2014 Audited Unconsolidated Annual Financial Report

optimatelekom

Content

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.

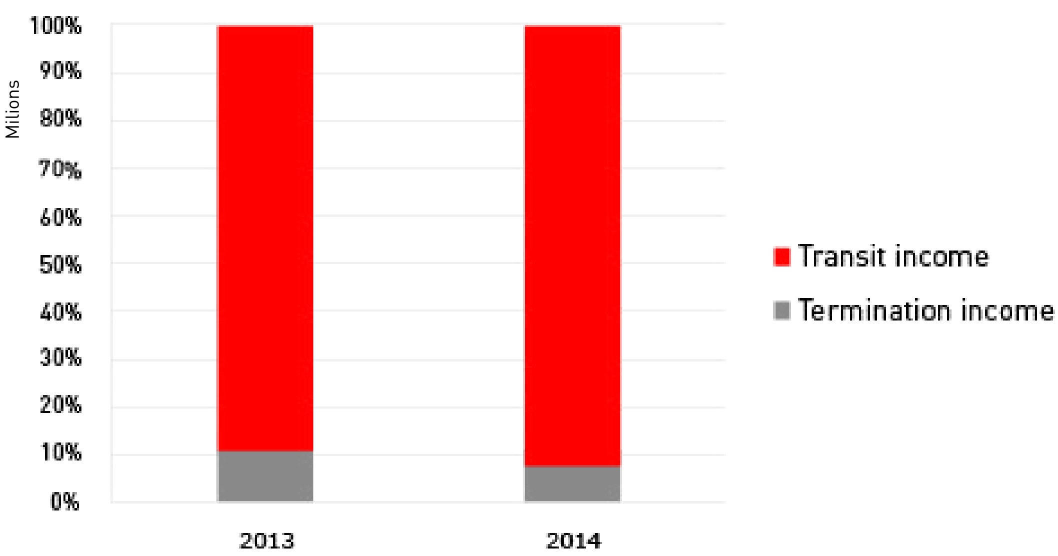
2014 has been characterized by regulatory changes, which turned the Company into an operator with significant market power (SMP) in market of access to public telephone network at a fixed location for residential and non-residential customers and made HAKOM impose the regulatory obligation of supervising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

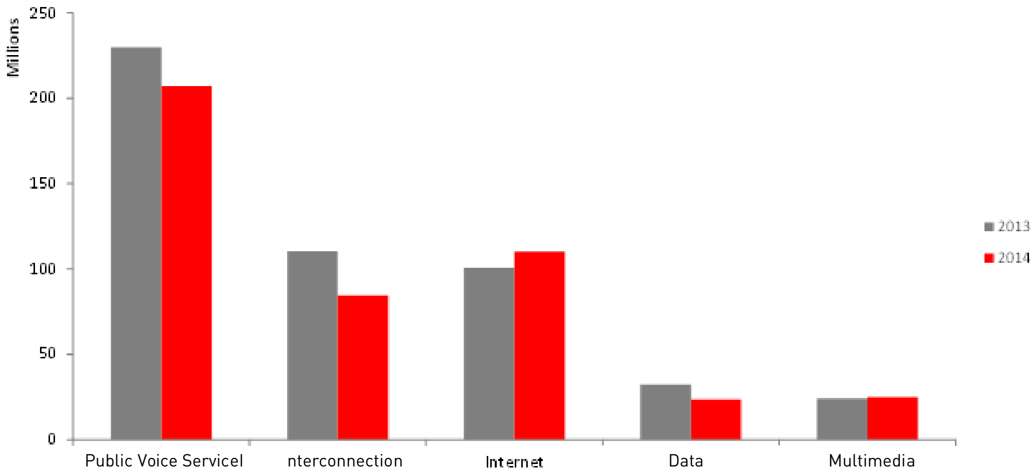
9. The Group's Financial Results

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.
ZAGREB

The Board of Directors would like to emphasize that the above report contains certain statements on future events relative to the financial status, electronic communications market trends, results of activities the company and the group are currently undertaking with the purpose of improving their position on the market. The said statements are based on the best of knowledge and expectations at present, but cannot represent any guarantee of their realization.

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): 210

Consolidated Report: NO

Business activity code: 6110

Entities in consolidation (according to IFRS)	Registered seat:	Tax number (MB):

Book-keeping firm:

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

Telephone: 01/5492027

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

Item	EDP	Previous period	Current period
1	2	3	5
I. OPERATING INCOME (112+113)	**111**	513.231.506	477.138.911
1. Sales income	**112**	504.069.017	455.692.979
2. Other operating income	**113**	9.162.489	21.445.932
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	**114**	489.038.296	467.518.869
1. Changes in the value of inventories of ongoing production and finished goods	**115**	0	0
2. MATERIAL COSTS (117 do 119)	**116**	358.906.177	318.953.690
a) Costs of raw material and supplies	**117**	1.778.478	1.690.752
b) Costs of goods sold	**118**	1.866.476	963.942
c) Other external costs	**119**	355.261.223	316.298.996
3. Staff costs (121 do 123)	**120**	38.551.105	54.150.101
a) Net salaries and wages	**121**	21.026.969	27.857.987
b) Expenses of taxes and contributions from salaries	**122**	12.437.105	18.518.099
c) Contributions to salaries	**123**	5.087.031	7.774.015
4. Amortization	**124**	74.407.234	74.830.588
5. Other costs	**125**	12.316.785	16.385.137
6. Value adjustment (127+128)	**126**	3.073.482	3.154.006
a) fixed assets (apart from financial assets)	**127**	0	0
b) current assets (apart from financial assets)	**128**	3.073.482	3.154.006
7. Provisions	**208**	1.783.513	45.347
8. Other operating expenses	**130**	0	0
III. FINANCIAL INCOME (132 through 136)	**131**	8.281.672	25.167.534
1. Intersts income, foreign exchange gains, dividends and other income related to affiliated undertakings	**132**	277.673	369.871
2. Intersts income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	**133**	8.003.999	24.797.663
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**	58.563.022	39.985.679
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**	58.563.022	39.985.679
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**	14.035.758	0
IX. TOTAL INCOME (111+131+142 + 144)	**146**	521.513.178	502.306.445
X. TOTAL EXPENSES (114+137+143 + 145)	**147**	561.637.076	507.504.548
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	**148**	-40.123.898	-5.198.103
1. Profit before taxation (146-147)	**149**	0	0
2. Loss before taxation (147-146)	**150**	40.123.898	5.198.103
XII. PROFIT TAX	**151**	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	**152**	-40.123.898	-5.198.103
1. Profit for the period (149-151)	**153**	0	0
2. Loss for the period (151-148)	**154**	40.123.898	5.198.103
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)			
XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD			
1. Assigned to the holders of parent company's capital	**155**	0	0
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	-40.123.898	-5.198.103
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	-40.123.898	-5.198.103
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)			
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD			
1. Assigned to the holders of parent company's capital	169	0	0
2. Assigned to minority interest	170	0	0

BALANCE SHEET

on 31 Dec 2014

Issuer: OT - Optima Telekom d.d.

Item	EOP	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001		
B) FIXED ASSETS (003+010+020+029+033)	002	416.850.256	385.090.216
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.880	60.764.410
1. Development expenses	004	0	0
2.Concessions, patents, licences, goods and services trademarkas, software and other rights	005	51.431.880	60.764.410
3. Goodwill	006	0	0
4. Advances for procurement of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 through 019)	010	342.120.557	308.404.198
1. Land	011	23.269	23.269
2. Building objects	012	14.582.259	9.382.385
3. Facilities and equipment	013	316.751.221	291.323.718
4. Tools, production inventory and transport assets	014	1.437.653	832.203
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	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	638.972	467.315
III. FIXED FINANCIAL ASSETS (021 through 028)	020	23.297.819	15.921.608
1. Shares (stock) in affiliated enterpreneurs	021	15.025.790	87.139
2. Loans granted to affiliated enterpreneurs	022	4.753.183	1.384.377
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.483.846	14.415.092
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	162.208.577	109.470.513
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	91.743.345	80.655.678
1. Receivables from affiliated enterpreneurs	044	624.005	380.997
2. Receivables from buyers	045	84.568.706	75.191.155
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	126.907	97.687
6. Other receivables	049	6.383.098	4.967.014
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.271	1.439.291
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	1.248.271	1.439.291
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	67.873.272	25.920.120
D) PREPAYMENTS AND ACCRUED INCOME	059	38.049.824	13.485.435
E) TOTAL ASSETS (001+002+034+059)	060	617.108.657	508.046.164
F) OFF-BALANCE RECORDS	061	1.724.426.417	427.934.789

LIABILITIES			
A) **CAPITAL AND RESERVES** (063+064+065+071+072+075+078)	**062**	-602.675.992	-37.333.551
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**	-785.106.794	-859.148.638
1. Retained earnings	**073**	0	0
2. Loss carried forward	**074**	785.106.794	859.148.638
VI. PROFIT OR LOSS OF THE YEAR (076-077)	**075**	-40.123.898	-5.198.103
1. Profit of the year	**076**	0	0
2. Loss of the year	**077**	40.123.898	5.198.103
VII. MINORITY INTEREST	**078**	0	0
B) **PROVISIONS** (080 through 082)	**079**	1.783.513	1.828.860
1. Provisions for pensions, severance payments amd similar obligations	**080**	1.783.513	1.828.860
2. Provisions for tax liabilities	**081**	0	0
3. Other provisions	**082**	0	0
C) **FIXED LIABILITIES** (084 through 092)	**083**	13.664.931	448.329.374
1. Liabilities towards affiliated enterpreneurs	**084**	0	0
2. Liabilities for loans, deposits and similar	**085**	13.664.931	60.445.069
3. Liabilities towards banks and other financial institutions	**086**	0	271.164.890
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**	0	0
D) **CURRENT LIABILITIES** (094 do 105)	**093**	1.177.376.312	59.293.928
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**	596.164.277	3.424.117
4. Liabilities for advances	**097**	0	0
5. Liabilities towards suppliers	**098**	270.716.744	48.880.650
6. Liabilities as per securities	**099**	293.687.500	0
7. Liabilities towards entrepreneur with participating interests	**100**	0	0
8. Liabilities towards employees	**101**	1.887.355	1.823.317
9. Liabilities for taxes, contributions and similar levies	**102**	11.946.893	5.139.096
10. Liabilities as per share in results	**103**	0	0
11. Liabilities as per longterm assets intended for sale	**104**	0	0
12. Other current liabilities	**105**	70.592	26.748
E) **DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD**	**106**	26.959.893	35.927.553
F) **TOTAL – LIABILITIES** (062+079+083+093+106)	**107**	617.108.657	508.046.164
G) **OFF – BALANCE RECORDS**	**108**	1.724.426.417	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**	0	0
2. Assigned to minority interest	**110**	0	0

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

CASH FLOW STATEMENT - Indirect method

in the period from 01 Jan 2014 to 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	-40.123.898	-5.198.103
2. Depreciation	002	74.407.234	74.830.588
3. Increase of short-term liabilities	003	103.908.599	0
4. Decrease of short-term receivables	004	0	11.087.667
5. Decrease of inventories	005	1.094.399	0
6. Other increase of cash flow	006	17.348.741	40.953.607
I. Total increase of cash flow from operating activities (001 through 006)	007	156.635.075	121.673.759
1. Decrease of short-term liabilities	008	0	408.911.224
2. Increase of short-term receivables	009	10.906.151	0
3. Increase of inventories	010	0	111.735
4. Other decrease of cash flow	011	39.077.974	30.917.600
II. Total decrease of cash flow from operating activities (008 through 011)	012	49.984.125	439.940.559
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	106.650.950	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	318.266.800
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	85.638.095	50.446.759
2. Cash expenditure for acquiring ownership and debt financial instruments	022	0	
3. Other expenditures from investment activities	023	0	
IV. Total cash expenditures from investment activities (021 through 023)	024	85.638.095	50.446.759
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	554.011.731
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	85.638.095	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	45.112.559	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	45.112.559	0
1. Cash expenditure for the payment of loan principal and bonds	031	0	277.698.083
2. Cash expenditure for the payment of dividend	032	0	0
3. Cash expenditure for financial lease	033	0	0
4.Cash expenditure for own shares buy-off	034	0	0
5. Other expenditures from financial activities	035	0	0
VI. Total cash expenditure from financial activities (031 through 035)	036	0	277.698.083
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	45.112.559	0
C2)NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	277.698.083
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	66.125.414	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	41.953.152
Cash and cash equivalents at the beginning of the period	041	1.747.858	67.873.272
Increase of cash and cash equivalents	042	66.125.414	0
Decrease of cash and cash equivalents	043	0	41.953.152
Cash and cash equivalents at the end of the period	044	67.873.272	25.920.120

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	0
4. Retained profit or loss carried forward	**004**	-785.106.794	-859.148.638
5. Profit or loss of the current year	**005**	-40.123.898	-5.198.103
6. Revaluation of fixed tangible assets	**006**	0	
7. Revaluation of intangible assets	**007**	0	
8. Revaluation of financial property available for sale	**008**	0	
9. Other revaluation	**009**	0	
10. Total capital and reserves (EDP 001 through 009)	**010**	-602.675.992	-37.333.551
11. Foreign exchange differences from net investments in foreign operations	**011**	0	0
12. Current and deferred taxes (part)	**012**	0	0
13. Cash flow protection	**013**	0	0
14. Changes in accounting policies	**014**	0	0
15. Correction of significant mistakes from the previous period	**015**	0	0
16. Other equity changes	**016**	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	**017**	0	0
17 a. Assigned to holders of parent company's capital	**018**	0	0
17 b. Assigned to minority interest	**019**	0	0

Items that reduce capital entered with a negative sign

Data under EDP codes 001-009 to be input balance sheet as at date

Notes to the Financial Statements

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.

Staff
On 31 Dec 2014 the Company employed 210 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-Mišetić	Member and Deputy Chairman (as of 18 Jun 2014.)
Zrinka Vuković Berić	Member (until 18 Jun 2014.)
Duško Grabovac	Member (until 18 Jun 2014.)
Marina Brajković	Member (as of 18 Jun 2014.)
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 24 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	207.394.925	229.945.875
Interconnection services	84.443.120	110.252.226
Internet services	110.069.320	100.804.546
Data services	23.415.024	32.327.614
Multimedia services	24.867.365	23.989.162
Lease and sale of equipment	3.467.740	4.575.613
Other services	2.035.485	2.173.981
	455.692.979	**504.069.017**

113. OTHER OPERATING INCOME

	31 Dec 2014	31 Dec 2013
Write off old trade payables and additional discounts	1.657.114	1.492.674
Income from rent - billing system	1.037.319	1.104.681
Income from collected penalties etc.	2.595.292	1.787.783
Income from in kind payments	668.343	370.855
Income from reversal of provisions	0	1.743.916
Other income	15.487.864	2.662.580
	21.445.932	**9.162.489**

116. MATERIAL COSTS

	31 Dec 2014	31 Dec 2013
Costs of maintenance	18.348.850	17.112.355
Marketing services	5.903.988	2.027.858
Billing costs	4.647.580	5.449.947
Line lease costs	39.337.902	45.419.941
Intellectual and other services	2.158.177	1.872.683
Utilities	8.012.246	8.442.022
Customer attraction costs	14.601.179	21.939.120
Pair connection fees	56.500.241	61.342.765
Telecommunications costs	152.697.302	176.482.890
Residential sales services	12.345.300	13.334.200
Other costs	1.746.231	1.837.442
	316.298.996	**355.261.223**

120. STAFF EXPENSES

	31 Dec 2014	31 Dec 2013
Net salaries	27.857.987	21.026.969
Taxes and contributions from salaries	18.518.099	12.437.105
Taxes and contributions on salaries	7.774.015	5.087.031
	54.150.101	**38.551.105**
Number of employees on 31 Dec 2014	210	208

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Dec 2014	31 Dec 2013
Amortization of intangible assets	24.031.700	25.749.557
Amortization of fixed tangible assets	50.798.888	48.657.677
	74.830.588	**74.407.234**

125. OTHER OPERATING EXPENSES

	31 Dec 2014	31 Dec 2013
Compensations to employees	1.741.213	1.696.383
Representation	538.033	1.231.457
Insurance premiums	1.244.306	1.008.003
Bank charges	594.529	744.127
Taxes, contributions and membership fees	970.590	1.231.147
Net loss of sold and written off assets	3.135.233	0
Gifts and sponsorships	612.948	514.562
Unpaid receivables write-offs	6.177.235	3.196.932
Other expenses	1.371.050	2.694.174
	16.385.137	**12.316.785**

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

126. VALUE ADJUSTMENT

	31 Dec 2014	31 Dec 2013
Value adjustment of short term assets	3.154.006	3.073.482
	3.154.006	**3.073.482**

131. FINANCIAL INCOME

	31 Dec 2014	31 Dec 2013
Interest income from related companies	369.871	277.673
Interest income	4.837.729	7.293.297
Income from financial liability write offs based on prebankruptcy agreement	19.452.109	0
Foreign exchange gains	507.825	710.702
	25.167.534	**8.281.672**

137. FINANCIAL EXPENSES

	31 Dec 2014	31 Dec 2013
Interest expenses	19.735.481	50.572.065
Fee	42.483	272.250
Financial assets value adjustment	20.207.715	0
Foreign exchange losses	0	7.718.707
	39.985.679	**58.563.022**

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**	**82.680.180**	**0**	**145.044.512**
Additions	27.225.176	0	6.139.054	33.364.230
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	**89.589.508**	**88.819.234**	**0**	**178.408.742**
VALUE ADJUSTMENT				
As at 01 Jan 2014	**23.258.343**	**70.354.289**	**0**	**93.612.632**
Amortization of the current year	20.161.008	3.870.692	0	24.031.700
Disposals and retirements	0	0	0	0
Amortization as at 31 Dec 2014	**43.419.351**	**74.224.981**	**0**	**117.644.332**
NET ACCOUNTING VALUE				
As at 31 Dec 2014	**46.170.157**	**14.594.253**	**0**	**60.764.410**

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
As at 01 Jan 2013	**23.269**	**18.100.211**	**604.001.690**	**5.821.046**	**46.822**	**8.640.360**	**4.642.718**	**641.276.116**
Additions	0	0	3.450.242	716.202	0	21.499.973	5.400	25.671.817
Transfer from assets in progress	0	76.449	23.620.802	113.120	0	-23.811.847	1.476	0
Disposals and retirements	0	-6.648.274	-7.289.163	-2.427.370	0	0	0	-16.364.807
As at 31 Dec 2013	**23.269**	**11.528.386**	**623.783.571**	**4.222.998**	**46.822**	**6.328.486**	**4.649.594**	**650.583.126**
VALUE ADJUSTMENT								
As at 01 Jan 2013	**0**	**3.517.952**	**287.250.467**	**4.383.393**	**0**	**0**	**4.003.749**	**299.155.561**
Amortization of the current year	0	371.091	49.821.689	427.578	0	0	178.530	50.798.888
Disposals and retirements	0	-1.743.042	-4.612.303	-1.420.176	0	0	0	-7.775.521
Amortization as at 31 Dec 2013	**0**	**2.146.001**	**332.459.853**	**3.390.795**	**0**	**0**	**4.182.279**	**342.178.928**
NET ACCOUNTING VALUE								
As at 31 Dec 2013	**23.269**	**9.382.385**	**291.323.718**	**832.203**	**46.822**	**6.328.486**	**467.315**	**308.404.198**

020. LONG-TERM FINANCIAL ASSETS

	31 Dec 2014	31 Dec 2013
Loans to majority shareholder	14.454.675	5.716.594
Loans to third party companies	37.421.672	36.988.703
Long term deposits	3.494.716	3.483.846
	55.371.063	**46.189.143**
Value adjustment	-40.955.971	-42.705.297
	14.415.092	**3.483.846**
Loans to related companies	1.384.377	4.753.183
Loans and deposits	**15.799.469**	**8.237.029**
Shares in related companies	87.139	15.025.790
Participating interest (up to 20% of share)	35.000	35.000
	15.921.608	**23.297.819**

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. and they come due on 30. June 2028.
Participating interests are related to the shares in company Pevec d.d., acquired by uncollected receivables.

Movement of value adjustment of long term assets

	31 Dec 2014
1 January 2014	42.705.297
Write off during the year	0
Impaired during the year	-1.749.326
Reserved during the year	0
Closing balance	**40.955.971**

021. SHARES IN RELATED COMPANIES

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which changed its name to Optima Direct d.o.o. The main business activities of Optima Direct d.o.o. are trading and providing various services which mainly relate to telecommunications sector.
In August 2008, the Parent Company increased the share capital of Optima Direct d.o.o. by HRK 15.888 i.e. 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 Dec 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.

043. RECEIVABLES

	31 Dec 2014	31 Dec 2013
Receivables from related companies	380.997	624.005
Trade receivables	75.191.155	84.568.706
Employee receivables	18.825	40.629
Receivables from the state and other institutions	97.687	126.907
Other receivables	4.967.014	6.383.098
	80.655.678	**91.743.345**

045. TRADE RECEIVABLES

	31 Dec 2014	31 Dec 2013
Domestic trade receivables	98.045.513	101.438.653
Foreign trade receivables	5.966.579	9.689.205
Interest receivables	0	51.514
	104.012.092	**111.179.372**
Value adjustment	-28.820.937	-26.610.666
	75.191.155	**84.568.706**

Movement of value adjustment for doubtful receivables:

	31 Dec 2014
1 January 2014	26.610.667
Write off during the year	0
Collected during the year	-943.735
Reserved during the year	3.154.005
Closing balance	**28.820.937**

Aging of trade receivables of the Company:

	31 Dec 2014
Undue	46.763.577
Up to 120 days	20.750.184
120-360 days	6.146.622
over 360 days	30.351.709
	104.012.092

049. OTHER RECEIVABLES

	31 Dec 2014	31 Dec 2013
Interest receivables	5.789.815	3.375.567
Advance payments receivables	4.709.482	5.962.098
Other receivables	90.778	119.898
	10.590.075	**9.457.563**
Value adjustment of other receivables	-5.623.061	-3.074.465
	4.967.014	**6.383.098**

056. GRANTED LOANS AND DEPOSITS

	31 Dec 2014	31 Dec 2013
Loans	3.410	0
Deposits	1.435.882	1.248.271
	1.439.291	**1.248.271**

058. CASH IN BANK AND REGISTER

	31 Dec 2014	31 Dec 2013
Kuna accounts balance	25.803.332	62.621.122
Foreign currency accounts balance	106.677	5.229.807
Cash in register	10.111	22.343
	25.920.120	**67.873.272**

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Dec 2014	31 Dec 2013
Differed customer related expenses	0	23.609.858
Prepaid expenses	13.485.435	14.439.966
	13.485.435	**38.049.824**

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

063. SUBSCRIBED CAPITAL

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

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

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	5.198.103
Number of shares	63.265.919
Loss per share	**0,08**

In the same period last year, loss per share amounted to HRK 14,23

Price of shares realized on the stock exchange within the current quarter (1 Jan - 31 Dec 2014) varied from HRK 5,40 (the lowest price) to HRK 8,46 (the highest price). Market capitalization in thousands of HRK on 31 Dec 2014 amounted to HRK 21.968 thousand.
In the period from January to December 2014 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of shareholders as on 31 Dec 2014:

	in 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	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
Other shareholders	87.836	13,88
	632.659	100,00

083. LONG-TERM LIABILITIES

	31 Dec 2014	31 Dec 2013
Loan based liabilities	3.698.989	13.664.931
Trade payables based on prebankruptcy agreement	56.746.080	0
Liabilities towards credit institutions	271.164.890	0
Trade payables for content	41.368.816	33.121.423
Liabilities from bonds issued	75.350.599	0
	448.329.374	46.786.354

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%.

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 Dec 2014	31 Dec 2013
Nominal value	75.000.000	250.000.000
Compensations for issuance of bonds	0	0
Liabilities based on calvulated 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	3.422.617	2.902.951
Liabilities towards credit institutions	0	543.146.373
Interest liabilities based on loans	1.500	53.017.904
Liabilities for bonds issued	0	293.687.500
Trade payables	48.880.650	237.595.321
Liabilities towards employees	1.823.317	1.887.355
Taxes, contributions and other levies	5.139.096	11.946.893
Other liabilities	26.748	70.592
	59.293.928	1.144.254.889

098. LIABILITES TOWARDS SUPPLIERS

	31 Dec 2014	31 Dec 2013
Domestic trade payables	46.629.454	232.396.020
Foreign trade payables	2.251.196	5.199.301
	48.880.650	237.595.321

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Dec 2014	31 Dec 2013
VAT Liabilities	3.996.597	9.706.311
Taxes and contributions on and from salaries	1.039.845	1.486.100
Other taxes and contributions	102.654	754.482
	5.139.096	11.946.893

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	22.035.201	12.500.000
Deferred Income due to uncertainty	3.690.399	3.756.641
	35.927.553	26.959.893

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	604.672	-14.941	-23.524
USD	266	1.581	0	0
CHF				
GPB				
	235.962	**606.253**	**-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	60.467	-1.494	-2.352
USD	27	158	0	0
CHF				
GPB				
	23.597	**60.625**	**-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

Long-term liabilities arising from credits and loans with variable interest rates amount to HRK 340,12 million, and therefore, the Company's exposure to the interest rate risk is significant.
Other assets and liabilities, including bonds issued, are not exposed to to interest rate risk.

Credit Risk

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

Trade receivables are monitored continuously in order to determine their risk level and apply the appropriate procedures. Customers' credit ratings are also monitored on a continuous basis in order to establish the Company's credit exposure, which is reviewed at least once a year.
The Company operates with a large number of customers from various industries and of various sizes as well as with individuals who have a specific credit risk. The Company has developed procedures for each particular group of customers in order to ensure that the credit risk is addressed in the most appropriate way.

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK	**Up to one year**	**From 1 to 5 years**	**Over 5 years**	**Total**
31 Dec 2014				
Non-interest bearing liabilities	86.658	139.244	0	225.902
Interest bearing liabilities	16.151	150.091	249.629	415.872
	102.810	**289.335**	**249.629**	**641.774**
31 Dec 2013				
Non-interest bearing liabilities	272.675			272.675
Interest bearing liabilities	903.105	1.803	1.512	906.420
	1.175.780	**1.803**	**1.512**	**1.179.095**

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 270.717 thousand for the period from January to December 2014 (HRK 182.265 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	130.726			130.726
Interest bearing liabilities	2.850	264	3.574	6.689
	133.576	**264**	**3.574**	**137.415**
31 Dec 2013				
Non-interest bearing liabilities	159.490			159.490
Interest bearing liabilities	1.248	8.237	0	9.485
	160.738	**8.237**	**0**	**168.975**

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., Zagreb

Separate Financial Statements

At 31 December 2014

Together with Independent Auditor's Report

Contents

Responsibility for the separate 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. (hereinafter: 'the Company').

After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Company's Management Board 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 Company 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 Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed for and on behalf of the Management Board:

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:

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

Responsibility of the Management Board for the financial statements

Management is responsible for the preparation and fair presentation of these unconsolidated 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 separate 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 separate 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 unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the unconsolidated 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 unconsolidated 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 separate financial statements present fairly, in all material respects, the financial position of the Company 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.

Independent Auditor's Report (continued)

Emphasis of matter

Going concern

The accompanying financial statements have been prepared under the assumption that the Company will be able to continue as a going concern. We draw attention to Note 1 to the separate financial statements which discusses the considerations of the Management Board regarding the preparation of the separate financial statements under the going-concern assumption. As disclosed in Note 1, the Company declared a net loss for the year ended 31 December 2014 in the amount of HRK 5,198 thousand, and its its negative capital amount to HRK 37,334 thousand at 31 December 2014.

In 2014 the 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 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 Company's liabilities, i.e. within the deadlines specified in the pre-bankruptcy settlement agreement.

These separate financial statements have been prepared under the assumption that the Company 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 separate financial statements do not include any adjustments that might result from the outcome of the above-mentioned uncertainty. Our opinion has not been modified in respect of this matter.

Consolidated financial statements

We draw attention to the fact that the consolidated financial statements of OT-Optima telekom d.d. and its subsidiaries, prepared in accordance with International Financial Reporting Standards adopted by the European Union, are issued separately. In the accompanying financial statements investments in subsidiaries are measured at cost. For a better understanding of the Group as a whole, users should read the consolidated financial statements in conjunction with these financial statements. Our opinion is not been qualified in this respect.

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10 000 Zagreb

Deloitte d.o.o.

Branislav Vrtačnik, Certified Auditor, Member of the Board

2 February 2015

Separate statement of comprehensive income

At 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013 As restated
Sales	4	455,693	493,761
Other operating income	5	21,446	9,162
		477,139	**502,923**
Interconnection fee expenses		(152,697)	(176,483)
Rent of telecommunication equipment		(39,338)	(45,420)
Customer attraction expenses		(14,601)	(12,681)
Staff costs	6	(55,891)	(40,247)
Depreciation and amortisation	7	(74,832)	(74,407)
Value adjustment of non-current and current assets	8	(3,154)	(9,423)
Provisions for long-service and termination benefits to employees		(45)	(1,784)
Net gains on disposal of assets and equipment		(3,135)	-
Other operating expenses	9	(123,826)	(130,461)
		(467,519)	**(490,906)**
Financial income	10	25,168	8,282
Financial expenses	11	(39,986)	(61,473)
		(14,818)	**(53,191)**
LOSS BEFORE TAXATION		**(5,198)**	**(41,174)**
Income tax expense	12	-	-
LOSS FOR THE YEAR		**(5,198)**	**(41,174)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS		**(5,198)**	**(41,174)**
Loss per share (in HRK)	22	(0.08)	(14.60)

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

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

Zoran Kežman
President of the Management Board

Mirela Šešerko
Management Board Member

Tomislav Tadic
Management Board Member

OT-Optima Telekom d.d.
ZAGREB

Separate 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	20,869
Property, plant and equipment	14	308,404	342,121	361,453
Other non-current assets	15	15,922	23,298	28,539
Total non-current assets		**385,090**	**416,851**	**410,861**
Current assets				
Inventories	16	1,455	1,344	2,438
Receivables from related companies		381	-	-
Trade receivables	17	75,191	85,193	79,395
Receivables from the State and other institutions	18	98	127	305
Given loans and deposits	19	1,439	1,248	588
Prepayments for services and inventories		4,709	5,962	646
Other receivables		276	462	492
Prepaid expenses and accrued income	20	13,485	14,440	17,249
Cash and cash equivalents	21	25,920	67,873	1,748
Total current assets		**122,954**	**176,649**	**102,861**
TOTAL ASSETS		**508,044**	**593,500**	**513,722**

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

Signed on behalf of the Company 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

Separate statement of financial position (continued)

At 31 December 2014

(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
Accumulated losses		(864,347)	(859,149)	(817,975)
		(37,334)	**(636,594)**	**(595,420)**
Long-term borrowings	23	329,835	3,315	-
Issued bonds	24	75,351	-	-
Trade payables	25	41,369	33,122	-
Accrued expenses and deferred income	27	22,035	22,808	13,500
Total non-current liabilities		**468,590**	**59,245**	**13,500**
Short-term borrowings	23	5,199	609,417	567,620
Issued bonds	24	-	293,688	269,414
Liabilities to related companies		-	-	7,897
Trade payables	25	48,880	237,595	182,265
Provisions for long-service and termination benefits		1,829	1,784	1,744
Accrued expenses and deferred income	27	13,893	14,460	51,878
Other current liabilities	26	6,987	13,905	14,824
Total current liabilities		**76,788**	**1,170,849**	**1,095,642**
TOTAL EQUITY AND LIABILITIES		**508,044**	**593,500**	**513,722**

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

Signed on behalf of the Company 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

Separate statement of changes in shareholders' equity

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

	Subscribed capital	Capital gains	Accumulated losses	Total
Balance at 1 January 2013 As restated	**28,201**	**194,354**	**(817,975)**	**(595,420)**
Loss for the year (as restated; Note 3)	-	-	**(41,174)**	**(41,174)**
Total comprehensive loss for the year	-	-	*(41,174)*	*(41,174)*
Balance at 31 December 2013 As restated	**28,201**	**194,354**	**(859,149)**	**(636,594)**
Increase of share capital based on pre-bankruptcy settlement agreement	604,458	-	-	604,458
Loss for the year	-	-	**(5,198)**	**(5,198)**
Total comprehensive loss for the year	-	-	*(5,198)*	*(5,198)*
Balance at 31 December 2014	**632,659**	**194,354**	**(864,347)**	**(37,334)**

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

Signed on behalf of the Company 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

Separate 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 loss for the year		(5,198)	(41,174)
Adjusted by:			
Depreciation and amortisation		67,057	74,407
Provisions for long-service and termination benefits		45	40
Value adjustment of given loans		(3,418)	-
Value adjustment on trade receivables and inventories		2,210	5,145
Decrease in the value adjustment of receivables		-	(3,055)
Adjustment of financial assets as a result of fair value measurement		(19,219)	-
Net book value of assets retired and disposed of		-	6,580
Net cash from operations before changes in working capital		**41,477**	**41,943**
(Increase) / decrease in inventories		(111)	1,094
Decrease / (increase) in trade accounts receivable		7,740	(5,816)
Decrease / (increase) in other receivables		186	(4,718)
Decrease in prepaid expenses and accrued income		955	12,067
Increase in trade payables		2,510	88,452
Decrease in liabilities to related companies		-	(7,897)
Decrease in accrued expenses and deferred income		(1,340)	(38,418)
Decrease in amounts due to the State		(6,777)	-
Increase of receivables from related companies		(381)	-
Decrease in amounts due to employees		(64)	-
Decrease in interest receivable		52	-
Decrease of prepayments made		10,354	-
Decrease in other liabilities		2,851	23,354
Net cash generated from operating activities		**57,452**	**110,061**
Cash flows from investing activities			
Purchases of tangible and intangible assets		(59,035)	(92,217)
Proceeds from sale of tangible assets		16,363	-
Proceeds from repayment of given loans		1,979	-
Increase in given loans		(278)	-
Net cash used in investing activities		**(40,971)**	**(92,217)**

Separate statement of cash flows (continued)

For the year ended 31 December 2014

(All amounts are expressed in thousands of kunas)

	Notes	2014	2013
Cash flows from financing activities			
Increase in borrowings and long-term receivables		-	3,169
Increase in of loans and borrowings		637	45,112
Repayment of long-term borrowings		(58,872)	-
Increase in given deposits		(199)	-
Net cash generated from / (used in) investing activities		**(58,434)**	**48,281**
Net (decrease) / increase in cash and cash equivalents		**(41,953)**	**66,125**
Cash and cash equivalents at 1 January		67,873	1,748
Cash and cash equivalents at 31 December	21	**25,920**	**67,873**

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

Signed on behalf of the Company 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

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.

(All amounts are expressed in thousands of kunas)

1. GENERAL INFORMATION (continued)

Staff

At 31 December 2014, there were 210 persons employed at the Company (2013: 208 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	Chairman (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 Company is disclosed in the 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 Company changed its ownership and governance structures as well as increased its share capital.

According to the Pre-bankruptcy Settlement Agreement, the 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 Company amount to HRK 122,954 thousand and its total current liabilities amount to HRK 76,788 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 Company 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 Company did not adopt any new or revised IFRSs and Interpretations that would affect the financial position or the results of operations of the Company, 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 Company'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:

3. **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
4. **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
5. **IFRS 15 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2017),
6. **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),
7. **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),
8. **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),
9. **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
10. **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 Company 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 Company 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 Company 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 Company 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 3.

The financial statements of the Company represent aggregate amounts of assets, liabilities, capital and reserves of the Company as of 31 December 2014, and the results of operations for the year then ended.

The Company also prepares its consolidated financial statements in accordance with International Financial Reporting Standards, which include the financial statements of the Company as the parent and the financial statements of the subsidiaries controlled by the Company. In these financial statements, investments in entities controlled by the Company or in which the Company has significant influence are carried at cost less impairment if any. For a full understanding of the financial positions of the Company and its subsidiaries as a group, and the results of their operations and their cash flows for the year, users are advised to read the consolidated financial statements of the Optima Telekom Group.

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 Company deferred the costs of attracting customers over the average useful life of the customer, i.e. 5 years. In 2014 the 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	50,117	17,249	(32,868)
Total assets		**546,590**	**513,722**	**(32,868)**
Accumulated losses	22	(785,107)	(817,975)	(32,868)
Total equity		**(562,552)**	**(595,420)**	**(32,868)**

(All amounts are expressed in thousands of kunas)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of financial position at 1 January 2014

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 9,258 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	38,050	14,440	(23,610)
Total assets		**617,110**	**593,500**	**(23,610)**
Accrued expenses and deferred income	27	26,960	37,268	10,308
Accumulated losses	22	(825,231)	(859,149)	(33,918)
Total equity and liabilities		**617,110**	**593,500**	**(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	504,069	493,761	(10,308)
Customer attraction expenses		21,939	12,681	9,258
Other expenses	9	130,461	130,461	-
Loss for the year		**(40,124)**	**(41,174)**	**(1,050)**
Income tax expense	12	-	-	-
Total comprehensive loss		**(40,124)**	**(41,174)**	**(1,050)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years.

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 Company 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 potential impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company 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 Company 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 Company'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 Company will not be able to collect all amounts due according to the original terms of the receivables.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company 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 Company 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 Company 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 Company 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 Company 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 Company 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 (FVTPL)

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:

- 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 Company 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.

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 29.

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 Company 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 Company's right to receive the dividend 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 Company'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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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.

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 Company 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (continued)

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 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 fair value through profit or loss in the statement of comprehensive income.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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.
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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 Company. The Company operates 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 Company'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 Company'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 Company 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 parameters, such as the expected discount rate, future rates of the benefit increase, employee turnover and salary increase. The Company 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 5.75 % (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	207,395	229,946
Interconnection services	84,443	110,252
Internet services	110,069	100,805
Data services	23,415	22,020
Multimedia services	24,867	23,989
Equipment rentals and sale	3,468	4,576
Other sales	2,036	2,173
	455,693	**493,761**

5. OTHER OPERATING INCOME

	2014	2013, As restated
Income from penalties charged	2,596	1,788
Income from collection of past due receivables	1,657	1,493
Income from leases - payment system	1,037	1,105
Income from compensations in kind	668	371
Income from discounting	11,864	-
Other income	3,624	4,405
	21,446	**9,162**

(All amounts are expressed in thousands of kunas)

6. STAFF COSTS

	2014	2013, As restated
Net salaries	27,858	21,027
Taxes and contributions	26,292	17,524
Reimbursement of costs to employees	1,741	1,696
	55,891	**40,247**
Number of staff at 31 December	210	208

The staff costs include gross post-employment and in-kind benefits paid in the amount of HRK 14,255 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	50,800	48,658
Amortisation	24,032	25,749
	74,832	**74,407**

8. IMPAIRMENT ALLOWANCE ON NON-CURRENT AND CURRENT ASSETS

	2014	2013, As restated
Impairment allowance on non-current assets	-	6,350
Impairment allowance on current assets	3,154	3,073
	3,154	**9,423**

(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	18,349	17,112
Residential sales services	12,345	13,334
Utilities	8,012	8,442
Receivables write-off	6,177	3,197
Marketing services	5,904	2,028
Invoicing expenses	4,648	5,450
Intellectual services	2,158	4,272
Cost of material	1,691	1,778
Insurance premiums	1,244	1,008
Taxes and contributions independent of operating results	971	1,231
Cost of goods and services sold	964	1,866
Sponsorships	613	515
Bank and financial institutions charges	595	3,121
Entertainment	538	1,231
Other operating expenses	3,117	4,533
	123,826	**130,461**

10. FINANCIAL INCOME

	2014	2013, As restated
Interest and fee income	4,838	7,293
Written-off financial liabilities credited to income	19,452	-
Interest income - related companies	370	278
Foreign exchange gains	508	711
	25,168	**8,282**

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	19,778	50,844
Foreign exchange losses	-	7,719
Value adjustment of financial assets	20,208	2,910
	39,986	**61,473**

The interest expense comprises interest charges on loans, borrowings and issued bonds.

Value adjustment reflects the adjustment of the value of the investment in a subsidiary and a loan to a related company.

(All amounts are expressed in thousands of kunas)

12. INCOME TAX

The Company 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 rate is 20 %.
Optima Telekom d.d. had no corporate income tax liability for 2014 because of the losses carried forward.
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 Company'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 of the Company is not aware of any circumstances which may give rise to a potential material liability in this respect.

No deferred tax assets were recognised with respect to the tax losses available for carry forward due to uncertainty of future taxable profits.

(All amounts are expressed in thousands of kunas)

13. INTANGIBLE ASSETS

	Concessions and rights	Software	Assets under development	Total intangible assets
COST				
At 31 December 2012	**8,188**	**80,544**	-	**88,732**
Additions	54,175	-	2,137	56,312
Disposals and retirements	-	2,137	(2,137)	-
At 31 December 2013	**62,362**	**82,682**	-	**145,044**
Additions	27,225	-	6,139	33,364
Transfer from assets under development	-	6,139	(6,139)	-
At 31 December 2014	**89,588**	**88,820**	-	**178,408**
ACCUMULATED AMORTISATION				
At 31 December 2012	**1,932**	**65,931**	-	**67,863**
Charge for the year	21,327	4,422	-	25,749
At 31 December 2013	**23,259**	**70,353**	-	**93,612**
Charge for the year	20,161	3,871	-	24,032
At 31 December 2014	**43,420**	**74,224**	-	**117,644**
NET BOOK VALUE				
At 31 December 2013	**39,103**	**12,329**	-	**51,432**
At 31 December 2014	**46,168**	**14,596**	-	**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 46,168 thousand as of 31 December 2014 (2013: HRK 39,103 thousand). The Company 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, tools and plant fittings	Works of art	Assets under development	Leasehold improvements	Total tangible assets
COST								
At 31 December 2012	**23**	**18,099**	**578,302**	**5,006**	**47**	**9,088**	**4,446**	**615,011**
Additions	-	-	6,904	816	-	28,059	127	35,906
Transfer from assets under development	-	-	28,434	-	-	(28,506)	72	-
Disposals	-	-	(9,639)	-	-	-	-	(9,639)
At 31 December 2013	**23**	**18,099**	**604,001**	**5,822**	**47**	**8,641**	**4,645**	**641,278**
Additions	-	-	3,450	716	-	21,500	5	25,671
Transfer from assets under development	-	76	23,621	113	-	-23,812	2	-
Disposals	-	(6,647)	(7,289)	(2,427)	-	-		(16,363)
At 31 December 2014	**23**	**11,528**	**623,783**	**4,224**	**47**	**6,329**	**4,652**	**650,586**
ACCUMULATED DEPRECIATION								
At 31 December 2012	**-**	**3,065**	**242,656**	**4,085**	**-**	**-**	**3,752**	**253,558**
Charge for the year	-	453	47,654	299	-	-	252	48,658
Disposals	-	-	(3,059)	-	-	-	-	(3,059)
At 31 December 2013	**-**	**3,518**	**287,251**	**4,384**	**-**	**-**	**4,004**	**299,157**
Charge for the year	-	371	49,822	428	-	-	179	50,800
Disposals	-	(1,743)	(4,612)	(1,420)	-	-	-	(7,775)
At 31 December 2014	**-**	**2,146**	**332,461**	**3,392**	**-**	**-**	**4,183**	**342,182**
NET BOOK VALUE								
At 31 December 2013	**23**	**14,581**	**316,750**	**1,438**	**47**	**8,641**	**641**	**342,121**
At 31 December 2014	**23**	**9,382**	**291,322**	**832**	**47**	**6,329**	**469**	**308,404**

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 payment.

(All amounts are expressed in thousands of kunas)

15. OTHER NON-CURRENT ASSETS

	2014	2013
Loans to individuals	14,455	5,717
Loans to companies	37,422	36,988
Long-term deposits	3,495	3,484
	55,372	**46,189**
Impairment of loans and deposits	(40,956)	(42,705)
	14,416	**3,484**
Loans to related companies	1,384	4,753
Given loans and deposits	**15,800**	**8,237**
Investments in related companies	87	15,026
Participating interests	35	35
	15,922	**23,298**

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 Company 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 and transferred from Optima Direct to the Company based on the underlying wirtten and signed agreement.

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	42,705	**40,633**
Adjusted provisions	(1,749)	-
Additional provisions	-	2,072
Closing balance at 31 December	**40,956**	**42,705**

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

Investments in related companies

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.
During 2014 the Company tested its investment in Optima Direct d.o.o. for impairment and impaired the entire investment in the amount of HRK 14,939 thousand.

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

(All amounts are expressed in thousands of kunas)

15. OTHER NON-CURRENT ASSETS (CONTINUED)

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.
Intragroup transactions are carried out under market terms and conditions.

Name of subsidiary	Principal activity	Country of incorporation and business	Ownership interest in %		Amount of equity investment	
			2014	2013 godine	2014 godine	2013 godine
Optima direct d.o.o.	Trade and provision of various telecom services	Buje, Croatia	100.00%	100.00%	-	14,939
OT-Optima Telekom d.o.o.	Telecommunications, trade and provision of various services	Kopar, Slovenia	100.00%	100.00%	67	67
Optima Telekom za upravljanje nekretninama i savjetovanje d.o.o. – dormant	Real estate management and maintenance operations	Zagreb, Croatia	100.00%	100.00%	20	20
					87	**15,026**

The consolidated financial statements of OT-Optima telekom d.d. and the subsidiaries managed it (jointly referred to as: 'the Group'), prepared under International Financial Reporting Standards are also issued.

16. INVENTORIES

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

(All amounts are expressed in thousands of kunas)

17. TRADE RECEIVABLES

	2014	2013
Domestic trade receivables	98,046	102,063
Foreign trade receivables	5,966	9,689
Interest receivable	-	52
Impairment allowance on trade receivables	(28,821)	(26,611)
	75,191	**85,193**

	2014	2013
Trade receivables	104,012	111,752
Provisions for bad and doubtful receivables	(28,821)	(26,611)
Total receivables, net	**75,191**	**85,141**

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
Opening balance at 01 January	26,611	26,593
Writte-off during the year	-	(1,603)
Amounts collected during the year	(944)	(1,452)
Additional provisions	3,154	3,073
Closing balance at 31 December	**28,821**	**26,611**

Age analysis of receivables:

	2014	2013
Not yet due	46,764	49,299
Up to 120 days	20,750	27,835
120 to 360 days	6,147	8,623
Over 360 days	30,351	25,995
	104,012	**111,752**

(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	98	127
	98	**127**

19. GIVEN 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
Advanced equipment lease payments	13,485	14,440
	13,485	**14,440**

Movement in prepaid expenses:

	2014	2013 As restated
Opening balance at 1 January	14,440	17,627
Expensed during the year	(955)	(3,187)
Closing balance at 31 December	**13,485**	**14,440**

(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	25,803	62,621
Foreign currency account balance	107	5,230
Cash in hand	10	22
	25,920	**67,873**

22. SUBSCRIBED CAPITAL

The Financial and Operational Restructuring Plan of the 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 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 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.

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 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.

(All amounts are expressed in thousands of kunas)

22. SUBSCRIBED CAPITAL (CONTINUED)

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 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
Loss for the year	(5,198)	(40,124)
Number of shares	63,265,919	2,820,070
Loss per share	**(0.08)**	**(14.23)**

(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	278,288	559,714
Obligations to suppliers under the Pre-bankruptcy Settlement Arrangement	56,746	-
Interest	-	53,018
Total received loans and borrowings	**335,034**	**612,732**
Current portion	**(5,199)**	**(609,417)**
Long-term portion	**329,835**	**3,315**

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 settlements of HRK 15,418 thousand each.

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

	2014	2013
EUR	233,711	547,155
HRK	101,323	11,656
USD	-	903
Received loans and borrowings	**335,034**	**559,714**

	2014	2013
Amounts due to banks	271,165	-
Issued bonds	75,351	-
Obligations to suppliers under the Pre-bankruptcy Settlement Arrangement	56,746	-
Financial lease obligations	1,924	3,315

(All amounts are expressed in thousands of kunas)

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

The weighted average interest rate on the loans and borrowings is 4.46 % (2013: 6.72 %).
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	269,550	232,365
Received loans and borrowings	**273,089**	**559,714**

24. ISSUED BONDS

	2014	2013
Nominal amount	75,000	250,000
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 %. 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 %.

25. TRADE PAYABLES

	2014	2013
Long-term liabilities to content providers	41,369	33,122
Domestic trade payables	46,629	232,396
Foreign trade payables	2,251	5,199
	90,249	**270,717**

The average credit period on purchases from suppliers was 85 days (2013: 238 days due to HRK 167,277 of trade payables included in the pre-bankruptcy settlement procedure).

(All amounts are expressed in thousands of kunas)

26. OTHER CURRENT LIABILITIES

	2014	2013
VAT payable	3,997	9,706
Net salaries	1,823	1,887
Taxes and contributions on salaries	1,040	1,486
Other amounts due to the state	103	754
Other liabilities	24	72
	6,987	**13,905**

27. ACCRUED EXPENSES AND DEFERRED INCOME

	2014	2013 As restated
Deferred equipment rental income	22,035	22,808
Total long-term	**22,035**	**22,808**
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**
	35,928	**37,268**

Movements in accrued expenses and deferred income:

	2014	2013
Opening balance at 1 January	37,268	65,378
Increase in accrued expenses and deferred income	3,568	10,308
Provisions reversed during the year	(4,908)	(38,418)
Closing balance at 31 December	**35,928**	**37,268**

(All amounts are expressed in thousands of kunas)

28. RELATED-PARTY TRANSACTIONS

Receivables and payables and income and expenses from transactions between the Company and its related parties are provided in the table below:

	2014	2013
Income		
Optima telekom d.o.o., Koper	371	280
Optima direct d.o.o.	2,065	2,216
Expenses		
Optima telekom d.o.o., Koper	1,535	1,531
Optima direct d.o.o.	24,776	25,067
Receivables		
Optima telekom d.o.o., Koper	1,219	4,753
Optima direct d.o.o.	3,650	7,094
Liabilities		
Optima direct d.o.o.		-

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 1,003 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)

29. FINANCIAL INSTRUMENTS

During the period, the Company 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 Company 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 Company 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 Company 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)	410,385	906,420
Cash and cash equivalents	(25,920)	(67,873)
Net debt	384,465	838,547
Equity	(37,334)	635,594
Net debt-to-equity ratio	**(1,029.80%)**	**(131.93%)**

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

(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 separate financial statements.

Categories of financial instruments

	2014	2013 As restated
Financial assets		
Loans	75,351	9,485
Cash and cash equivalents	335,034	67,873
Receivables	128,024	85,819
	538,409	**163,177**
Financial liabilities at amortised cost		
Liabilities under issued bonds	75,351	293,688
Received loans and borrowings	335,034	612,732
Trade and other payables	92,096	309,944
	502,481	**1,216,364**

(All amounts are expressed in thousands of kunas)

30 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

The carrying amounts of the Company'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	604,672	14,941	23,524
USD	266	1,581	-	-
	235,962	**606,253**	**14,941**	**23,524**

Foreign currency sensitivity analysis

The Company 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 Company'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	60,467	1,494	2,352
USD	27	158	-	-
	23,597	**60,625**	**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 Company 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 Company is not exposed to equity price risks arising from equity investments. There are no significant equity instruments held by the Company.

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 Company. The Company has adopted procedures which it applies in dealing with customers. The Company 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 Company monitors the credit ratings of its counterparties continuously and reviews its credit exposure to its customers at least annually. The Company transacts with a large number of customers from various industries and of various size, as well as with individuals bearing specific credit risk. The Company 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 Company 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 framework for managing its short, medium and long-term funding and liquidity requirements. The Company 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 Company'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		86,658	139,244	-	225,902
Interest bearing	4.46%	16,152	150,091	249,629	415,872
		102,810	**289,335**	**249,629**	**641,774**
2013					
Non-interest bearing		299,635	-	-	299,635
Interest bearing	6.72%	903,105	1,803	1,512	906,420
		1,202,740	**1,803**	**1,512**	**1,206,055**

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 90,249 thousand in 2014 (2013: HRK 270,717 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 Company'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		130,726			130,726
Interest-bearing	0.76%	2,850	264	3,574	6,689
		133,576	**264**	**3,574**	**137,415**
2013					
Non-interest bearing		159,490			159,490
Interest bearing	0.82%	1,248	8,237	-	9,485
		160,738	**8,237**	**-**	**168,975**

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.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements set out on pages 4 to 61 were approved by the Management Board and authorised for issue.

Signed on behalf of the Company 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