maximum available amount of HRK 539,880,170.00.

The share capital increase was registered with the Commercial Court of Zagreb on 6/9/2014.

Share capital has been increased pursuant to the Company's General Meeting Decision of 4/15/2014, by investing rights – converting a part of pre-bankruptcy creditors' claims into share capital. The share capital 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, by issuing 53,558,757 new common registered dematerialized shares, each having the nominal value of HRK 10.00. On 6/11/2014 the CDCC entered the share capital increase through the issuance of 53,558,757 new common registered shares, ticker OPTE-R-B, individual nominal value HRK 10.00 in its information system.

The Company's Board of Directors decision of July 23, 2014 on share capital increase within the scope of authorized capital, by issuance of new shares, investments in rights, with the exclusion of existing shareholders' priority rights, adopted with the consent of the Supervisory Board was a further step in the fulfillment of obligations arising out of the final Settlement.
Based on the claim of a category (c) creditor – Zagrebačka banka d.d. – claims arising out of credit facilities secured by mortgage on movable property and rights, in the amount of HRK 110,000,000.00, under MCL (Mandatory Convertible Loan) terms, as established in the Settlement, Zagrebačka banka d.d. has transferred a part of the MCL claim in the amount of HRK 68,870,920.00 to Hrvatski Telekom d.d., and on July 21, 2014, the latter company, as the new creditor for a part of the MCL claim, has duly filed the request to convert the said part of the MCL claim into the Company's share capital, which is also the reason for the adoption of the Board of Directors' Decision of July 23, 2014.

Upon subscription of shares by way of a written statement and conclusion of the agreement on investing rights (claims) into the Company's share capital, on August 13, 2014 the Commercial Court of Zagreb registered the increase of the Company's share capital from the amount of HRK 563,788,270.00 by the amount of 68,870,920.00 to the amount of HRK 632,659,190.00, through the issuance of 6,887,092 common shares, ticker OPTE-R-B, each having the nominal value of HRK 10.00.

On 08/28/2014 the share capital increase was also registered with the CDCC, and thus 6,887,092 new common shares, ticker OPTE-R-B, individual nominal value of HRK 10.00 have been issued.

On 11/3/2014, the Company's General Meeting adopted the Decision on increasing the Company's share capital through the issuance of common shares, investment of rights – converting a part of the pre-bankruptcy creditors' claims into share capital, with the exclusion of existing shareholders' priority rights, from the amount of HRK 632,659,190.00 by an amount not exceeding HRK 2,910,110.00 to a maximum amount of HRK 635,569,300.00, through the issuance of a maximum of 291,011 new common registered shares, having the nominal value of HRK 10.00 each.
The said increase of the Company's share capital has yet to be registered with the Commercial Court of Zagreb and the CDCC.

At this time, the Company has a subscribed share capital in the amount of HRK 632,659,190.00 divided into 2,820,070 common shares, ticker OPTE-R-A, each having the nominal value of HRK 10.00 and 60,445,849 common shares, ticker OPTE-R-B, each having the nominal value of HRK 10.00.

Pursuant to the Pre-bankruptcy Settlement, on 05/30/2014 the CDCC registered changes of the features of Issuer's bond, ticker OPTE-O-142A in its information system, so that the bond, ticker OPTE-O-142A, ISIN: HROPTEO142A5 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 Company as 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 Company shall pay the bond holders 3% of the principal every six months.

2.Statement of the Chairman of the Board:

"The 2014 business year was extremely challenging for Optima Telekom. After the successful execution of the pre-bankruptcy settlement and commencing the financial and operative restructuring process, there has been a series of changes, primarily in the ownership and management structure of the company, which required a great deal of adjustments in business operations.
However, despite a truly demanding year, looking back I can say that we are satisfied with the position we are in and see and expect a great deal in the future. We have put a string of activities in motion, aimed at further growth and development of the company, which is evident from the significant positive turnaround of business results. The best evidence in support of this is a positive net result which was achieved in 2014 for the first time in company history, with a HRK 52.9 million increase compared to 2013. This is all indicative of the fact that we have set a healthy foundation for 2015 and honored the trust of our creditors shown in the pre-bankruptcy proceedings.
In the period to come, we will focus on improving the public opinion about our company and our services, primarily through customer orientation and further development of higher quality and more advanced services. It is entirely certain that the economic uncertainty and business challenges will characterize 2015 as well, so the constant adjustment to market and technological circumstances is the center of our attention."

Zoran Kežman

3.Corporate Governance and General Information

Supervisory Board:

Siniša Đuranović, Chairman
Ariana Bazala-Mišetić, Deputy Chairman
Marina Brajković, Member
Jasenka Anica Kreković, Member
Marko Makek, Member
Ana Hanžeković, Member
Rozana Grgorinić, Member
Maša Serdinšek, Member
Ivica Hunjek, Member – employee representative

Board of Directors:

Zoran Kežman – Chairman,
Mirela Šešerko – Member,
Tomislav Tadić – Member.

IBAN: HR3023600001101848050-Zagrebačka banka d.d. Zagreb
Commercial Court of Zagreb
OIB: 36004425025
MBS: 040035070
MB: 0820431
Share capital amounts to: HRK 632,659,190.00
Number of shares: 63,265,919, nominal value of HRK 10.00 each

4. Optima Telekom Group Members and Regional Centers

HEADQUARTERS – COMPANY MANAGEMENT

OT-Optima Telekom d.d.
Bani 75a, Buzin
10 000 Zagreb, Croatia
Tel. +385 1 54 92 699
Fax. +385 1 54 92 019

Members of the Optima Telekom Group:

- Optima direct d.o.o, Trg Josipa Broza Tita 1, 52460 Buje
- Optima - Telekom d.o.o., Ulica 15. maja 21, 6 000 Koper, Slovenia
- Optima telekom za upravljanje nekretninama i savjetovanje d.o.o – BUSINESS ACTIVITY SUSPENDED, Kuzminečka 8, 10 000 Zagreb

REGION WEST

OT-Optima Telekom d.d
Andrije Kačića Miošića 13
51 000 Rijeka, Croatia
Tel. +385 51 492 799
Fax. +385 51 492 709
OT Center
Tel. +385 51 554 651

REGION EAST

OT-Optima Telekom d.d
Županijska 21/I
31 000 Osijek, Croatia
Tel. +385 31 492 999
Fax. +385 31 210 459

REGION NORTH

OT-Optima Telekom d.d.
Bani 75a, Buzin
10 000 Zagreb, Croatia
Tel. +385 1 54 92 301
Fax. +385 1 54 92 309

REGION SOUTH

OT-Optima Telekom d.d.
Trg Hrvatske bratske zajednice 8/II
21 000 Split, Croatia
Tel. +385 21 492 899
Fax. +385 21 492 829

OT Center
7. domobranske pukovnije 1/3, Zadar
Tel. +385 23 492 860
Ivana Matijaševića 14, Dubrovnik
Tel. +385 20 220 640

5. Market Overview

The fixed telephony market in Croatia continues to be extremely competitive. In 2014 the decreasing trend for the quantity of minutes in the national landline network has continued, which is confirmed by a 14% volume decrease in the first 9 months of 2014, with a significant substitution of voice traffic from national fixed networks into mobile networks.

At the same time, the trend of using broadband internet access services continues to grow: the number of broadband users increased by 3.1% in the first 9 months of 2014, which is an extension of the growth trend identifiable in 2012 and 2013 as well (CAGR 4%). The growth trend in the number of users of digital television through an IP protocol has continued in 2014, even though the growth has somewhat subsided compared to the previous year – a 6.6% increase in the first three quarters of 2014 compared to the 13.1% increase in 2013.

Changes in the regulatory framework, particularly regarding the decrease of interconnection prices and prices of bitstream internet access have revealed new possibilities for alternative telecommunications services providers, but also increased the competitive pressure in the market.

Broadband internet access using the DSL technology still represents the dominant technology in providing broadband internet access and digital television services.

6. Economic Environment

In the last month of 2014, after mildly increasing for two months (0.3% on average), the annual consumer price index percentage change was reinstated in its negative value (-0.5%). This concluded 2014, the first year in which Croatian economy functioned under the circumstances of a fall in the general consumer price level (deflation), with an annual average at the level of -0.2%. This development is a reflection of a weak aggregate demand which has not recovered even after the previous five years of descending and decreasing prices of raw materials in the world market, particularly prices of foods, which have induced the decrease of inflation throughout the year and prices of crude oil which began to plummet during the final quarter. The geo-political tension between Russia on the one side and USA and the EU on the other which started around the middle of the year, with the OPEC countries' not wanting to lose their share in the oil market even under the new balance of power, has also manifested itself in a kind of an oil war, which has so far resulted in a sudden and deep dive of oil prices. Thus, at the end of the year the decrease reached a level of 41% compared to the end of the previous quarter and 47% compared to the end of the previous year. Within the context of world prices, the prices of oil derivatives in Croatia began to decrease, but with a time distance and a significantly less steep decrease slope. Namely, the prices of car fuel and lubricants began to decrease more evidently only during the last two months of the previous year and were 5.9% lower in December compared to the previous year. Therefore, it was only at the end of the year when the energy prices became a factor inducing the decrease of inflation, while throughout the year this role was primarily played by the prices of unprocessed foods. However, considering these developments in oil prices which continued to drop in January as well (to the lowest level since the spring of 2009), it is evident that they will have the critical role in the formation of the consumer price index during this year. We estimate that the annual CPI growth level will remain close to zero, but on the positive side (up to 1%).

Applying the usual seasonal logic, during December of the previous year unemployment continued to grow (by 4.4 thousand people), thus concluding 2014 with an unemployment level of 316 763 persons, which is 12.8% less than the year before. Thereby 2014 became the first year since 2008 when unemployment decreased, with the annual decrease rate of -4.9% of the average annual number of unemployed persons.

The Zagreb Stock Exchange had a somewhat busier December of 2014, which is partly a reflection of the usual security portfolio organizing that investors carry out at the end of the business year. Therefore, compared to November, the stock trading within the order book increased by 43.7%. Also, the trading in structured products increased by 64.0%, while at the same time bond trading decreased by 52.2%.

The World Bank has decreased its prognosis of the growth of Croatian economy in this year by more than half. The foresee that this year Croatian economy will grow by a mere 0.5% and not 1.2% as projected in June of the previous year.

7. Regulatory Environment

On 03/19/2014 the Croatian Competition Agency (hereinafter: AZTN) rendered its Decision, class: UP/I 034-03/2013-02/2007 (hereinafter: AZTN Decision) whereby the Agency conditionally cleared the concentration by which Hrvatski Telekom d.d. (hereinafter: HT) had acquired control over the Company in pre-bankruptcy settlement proceedings and ordered the fulfillment of measures and conditions the participants in a concentration are required to fulfill within the deadlines and/or in the manner ordered by the AZTN Decision. The concentration between HT and the Company has been limited to a 4 year period, and under the AZTN Decision, it commenced on 07/10/2014.

All the measures that the Company had to fulfill within a certain time-frame have been fulfilled, while in respect of the other measures, actions have been taken to ensure their fulfillment. Acting on the AZTN Decision, the Company has indicated that it is a part of the HT Group on its website, official letterhead and customer invoices. Also, pursuant to the AZTN Decision, on 08/08/2014, the Company posted a Public offer to lease available capacities in the Company's built optical network on its website, offering other operators on the market at wholesale level to lease available capacities at cost-oriented and market-established prices.

As far as the electronic communications market regulation is concerned, the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) has, in the market analysis of the relevant market of access to public telephone network at a fixed location for residential and non-residential customers, by virtue of its Decision of 11/05/2014, class: UP/I-344-01/14-03/05, identified the Company, being an affiliate of HT, as an operator with significant market power and imposed the regulatory obligations of price supervision and cost accounting on the Company. Item 1 of HAKOM's Interim Decision of 07/03/2014, class: UP/I-344-01/14-03/04 (hereinafter: Interim Decision) reported by the Company in the previous reporting period, whereby the Company had previously been identified as an operator with significant market power in the said market, has been quashed by virtue of this Decision. Until a final Decision is rendered in the market analysis for the retail broadband internet access market (which includes the IPTV service), the regulatory obligations imposed on the Company in this market pursuant to the Interim Decision shall remain in force: prohibition of barriers to entry, prohibition to grant unfair advantages to certain end-customers and the prohibition to unjustifiably connect certain types of services, as well as the supervisory measures and cost orientation of service prices.

In this reporting period, HAKOM has deregulated the market of publicly available local and/or national telephone services provided at a fixed location for residential and non-residential customers, because it established that the same is not subject to pre-regulation as the Three Criteria Test has not been satisfied.
After the completion of calculation of single charges for full unbundled access to the local loop, based on its own cost model, HAKOM ended HT's procedures of calculating wholwsale charges and rendered final decisions relating to the determination of charges for the wholesale broadband access service and leased lines which will have an impact on the Company's financial results.

In the legislative sphere, out of the more relevant amendments of legislation in force in the field of electronic communications, one should point out the entry into force of the Act amending the Electronic Communications Act and the new Act on the Regulation of the Rail Services Market on 06/19/2014, when a single national regulatory authority for the regulation of electronic communications, postal services and rail services markets was created – the Croatian Regulatory Authorit for Network Industries. Where secondary legislation concerned, after the entry into force of the amended Ordinance on the manner and conditions for provision of electronic communications networks and services, governing the process of changing the operator of public communications services in the fixed electronic communications network, a new Ordinance on optical fibre distribution networks governing the common use of optical fibre installations within buildings entered into force, as well as the amended Ordinance on payment of fees for the right to use of addresses, numbers and radio frequency spectrum, which reduced the fee for the use of the radio frequency spectrum for directed point-to-point connections. A new Consumer Protection Act has been rendered as well, implementing the Consumer Rights Directive. Apart from regulating distance contracts and contracts negotiated away from business premises, the Directive contains common provisions pertaining to all contracts concluded between a trader and a consumer.

Furthermore, in the upcoming reporting periods HAKOM is expected to render decisions in the commenced market analyses, specifically: market of retail broadband access, market of wholesale terminating segments of leased lines and wholesale trunk segments of leased lines, call origination on the public telephone network and the market of call termination on individual public telephone networks provided at a fixed location, the market of wholesale (physical) network infrastructure access at a fixed location and the market of wholesale broadband access.

8. Business Indicators and Segments

Number of Users		31.12.2013	31.12.2015/ 31.12.2013	30.09.2014	31.12.2014/ 30.09.2014	31.12.2014
Business						
	PVS	15.752	0,5%	16.154	-2,0%	15.828
	IPTV	1.050	1,0%	1.081	1,9%	1.060
	Internet	10.421	4,2%	10.950	-0,8%	10.858
	Data	860	36,9%	1.199	-1,8%	1.177
Residential						
	PVS	150.773	-5,1%	145.486	-1,6%	143.138
	IPTV	24.450	5,7%	25.917	-0,3%	25.840
	Internet	87.103	-0,3%	87.824	-1,1%	86.867

a. Residential Sales Segment

In 2014, the residential sales revenue had a slight drop of **2.7%**.

This was most contributed to by the **5.1%** decrease of the number of users of the basic voice service, which is a result of a long-running decreasing trend in the number of its users.
The said decrease of the number of users, as well as the decrease of the number of minutes in the national fixed network has resulted in an 8.7% drop in public voice service revenue.
In the IPTV service segment, the number of users increased by **5.7%** and the revenue by **2.1%**.

Internet access services segment achieved a **7.8%** growth in revenue while mainaining an almost equal number of users, where the highest revenue increase in 2014 of as much as **37.1%** has been achieved with users of services based on wholesale services (bitstream), which is a result of sales orientation towards non-urban areas.

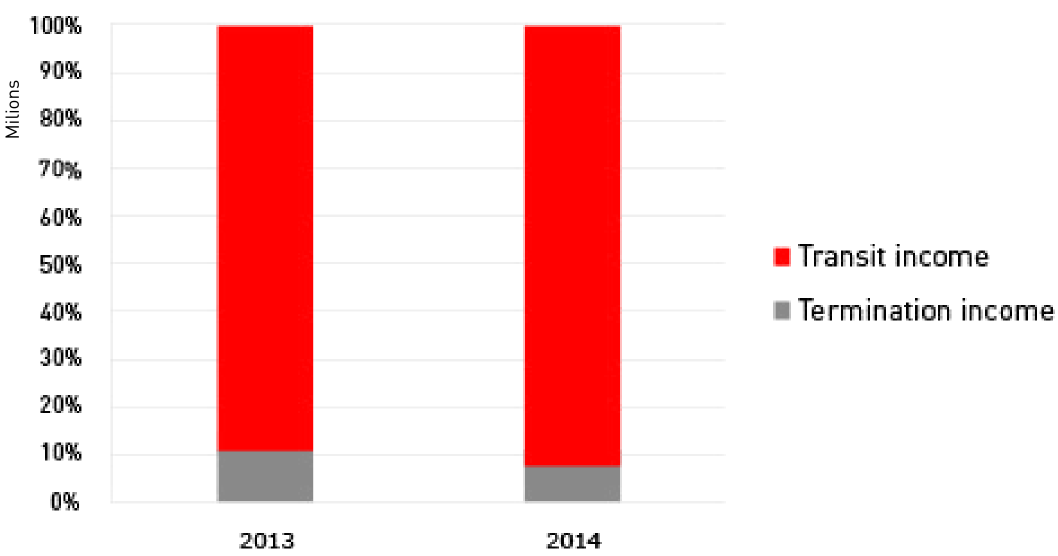
2014 has been characterized by regulatory changes, which turned the Company into an operator with significant market power (SMP) in market of access to public telephone network at a fixed location for residential and non-residential customers and made HAKOM impose the regulatory obligation of supervising retail prices on the Company.

b. Business Sales Segment

The data services revenue that increased by **13.1%** and the number of data services customers that increased by **36.9%** had a positive impact on the overall business segment revenue. Internet access services have recorded a **7.3%** increase with a simultaneous increase in the number of customers by **4.2%**. The number of public voice service customers in the business segment remained at the same level, i.e. it is **0.5%** higher compared to the previous year.
The stagnation of the number of public voice service customers and the reduced quantities of minutes in the national fixed network resulted in a 13.9% public voice service revenue drop which resulted in an overall **4.2%** business segment revenue drop, where the largest revenue drop of 13.6% occurred in the segment of middle-sized customers, while the revenue in the large customer segment has increased by **10.3%**.
During 2014, the Company participated in over 40 public tenders, bidding to provide telecommunications services.

c. Wholesale Segment

Interconnection Income Structure



Source: Company business records

The Company is a party to 47 Interconnection Agreements with 26 international operators, 3 national operators of mobile networks and 18 national operators of fixed networks.
The regulatory changes concerning the call termination into mobile and fixed networks have resulted in a **26.9%** smaller income compared to the previous year, with a simultaneous reduction of overall interconnection costs by **29.3%**.

In the wholesale data services segment, the Company achieved a stable revenue of HRK **12.2** million in 2013. In 2013, the Company has entered into telecommunications network lease agreements for a period of 15 years, and initially recorded this as income for the total agreement amount in the period when the agreement was concluded – 2013. The Company has found that the initial recording was incorrect and that the income per agreement throughout the agreement term should be separated.
In 2014 the Company revised its recording in a way to increase the loss brought forward from previous periods and record deferred income. In the upcoming periods, income per each agreement shall be recognized on a monthly basis, which represents a comparable revenue for 2013 and 2014.

d. Infrastructure and Optical Fibre Network Development

Infrastructural development in 2014, i.e. the construction of the Company's own optical fibre network, consisted of the finalization of a capital investment – construction of the optical fibre cable route Šibenik-Trogir and the regular construction of optical feeds to our new end customers.

In numbers, we are talking about 139.6 km of new optical fibre network, consisting of the above mentioned construction of the optical fibre cable route Šibenik-Trogir and the construction of 198 new optical feeds. The comparison of overall lengths shows a 4.96% enlargement of the fiber optic network compared to the construction level established at the end of 2013 (2,957 km compared to 2,817 km achieved by the end of 2013).

Most feeds and cable routes have been built in the Southern Region (86.2 km), followed by Region North (37.7 km), and Regions West (10.7 km) and East (5 km).

The new IPTV implementation project was successfully completed in October 2014. The target of the project was to replace the obsolete platform with very limited possibilities with a new, advanced platform. The new IPTV platform provides a significantly better and more intuitive user interface and a series of advanced functionalities which will place the Company between the leaders of the Croatian IPTV market.

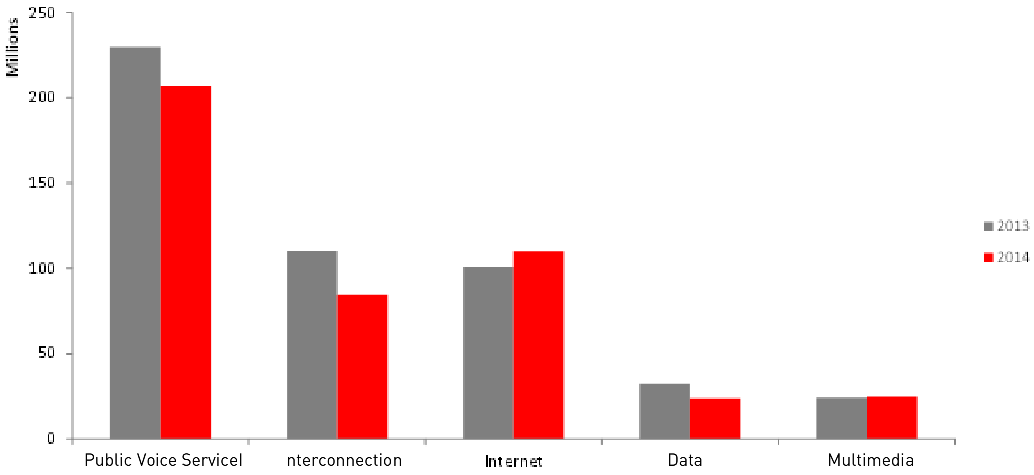
9. The Group's Financial Results

Sumarry	2013*	2014	2014 / 2013
Total Income	520.811	511.551	(1,8%)
Total Costs	554.004	491.784	(11,2%)
EBITDA	91.391	94.380	3,3%
Net Profit/(loss)	(33.438)	19.482	(158,3%)

*Disclaimer: Data from GFI

a. Consolidated Telecommunications Services Revenue

Telecommunications Services Revenue



Source: Company business records

Simultaneously with the decrease in revenue resulting from the decrease in the number of public voice service users, the Company has achieved a **5.5%** growth in the IPTV service market with a revenue increase of **2.4%**, **0.2%** more internet users, with a revenue increase of **7.7%**.

Public voice service is showing a decreasing tendency at a global level, so the quantity of minutes realized in the public voice service is dropping continuously, which is reflected into a decrease of revenue from public voice service amounting to **9.9%** and a decrease of the number of public voice service users by **4.4%**.

The decrease of overall revenue was mostly caused by the wholesale segment revenue, i.e. interconnection income which, as a consequence of a regulatory reduction of call termination prices, resulted in a **29.5%** revenue drop.

b. Earnings before Interest, Taxation and Depreciation – EBITDA

The consolidated EBITDA has been improved by **3.3%** compared to 2013 and amounts to HRK **94.4** million, with a simultaneous increase of the EBITDA margin from **17.5%** in 2013 to **18.5%** in 2014, which represents a one percentile increase.
The EBITDA result improvement is based on the commenced financial and operative restructuring which followed the pre-bankruptcy proceedings.

c. Net profit/(loss)

For the first time since the Company's founding, a positive consolidated net result has been achieved and amounts to HRK **19.5** million at the end of the year. In absolutes, this is a HRK **52.9** million increase compared to 2013 when the loss amounted to HRK **33.4** million.

d. Capital Investments in 2014

Consolidated capital investments in 2014 amounted to HRK 59.8 million. Out of this, HRK **19.2** million have been invested into the development of access optical network, broadening the collocations network, user equipment for providing the IPTV service and the business customers' connection equipment. HRK **3.7** million have been invested into the core network, which were mostly used to further broaden the core on to 10G technology, while HRK **32.9** million have been invested into the telecommunications center, mostly for providing the IPTV service.

	2014 (HRK)	% share
General Investments	**3.947.988**	**7%**
Capital Technical Investments	**55.827.088**	**93%**
ACCESS Network	19.164.763	32%
CORE Network	3.713.604	6%
Telecomunicaions Centert	32.948.721	55%
TOTAL	**59.775.076**	**100%**

e. Risk Management

Managing Currency Risk

The currency risk is the risk that the value of financial instruments will change due to exchange rate changes. The Company's highest exposure to currency risk arises out of long term loans, denominated in foreign currencies and recalculated into HRK applying the relevant exchange rate as per the balance date. Any exchange rate divergencies shall be attributed to operative costs or recorded in the profit and loss account, but do not influence the cash flow.

Interest Risk

The Company's exposure to interest risk is not significant, given that the Company's liabilities have not been agreed under variable exchange rated.
Other assets and liabilities, including issued bonds, are not exposed to the interest risk.

Credit Risk

The credit risk is the risk of non-payment or default in compliance with contractual obligations by the Company's buyers, which impacts the Company's potential financial loss. The Company has adopted procedures it applies in transactions with customers and gathers payment securities whenever possible, as a means of protection against potential financial risks and losses due to default in payment and in other contractual obligations. Customer receivables are followed continuously in order to determine their risk level and implement the appropriate procedures. The creditworthiness of the Company's customers is followed continuously, and the credit exposure towards the same is reviewed at least once a year. The Company trades with a large number of customers from different business structures and sizes, and with physical persons who have a specific credit risk. The Company has developed procedures for each individual customer group in order to ensure appropriate credit risk management.

Liquidity Risk Management

The Board of Directors holds the responsibility for liquidity risk management and sets the appropriate framework for liquidity risk management, with a view to manage short-term, mid-term and long-term financing and liquidity requirements. The Company manages the liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and achieved cash flow and monitoring the receivables' and liabilities' due dates.

II. Financial Reports of the Group

1. Profit and Loss Account

Item	EDP	Previous period	Current period
1	2	3	5
I. OPERATING INCOME (112+113)	111	512.285.740	486.375.449
1. Sales income	112	504.592.289	456.209.741
2. Other operating income	113	7.693.451	30.165.708
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	484.473.117	468.745.771
1. Changes in the value of inventories of ongoing production and finished goods	115	0	0
2. MATERIAL COSTS (117 do 119)	116	338.587.774	298.727.669
a) Costs of raw material and supplies	117	2.344.590	2.407.190
b) Costs of goods sold	118	1.939.087	963.942
c) Other external costs	119	334.304.097	295.356.537
3. Staff costs (121 do 123)	120	52.643.564	71.448.418
a) Net salaries and wages	121	29.796.286	38.380.367
b) Expenses of taxes and contributions from salaries	122	15.907.471	22.854.878
c) Contributions to salaries	123	6.939.807	10.213.173
4. Amortization	124	73.697.493	76.750.220
5. Other costs	125	13.780.981	18.271.586
6. Value adjustment (127+128)	126	3.286.006	3.502.531
a) fixed assets (apart from financial assets)	127	0	0
b) current assets (apart from financial assets)	128	3.286.006	3.502.531
7. Provisions	129	2.477.299	45.347
8. Other operating expenses	130	0	0
III. FINANCIAL INCOME (132 through 136)	131	8.524.893	25.175.419
1. Intersts income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0
2. Intersts income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	8.524.893	25.175.419
3. Income from affiliated undertakings and participating interests	134	0	0
4. Unrealized income of the financial assets	135	0	0
5. Other financial income	136	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	59.411.108	23.037.792
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	138	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	139	59.411.108	23.037.792
3. Unrealized losses (expenses) of the financial assets	140	0	0
4. Other financial expenses	141	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	142	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	143	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	10.119.348	0
IX. TOTAL INCOME (111+131+142 + 144)	146	520.810.633	511.550.868
X. TOTAL EXPENSES (114+137+143 + 145)	147	554.003.573	491.783.563
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-33.192.940	19.767.305
1. Profit before taxation (146-147)	149	0	19.767.305
2. Loss before taxation (147-146)	150	33.192.940	0
XII. PROFIT TAX	151	244.779	285.508
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-33.437.719	19.481.797
1. Profit for the period (149-151)	153	0	19.481.797
2. Loss for the period (151-148)	154	33.437.719	0

Source: Company business records

2. Balance Sheet

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	408.704.652	393.662.296
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.879	60.764.411
II. TANGIBLE ASSETS (011 through 019)	010	353.717.714	318.440.312
III. FIXED FINANCIAL ASSETS (021 through 028)	020	3.555.059	14.457.573
IV. RECEIVABLES (030 through 032)	029	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	156.848.368	105.908.434
I. INVENTORY (036 do 042)	035	1.343.689	1.455.424
II. RECEIVABLES (044 do 049)	043	86.332.465	77.059.487
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.272	1.439.292
IV. CASH IN BANK AND REGISTER	058	67.923.942	25.954.231
D) PREPAYMENTS AND ACCRUED INCOME	059	38.216.674	13.577.942
E) TOTAL ASSETS (001+002+034+059)	060	603.769.694	513.148.672
F) OFF-BALANCE RECORDS	061	1.724.426.416	427.934.789
LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-624.991.122	-34.962.734
I. BASE (registered) capital	063	28.200.700	632.659.190
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	0	0
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-814.108.103	-881.457.721
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-33.437.719	19.481.797
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.477.299	2.432.041
C) FIXED LIABILITIES (084 through 092)	083	14.736.632	448.972.954
D) CURRENT LIABILITIES (094 do 105)	093	1.184.580.424	60.356.509
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	26.966.461	36.349.902
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	603.769.694	513.148.672
G) OFF – BALANCE RECORDS	108	1.724.426.416	427.934.789

Source: Company business records

3. Cash Flow

Item	EDP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	-33.437.719	19.767.305
2. Depreciation	002	73.697.493	76.750.220
3. Increase of short-term liabilities	003	100.845.351	0
4. Decrease of short-term receivables	004	0	9.272.978
5. Decrease of inventories	005	0	
6. Other increase of cash flow	006	12.464.926	34.022.173
I. Total increase of cash flow from operating activities (001 through 006)	007	153.570.051	139.812.676
1. Decrease of short-term liabilities	008	0	408.911.224
2. Increase of short-term receivables	009	4.555.740	
3. Increase of inventories	010	60.475	111.735
4. Other decrease of cash flow	011	37.431.140	45.050.691
II. Total decrease of cash flow from operating activities (008 through 011)	012	42.047.355	454.073.650
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	111.522.696	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	314.260.974
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	604.458.490
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	604.458.490
1. Cash expenditure for buying tangible and intangible fixed assets	021	86.473.400	50.805.350
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	86.473.400	50.805.350
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	553.653.140
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	86.473.400	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	41.054.790	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	41.054.790	0
1. Cash expenditure for the payment of loan principal and bonds	031	0	281.076.369
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	285.508
VI. Total cash expenditure from financial activities (031 through 035)	036	0	281.361.877
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	41.054.790	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	281.361.877
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	66.104.086	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	41.969.711
Cash and cash equivalents at the beginning of the period	041	1.819.856	67.923.942
Increase of cash and cash equivalents	042	66.104.086	0
Decrease of cash and cash equivalents	043	0	41.969.711
Cash and cash equivalents at the end of the period	044	67.923.942	25.954.231

Source: Company business records

4. Changes in capital

Item	EDP	Previous period	Current period
1	2	3	4
1. Subscribed capital	001	28.200.700	632.659.190
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	
4. Retained profit or loss carried forward	004	-814.108.103	-881.457.721
5. Profit or loss of the current year	005	-33.437.719	19.481.797
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	-624.991.122	-34.962.734
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

Source: Company business records

III. Statement Regarding the Application of the Code of Corporate Governance

In accordance with articles 250a and 250b of the Companies Act, the Company has compiled the Annual Management Report on the Status and Business of the Company and the Group for 2014 which contains the Statement Regarding the Application of the Code of Corporate Governance.

In the course of its business, the Company is striving to adhere to the highest possible extent to the recommendations of the Code of Corporate Governance as published on the website of Zagrebačka Burza d.d., taking into account all the circumstances and specificities of its business organization.

The Company adheres to the recommendations in the Code of Corporate Governance with the exception of those provisions that cannot be considered practical under the present circumstances:

- For those shareholders who are not able to vote in the General Meeting for whatever reasons, the Company has not provided proxies obligated to vote according to their instructions, with no extra costs. The shareholders unable to vote personally choose their own proxy who is obligated to vote according to their instructions.
- There is no decision on dividend payment or dividend advance, considering that the dividend has not been paid in 2014.
- During the General Meeting, the shareholders were not given the opportunity to vote using modern communications technology because this has not been provided in the Statute.

All the transactions involving the members of the Supervisory Board or their affiliated persons and the Company or its affiliates, have been stated in the Company's financial reports.
There are no specific internal rules regulating the work of the Supervisory Board. The relevant provisions of the Companies Act shall apply to the Supervisory Board's work. However, the Supervisory Board has established a Commission for monitoring the synergy measures, pursuant to the conditions of the cleared concentration between Hrvatski Telekom d.d. and the Company. The work of the said Commission is regulated by the conditions set forth in the Croatian Competition Agency's Decision, class: UP/I 034-03/2013-02/007, cons. no. 580-06/41-14-096 dated March 19, 2014.

The Supervisory Board does not have a majority of independent members as defined in the Code's reccommendations. All Supervisory Boad members have been elected in the Company's General Meeting, observing the procedure of declaring candidacies.

The Supervisory Board does not have any of the commissions envisaged in the recommendations of the Code of Corporate Governance (appointments commission, awards commission, audit commission). However, as previously mendioned, the Supervisory Board has a Commission for monitoring synergy measures.

The information on all income and remunerations that every member of the Board of Directors and Supervisory Board receives from the Company is published jointly for the Board of Directors and the Supervisory Board. Therefore, the Company has not published a separate Statement on Benefits for the Board of Directors and the Supervisory Board.

The Company executes internal auditing through internal procedures that include supervising the due fulfillment of obligations, so that within the scope of the Code of Corporate Governence there is no separate organizational unit dealing solely with internal auditing.

The amount of remunerations paid to external auditors for conducted audits and other provided services have not been disclosed by the Company, as this information has thus far been classified as confidential.

1. Internal Audit in the Company and Risk Management in Correlation with Financial Reporting

The Company's Supervisory Board has not formed a separate audit commission. The Supervisory Board decided that considering the Company's size and regular reporting of the Board of Directors to the Supervisory Board, the formation of a separate commission is not necessary. The Company has not formed a separate organizational unit dealing specifically with internal auditing, but the Company has a Corporate Security unit that works on minimizing all business risks within its regular scope of activities.

2. Significant Shareholders in the Company as per 12/31/2014

After successfully completing the pre-bankruptcy settlement proceedings and consequential conversion of claims into the Company's share capital, substantial changes occurred in the ownership structure. As per 12/31/2014 the Company's largest shareholder is Zagrebačka banka d.d., having a 40.44% share in the share capital, followed by Hrvatski Telekom d.d. with a 19.11% share in the share capital. The biggest shareholder among physical persons is Marijan Hanžeković, holding a 3.78% share, while the former majority shareholder, Matija Martić, holds a 2.68% share in the share capital.

3. Rules on Appointment and Recall of the members of the Board of Directors and the Supervisory Board and Their Powers

The Company's affairs are managed by a Board of Directors consisting of three to five members. One of the members is appointed as the Chairman of the Board. The Board of Directors and the Chairman of the Board are appointed and recalled by the Supervisory Board. The members of the Board of Directors are appointed for a period of 2 years and can be reappointed. Pursuant to the Companies Act and the Statute, the Board of Directors is solely responsible for conducting the Company's business and has the power to undertake any and all actions and make such decisions as it deems necessary for successful management of the Company. The Board of Directors is obligated to observe the limitations set out in the Statute. Every member of the Board of Directors represents the Company jointly with another member of the Board of Directors.

The Supervisory Board consists of nine members, one of which is appointed by the employees. The General Assembly elects the Supervisory Board by an ordinary majority of votes, apart from the employee-appointed member. The mandate of Supervisory Board members is set at 4 years, and they can be re-elected. Supervisory Board members elect the Chairman and Deputy Chairman of the Supervisory Board amongst themselves. The Deputy Chair has the rights and obligations of the Chairman only when the Chairman is unable to carry out his/her function.

For specific transactions, or decisions of the Board of Directors, the Board of Directors is obligated to obtain the previous consent of the Supervisory Board, according to the criteria provided in Art. 15 of the Statute. Within its scope of activities, the Supervisory Board handles the tasks laid down by Art. 18 of the Statute.

In line with Art. 8 of the Statute, within five years from the registration of Statute amendments with the Court Registry, the Board of Directors is authorized to increase the Company's share capital once or several times by a total sum of one hundred and eighty Croatian Kuna (authorized capital). Such a share capital increase requires the Supervisory Board's consent.

Acting in accordance with the said powers, on July 23, 2014 the Board of Directors adopted the Decision on increasing share capital within the scope of authorized capital by issuance of new common stock, investments in rights, with the exclusion of existing shareholders' priority rights, which has been adopted with the Supervisory Board's consent.

4. Changes within 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 the same day, 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 7/9/2014.

On October 24, 2014, Optima Telekom's Workers' Council adopted the decision on appointing Ivica Hunjek as the employee representative in the Supervisory Board of Optima Telekom, while in the General Meeting of November 3, 2014 Maša Serdinšek has been appointed as a member of the Supervisory Board.

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.

In its meeting of September 30, 2014, the Supervisory Board appointed Mr. Tomislav Tadić as a member of the Board of Directors in charge of finance. Mr. Tadić's has been appointed with a mandate of two years, starting from October 1, 2014.

As of September 30, 2014, Mr. Goran Jovičić is no longer a member of the Company's Board of Directors.

The Company's Board of Directors currently has 3 members: Zoran Kežman, Chairman, Mirela Šešerko, member of the Board in charge of technics and Tomislav Tadić, member of the Board in charge of finance, 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, Rozana Gregorinić, Maša Serdinšek and Ivica Hunjek as members.

IV. Statement of the Persons in Charge of Financial Statements

In accordance with Article 403 of the Capital Markets Act, the members of the Board of Directors, Mr. Zoran Kežman as Chairman of the Board, Ms. Mirela Šešerko, as Member of the Board, and Mr. Tomislav Tadić, 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 the Company and other companies included in the consolidation. The annual financial report contains a true presentation of development, results and position of the Company and its subsidiaries, as well as a description of the most significant risk factors and uncertainties which the group is exposed to.

(signatures of Board members)

Zoran Kežman	Mirela Šešerko	Tomislav Tadić

OT-Optima Telekom d.d.
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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.

The Supervisory Board declares that it accepts the audited annual financial report in full and confirms that during 2014 the Board of Directors acted in accordance with relevant legislation and statutory authorities.

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

Enclosure 1

Reporting period: 1.1.2014 to 31.12.2014

Annual Financial Report for Enterpreneurs GFI-POD

Tax Number (MB): 0820431

Registration Number (MBS): 040035070

Personal Identification Number (OIB): 36004425025

Issuer: OT-OPTIMA TELEKOM d.d.

Postal Code and Location: 10010 BUZIN

Street and number: BANI 75 A

e-mail address: info@optima.hr

Internet address: www.optima.hr

and name for municipality/city: 133

Code and name for county: 21

Number of employees (at the year's end): 406

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	KUZMINEČKA 8, ZAGREB	21017859228

Book-keeping firm:

Contact person: Svetlana Kundović
(unosi se samo prezime i ime osobe za kontakt)

Telephone: 01/5492027

Telefaks: 01/4817160

e-mail address: svetlana.kundovic@optima-telekom.hr

Surname and name: ZORAN KEŽMAN, MIRELA ŠEŠERKO, TOMISLAV TADIĆ
(osoba ovlaštene za zastupanje)

Documents for publication
1. Revised Annual Financial Statements
2. Statements for persons responsible for composing financial statements
3. Management report

OT-Optima Telekom d.d.
ZAGREB

M.P.

(signature of authorized person)

PROFIT AND LOSS ACCOUNT

for the period from 01 Jan 2014 to 31 Dec 2014

Issuer: OT - Optima Telekom d.d.

Item	ADP	Previous period	Current period
1	2	3	4
I. OPERATING INCOME (112+113)	**111**	512.285.740	486.375.449
1. Sales income	**112**	504.592.289	456.209.741
2. Other operating income	**113**	7.693.451	30.165.708
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	**114**	484.473.117	468.745.771
1. Changes in the value of inventories of ongoing production and finished goods	**115**	0	0
2. MATERIAL COSTS (117 do 119)	**116**	338.587.774	298.727.669
a) Costs of raw material and supplies	**117**	2.344.590	2.407.190
b) Costs of goods sold	**118**	1.939.087	963.942
c) Other external costs	**119**	334.304.097	295.356.537
3. Staff costs (121 do 123)	**120**	52.643.564	71.448.418
a) Net salaries and wages	**121**	29.796.286	38.380.367
b) Expenses of taxes and contributions from salaries	**122**	15.907.471	22.854.878
c) Contributions to salaries	**123**	6.939.807	10.213.173
4. Amortization	**124**	73.697.493	76.750.220
5. Other costs	**125**	13.780.981	18.271.586
6. Value adjustment (127+128)	**126**	3.286.006	3.502.531
a) fixed assets (apart from financial assets)	**127**	0	0
b) current assets (apart from financial assets)	**128**	3.286.006	3.502.531
7. Provisions	**129**	2.477.299	45.347
8. Other operating expenses	**130**	0	0
III. FINANCIAL INCOME (132 through 136)	**131**	8.524.893	25.175.419
1. Intersts income, foreign exchange gains, dividends and other income related to affiliated undertakings	**132**	0	0
2. Intersts income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	**133**	8.524.893	25.175.419
3. Income from affiliated undertakings and participating interests	**134**	0	0
4. Unrealized income of the financial assets	**135**	0	0
5. Other financial income	**136**	0	0
IV. FINANCIAL EXPENSES (138 do 141)	**137**	59.411.108	23.037.792
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	**138**	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	**139**	59.411.108	23.037.792
3. Unrealized losses (expenses) of the financial assets	**140**	0	0
4. Other financial expenses	**141**	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	**142**	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	**143**	0	0
VII. EXTRAORDINARY - OTHER INCOME	**144**	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	**145**	10.119.348	0
IX. TOTAL INCOME (111+131+142 + 144)	**146**	520.810.633	511.550.868
X. TOTAL EXPENSES (114+137+143 + 145)	**147**	554.003.573	491.783.563
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	**148**	-33.192.940	19.767.305
1. Profit before taxation (146-147)	**149**	0	19.767.305
2. Loss before taxation (147-146)	**150**	33.192.940	0
XII. PROFIT TAX	**151**	244.779	285.508
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	**152**	-33.437.719	19.481.797
1. Profit for the period (149-151)	**153**	0	19.481.797
2. Loss for the period (151-148)	**154**	33.437.719	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**	-33.437.719	19.481.797
2. Assigned to minority interest	**156**	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)			
I. PROFIT / LOSS FOR THE PERIOD (= 152)	**157**	-33.437.719	19.481.797
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	**158**	0	0
1. Exchange differences on translating foreign operations	**159**	0	0
2. Changes in revalorization reserves of fixed and intangible assets	**160**	0	0
3. Profit or loss from revaluation of financial assets available for sale	**161**	0	0
4. Profit or loss on effective cash flow protection	**162**	0	0
5. profit or loss on effective hedge of a net foreign investment	**163**	0	0
6. Share of other comprehensive income / loss of associated companies	**164**	0	0
7. Actuarial income / loss on defined benefit plans	**165**	0	0
III. COMPREHENSIVE INCOME TAX	**166**	0	0
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	**167**	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	**168**	-33.437.719	19.481.797
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**	-33.437.719	19.481.797
2. Assigned to minority interest	**170**	0	0

BALANCE SHEET

on 31 Dec 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	408.704.652	393.662.296
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.879	60.764.411
1. Development expenses	004	0	0
2.Concessions, patents, licences, goods and services trademarkas, software and other rights	005	51.431.879	60.764.411
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	353.717.714	318.440.312
1. Land	011	23.269	23.269
2. Building objects	012	20.671.141	13.999.808
3. Facilities and equipment	013	321.907.832	296.232.427
4. Tools, production inventory and transport assets	014	1.660.667	1.246.801
5. Biological assets	015	0	
6. Advances for tangible assets	016	0	
7. Tangible assets in preparation	017	8.640.361	6.328.486
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	767.622	562.699
III. FIXED FINANCIAL ASSETS (021 through 028)	020	3.555.059	14.457.573
1. Shares (stock) in affiliated enterpreneurs	021	0	0
2. Loans granted to affiliated enterpreneurs	022	0	0
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	3.520.059	14.422.573
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 enterpreneurs	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	156.848.368	105.908.434
I. INVENTORY (036 do 042)	035	1.343.689	1.455.424
1. Raw material and supplies	036	0	0
2. Ongoing produciton	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.343.689	1.455.424
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	86.332.465	77.059.487
1. Receivables from affiliated enterpreneurs	044	0	0
2. Receivables from buyers	045	84.616.921	75.078.442
3. Receivables from participating enterpreneurs	046	0	0
4. Receivables from employees and members of the enterpreneur	047	40.629	18.825
5.Receivables from the state and other institution	048	394.134	167.199
6. Other receivables	049	1.280.781	1.795.021
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.272	1.439.292
1. Shares (stock) in affiliated enterpreneurs	051	0	0
2. Loans granted to affiliated enterpreneurs	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	1.248.272	1.439.292
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	67.923.942	25.954.231
D) PREPAYMENTS AND ACCRUED INCOME	059	38.216.674	13.577.942
E) TOTAL ASSETS (001+002+034+059)	060	603.769.694	513.148.672
F) OFF-BALANCE RECORDS	061	1.724.426.416	427.934.789

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-624.991.122	-34.962.734
I. BASE (registered) capital	063	28.200.700	632.659.190
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	-814.108.103	-881.457.721
1. Retaned earnings	073	0	0
2. Loss carried forward	074	814.108.103	881.457.721
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-33.437.719	19.481.797
1. Profit of the year	076	0	19.481.797
2. Loss of the year	077	33.437.719	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.477.299	2.432.041
1. Provisions for pensions, severance payments amd similar obligations	080	2.477.299	2.432.041
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	14.736.632	448.972.954
1. Liabilities towards affiliated enterpreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	13.773.674	60.628.103
3. Liabilities towards banks and other financial institutions	086	0	271.164.891
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	41.368.816
6. Liabilities as per securities	089	0	75.350.599
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	962.958	460.545
D) CURRENT LIABILITIES (094 do 105)	093	1.184.580.424	60.356.509
1. Liabilities towards affiliated enterpreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	2.902.951	0
3. Liabilities towards banks and other financial institutions	096	599.114.442	3.424.117
4. Liabilities for advances	097	0	0
5. Liabilities towards suppliers	098	272.755.962	49.072.191
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	2.786.048	2.829.058
9. Liabilities for taxes, contributions and similar levies	102	13.262.411	5.003.902
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	71.110	27.241
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	26.966.461	36.349.902
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	603.769.694	513.148.672
G) OFF – BALANCE RECORDS	108	1.724.426.416	427.934.789
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	-624.991.122	-34.962.734
2. Assigned to minority interest	110		

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 31 Dec 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	-33.437.719	19.767.305
2. Depreciation	002	73.697.493	76.750.220
3. Increase of short-term liabilities	003	100.845.351	0
4. Decrease of short-term receivables	004	0	9.272.978
5. Decrease of inventories	005	0	
6. Other increase of cash flow	006	12.464.926	34.022.173
I. Total increase of cash flow from operating activities (001 through 006)	007	153.570.051	139.812.676
1. Decrease of short-term liabilities	008	0	408.911.224
2. Increase of short-term receivables	009	4.555.740	
3. Increase of inventories	010	60.475	111.735
4. Other decrease of cash flow	011	37.431.140	45.050.691
II. Total decrease of cash flow from operating activities (008 through 011)	012	42.047.355	454.073.650
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	111.522.696	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	314.260.974
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	604.458.490
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	604.458.490
1. Cash expenditure for buying tangible and intangible fixed assets	021	86.473.400	50.805.350
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	86.473.400	50.805.350
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	553.653.140
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	86.473.400	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	41.054.790	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	41.054.790	0
1. Cash expenditure for the payment of loan principal and bonds	031	0	281.076.369
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	285.508
VI. Total cash expenditure from financial activities (031 through 035)	036	0	281.361.877
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	41.054.790	0
C2)NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	281.361.877
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	66.104.086	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	41.969.711
Cash and cash equivalents at the beginning of the period	041	1.819.856	67.923.942
Increase of cash and cash equivalents	042	66.104.086	0
Decrease of cash and cash equivalents	043	0	41.969.711
Cash and cash equivalents at the end of the period	044	67.923.942	25.954.231

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2014 to 31.12.2014

Item	EDP	Previous period	Current period
1	2	3	4
1. Subscribed capital	001	28.200.700	632.659.190
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	
4. Retained profit or loss carried forward	004	-814.108.103	-881.457.721
5. Profit or loss of the current year	005	-33.437.719	19.481.797
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	-624.991.122	-34.962.734
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	-624.991.122	-34.962.734
17 b. Assigned to minority interest	019		

Items that reduce capital entered with a negative sign
Data under EDP codes 001-009 to be input balance sheet as at date

Notes to the Financial Statements

During the 2014, 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

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 isssued a licence for public voice service in fixed networks for the company on 19November 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, wich currently is not operating

Investments in affiliated companies as on 31 December 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 maket terms and conditions.

Staff

On 31 December 2014. the Company employed 406 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 (until 30 Sep 2014.)
Tomislav Tadić	Member (as of 1 Oct 2014.)

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-Mlšetić	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.)
Jasenka Anica Kreković	Member (as of 18 Jun 2014.)
Marko Makek	Member (as of 18 Jun 2014.)
Ana Hanžeković	Member (as of 18 Jun 2014.)
Rozana Grgorinić	Member (as of 18 Jun 2014.)
Maša Serdinšek	Member (as of 3 Nov 2014.)
Ivica Hunjek	Member (as of 3 Oct 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 31 Dec 2014 was HRK 7,661471 for EUR 1 and HRK 6,302107 for USD 1.

112. SALES INCOME

	31 Dec 2014	31 Dec 2013
Public voice services	207.083.635	229.834.842
Interconnection services	84.443.121	110.252.227
Internet services	110.068.203	100.803.291
Data services	23.415.022	32.327.613
Multimedia services	24.864.437	23.986.234
Lease and sale of equipment	3.467.740	4.575.612
Sale of goods and products	0	0
Trade agency income	98.340	116.121
Other services	2.769.243	2.696.349
	456.209.741	**504.592.289**

113. OTHER OPERATING INCOME

	31 Dec 2014	31 Dec 2013
Write off old trade payables	10.761.470	1.492.674
Income from rent - billing system	0	75.546
Income from collected penalties etc.	2.595.292	1.787.783
Income from in kind payments	692.931	397.813
Income from reversal of provisions	0	2.300.171
Other income	16.116.015	1.639.464
	30.165.708	**7.693.451**

119. MATERIAL COSTS

	31 Dec 2014	31 Dec 2013
Costs of maintenance	18.516.844	17.203.428
Marketing services	5.956.629	2.030.718
Billing costs	4.647.580	5.449.947
Line lease costs	38.176.370	44.275.303
Intellectual and other services	2.249.756	4.350.165
Utilities	8.409.239	8.835.188
Customer attraction costs	2.492.688	5.544.260
Pair connection fees	56.500.241	61.342.765
Telecommunications costs	152.697.303	176.484.347
Residential sales services	343.006	5.437.011
Other costs	5.366.881	5.750.504
	295.356.537	**336.703.636**

120. STAFF EXPENSES

	31 Dec 2014	31 Dec 2013
Net salaries	38.380.367	29.796.286
Taxes and contributions from salaries	22.854.878	15.907.471
Taxes and contributions on salaries	10.213.173	6.939.807
	71.448.418	**52.643.564**
Number of employees on 31 Dec 2014	406	424

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Dec 2014	31 Dec 2013
Amortization of intangible assets	24.031.699	25.756.815
Amortization of fixed tangible assets	52.718.521	47.940.678
	76.750.220	**73.697.493**

125. OTHER OPERATING EXPENSES

	31 Dec 2014	31 Dec 2013
Compensations to employees	2.782.996	2.582.996
Representation	614.768	1.379.824
Insurance premiums	1.394.994	1.137.596
Bank charges	618.105	3.147.255
Taxes, contributions and membership fees	1.027.119	1.285.444
Net loss of sold and written off assets	3.536.593	145.680
Gifts and sponsorships	612.948	514.562
Unpaid receivables write-offs	6.177.235	3.196.932
Other expenses	1.506.828	2.767.778
	18.271.586	**16.158.067**

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

	31 Dec 2014	31 Dec 2013
Interest income	5.188.971	7.724.131
Income from financial liability write offs	19.452.109	0
Foreign exchange gains	534.339	800.762
	25.175.419	**8.524.893**

137. FINANCIAL EXPENSES

	31 Dec 2014	31 Dec 2013
Interest expenses	19.930.229	51.209.984
Fee	42.483	272.250
Financial assets value adjustment	3.065.080	
Foreign exchange losses	0	7.928.874
	23.037.792	**59.411.108**

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 2014	**62.364.332**	**82.767.288**	**0**	**145.131.620**
Additions	27.225.177	0	6.139.054	33.364.231
Transfer from assets in progress	0	6.139.054	-6.139.054	0
Disposals and retirements	0	0	0	0
As at 31 Dec 2014	**89.589.509**	**88.906.342**	**0**	**178.495.851**
VALUE ADJUSTMENT				
As at 01 Jan 2014	**23.258.343**	**70.441.398**	**0**	**93.699.741**
Amortization of the current year	20.161.008	3.870.691	0	24.031.699
Disposals and retirements	0	0	0	0
Amortization as at 31 Dec 2014	**43.419.351**	**74.312.089**	**0**	**117.731.440**
NET ACCOUNTING VALUE				
As at 31 Dec 2014	**46.170.158**	**14.594.253**	**0**	**60.764.411**

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**	**26.937.036**	**611.178.042**	**6.199.636**	**46.822**	**8.640.361**	**4.807.796**	**657.832.962**
Additions	0	0	3.902.583	1.002.889	0	21.499.973	5.400	26.410.845
Transfer from assets in progress	0	76.449	23.620.802	113.120	0	-23.811.847	1.476	0
Disposals and retirements	0	-7.305.609	-7.324.740	-2.449.010	0	0	0	-17.079.359
As at 31 Dec 2014	**23.269**	**19.707.876**	**631.376.687**	**4.866.635**	**46.822**	**6.328.487**	**4.814.672**	**667.164.448**
VALUE ADJUSTMENT								
As at 01 Jan 2014	**0**	**6.265.895**	**289.270.210**	**4.538.969**	**0**	**0**	**4.040.174**	**304.115.248**
Amortization of the current year	0	1.456.684	50.535.537	514.505	0	0	211.795	52.718.521
Disposals and retirements	0	-2.014.511	-4.661.483	-1.433.640	0	0	0	-8.109.634
Amortization as at 31 Dec 2014	**0**	**5.708.068**	**335.144.264**	**3.619.834**	**0**	**0**	**4.251.969**	**348.724.135**
NET ACCOUNTING VALUE								
As at 31 Dec 2014	**23.269**	**13.999.808**	**296.232.423**	**1.246.801**	**46.822**	**6.328.487**	**562.703**	**318.440.313**

020. LONG-TERM FINANCIAL ASSETS

	31 Dec 2014	31 Dec 2013
Loans to majority shareholder	14.454.675	14.478.158
Loans to third party companies	37.421.673	36.988.703
Long term deposits	3.502.197	3.520.059
Participating interest (up to 20% of share)	35.000	35.000
	55.413.545	**55.021.920**
Value adjustment	-40.955.972	-51.466.861
	14.457.573	**3.555.059**

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. and they come due on 30 Jun 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

	31 Dec 2014
1 January 2014	51.466.861
Write off during the year	0
Impaired during the year	-10.762.619
Reserved during the year	251.730
Closing balance	**40.955.972**

043. RECEIVABLES

	31 Dec 2014	31 Dec 2013
Trade receivables	75.078.442	84.616.921
Employee receivables	18.825	40.629
Receivables from the state and other institutions	167.199	394.134
Other receivables	1.795.021	1.280.781
	77.059.487	**86.332.465**

045. TRADE RECEIVABLES

	31 Dec 2014	31 Dec 2013
Domestic trade receivables	99.097.435	102.485.484
Foreign trade receivables	5.800.560	9.689.205
Interests receivables	0	51.514
	104.897.995	**112.226.203**
Value adjustment	-29.819.553	-27.609.282
	75.078.442	**84.616.921**

Movement of value adjustment for doubtful receivables:

	31 Dec 2014
1 January 2014	27.609.282
Write off during the year	0
Collected during the year	-943.735
Reserved during the year	3.154.005
Closing balance	**29.819.552**

Aging of trade receivables of the Company:

	31 Dec 2014
Undue	47.779.513
Up to 120 days	20.667.471
120-360 days	6.096.544
over 360 days	30.354.467
	104.897.995

049. OTHER RECEIVABLES

	31 Dec 2014	31 Dec 2013
Interest receivables	5.874.020	3.449.019
Advance payments receivables	1.440.615	786.331
Other receivables	111.682	133.532
	7.426.317	**4.368.882**
Value adjustment	-5.631.296	-3.088.101
	1.795.021	**1.280.781**

056. GRANTED LOANS AND DEPOSITS

	31 Dec 2014	31 Dec 2013
Loans	3.410	0
Deposits	1.435.882	1.248.272
	1.439.292	**1.248.272**

058. CASH IN BANK AND REGISTER

	31 Dec 2014	31 Dec 2013
Kuna accounts balance	25.837.204	62.671.227
Foreign currency accounts balance	106.915	5.230.370
Cash in register	10.112	22.345
	25.954.231	**67.923.942**

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Dec 2014	31 Dec 2013
Differed customer related expenses	0	23.609.859
Bond issuing expenses	0	0
Prepaid expenses	13.577.942	14.606.815
	13.577.942	**38.216.674**

During the 2014 Company changed its accounting policy for acvisition costs and the impact of changes is shown in the audit report for 2014

062. 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.

The Company's share capital has been increased from HRK 563,788,270.00, by HRK 68,870,920.00, to HRK 632,659,190.00, by issuing 6,887,092 common shares, ticker OPTE-R-B, each having the nominal value of HRK 10.00.The share capital increase has been implemented pursuant to the Company's Board of Directors' Decision of July 23, 2014, regarding the share capital increase within the scope of authorized capital by issuance of new common stock, investments in rights, with the exclusion of existing shareholders' priority rights. The Decision in question has been made with the Supervisory Board's consent.

At 31 Dec 2014, loss per share is as follows:

Net result - loss	19.481.797
Number of shares	63.265.919
Loss per share	**0,31**

In the same period last year, loss per share amounted to HRK 11,86

Structure of shareholders as on 31 Dec 2014:

	u 000 HRK	%
ZAGREBAČKA BANKA D.D. (1/1)	255.830	40,44
HT D.D. (1/1)	120.902	19,11
HANŽEKOVIĆ MARIJAN (1/1)	23.923	3,78
RAIFFEISENBANK AUSTRIA D.D. (1/1)	21.246	3,36
MARTIĆ MATIJA (1/1)	17.006	2,69
MERKUR OSIGURANJE D.D. (1/1) /MATEMATIČKA PRIČUVA	11.921	1,88
VIPNET D.O.O. (1/1)	10.854	1,72
HRVATSKA POŠTANSKA BANKA D.D./ HPB GLOBAL - OIF S JAVNOM PONUDOM (1/1)	9.873	1,56
RAIFFEISENBANK AUSTRIA D.D./RAB	9.407	1,49
HRVATSKA POŠTANSKA BANKA D.D. (1/1)	8.109	1,28
ZAGREBAČKA BANKA D.D./ZAGREBAČKA BANKA/ZBIRNI SKRBNIČKI	6.759	1,07
HUAWEI TECHNOLOGIES D.O.O. (1/1)	5.889	0,93
ALLIANZ ZAGREB D.D. (1/1)	5.677	0,90
HYPO ALPE-ADRIA-BANK D.D./ PBZ CO OMF - KATEGORIJA B (1/1)	5.677	0,90
ZAGREBAČKA BANKA D.D./ZB AKTIV	5.677	0,90
UNIQA D.D. (1/1) /MATEMATIČKA PRIČUVA	5.474	0,87
COMPUTECH D.O.O. (1/1)	5.333	0,84
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./ZBIRNI SKRBNIČKI RAČUN	5.260	0,83
INTERKAPITAL D.D. (1/1)	5.165	0,82
ODAŠILJAČI I VEZE D.O.O. (1/1)	4.841	0,77
	544.823	**86,12**
OSTALI DIONIČARI	87.836	13,88
	632.659	**100,00**

083. LONG-TERM LIABILITIES

	31 Dec 2014	31 Dec 2013
Loan based liabilities	3.882.024	13.773.674
Liabilities towards credit institutions	271.164.891	0
Trade payables based on prebankruptcy agreement	56.746.079	0
Liabilities for bonds issued	75.350.599	0
Trade payables for content	41.368.816	33.121.423
Liabilities for taxes	460.545	962.958
	448.972.954	**47.858.055**

Taxes liabilities are related to rescheduled liabilities according to the notice of the Ministry of Finance from 21 Nov 2013

089. 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 due on 01 Feb 2014 is not paid

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-142A 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.

	31.12.2014	31.12.2013
Nominal value	75.000.000	250.000.000
Compensations for issuance of bonds	0	0
Liabilities based on calculated interest	350.599	43.687.500
	75.350.599	**293.687.500**

093. SHORT-TERM LIABILITIES

	31 Dec 2014	31 Dec 2013
Loan based liabilities	0	2.902.951
Liabilities towards credit institutions	3.422.617	546.095.248
Interest liabilities	1.500	53.019.194
Liabilities for bonds issued	0	293.687.500
Liabilities for advances received		0
Trade payables	49.072.191	239.634.539
Liabilities towards employees	2.829.058	2.786.048
Taxes, contributions and other levies	5.003.902	13.262.411
Other liabilities	27.241	71.110
	60.356.509	**1.151.459.001**

098. LIABILITES TOWARDS SUPPLIERS

	31 Dec 2014	31 Dec 2013
Domestic trade payables	46.819.555	233.182.832
Foreign trade payables	2.252.636	6.451.707
	49.072.191	**239.634.539**

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Dec 2014	31 Dec 2013
VAT Liabilities	3.121.360	10.510.034
Taxes and contributions on and from salaries	1.725.029	1.963.165
Other taxes and contributions	157.513	789.212
	5.003.902	**13.262.411**

106. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Dec 2014	31 Dec 2013
Domestic payables for which invoices have not been received	6.736.711	6.634.309
Foreign payables for which invoices have not been received	3.465.242	4.068.943
Deferred income	22.457.550	12.506.568
Deferred income due to uncertainty	3.690.399	3.756.641
	36.349.902	**26.966.461**

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 Dec 2014 in 000 HRK	31 Dec 2013 in 000 HRK	31 Dec 2014 in 000 HRK	31 Dec 2013 in 000 HRK
EUR	235.696	607.621	-14.941	-23.524
USD	266	1.581	0	0
CHF				
GPB				
	235.962	**609.202**	**-14.941**	**-23.524**

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**	
	31 Dec 2014 in 000 HRK	**31 Dec 2013** in 000 HRK	**31 Dec 2014** in 000 HRK	**31 Dec 2013** in 000 HRK
EUR	23.570	60.762	-1.494	-2.352
USD	27	158	0	0
CHF				
GPB				
	23.597	**60.920**	**-1.494**	**-2.352**

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**
31 Dec 2014				
Non-interest bearing liabilities	88.278	137.244	0	150.043
Interest bearing liabilities	16.151	150.091	249.629	386.402
	104.430	**287.335**	**249.629**	**536.445**
31 Dec 2013				
Non-interest bearing liabilities	275.613			275.613
Interest bearing liabilities	906.107	1.859	1.512	909.478
	1.181.720	**1.859**	**1.512**	**1.185.091**

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 90.441 thousand for the period from January to December 2014 (HRK 272.756 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 Dec 2014				
Non-interest bearing liabilities	127.187			102.847
Interest bearing liabilities	1.466	271	3.574	15.862
	128.653	**271**	**3.574**	**132.499**
31 Dec 2013				
Non-interest bearing liabilities	153.862			153.862
Interest bearing liabilities	1.284	3.484	0	4.768
	155.146	**3.484**	**0**	**158.630**

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

OT-Optima Telekom d.d.

and Its Subsidiaries

Consolidated financial statements

At 31 December 2014

Together with Independent Auditor's Report

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Responsibility for the consolidated financial statements

Pursuant to the Accounting Act of the Republic of Croatia (Croatian Official Gazette nos.109/07, 54/13, 121/14), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('the IFRSs'), as adopted in the European Union, which give a true and fair view of the financial position and results of operations of OT-Optima Telekom d.d. and its subsidiaries (jointly referred to as: 'the Group').

After making appropriate enquiries, the Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management continues to prepare the financial statements on a going-concern basis.

In preparing those financial statements, the responsibilities of the Management Board of the Group include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis, unless it is inappropriate to assume that the **Company** will continue as a going concern.

The Management Board of the Group is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and must also ensure that the financial statements comply with International Financial Reporting Standards adopted by the European Union. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Group:

Zoran Kežman	Mirela Šešerko	Tomislav Tadić
President of the Management Board	Member of the Management Board	Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

OT-Optima Telekom d.d.
Bani 75a, Buzin
10010 Zagreb

Republic of Croatia
Zagreb, 2 February 2015

Deloitte.

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Independent Auditor's Report

To the Owners of OT-Optima Telekom d.d., Zagreb and Its Subsidiaries:

We have audited the consolidated financial statements of OT-Optima Telekom d.d. and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position at 31 December 2014, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements.

Responsibility of the Management Board for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted in the European Union and for such internal control as management determines is necessary to enable the preparation of the **consolidated** financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009–1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008–1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

Independent Auditor's Report (continued)

Emphasis of matter

Going concern

The accompanying financial statements have been prepared under the assumption that the Parent Company will be able to continue as a going concern. We draw attention to Note 1 to the consolidated financial statements which discusses the considerations of the Management Board regarding the preparation of the consolidated financial statements under the going-concern assumption.

In 2014 the Parent Company finalised the pre-bankruptcy process upon reaching a settlement before the Commercial Court in Zagreb on 30 April 2014, as disclosed in Note 1 to the financial statements. As a result of the settlement, the Parent Company has implemented changes in its ownership and governance structures, a debt-to-equity conversion, and reprogrammed its loan debt over a longer repayment period and at a more favourable interest rate, as well as written off certain interest liabilities. The continuity of its operations are contingent upon regular settlement of the liabilities, i.e. within the deadlines specified in the pre-bankruptcy settlement agreement.

These consolidated financial statements have been prepared under the assumption that the Group will be able to continue as a going concern, i.e. to realise its assets and settle its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of the above-mentioned uncertainty. Our opinion is not been qualified in this respect.

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10 000 Zagreb
MB 0700851

Deloitte d.o.o.

Branislav Vrtačnik, Certified Auditor, Member of the Board

2 February 2015

Consolidated statement of comprehensive income

At 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013 As restated
Sales	4	456,210	494,284
Other operating income	5	30,166	7,693
		486,376	**501,977**
Interconnection fee expenses		(152,697)	(176,484)
Rent of telecommunication equipment		(38,176)	(44,275)
Customer attraction expenses		(2,493)	(1,432)
Staff costs	6	(74,231)	(55,226)
Depreciation and amortisation	7	(76,751)	(73,697)
Value adjustment of non-current and current assets	8	(3,503)	(5,719)
Provisions for long-service and termination benefits to employees		(45)	(2,477)
Net gains on disposal of assets and equipment		(3,537)	-
Other operating expenses	9	(117,313)	(123,113)
		(468,746)	**(482,423)**
Financial income	10	25,175	8,525
Financial expenses	11	(23,038)	(62,321)
		2,137	**(53,796)**
PROFIT/(LOSS) BEFORE TAXATION		**19,767**	**(34,242)**
Income tax expense	12	(286)	(245)
PROFIT/(LOSS) FOR THE YEAR		**19,481**	**(34,487)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**19,481**	**(34,487)**
Earnings/(loss) per share (in HRK)	22	0.31	(11.85)
Attributable to:			
The equity holders of the Group		19,481	(34,487)
Non-controlling interests		-	-

The accompanying notes form an integral part of these consolidated financial statements

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman — President of the Management Board

Mirela Šešerko — Member of the Management Board

Tomislav Tadić — Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

Consolidated statement of financial position

At 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	31.12.2014	31.12.2013 As restated	1.1.2013 As restated
ASSETS				
Non-current assets				
Intangible assets	13	60,764	51,432	20,876
Property, plant and equipment	14	318,440	353,718	373,193
Other non-current assets	15	14,458	3,555	3,565
Total non-current assets		**393,662**	**408,705**	**397,634**
Current assets				
Inventories	16	1,455	1,344	1,283
Trade receivables	17	75,078	84,617	79,809
Receivables from the State and other institutions	18	167	394	829
Given loans and deposits	19	1,439	1,248	588
Prepayments for services and inventories		1,441	786	646
Other receivables		373	535	507
Prepaid expenses and accrued income	20	13,578	14,607	17,627
Cash and cash equivalents	21	25,954	67,924	1,820
Total current assets		**119,485**	**171,455**	**103,109**
TOTAL ASSETS		**513,147**	**580,160**	**500,743**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman	Mirela Šešerko	Tomislav Tadić
President of the Management Board	Member of the Management Board	Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

(All amounts are expressed in thousands of kunas)

EQUITY AND LIABILITIES	Notes	31.12.2014	31.12.2013 As restated	1.1.2013 As restated
Equity				
Subscribed capital	22	632,659	28,201	28,201
Capital gains	22	194,354	194,354	194,354
Foreign-exchange translation reserve		29	22	7
Accumulated losses		(862,005)	(881,486)	(846,999)
		(34,963)	**(658,909)**	**(624,437)**
Non-controlling interests		-	-	-
Total equity		**(34,963)**	**(658,909)**	**(624,437)**
Long-term borrowings	23	330,016	3,371	-
Issued bonds	25	75,351	-	-
Trade payables		41,369	33,121	-
Accrued expenses and deferred income	28	22,457	22,814	13,500
Total non-current liabilities		**469,193**	**59,306**	**13,500**
Short-term borrowings	23	5,201	612,420	574,234
Issued bonds	25	-	293,688	269,414
Trade payables	26	49,072	239,635	195,123
Liabilities under long-term tax reprogramming arrangement	24	461	963	1,465
Provisions for long-service and termination benefits		2,432	2,477	2,300
Accrued expenses and deferred income	28	13,893	14,460	51,949
Other current liabilities	27	7,858	16,120	17,195
Total current liabilities		**78,917**	**1,179,763**	**1,111,680**
TOTAL EQUITY AND LIABILITIES		**513,147**	**580,160**	**500,743**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman	Mirela Šešerko	Tomislav Tadić
President of the Management Board	Member of the Management Board	Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

(All amounts are expressed in thousands of kunas)

	Subscribed capital	Capital gains	Foreign-exchange translation reserve	Accumulated losses	Total
Balance at 1 January 2013 As restated	**28,201**	**194,354**	**7**	**(846,999)**	**(624,437)**
Loss for the year (as restated; Note 3)	-	-	-	**(34,487)**	**(34,487)**
Exchange differences	-	-	15	-	15
Total comprehensive loss	-	-	-	(34,487)	(34,487)
Balance at 31 December 2013 As restated	**28,201**	**194,354**	**22**	**(881,486)**	**(658,909)**
Increase of share capital based on pre-bankruptcy settlement agreement (Note 22)	604,458	-	-	-	604,458
Exchange differences			7		7
Total comprehensive loss			-	19,481	19,481
Balance at 31 December 2014	**632,659**	**194,354**	**29**	**(862,005)**	**(34,963)**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman
President of the Management Board

Mirela Šešerko
Member of the Management Board

Tomislav Tadić
Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

Consolidated statement of cash flows

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013
Operating activities			
Total profit/(loss) for the year		19,481	(34,487)
Adjusted by:			
Depreciation and amortisation		76,751	73,697
Net book value of assets retired or otherwise disposed of		8,970	-
Adjustment of financial assets on fair value measurement		(19,219)	-
Provisions for long-service and termination benefits		(45)	177
Losses from the sale of property, plant and equipment		-	6,637
Change in value adjustment		2,211	(163)
Value adjustment of given loans		(10,511)	-
Exchange differences		7	-
Interest expense		-	51,482
Non-monetary movements of issued bonds		-	24,274
Cash from operations before changes in working capital		*77,645*	*121,617*
Increase of inventories		(111)	(61)
Decrease/(increase) in trade accounts receivable		7,276	(4,646)
Decrease in receivables		162	668
Decrease in prepaid expenses and accrued income		1,029	12,278
Increase in trade payables		663	77,633
Increase in prepayments made		(655)	-
Increase in accrued expenses and deferred income		(924)	(38,483)
Increase in amounts due to employees		43	-
Decrease in amounts due to the State		(8,031)	-
Increase / (decrease) in other liabilities		2,402	(97)
Net cash generated from operating activities		**79,499**	**168,909**
Cash flows from investing activities			
Purchases of tangible and intangible assets		(59,775)	(91,415)
Given loans		(413)	-
Net cash used in investing activities		**(60,188)**	**(91,415)**
Cash flows from financing activities			
Increase / (decrease) of loans and borrowings		637	(11,390)
Repayment of long-term borrowings		(61,748)	-
Increase in given deposits		(170)	-
Net cash used in financing activities		**(61,281)**	**(11,390)**

Net (decrease) / increase in cash and cash equivalents		**(41,970)**	**66,104**
Cash and cash equivalents at 1 January		67,924	1,820
Cash and cash equivalents at 31 December	21	**25,954**	**67,924**

The accompanying notes form an integral part of these consolidated financial statements.

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman	Mirela Šešerko	Tomislav Tadić
President of the Management Board	Member of the Management Board	Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION

History and incorporation

OT-Optima Telekom d.o.o. ('the Company'), was founded in 1994 under the name Syskey d.o.o. and on 22 April 2004 it changed its name to OT-Optima Telekom d.o.o. as well as its principal business activity. In July 2007 the Company changed its legal status from a limited liability company to a public limited company. On 19 November 2004, The Croatian Telecommunication Agency Council issued to the Company a licence to provide public telephone service in the fixed network for a period of 30 years.

Principal activities

The principal activity of the Company is provision of telecommunication services to private and business users on the Croatian market. The Company launched its telecommunication services in May 2005. OT-Optima Telekom's initial focus was the business segment. However, shortly after the launch, it also began to target the residential market with its voice packages. For business users, The Company provides direct access and Internet services as well as voice service via its own network and/or carried preselected services. In addition, the Company's flagship corporate services are its IP Centrex solution, which is a first in the Croatian market, and its IP VPN services. The Company's existing facilities also allow it to provide co-location and hosting.

On 6 July 2006 OT-Optima Telekom d.d. became the sole owner of Optima Grupa Holding d.o.o., a company renamed to Optima Direct d.o.o. on 23 September 2008. The principal activity of Optima Direct d.o.o. comprises trade and provision of various services mostly from within the scope of the telecom industry. In August 2008 the Company increased the share capital of Optima Direct d.o.o. by HRK 15,888 thousand as a result of debt-to-equity swap, the debt comprising the outstanding loan receivables and accrued interest.

The Company set up, as sole owner, Optima Telekom d.o.o., Koper, Slovenia in 2007.

On 16 August 2011 the Company established, as the sole owner, Optima Telekom za upravljanje nekretninama i savjetovanje d.o.o., a real estate management and consultancy company, which did not operate during the reporting period and is still dormant.

The ownership structure at 31 December 2013 and 2013 is set out below:

Parent

OT-Optima Telekom d.d.

Subsidiaries	**Ownership percentage**
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 %

Intragroup transactions are carried out under market terms and conditions.

(All amounts are expressed in thousands of kunas)

1 GENERAL INFORMATION (continued)

Staff

At 31 December 2014, there were 406 persons employed at the Group (2013: 424 employees).

Management and Supervisory Boards

In 2014 and 2013 members of the Management Board were as follows:

Matija Martić	President (until 18 June 2014)
Goran Jovičić	Member (until 30 September 2014)
Jadranka Suručić	Member (until 18 June 2014)
Zoran Kežman	President (since 18 June 2014)
Mirela Šešerko	Member (since 18 June 2014)
Tomislav Tadić	Member (since 1 October 2014)

In 2014 and 2013 members of the Supervisory Board were as follows:

Nada Martić	Chairperson (until 18 June 2014)
Ivan Martić	Deputy Chairperson (until 18 June 2014)
Zrinka Vuković Berić	Member (until 18 June 2014)
Duško Grabovac	Member (until 18 June 2014)
Siniša Đuranović	President (since 18 June 2014)
Ariana Bazala-Mišetić	Member and Deputy Chairperson (since 18 June 2014)
Marina Brajković	Member (since 18 June 2014)
Jasenka Anica Kreković	Member (since 18 June 2014)
Marko Makek	Member (since 18 June 2014)
Ana Hanžeković	Member (since 18 June 2014)
Rozana Grgorinić	Member (since 18 June 2014)
Maša Serdinšek	Member (since 3 November 2014)
Ivica Hunjek	Member (since 24 October 2014)

The ownership structure of the Group is disclosed in Note 22.

1. GENERAL INFORMATION (CONTINUED)

Going concern

In 2014, as part of the implementation of the Pre-bankruptcy Settlement agreement reached before the Commercial Court in Zagreb on 30 April 2014 (case file no. Stpn-354/13), the Parent Company changed its ownership and governance structures as well as increased its share capital.

According to the Pre-bankruptcy Settlement Agreement, the Parent Company, as the Issuer, has to meet significant monetary obligations to its pre-bankruptcy creditors over several years and within strictly defined time frames. Based on the current liquidity of the Issuer, the settlement of such (old) liabilities is not under any threat. However, should the liquidity become impaired, a risk of the inability to service the liabilities could arise, in which case the creditors would be entitled to initiate directly enforced collection of the debt through Financial Agency based on the Pre-bankruptcy Settlement Agreement qualifying as an enforcement title. Total current assets of the Group amount to HRK 119,485 thousand and its total current liabilities amount to HRK 78.917 thousand, demonstrating a currently favourable current ratio.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRSs')

Standards and Interpretations effective in the current period

a) Statement of compliance

The financial statements of the Group are prepared in accordance with the legal requirements applicable in the Republic of Croatia and with International Financial Reporting Standards ('IFRS') applicable in the European Union.

During the year, the Group did not adopt any new or revised IFRSs and Interpretations that would affect its financial position or results of operations, or require additional disclosures to be made in the financial statements.

Thus, the Standards, amendments and Interpretations issued by the IASB effective in the European Union are in force.

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted in the European Union are effective for the current period:

- **IFRS 10 "Consolidated Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IFRS 12 "Disclosures of Interests in Other Entities"**, adopted in EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IAS 27 (revised in 2011) "Separate Financial Statements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (as amended in 2011) "Separate Financial Statements"** – Investment Entities", adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IAS 32 *Financial Instruments: Presentation*** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Standards and Interpretations effective in the current period (continued)

- **Amendments to IAS 36 "Impairment of Assets"** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).
- **Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Novation of Derivatives and Continuation of Hedge Accounting,** adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group's accounting policies or affected its current or prior year profit.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Standards and Interpretations issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board ('IASB') except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 30 September 2014:

2. **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
3. **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
4. **IFRS 15 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2017),
5. **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations(effective for annual periods beginning on or after 1 January 2016),
6. **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
7. **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
8. **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
9. **Amendments to various standards "Improvements to IFRSs from the 2010-2012 Cycle"**, resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, (applicable to annual periods beginning on or after 1 July 2014),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Standards and Interpretations issued by IASB, but not yet adopted by the EU (continued)

- **Amendments to various standards "Improvements to IFRSs from the 2013-2013 Cycle"** , resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13, and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (applicable to annual periods beginning on or after 1 July 2014),

The Management Board anticipates the adoption of these standards and interpretations in the financial statements of the Group in the periods in which they become effective, but without any material impact on the financial statements in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the European Union.

Basis of preparation

The financial statements of the Group have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Croatian laws.

The Group maintains its accounting records in the Croatian language, in Croatian Kuna and in accordance with Croatian laws and the accounting principles and practices observed by enterprises in Croatia.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. These consolidated financial statements have been prepared under the assumption that the Group will continue as a going concern.

The consolidated financial statements of the Group represent aggregate amounts of assets, liabilities, capital and reserves of the Group as of 31 December 2014, and the results of its operations for the year then ended. Some of the financial captions have been reclassified in these financial statements compared to the prior year, as the management is of the opinion that the reclassification provides a better presentation of the financial statements as a whole.

The accounting policies are consistently applied by all the Group entities.

Reporting currency

The financial statements are presented in Croatian kunas. At 31 December 2014, the official exchange rate of the Croatian kuna was HRK 7.661471 against 1 euro and HRK 6.302107 against 1 US dollar (31 December 2013: HRK 7.637643 for EUR 1 and HRK 5.549000 for USD 1).

(All amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comment to the financial statements:

In prior years, the Parent Company deferred the costs of attracting customers over the average useful life of the customer, i.e. 5 years. In 2014 the Parent Company decided to change this accounting policy and to recognise the entire cost as an expense as it is incurred.

In 2013 OT - Optima Telekom signed with its customers telecommunication network lease agreements for a term of 15 years, on the basis of which it recognised income in the total amount of the underlying contracts, i.e. for the year 2013. The Company established that the initial recognition was not appropriate and that the income under those contracts should be deferred over the term of the contract. In 2014 the Company made a correction in the amount of HRK 10,308 thousand by increasing the accumulated losses from prior years and recognising deferred income. Income under the contracts will be recognised in subsequent periods on a monthly basis.

The total effect of the resulting restatement on the financial statements at 1 January 2013 is as follows:

Restatements to the statement of financial position at 1 January 2013

The change in the accounting policy for customer attraction costs is reflected as an increase in the balance of accumulated losses and a decrease in prepaid expenses and accrued income by HRK 32,868 thousand.

Statement of financial position at 1 January 2013

	Notes	As originally reported	As restated	The resulting increase / (decrease)
Prepaid expenses and accrued income	20	50,495	17,627	(32,868)
Total assets		**533,611**	**500,743**	**(32,868)**
Accumulated losses	22	(814,131)	(846,999)	(32,868)
Total equity		**(591,569)**	**(624,437)**	**(32,868)**

(All amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restatements to the statement of financial position at 1 January 2014

Changes in the accounting policy for deferring costs of attracting customers and the resulting restatement to the opening balance of revenue under long-term contracts at the point of concluding the contracts are reflected as follows:

- Correction to the deferred costs of attracting customers has resulted in an increase of the comprehensive loss by HRK 4,112 thousand, a decrease in prepaid expenses and accrued income by HRK 23,610 thousand and an increase of accumulated losses by HRK 23,610 thousand.

- The correction of income from long-term contracts has affected the statement of comprehensive income through a decrease in income and increase of the comprehensive loss by HRK 10,308 thousand each. Consequently, the balance of accrued expenses and deferred income has also increased by that amount.

Statement of financial position at 1 January 2014

	Notes	As originally reported	As restated	The resulting increase / (decrease)
Prepaid expenses and accrued income	20	38,217	14,607	(23,610)
Total assets		**603,770**	**580,160**	**(23,610)**
Accrued expenses and deferred income	27	26,966	37,274	10,308
Accumulated losses	22	(847,568)	(881,486)	(33,918)
Total equity and liabilities		**603,770**	**580,160**	**(23,610)**

Statement of comprehensive income for the year ended 31 December 2013

	Notes	As originally reported	As restated	The resulting increase / (decrease)
Sales	4	504,592	494,284	(10,308)
Customer attraction expenses		5,544	1,432	(4,112)
Other expenses	9	128,259	123,113	(5,146)
Loss for the year		**(33,192)**	**(34,242)**	**(1,050)**
Income tax expense	12	245	245	-
Total comprehensive loss		**(33,437)**	**(34,487)**	**(1,050)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it (its subsidiaries). Control is present when the Company has the power to manage financial and operational policies of the investee so as to derive benefits from its operations.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of the disposal.

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant intragroup transactions, balances, income and expenses have been eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence but which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except for investments classified as held for sale which are accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where the Group transacts with its associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Intangible assets

Intangible assets includes right to provide telecommunication services, licenses and concessions to operate different types of telecommunication services and are carried at cost less accumulated amortisation and any accumulated impairment losses. The economic life of the right, concession and licenses to operate telecommunication services is determined based on the underlying agreements and amortized on a straight line basis over the period from the moment when it has been approved by the regulator until the end of the initial right, concession or license term. No renewal periods are considered in determining the economic life.

The right to provide telecommunication services is given for period of 30 years, while licenses and concessions are valid 4 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

The IPTV programme distribution rights are recognised as part of intangible assets at the inception of the contract period. In order for the contracts with the content providers to qualify as intangible assets, they should meet the following requirements:

- the period of the contract must be longer than one year,
- the cost must be identified or identifiable,
- the contractual rights must be permanent, and
- the contracts costs are inevitable.

Assets recognised under those contracts are amortised over the period of the underlying agreement.

Other intangible assets refer to software license and it is carried at cost less accumulated amortisation and any accumulated impairment loss. The useful life of software is 5 years.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment loss, except for land, which is carried at cost.

Property, plant and equipment in use are depreciated on a straight-line basis using the following rates.

	2014	**2013**
Buildings	40 years	40 years
Vehicles	5 years	5 years
Plant and equipment	5 to 20 years	5 to 20 years
Office equipment	4 years	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimates accounted for on a prospective basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The cost of property, plant and equipment comprises the invoiced amount, including import duties and non-refundable taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use.

Expenditure incurred after putting an item of property, plant and equipment into use, such as those incurred in the repair, maintenance and overhaul, is charged to expenses for the period in which it is incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase of future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, they are capitalised, i.e. added to the cost of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment, and intangible assets

Items of property, plant and equipment and of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised immediately in profit or loss.

At each date of the statement of financial position, the Group reviews the carrying amounts of its property, plant and equipment, and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that an asset may be impaired.

The recoverable amount of an asset is the greater of the asset's fair value price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of property, plant and equipment, and intangible assets (continued)

The net realisable value is the amount obtainable from the sale of an asset in an arm's length transaction less selling expenses, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life determined using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generated unit) is estimated to be less that its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense, unless the relevant asset is a piece of land or a building other than an investment property carried at a revalued amount, in which case the impairment loss is treated as a fair value decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents consists of balances with banks and in hand. Cash equivalents comprise demand deposits and term deposits with maturities of up to three months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to expenses for the period in which they arise, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are expensed in the period in which they arise.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. Where incentives are received to enter into operating leases, they are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventories

Inventories comprise mainly spare parts for telecommunication equipment, other spare parts office supplies and are stated at the lower of cost and net realisable value. Management provides for inventories based on a review of the overall ageing of all inventories and a specific review of significant individual items included in inventories.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Foreign currencies

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items available for sale in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Retirement and long-service benefits

The Group provides to its employees long-service and one-off benefits upon their retirement. The obligation and costs of these benefits are determined using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The pension obligation is measured at the present value of estimated future cash flows using an average discount rate on long-term government bonds. The currency and terms of the government bonds are consistent with the currency and estimated terms of the benefit obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from the net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by **the reporting date.**

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Deferred taxes are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group has the ability and intention to settle on a net basis.

Current and deferred taxes for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred taxes are also recognised outside the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognised as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. .

Financial assets

Investments are recognised and derecognised on a trade-date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into as 'financial assets at fair value through profit or loss' (FVTPL), 'investments held to maturity' (HTM), 'available-for-sale financial assets' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any dividend or interest earned on the financial asset. Fair values are determined as described in Note 30.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Held-to-maturity (HTM) investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost determined using the effective interest method, less any impairment losses.

Financial assets available for sale (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Dividends on AFS equity instruments are recognised in the statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the statement of comprehensive income, and other changes are recognised in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade, loan and other receivables with fixed or determinable payments are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate for a similar asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised under the heading of investments revaluation reserve.
. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Obligations under financial guarantee contracts

Financial guarantee contract obligations are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss (FVTPL) (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss (FVTPL) (continued)

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings and bonds, are measured initially at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Contingent liabilities

Contingent liabilities have not been recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. No contingent assets were recognised in these financial statements. They are disclosed when the inflow of economic benefits becomes probable.

Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with a transaction will flow into the Group and when the amount of the revenue can be measured reliably. Service sales are recognized net of value-added tax and discounts after the services have been provided.
Revenue from fixed telephony includes revenue from activation, monthly fee, calls placed by fixed line subscribers and revenue from additional services in fixed telephony.
Revenue from carrier services includes interconnection services for domestic and international carriers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (continued)

Revenue from internet and date services included revenue from Internet subscription, ADSL traffic and fixed line access.

Rental income and income from sale of goods relate to the rental and sale of telecommunications equipment required to provide telecommunication services.

Interest income is accrued on a time basis, by reference to the actual yield on the underlying asset.

Interconnection fee expenses

Interconnection fee expenses for using telecommunication infrastructure of other telecommunication providers are recognized in the period in which they are incurred.

Operating segment reporting

International Financial Reporting Standards define an operating segment as a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c) for which discrete financial information is available.

The Group has only one reporting segment and is not able to distinguish the property, plant and equipment it uses by the services it provides. The same equipment is used for both voice and data transmission. Management assesses the performance on the level of the entire Group. The Group operates mainly on the Croatian market which the Management considers to be one reporting segment.

Events after the balance sheet date

Events after the reporting period that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgements in applying accounting policies

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Useful life of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Availability of taxable profits against which the deferred tax assets could be recognised

A deferred tax asset is recognized only to the extent that it is probable that the related tax benefit will be realised. In determining the amount of deferred taxes that can be recognised significant judgements are required, which are based on the probable quantification of time and level of future taxable profits, together with the future tax planning strategy.

Actuarial estimates used in determining long-service and benefits payable on entering retirement

The cost of defined benefits is determined using actuarial estimates. Provisions for jubilee awards (long-service benefits) are measured based on a method that uses various parameters37 37 37, such as the expected discount rate, future rates of the benefit increase, employee turnover and salary increase. The Group reviews key assumptions underlying the measurement of provisions for jubilee awards and benefits upon entering retirement on an annual basis, including the adequacy of the discount rate used in determining the present value of estimated future cash flows and the adequacy of the fluctuation rates used in calculating provisions. . The discount rate used in the 2014 benefit calculations is 5.37 % (2013: 5.37 %).

Consequences of certain legal actions

The Company is involved in legal actions which have arisen from the regular course of its operations. The Management makes estimates when the probable outcome of a legal action has been assessed, and the provisions are recognised on a consistent basis.

(All amounts are expressed in thousands of kunas)

4. SALES

	2014	2013 As restated
Carried pre-select service revenue	207,084	229,835
Interconnection services	84,443	110,252
Internet services	110,068	100,803
Data services	23,415	22,020
Multimedia services	24,864	23,986
Trade intermediation income	98	116
Equipment rentals and sale	3,468	4,576
Other sales	2,770	2,696
	456,210	**494,284**

5. OTHER OPERATING INCOME

	2014	2013, As restated
Income from collection of past due receivables	10,762	1,493
Income from compensations in kind	693	398
Income from penalties charged	2,595	1,788
Income from leases - payment system	-	75
Income from discounting - PSN	11,864	-
Other income	4,252	3,939
	30,166	**7,693**

(All amounts are expressed in thousands of kunas)

6. STAFF COSTS

	2014	2013, As restated
Net salaries	38,380	29,796
Taxes and contributions	33,068	22,847
Reimbursement of costs to employees	2,783	2,583
	74,231	**55,226**
Number of staff at 31 December	406	424

The staff costs include gross post-employment and in-kind benefits paid in the amount of HRK 15,156 thousand.

Costs reimbursed to employees comprise daily allowances, overnight accommodation and transport related to business travels, commutation allowance, and reimbursement of costs for the use of personal cars for business purposes, and similar.

Other employee benefits comprise benefits payable under the Collective Agreements, such as vacation bonus, jubilee awards, Christmas bonus, various supports, and similar.

7. DEPRECIATION AND AMORTISATION

	2014	2013, As restated
Depreciation	51,853	47,940
Amortisation	24,032	25,757
Impairment allowance on tangible assets	866	-
	76,751	**73,697**

8. IMPAIRMENT ALLOWANCE ON NON-CURRENT AND CURRENT ASSETS

	2014	2013, As restated
Impairment allowance on non-current assets	-	2,072
Impairment allowance on current assets	3,503	3,647
	3,503	**5,719**

(All amounts are expressed in thousands of kunas)

9. OTHER OPERATING EXPENSES

	2014	2013 As restated
Cost of connection pairs	56,500	61,343
Maintenance costs	18,517	17,203
Utilities	8,409	8,835
Invoicing expenses	4,648	5,450
Marketing services	5,957	2,031
Cost of material	2,407	2,345
Intellectual services	2,250	4,350
Insurance premiums	1,395	1,138
Taxes and contributions independent of the results	1,027	1,285
Cost of goods and services sold	964	1,939
Bank and financial institutions charges	618	3,147
Entertainment	615	1,380
Sponsorships	613	515
Residential sales services	343	292
Other operating expenses	13,050	11,860
	117,313	**123,113**

10. FINANCIAL INCOME

	2014	2013, As restated
Interest and fee income	5,189	7,724
Written-off financial liabilities credited to income	19,452	-
Foreign exchange gains	534	801
	25,175	**8,525**

Income from written off financial liabilities comprises mainly interest past due on the issued bond written off according to a pre-bankruptcy settlement in the amount of HRK 19,219 thousand.

11. FINANCIAL EXPENSES

	2014	2013, As restated
Interest and fee expenses	23,038	51,482
Foreign exchange losses	-	7,929
Value adjustment of financial assets	-	2,910
	23,038	**62,321**

The interest expense comprises interest charges on loans, borrowings and issued bonds as well as penalty interest on delayed settlement of trade payables.

(All amounts are expressed in thousands of kunas)

12. INCOME TAX

The Group is subject to income tax, which is determined according to the laws and regulations of the Republic of Croatia. The tax base is determined as the difference between income and expenses for the period, increased by tax non-deductible expenses. The corporate income tax in Croatia is 20 % (in Slovenia it is 17 %). Optima Telekom d.d. had no corporate income tax liability for 2014 because of the losses carried forward. Subsidiaries Optima Direct d.o.o., Buje and OT-Optima Telekom d.o.o., Kopar have a corporate income tax liability for 2014 based on their operating profits for the year.

Tax expense is generated as follows:

	2014	**2013, As restated**
Current tax in Croatia	92	124
Current tax in Slovenia	194	121
Income tax recognised in the statement of comprehensive income	**286**	**245**

The relationship between the accounting profit and tax losses carried forward can be shown as follows:

	2014	**2013 As restated**
Accounting profit/(loss) before taxation	**19,767**	**(34,242)**
Income tax determined by applying the weighted average tax rate to the profits of the Group entities in their respective countries of domicile	3,953	(6,848)
Effect of permanent differences	4,219	1,734
Effect of tax losses brought forward	(7,886)	5,359
Income tax recognised in the statement of comprehensive income	**286**	**245**

(All amounts are expressed in thousands of kunas)

12. INCOME TAX (continued)

Tax losses brought forward and recognised as tax-deductible items as well as tax losses available for carry forward are presented below:

Year incurred	Amount	Year of expiry
2010	64,157	2015
2011	67,737	2016
2012	48,201	2017
2013	31,828	2018
	211,923	

In accordance with the Croatian legislation, the Tax Authority may inspect the Group's books and records at any time within 3 years following the year in which the tax liability is declared and may impose additional taxes and penalties. The Management Board of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

No deferred tax assets were recognised in these consolidated financial statements with respect to the tax losses available for carry forward because their availability for utilisation and future taxable profits are not certain.

(All amounts are expressed in thousands of kunas)

13. INTANGIBLE ASSETS

	Concessions and rights	Software	Assets under development	Total intangible assets
COST				
At 1 January 2013	**8,188**	**82,252**	-	**90,440**
Additions	54,177	-	2,136	56,313
Transfer from assets under development	-	2,136	(2,136)	-
Disposals and retirements	-	(1,909)	-	(1,909)
At 31 December 2013	**62,365**	**82,479**	-	**144,844**
Additions	27,225	-	6,139	33,364
Transfer from assets under development	-	6,139	(6,139)	-
Disposals and retirements	-	-	-	-
At 31 December 2014	**89,590**	**88,618**	-	**178,208**
ACCUMULATED AMORTISATION				
At 1 January 2013	**1,930**	**67,634**	-	**69,564**
Charge for the year	21,328	4,429	-	25,757
Disposals and retirements	-	(1,909)	-	(1,909)
At 31 December 2013	**23,258**	**70,154**	-	**93,412**
Charge for the year	20,161	3,871	-	24,032
Disposals and retirements	-	-	-	-
At 31 December 2014	**43,419**	**74,025**	-	**117,444**
NET BOOK VALUE				
At 31 December 2013	**39,107**	**12,325**	-	**51,432**
At 31 December 2014	**46,170**	**14,594**	-	**60,764**

The intangible assets of the Company include the right to operate telecommunication services and IPTV distribution (concession and rights) with the carrying amount of HRK 46,170 thousand as of 31 December 2014 (2013: HRK 39,107 thousand). The Group received the telecommunication service license from the Croatian Telecommunication Agency on 19 November 2004.

(All amounts are expressed in thousands of kunas)

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Vehicles	Works of art	Assets under development	Leasehold improvements	Total tangible assets
COST								
At 1 January 2013	**23**	**27,157**	**592,407**	**697**	**46**	**9,088**	**4,503**	**633,921**
Additions	-	-	6,069	740	-	28,058	235	35,102
Transfer from assets under development	-	-	28,434	-	-	(28,505)	71	-
Disposals	-	(220)	(10,970)	-	-	-	-	(11,190)
At 31 December 2013	**23**	**26,937**	**615,940**	**1,437**	**46**	**8,641**	**4,809**	**657,833**
Additions	-	-	3,991	915	-	21,500	5	26,411
Transfer from assets under development	-	76	23,659	76	-	(23,812)	1	-
Disposals	-	(7,306)	(8,250)	(1,525)	-		-	(17,081)
At 31 December 2014	**23**	**19,707**	**635,340**	**903**	**46**	**6,329**	**4,815**	**667,163**
ACCUMULATED DEPRECIATION								
At 1 January 2013	-	**5,678**	**251,125**	**160**	-	-	**3,765**	**260,728**
Charge for the year	-	687	46,782	195	-	-	276	47,940
Disposals	-	(100)	(4,453)	-	-	-	-	(4,553)
At 31 December 2013	-	**6,265**	**293,454**	**355**	-	-	**4,041**	**304,115**
Charge for the year	-	1,457	50,698	352	-	-	212	52,719
Disposals	-	(2,015)	(5,542)	(554)	-	-	-	(8,111)
At 31 December 2014	-	**5,707**	**338,610**	**153**	-	-	**4,253**	**348,723**
NET BOOK VALUE								
At 31 December 2013	**23**	**20,672**	**322,486**	**1,082**	**46**	**8,641**	**768**	**353,718**
At 31 December 2014	**23**	**14,000**	**296,730**	**750**	**46**	**6,329**	**562**	**318,440**

As of 31 December 2014, the net book value of property, plant and equipment given as collateral amounted to HRK 157,924 thousand. According to the prebankruptcy agreement, the creditor retains liens on the property to ensure their claims to paymentas.

(All amounts are expressed in thousands of kunas)

15. OTHER NON-CURRENT ASSETS

	2014	2013
Loans to individuals	14,455	14,478
Loans to companies	37,422	36,989
Long-term deposits	3,502	3,520
	55,379	**54,987**
Impairment of loans and deposits	(40,956)	(51,467)
	14,423	**3,520**
Participating interests	35	35
	14,458	**3,555**

On 27 February 2007, before being transformed into a public limited company, the Company approved a loan to an individual in the total amount of HRK 3,200 thousand. The interest rate on the loan is variable and is periodically adjusted with the average interest rate on loans received from banks (Zagrebačka banka d.d. and Hypo Alpe-Adria-Bank d.d.) and was 8.5 % **in 2012.** The loan is due on 27 February 2022. and is secured by blank debentures. The purpose of the loan is purchase of shares of OT-Optima Telekom d.d. The principal accrues interest and amounted to HRK 5,353 thousand at 31 December 2014, including accrued interest.

On 31 March 2006, Optima Direct d.o.o., a related company, approved a loan of HRK 6,000 thousand to an individual for the purpose of refinancing borrowings and advances to resolve housing and other needs. The loan interest rate is 6 % and the loan is due on 31 March 2021. It is secured with six own blank bills of exchange and debentures. The principal accrues interest and amounted to HRK 9,102 thousand at 31 December 2014, including accrued interest. At 31 December 2012 the Group performed value adjustment of the entire balance of receivable from the loan to the individual. As the loans were not repaid, the accrued interest due was also provided against in 2013 and 2014. In 2014
the loans became duly secured with appropriate collateral, and the value adjustment performed initially was reversed at a discounted value.

In 2007 Optima Telekom d.o.o. approved three long-term loans to OSN- Inženjering d.o.o., Rijeka, in the following amounts:

- HRK 15,000 thousand, due on 31 December 2010, with an interest rate of 11.50 %;
- HRK 5,000 thousand, due on 31 December 2010, with an interest rate of 11.50 %;
- HRK 2,000 thousand, due on 13 August 2010, with an interest rate of 11.50 %.

The loans were approved for the purpose of developing IP Centrex services the company intends to use. Security instruments comprise three bills of exchange issued in the loan amounts, plus interest, fee and other charges, and three blank debentures. In 2010 the Management Board of the Company signed annexes to the loan agreements, by which the due dates were extended until 13 August 2012 and 30 April 2013. In 2012 a new reprogramming arrangement was signed by the Management Board of the Company, under which the previously defined maturity date of 13 August 2012 was extended to 13 August 2014.

(All amounts are expressed in thousands of kunas)

15. OTHER NON-CURRENT ASSETS (CONTINUED)

According to the contracts for the three loans and the related annexes, the interest is accrued and added to the principal amounts on a monthly basis.

On 21 January 2008 Optima OSN- Inženjering d.o.o. repaid a portion of HRK 1,780 thousand of the total loan debt in the nominal amount of HRK 5,000 thousand. Thus, the new principal amount was HRK 3,220 thousand.

The balance outstanding at 31 December **2013** amounts to HRK 35,355 thousand and comprises the following:

- HRK 27,304 thousand - principal in the amount of HRK 15,000 thousand and accrued interest in the amount of HRK 12,304 thousand;
- HRK 5,920 thousand - principal in the amount of HRK 3,220 thousand and accrued interest in the amount of HRK 2,700 thousand;
- HRK 3,764 thousand - principal in the amount of HRK 2,000 thousand and accrued interest in the amount of HRK 1,764 thousand;

The receivables were fully provided against at 31 December 2012. In 2013 and 2014, the interest accrued was also provided against. Forced collection was initiated in 2014.

Movements in the impairment allowance on loans and deposits:

	2014	**2013**
Opening balance at 1 January	51,467	**49,034**
Adjusted provisions	(10,763)	-
Additional provisions	252	2,433
Closing balance at 31 December	**40,956**	**51,467**

Participating interests comprise interests in Pevec d.d. acquired in exchange for the company's outstanding debt to the Company.

(All amounts are expressed in thousands of kunas)

16. INVENTORIES

	2014	2013
Telecommunication merchandise	1,455	1,344
	1,455	**1,344**

17. TRADE RECEIVABLES

	2014	2013
Domestic trade receivables	99,097	102,485
Foreign trade receivables	5,801	9,689
Interest receivable	-	52
Impairment allowance on trade receivables	(29,820)	(27,609)
	75,078	**84,617**

	2014	2013
Trade receivables	104,898	112,174
Provisions for bad and doubtful receivables	(29,820)	(27,609)
Total receivables, net	**75,078**	**84,565**

The balance represents receivables net of interest receivable within the contractually defined terms.

Movements in the impairment allowance for bad and doubtful receivables

	2014	2013
At 01 January	27,609	27,772
Writte-off during the year	-	(1,784)
Amounts collected during the year	(944)	(1,452)
Additional provisions	3,155	3,073
Closing balance	**29,820**	**27,609**

Age analysis of the Group's receivables:

	2014	2013
Not yet due	47,780	50,052
Up to 120 days	20,667	27,473
120 to 360 days	6,097	8,623
Over 360 days	30,354	26,026
Total	**104,898**	**112,174**

(All amounts are expressed in thousands of kunas)

18. RECEIVABLES FROM THE STATE AND OTHER INSTITUTIONS

	2014	2013
Other receivables from the State and other institutions	167	394
	167	**394**

19. GIVEN LOANS AND DEPOSITS

	2014	2013
Deposits	1,436	1,248
Loans	3	-
	1,439	**1,248**

Long-term deposits include two foreign-currency guarantee deposits with Zagrebačka banka provided for issued bank guarantees. They expire on 30 June 2028. The deposits bear interest at a variable rate in accordance with the Bank's Decision on interest rates, which was 4.86 % at the point of making the deposits and 0.76 % at 31 December 2014.

20. PREPAID EXPENSES AND ACCRUED INCOME

	2014	2013 As restated
Prepaid equipment rental costs	13,578	14,607
	13,578	**14,607**

Movement in prepaid expenses:

	2014	2013 As restated
Opening balance at 1 January	14,607	17,627
Expensed during the year	(1,029)	(3,020)
Closing balance at 31 December	**13,578**	**14,607**

(All amounts are expressed in thousands of kunas)

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, current account balances and other balances with banks.

	2014	2013
Bank balances	25,837	62,672
Foreign currency account balance	107	5,230
Cash in hand	10	22
Cash and cash equivalents	**25,954**	**67,924**

22. SUBSCRIBED CAPITAL

The Financial and Operational Restructuring Plan of the Parent Company, adopted by its creditors in the hearing of 5 November 2013, envisages the conversion of a part of the creditors' claims into equity shares as one of the major measures. Thus, based on a decision adopted by the General Assembly on 15 April 2014, the creditors in the pre-bankruptcy settlement were offered to subscribe 53,988,017 registered shares, with a nominal value of HRK 10.00 per share.

The subscription of the new shares began once the pre-bankruptcy settlement was reached and the invitation to subscribe the shares issued by the Management Board of the Company on 2 May 2014.

After being completed, the Management Board determined on 30 May 2014, with the consent of the Supervisory Board, the exact amount of the contributed rights, i.e. the claims outstanding converted into the Parent Company's capital as well as the exact number of shares issued for the contributed rights.

- The number of registered shares that were subscribed out of a total of 53,988,017 offered shares is 53,558,757, with a nominal value of HRK 10.00 each.
- Based on the concluded agreements to contribute rights to the Parent Company's capital, total rights, i.e. outstanding claims contributed amount to HRK 535,587,570.00 of the maximum possible HRK 539,880,170.00.

The share capital increase was registered at the Commercial Court on 9 June 2014 based on the underlying decision adopted by the Company's General Assembly on 15 April 2014, which was to convert a part of the claims of certain creditors in the pre-bankruptcy settlement from HRK 28,200,700.00 by HRK 535,587,570.00 to HRK 563,788,270.00, issuing 53,558,757 new non-materialised ordinary (registered) shares, with a nominal value of HRK 10.00 each. On 11 June 2014, Croatian Central Depository and Clearing Company ('SKDD') registered in its system the increase of the share capital through an issue of 53,558,757 ordinary shares under the ticker OPTE-R-B, with a nominal amount of HRK 10.00 per share.

(All amounts are expressed in thousands of kunas)

22. SUBSCRIBED CAPITAL (CONTINUED)

Subsequent to that, the Company has been settling its obligations under the final settlement arrangement regularly, in accordance with a decision to increase the share capital based on the authorised capital by issuing new ordinary shares, contributing rights, with the exclusion of the preemptive right of the existing shareholders, the Management Board of the Parent Company adopted on 23 July 2014 with the approval of the Supervisory Board.
Based on the master settlement arrangement for (c) category creditor Zagrebačka banka d.d. – claims from loan relationships secured by lien on movable property and rights in the total amount of HRK 110,000,000.00, defined to be settled under the Mandatory convertible Loan (MCL) terms and conditions.

Zagrebačka banka d.d. transferred a portio of the MCL claims in the amount of HRK 68,870,920.00 to Hrvatski Telekom d.d. (hereinafter: 'HT') which then, as a new creditor of a portion of the MCL claims, filed a due request to convert this part of the claims to the Company's equity interest, which is why the Management Board adopted the above-mentioned decision on 23 July 2014.

Once the shares were subscribed by providing written registration statements and the contracts to contribute the rights (as outstanding claims) into the Company's share capital, the Commercial Court in Zagreb effected on 13 August 2014 the increase of the Company's share capital from HRK 563,788,270.00 to HRK 632,659,190.00 by HRK 68,870,920.00 through an issue of 6,887,092 ordinary shares, ticker OPTE-R-B, with a nominal amount of HRK 10.00 per share.

On 28 August 2014, the share capital increase was also registered in the SKDD system, and new 6,887,092 ordinary shares, ticker OPTE-R-B, with a nominal per-share amount of HRK 10.00, were issued.

At present, the Parent Company's subscribed capital amounts to HRK 632,659,190.00 and consists of 2,820,070 ordinary shares under the ticker OPTE-R-A, with a nominal amount of HRK 10.00 each, and 60,445,849 ordinary shares under the ticker OPTE-R-B, with a nominal amount of HRK 10.00 each.

Earnings per share:

	2014	**2013**
Profit / (loss) for the year	19,481	(33,437)
Number of shares	63,265,919	2,820,070
Loss per share	**0.31**	**(11.85)**

(All amounts are expressed in thousands of kunas)

22. SUBSCRIBED CAPITAL (CONTINUED)

Shareholders at 31 December were as follows:

Shareholder	2014 (in HRK'000)	%
ZAGREBAČKA BANKA D.D. (1/1)	255,830	40.44
HT D.D. (1/1)	120,902	19.11
HANŽEKOVIĆ MARIJAN (1/1)	23,923	3.78
RAIFFEISENBANK AUSTRIA D.D. (1/1)	21,246	3.36
MARTIĆ MATIJA (1/1)	17,006	2.69
MERKUR OSIGURANJE D.D. (1/1) /MATHEMATICAL PROVISION	11,921	1.88
VIPNET D.O.O. (1/1)	10,854	1.72
HRVATSKA POŠTANSKA BANKA D.D./ HPB GLOBAL - OIF WITH A PUBLIC OFFERING (1/1)	9,873	1.56
RAIFFEISENBANK AUSTRIA D.D./RAB	9,407	1.49
HRVATSKA POŠTANSKA BANKA D.D. (1/1)	8,109	1.28
ZAGREBAČKA BANKA D.D./ZAGREBAČKA BANKA/JOINT CUSTODY ACCOUNT - DOMESTIC LEGAL PERSON	6,759	1.07
HUAWEI TECHNOLOGIES D.O.O. (1/1)	5,889	0.93
ALLIANZ ZAGREB D.D. (1/1)	5,677	0.90
HYPO ALPE-ADRIA-BANK D.D./ PBZ CO OMF - B-CATETORY (1/1)	5,677	0.90
ZAGREBAČKA BANKA D.D./ZB AKTIV	5,677	0.90
UNIQA D.D. (1/1) /MATHEMATICAL PROVISION	5,474	0.87
COMPUTECH D.O.O. (1/1)	5,333	0.84
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./JOINT CUSTODY ACCOUNT FOR DP	5,260	0.83
INTERKAPITAL D.D. (1/1)	5,165	0.82
ODAŠILJAČI I VEZE D.O.O. (1/1)	4,841	0.77
	544,823	**86.12**
Other shareholders	**87,836**	**13.88**
	632,659	**100.00**

(All amounts are expressed in thousands of kunas)

23. LONG-TERM AND SHORT TERM BORROWINGS

	2014	2013
Received loans and borrowings	278,471	562,772
Obligations to suppliers under the Pre-bankruptcy Settlement Arrangement	56,746	
bearing	-	53,019
Total received loans and borrowings	**335,217**	**615,791**
Current portion	**(5,201)**	**(612,420)**
Long-term portion	**330,016**	**3,371**

The largest portion in the amount of HRK 230,036 thousand relates to loans provided by Zagrebačka banka resulting from the restructuring of debt under the pre-bankruptcy settlement. The interest rate on those loans is 4.5 % annually, and the ultimate repayment deadline is 30 June 2028. Based on liabilities to suppliers from the prebankruptcy settlement, a total of HRK 30,836 thousand is due in 2015, payable in two settlement of HRK 15,418 thousand each.

The breakdown of the loan debt by individual currencies is provided below.

	2014	2013
EUR	233,895	550,213
HRK	101,322	11,656
USD	-	903
Long-term loans and borrowings	**335,217**	**562,772**

	2014	2013
Amounts due to banks	271,164	-
Issued bonds	75,351	-
Obligations to suppliers under the Pre-bankruptcy Settlement Arrangement	56,746	-
Financial lease obligations	2,106	3,371
Long-term portion	**405,367**	**3,371**
Amounts due to banks	-	538,394
Interest payable	-	53,019
Issued bonds	-	293,688
Other loans and borrowings	3,424	21,007
Financial lease obligations	1,777	-
Total received loans and borrowings	**5,201**	**906,108**

(All amounts are expressed in thousands of kunas)

23. LONG-TERM AND SHORT TERM BORROWINGS (CONTINUED)

The weighted average interest rate on received short-term and long-term loans and borrowings is 4.46 % (2013: 6.75%).

Set out below are the debt balances analysed by type of interest, with the variable rate representing 3M EURIBOR.

	2014	2013
Variable rate	3,539	327,349
Fixed rate	274,662	235,423
Received loans and borrowings	**278,201**	**562,772**

24. LIABILITIES UNDER LONG-TERM TAX REPROGRAMMING ARRANGEMENT

	2014	2013
Liabilities under long-term tax reprogramming arrangement	461	963
	461	**963**

On 21 November 2012 the Group received a decision from the Ministry of Finance approving the Group's request to reprogramme the tax debt outstanding at 31 December 2012. The debt has been reprogrammed to 36 equal monthly **instalments**, the first due on 21 December 2012 and the last on 21 December 2015.

25. ISSUED BONDS

	2014	2013
Nominal amount	75,000	250,000
Bond issue fees and charges	-	-
Accrued interest	351	43,688
	75,351	**293,688**

On 5 February 2007 the Company issued bonds (OPTE-O-124 A) with a nominal amount of HRK 250 million. The bonds were issued on Zagreb Stock Exchange. The interest rate on the bonds is 9.125 %, and the bonds matured on 1 February 2014. The bonds were issued at a price of 99.496 %. The interest due on 1 February 2013 was not paid because of the initiation of the pre-bankruptcy settlements procedure. However, it was included in the estates to be settled under the pre-bankruptcy settlement. The effective interest rate is 9.226 %.

(All amounts are expressed in thousands of kunas)

25. ISSUED BONDS (CONTINUED)

According to the Pre-bankruptcy Settlement Arrangement, SKDD registered in its system the change in the bond type designation of the issuer from OPTE-O-142A, ISIN:HROPTEO142A5, into a debt security with multiple maturities and the share of notional principal amount outstanding of HRK 0.30 per bond. In the period from 30 May 2014 to 30 May 2017, the Company, as the bond issuer, will pay the interest semi-annually at an interest rate of 5.25 % a year, and since 30 May 2017, the bond holders will receive, in addition to the interest, a part of the bond principal in the amount of 3 %.

26. TRADE PAYABLES

	2014	**2013**
Long-term liabilities to content providers	41,369	33,121
Domestic trade payables	46,819	233,183
Foreign trade payables	2,253	6,452
	90,441	**272,756**

The average credit period on purchases from suppliers was 89 days (2013: 252 days due to HRK 167,277 of trade payables included in the pre-bankruptcy settlement procedure).

27. OTHER CURRENT LIABILITIES

	2014	**2013**
VAT payable	3,121	10,510
Net salaries	2,829	2,786
Taxes and contributions on salaries	1,725	1,963
Other amounts due to the state	158	789
Other liabilities	25	72
	7,858	**16,120**

(All amounts are expressed in thousands of kunas)

28. ACCRUED EXPENSES AND DEFERRED INCOME

	2014	2013 As restated
Deferred equipment rental income	22,457	22,814
Total long-term	**22,457**	**22,814**
Accrued expenses - domestic supplier accruals	6,737	6,634
Deferred notary fee income	3,690	3,757
Accrued expenses - foreign supplier accruals	3,466	4,069
Total short-term	**13,893**	**14,460**
	36,350	**37,274**

Movements in accrued expenses and deferred income:

	2014	2013
Opening balance at 1 January	37,274	65,449
Increase in accrued expenses and deferred income	6,020	10,308
Provisions reversed during the year	(6,944)	(38,483)
Closing balance at 31 December	**36,350**	**37,274**

29. RELATED-PARTY TRANSACTIONS

In the General Assembly Meeting held on 18 June 2014, the ownership and governance structure of the Company was changed; hence, the related-party transactions during the year have been analysed below by the pre-cut-off and post-cut-off date.

Transactions with the equity holders until the General Assembly Meeting on 18 June 2014

Remuneration paid to the Management and Supervisory Board members:

- The total compensation paid to the Supervisory Board and remuneration paid to the Management Board during 2014 amounts to HRK 3,419 thousand;
- other employee benefits amount to HRK 14,255 thousand;
- payments made from the proceeds on the sale of property amount to HRK 2,339 thousand.

Transactions with the equity holders until the General Assembly Meeting on 18 June 2014

Pursuant to Article 21 of the Statute, each Supervisory Board member is entitled to a fee. The fee entitlement and amount are determined in the General Meeting of the Company's Shareholders by a simple majority of vote.
In the period from 1 July 2014 to 31 December 2014, the General Assembly did not adopted any such decision, which is why no such payments were made in the period observed.
No loans were provided to the Supervisory Board members.

The total remuneration paid to the Management Board members in 2014 amounts to HRK 1,765 thousand, and other employee benefits amount to HRK 345 thousand.

According to Article 15 of the Company's Statute, any legal transactions with the shareholders of Hrvatski Telekom d.d. and Zagrebačka banka d.d. and parties related to them require prior consent of the Supervisory Board.

(All amounts are expressed in thousands of kunas)

30. FINANCIAL INSTRUMENTS

During the period, the Group used most of its financial instruments to finance its operations. The financial instruments comprise loans and borrowings, bills of exchange, cash and liquid resources and various other items, such as trade receivables and payables, which arise directly from the Company's operations.

Capital risk management

Gearing ratio

The Group manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (which includes loans and borrowings disclosed in Note 23, less cash and bank balances) and equity (comprising issued capital, reserves and retained earnings as detailed in Note 22).

The Management Board reviews the capital structure of the Group on a quarterly basis. As part of this review, the Management Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at 31 December was as follows:

	2014	2013 As restated
Debt (long-term and short-term borrowings)	410,568	906,108
Cash and cash equivalents	(25,954)	(67,924)
Net debt	384,614	838,184
Equity	(34,963)	(624,991)
Net debt-to-equity ratio	**(1,100.06%)**	**(134.11%)**

Debt is defined as liabilities for long-term and short-term borrowings and for issued bonds. Equity includes all capital and reserves of the Group.

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the recognition criteria, the measurement basis and the basis for recognition of income and expenses in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Categories of financial instruments

	2014	2013
Financial assets		
Loans	15,897	4,803
Cash and cash equivalents	25,954	67,924
Receivables	87,007	80,716
	128,858	**153,443**
Financial liabilities at amortised cost		
Liabilities under issued bonds	75,351	293,688
Received loans and borrowings	335,217	615,791
Trade and other payables	93,295	275,614
	503,863	**1,185,093**

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

The carrying amounts of the Group's foreign-currency denominated monetary assets and monetary liabilities at the reporting date are provided in the table below.

	2014	2013	2014	2013
	Liabilities		Assets	
EUR	235,696	607,621	14,941	23,524
USD	266	1,581	-	-
	235,962	**609,202**	**14,941**	**23,524**

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuations in the exchange rate of the Croatian kuna to the euro and US dollar.

The following table details the Group's sensitivity to a 10-percent change of the Croatian kuna in 2014 against the relevant currencies (2013: 10 %). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the changes in the foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit where the Croatian kuna changes against the relevant currency for the percentage specified above. For a weakening of the Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit.

	2014	2013	2014	2013
	Liabilities		Assets	
EUR	23,570	60,762	1,494	2,352
USD	27	158	-	-
	23,597	**60,920**	**1,494**	**2,352**

The exposure to the 10-percent fluctuation in the exchange rates is mainly attributable to the borrowings, trade payables and receivables from related companies denominated in Euro (EUR) and US dollar (USD).

30 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

Interest rate cash flow risk is the risk that the interest cost of financial instruments will fluctuate over the time.

The Group has no exposure to interest rate risk because the majority of its financial obligations bear interest at fixed rates.

The issued bonds are measured at amortized cost, and changes in the interest rates that could cause the fair value of the bonds to change do not affect the carrying amount of issued bonds.

Other price risks

The Group is not exposed to equity price risks arising from equity investments. There are no significant equity instruments held by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a potential financial loss to the Group. The Group has adopted procedures which it applies in dealing with customers. The Group obtains sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables are monitored regularly to determine their risk status and implement appropriate procedures. The Group monitors the credit ratings of its counterparties continuously and reviews its credit exposure to its customers at least annually. The Group transacts with a large number of customers from various industries and of various size, as well as with individuals bearing specific credit risk. The Group has developed procedures for each specific customer group to insure that credit risk is addressed adequately.

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Presented in the table below are the balances of 6 major counterparties of the Group at the end of the reporting period:

Counterparty	Domicile country	2014	2013
Telekom Slovenije	Slovenia	2,673	4,528
Vocalis	Croatia	1,918	1,174
VIPnet	Croatia	1,909	1,983
HT	Croatia	1,857	1,697
Telecom Italia sparkle	Italy	521	781
Fina	Croatia	289	-
		9,167	**10,163**

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of receivables and payables.

Liquidity and interest rate risk tables

The following tables detail the Group's remaining contractual maturities for its liabilities at the end of the period. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Average interest rate	**Up to one year**	**1 to 5 years**	**Over 5 years**	**Total**
2014					
Non-interest bearing		88,278	137,244	-	225,522
Interest bearing	4.46%	16,152	150,091	249,629	415,872
		104,430	**287,335**	**249,629**	**641,394**
2013					
Non-interest bearing		293,688	-	-	293,688
Interest bearing	6.72%	906,107	1,859	1,512	909,479
		1,199,795	**1,859**	**1,512**	**1,203,167**

Non-interest bearing liabilities of the Company due in a period of up to one year consist mainly of trade payables in the amount of HRK 90,441 thousand in 2014 (2013: HRK 272,756 thousand).

Interest-bearing liabilities include liabilities under short-term and long-term borrowings, finance leases and bonds.

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturities for its financial assets at the end of the period.

The tables have been drawn up based on the undiscounted cash flows of financial assets based on their maturities. The table includes both interest and principal cash flows.

	Average interest rate	Up to one year	1 to 5 years	Over 5 years	Total
2014					
Non-interest bearing assets		127,187			127,187
Interest bearing	0.76%	1,466	271	3,574	5,312
		128,653	**271**	**3,574**	**132,499**
2013					
Non-interest bearing		153,862			153,862
Interest bearing	0.82%	1,284	3,484	-	4,768
		155,147	**3,484**	**-**	**158,631**

The balance of cash and cash equivalents is shown under non-interest bearing financial assets because of low interest rates on these assets.

Fair value of financial instruments

Methods and assumptions used in measuring fair values

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 4 to 64 were approved by the Management Board and authorised for issue.

Signed on behalf of the Group on 2 February 2015 by:

Zoran Kežman	Mirela Šešerko	Tomislav Tadić
President of the Management Board	Member of the Management Board	Member of the Management Board

OT-Optima Telekom d.d.
ZAGREB