

OT – Optima Telekom d.d
Management Interim Report
for the first nine months of 2014
Unconsolidated

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Main Features

In the past nine months, the company changed ownership and governing structure and also increased share capital by successfully completion of the pre-bankruptcy proceedings by concluding a Settlement before the Commercial Court of Zagreb on April 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 April 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 May 2, 2014.

After the finalization of the subscription process and with the Supervisory Board's consent, on May 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 June 9, 2014. Share capital has been increased pursuant to the Company's General Meeting Decision of April 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.

Furthermore, according to the decision of the Management Board on 23 July of 2014 to increase the share capital pursuant to the authorized capital stock by issuing new ordinary shares, shares in rights, to the exclusion of pre-emption rights of existing shareholders, that decision was made with the consent of the Supervisory Board, it continued with timely performance of the obligations assumed by a final Settlement.

On the settlement of claims of creditors established categories (c) banka Zagreb - Receivables from credit transactions that are secured by liens on movable property and rights, in the amount of 110,000,000.00 EUR and that is determined to be reimbursed under the terms of Mandatory Convertible Loan (MCL), Zagrebacka Banka d.d. has transferred part of the claim MCL amounting to HRK 68,870,920.00 at Hrvatski Telekom d.d. (hereinafter: HT). HT as the new creditor of part of the MCL on 21 July 2014, filed the application for the conversion of that part of the MCL claims into equity of the Company, which is base for the decision of the Board of the date of the 23rd July 2014.

Upon entry shares with written statement and concluding an agreement on the entry of rights in the share capital of the Company on 13 August 2014, the Commercial Court in Zagreb increased Company's share capital, which amounted

HRK 563,788,270.00 for the amount of HRK 68,870,920.00 to amount HRK 632,659,190.00 by issuing 6,887,092 ordinary shares marked OPTE-R-B in the nominal amount of HRK 10.00.

On 28.08.2014. a method of increasing the share capital has been implemented in SKDD by issuing 6,887,092 new ordinary shares tags OPTE-R-B in the nominal amount of HRK 10.00.

Currently the Company's share capital amounts to HRK 632,659,190.00 which is divided into 2,820,070 ordinary shares tags OPTE-R-A with a nominal amount of € 10.00, and 60,445,849 ordinary shares tags OPTE-R-B in the nominal amount of HRK 10.00.

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.

Pursuant to the Decision rendered by the Croatian Competition Agency (hereinafter: AZTN), was evaluated conditionally compatible concentration due to pre-bankruptcy settlement obtains control of the Company and ordered the fulfillment of measures and conditions which remove the effects of the concentration on competition, and that the measures and conditions to the concentration obligated to fulfill the terms and / or in the manner specified by the Decision of the AZTN. The concentration of HT and the Company is limited to a period of 4 years and in accordance with the Resolution of the AZTN started on 07.10.2014.

Business Indicators

Optima concluded the third quarter with:

- total revenue amounted to HRK **390.3** million, which represents a **2.5%** decrease. At the same time, total costs have been reduced by HRK **76.5** million, which is a **16.6%** reduction compared to the same period of the previous year,
- the operative result before taxation, interest and depreciation (EBITDA) amounted to HRK **53.0** million, EBITDA margin of **13.6%** compared with **14,5%** to the same period of the previous year.
- result before taxation (EBT) amounted to HRK **6.8** million, which is a HRK 66.5 million increase compared to the same period of the previous year.

	Q1-Q3 2013.	Q1-Q3 2014	Q1-Q3 2014 / Q1-Q3 2013	Q3 2013.	Q3 2014.	Q3 2014/ Q3 2013
Total income	400.260	390.281	[2,5%]	122.688	116.263	[5,2%]
Total expenses	460.002	383.482	[16,6%]	155.401	118.251	[23,9%]
EBITDA	55.627	52.965	[4,8%]	15.654	21.282	[36,0%]
EBT	[59.742]	6.799	[111,4%]	[32.713]	[1.989]	[93,9%]

	30.09.2013	30.09.2014 / 30.09.2013	30.6.2014	30.09.2014 / 30.06.2014	30.09.2014
Total number of OT users					
Number of voice channels	223.885	-15,1%	194.450	-2,3%	189.989
Number of users in own LLU network	114.423	-8,4%	106.941	-2,0%	104.838
Number of OptiDSL users in own LLU network	77.288	-2,6%	75.928	-0,9%	75.280
Number of OptiTV users in own LLU network	25.200	7,1%	26.950	0,2%	26.998
Number of collocations installed	282	0,4%	283	0,0%	283
North	94	0,0%	94	0,0%	94
West	48	2,1%	49	0,0%	49
East	55	0,0%	55	0,0%	55
South	85	0,0%	85	0,0%	85

Telecommunications Services Revenue

In the first nine months of 2014, Optima achieved a revenue from telecommunication services of HRK 340.7 million.

The revenue decrease was primarily influenced by lesser income from interconnection and data services. Revenue from interconnection amounted to HRK 64.8 million, which is 28% or HRK 25,2 million lesser compared to the same period of the previous year which is result of regulatory decision of reduction of national call termination in mobile networks prices. Data services are low due to one time revenue in 2013.

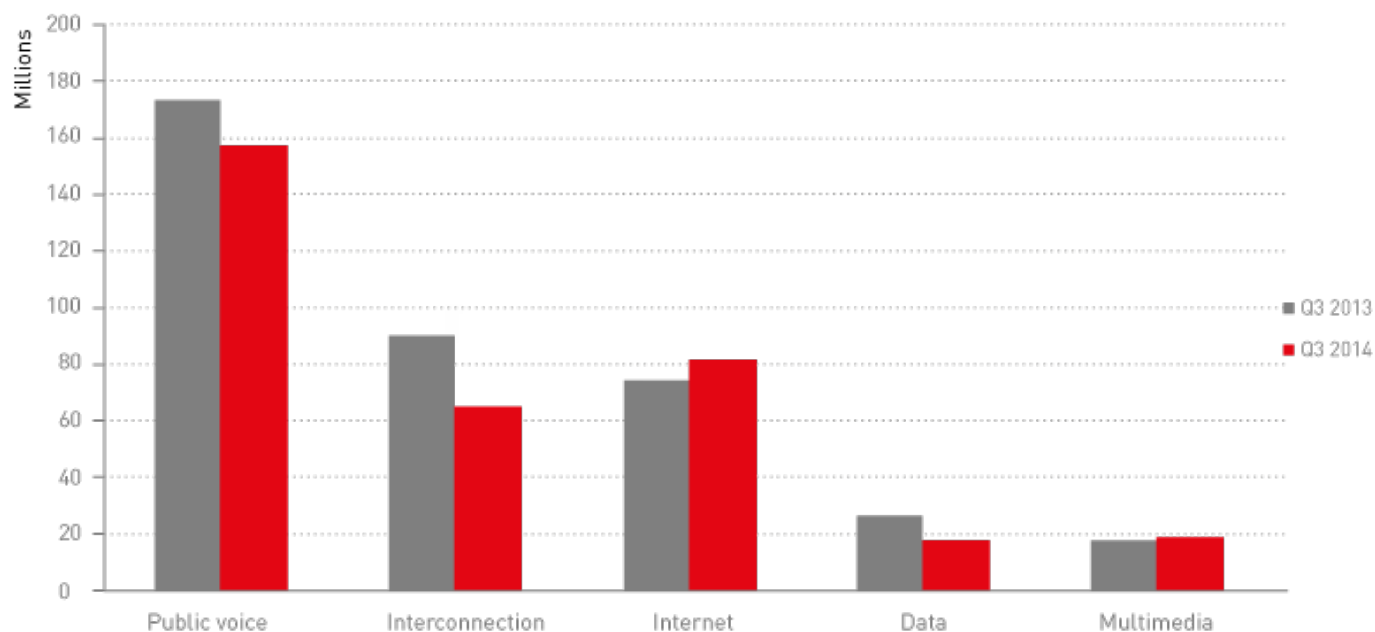
By virtue of a regulatory decision, in 2014 the national call termination in mobile networks prices have been reduced, which also resulted in the decrease of interconnection income in the observed period. The public voice service is showing a decreasing tendency at a global level, so the quantity of minutes realized in the public voice service is dropping continuously, which is reflected into a decrease of revenue from public voice service.

Multimedia services sales went up by 6.3%, so overall revenue amounted to HRK 18.8 million. Internet income increased by 9.8% and amount to HRK 81.6 million.

The 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.

Voice service revenue amounts to HRK 157.7 million, which represents a 9.2% reduction compared to the same period of the previous year.

Telecommunication income



Resrch and development activities

The migration to the new IPTV (OptiTV) platform commenced at the beginning of August. The new OptiTV platform with a range of new possibilities will ensure competitiveness and enable the development of new functionalities.

The greatest advantage of the upgraded OptiTV service is the simplicity of use. Along with simple TV and OptiTV Video Store browsing, the users can create their own list of wanted channels and a personal user profile, and parental control of inappropriate content has been improved. The new OptiTV service users have the option to connect external disks and USB devices and to browse content using the OptiTV service.

Access to Facebook and YouTube applications, as well as access to other internet features will be introduced at the beginning of 2015.

Earnings before Interest, Taxation and Depreciation - EBITDA

In the first nine months, the EBITDA amounts to HRK **53.0** million, which represents a **4.8%** decrease compared to the same period of the previous year, which is primarily due to changes in the ownership and governing structure, while in the third quarter alone there was a 36.0% increase compared to the same quarter of the previous year.

Earnings before Taxation - EBT

At the end of the first nine months of 2014, the EBT amounts to HRK **6.8** million, which is a HRK **66.5** million improvement compared to the same period of the previous year. This is a result of the successfully completed pre-bankruptcy settlement proceedings and financial restructuring.

Infrastructural Development

Along with the erection of new collocations, infrastructural development necessarily requires the construction of one's own fiber optic network. During the third quarter of 2014, the fiber optic network construction consisted primarily of construction of fiber optic feeds to our end-customers.

We are talking about building of 10.6 km of new fiber optic network and 30 new feeds bringing the total length of the fiber optic network increase to 2941 km.

Significant events in the first nine months of 2014 and expectations for future development

Regulatory environment

During this reporting period, pursuant to the Decision rendered by the AZTN, the conditionally compatible concentration between HT commenced on July 10, 2014. The concentration has been limited to a 4 year period. As the concentration commenced, the participants are obliged to fulfill very strict and comprehensive measures and conditions for elimination of possible negative effects of the concentration on competition, such measures and conditions to be fulfilled within the deadlines and/or in the manner ordered by the Decision. Optima has complied with all the measures that had a set deadline, and for the others it took the appropriate steps to ensure their fulfillment.

The Croatian Regulatory Authority for Networking Industries (hereinafter: HAKOM) saw the AZTN decision conditionally clearing the concentration between HT and the company as one of reasons to render the Interim Decision of July 3, 2014, identifying the Company as a significant market power operator in two relevant markets. Therefore, in the market of access to public telephone network at a fixed location for residential and non-residential customers, the regulatory obligation of supervising retail prices of services has been imposed on the Company, while in the broadband internet access retail market, with a view to control retail service prices, HAKOM has imposed the following regulatory obligations on the Company: prohibition of barriers to entry, prohibition to grant unfair advantages to certain end-customers and the prohibition to unjustifiably connect certain types of services. The said regulatory obligations have been imposed on the company on a temporary basis, under the same terms as those imposed on Iskon Internet d.d. in earlier market analysis procedures, and shall remain in force until the completion of ongoing market analyses. Optima was obliged to act according to HAKOM's Interim Decision immediately upon its receipt, and the Company's request for a continuance of the HAKOM Interim Decision enforcement, brought before the High Administrative Court in an administrative dispute between the Company and HAKOM has been denied.

In this reporting period, HAKOM also published the final document on the Margin Squeeze Test methodology, whereby accepting the SEO test, i.e. the similarly efficient operator

¹ Izvor podataka: Državni zavod za statistiku (DZS), Hrvatska gospodarska komora (HGK)

test, which uses HT's cost structure and 25% market share as basis for retail price calculation. The test should be carried out whenever an operator with significant market power is intending to offer a new retail product in the relevant markets which includes a regulated service, a combination of regulated services, as well as service packages containing one of the regulated services. The application of HAKOM's Margin Squeeze Test model is anticipated in the following reporting period. Also, after the completion of calculation of single charges for full unbundled access to the local loop, as announced in the previous reporting period, HAKOM continued in the calculation of HT's wholesale charges based on its own cost model and rendered final decisions referring to the determination of charges for the wholesale broadband access service and leased lines, which should have a significant positive impact on the Company's financial operations in the upcoming periods.

Furthermore, after market analyses commenced earlier in the relevant market of access to the public telephone network at a fixed location for residential and non-residential customers, market of publicly available local and/or national telephone services provided at a fixed location for residential and non-residential customers, market of retail broadband access, market of wholesale terminating segments of leased lines, in this reporting period HAKOM also initiated market analyses in the market of call origination on the public telephone network, in the market of call termination on individual public telephone networks provided at a fixed location, the market of wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location and the market of wholesale broadband access. The completion of commenced market analyses is anticipated in the following reporting period.

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 Bengesz-Sedmak, Marko Makek, Ana Hanžeković and Rozana Grgorinić, while Nada Martić, Ivan Martić and Zrinka Vuković Berić ceased to be Supervisory Board Members as per the same date. Duško Grabovac resigned from his membership in the Supervisory Board on May 29, 2014.

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

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

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

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

On 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 and Tomislav Tadić, member of the Board, while the Supervisory Board has 7 members: Siniša Đuranović, Chairman, Ariana Bazala-Mišetić, deputy chair, and Marina Brajković, Jasenka Anica Kreković, Marko Makek, Ana Hanžeković and Rozana Gregorinić as members.

Statement of the Persons in Charge of Financial

Statements

In accordance with Article 410 of the Capital Market Act with respect to the publications by issuers participating in the regulated market, the members of the Board of Directors, Mr. Zoran Kežman as Chairman of the Board and Ms. Mirela Šešerko, as Member of the Board, 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 Optima. The financial report contains a true presentation of development, results and position of Optima Telekom and its subsidiaries, as well as a description of the most significant risks and uncertainties which the group is exposed to.

(signatures of Board members)


 Zoran Kežman


 Mirela Šešerko


 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.

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

Optima Telekom d.d.

**Financial Statements of Group
as of 30 September 2014**

Enclosure 1

Reporting period:

1 Jan 2014

to

30 Sep 2014

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification
Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hrand name for municipality/city **133**Code and name for county **21**Number of employees **206**
(at the year's end)Consolidated Report **NO**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm

Contact person **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone **01/5492 027**Telefaks: **01/5492 019**e-mail address: svetlana.kundovic@optima-telekom.hrSurname and name **MIRELA ŠEŠERKO, ZORAN KEŽMAN**

(osoba ovlaštene za zastupanje)

Documents for publication

1. Financial Statements (balance sheet, profit and loss account, cash flow statement, change in capital statement and notes)
2. Management report
3. Statements for persons responsible for composing financial statements

M.P.

(signature of authorized person)

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

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	394.126.140	126.396.928	362.886.101	115.581.996
1. Sales income	112	387.082.323	124.260.776	344.934.299	114.300.225
2. Other operating income	113	7.043.817	2.136.152	17.951.802	1.281.771
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	378.335.547	124.138.978	366.464.055	113.064.841
1. Changes in the value of inventories of ongoing production and finished goods	115	0	0	0	0
2. MATERIAL COSTS (117 do 119)	116	291.733.403	95.321.496	245.187.110	82.083.874
a) Costs of raw material and supplies	117	1.319.706	458.046	1.388.485	406.241
b) Costs of goods sold	118	1.381.337	555.672	874.713	324.228
c) Other external costs	119	289.032.360	94.307.778	242.923.912	81.353.405
3. Staff costs (121 do 123)	120	28.672.553	9.647.697	46.143.611	10.207.963
a) Net salaries and wages	121	15.615.672	5.251.253	23.272.685	5.452.017
b) Expenses of taxes and contributions from salaries	122	9.273.270	3.123.484	16.267.893	3.265.561
c) Contributions to salaries	123	3.783.611	1.272.960	6.603.033	1.490.385
4. Amortization	124	39.836.481	13.395.745	56.542.784	18.764.560
5. Other costs	125	11.752.130	4.377.156	14.136.390	1.453.960
6. Value adjustment (127+128)	126	6.340.980	1.396.884	4.454.160	554.484
a) fixed assets (apart from financial assets)	127	1.851.200	215.466	0	0
b) current assets (apart from financial assets)	128	4.489.780	1.181.418	4.454.160	554.484
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	6.133.935	-3.708.786	27.394.765	680.642
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	207.385	69.371	260.280	109.188
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	5.926.550	-3.778.157	27.134.485	571.454
3. Income from affiliated undertakings and participating interests	134	0	0	0	0
4. Unrealized income of the financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	81.666.426	31.262.299	17.017.595	5.186.628
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	138	0	0	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	139	81.666.426	31.262.299	17.017.595	5.186.628
3. Unrealized losses (expenses) of the financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	142	0	0	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	400.260.075	122.688.142	390.280.866	116.262.638
X. TOTAL EXPENSES (114+137+143 + 145)	147	460.001.973	155.401.277	383.481.650	118.251.469
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-59.741.898	-32.713.135	6.799.216	-1.988.831
1. Profit before taxation (146-147)	149	0	0	6.799.216	0
2. Loss before taxation (147-146)	150	59.741.898	32.713.135	0	1.988.831
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-59.741.898	-32.713.135	6.799.216	-1.988.831
1. Profit for the period (149-151)	153	0	0	6.799.216	0
2. Loss for the period (151-148)	154	59.741.898	32.713.135	0	1.988.831
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	0	0	0	0
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS FOR THE PERIOD (= 152)	157	-59.741.898	-32.713.135	6.799.216	-1.988.831
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences on translating foreign operations	159	0	0	0	0
2. Changes in revaluation reserves of fixed and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Profit or loss on effective cash flow protection	162	0	0	0	0
5. profit or loss on effective hedge of a net foreign investment	163	0	0	0	0
6. Share of other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial income / loss on defined benefit plans	165	0	0	0	0
III. COMPREHENSIVE INCOME TAX	166	0	0	0	0
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	168	-59.741.898	-32.713.135	6.799.216	-1.988.831
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	0	0	0	0
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
on 30 Sep 2014

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+029+033)	002	416.850.256	377.777.510
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.880	37.381.745
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	51.431.880	37.381.745
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	320.015.838
1. Land	011	23.269	23.269
2. Building objects	012	14.582.259	9.454.438
3. Facilities and equipment	013	316.751.221	301.022.743
4. Tools, production inventory and transport assets	014	1.437.653	1.097.604
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	8.640.361	7.859.559
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	638.972	511.403
III. FIXED FINANCIAL ASSETS (021 through 028)	020	23.297.819	20.379.927
1. Shares (stock) in affiliated entrepreneurs	021	15.025.790	15.025.698
2. Loans granted to affiliated entrepreneurs	022	4.753.183	
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	1.682.625
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.483.846	3.636.604
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	162.208.577	127.077.416
I. INVENTORY (036 do 042)	035	1.343.689	1.108.939
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.343.689	1.108.939
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	91.415.722
1. Receivables from affiliated entrepreneurs	044	624.005	292.360
2. Receivables from buyers	045	84.568.706	79.625.346
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	40.629	26.324
5. Receivables from the state and other institution	048	126.907	61.133
6. Other receivables	049	6.383.098	11.410.559
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.271	1.001.879
1. Shares (stock) in affiliated entrepreneurs	051	0	0
2. Loans granted to affiliated entrepreneurs	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans given to entrepreneurs with participating interests	054	0	0
5. Securities investments	055	0	0
6. Granted loans, deposits and such	056	1.248.271	1.001.879
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	67.873.272	33.550.876
D) PREPAYMENTS AND ACCRUED INCOME	059	38.049.824	34.573.062
E) TOTAL ASSETS (001+002+034+059)	060	617.108.657	539.427.988
F) OFF-BALANCE RECORDS	061	1.724.426.417	426.539.350

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-602.675.992	-1.726.374
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	-835.538.780
1. Retained earnings	073	0	0
2. Loss carried forward	074	785.106.794	835.538.780
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-40.123.898	6.799.216
1. Profit of the year	076	0	6.799.216
2. Loss of the year	077	40.123.898	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	1.783.513	1.783.513
1. Provisions for pensions, severance payments and similar obligations	080	1.783.513	1.783.513
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	13.664.931	419.461.097
1. Liabilities towards affiliated entrepreneurs	084	0	
2. Liabilities for loans, deposits and similar	085	13.664.931	3.977.350
3. Liabilities towards banks and other financial institutions	086	0	310.849.610
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	28.307.253
6. Liabilities as per securities	089	0	76.326.884
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	71.176.889
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	2.902.951	0
3. Liabilities towards banks and other financial institutions	096	596.164.277	3.690.969
4. Liabilities for advances	097	0	
5. Liabilities towards suppliers	098	270.716.744	59.180.938
6. Liabilities as per securities	099	293.687.500	
7. Liabilities towards entrepreneur with participating interests	100	0	
8. Liabilities towards employees	101	1.887.355	1.794.119
9. Liabilities for taxes, contributions and similar levies	102	11.946.893	6.486.523
10. Liabilities as per share in results	103	0	
11. Liabilities as per longterm assets intended for sale	104	0	
12. Other current liabilities	105	70.592	24.340
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	26.959.893	48.732.863
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	617.108.657	539.427.988
G) OFF – BALANCE RECORDS	108	1.724.426.417	426.539.350
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.: annex to the balance sheet to be filled in by entrepreneur submitting consolidated financial report

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2014 to 30 Sep 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	-59.741.898	6.799.216
2. Depreciation	002	39.836.481	56.542.784
3. Increase of short-term liabilities	003	41.627.461	0
4. Decrease of short-term receivables	004	0	327.623
5. Decrease of inventories	005	618.036	234.750
6. Other increase of cash flow	006	7.342.509	28.414.015
I. Total increase of cash flow from operating activities (001 through 006)	007	29.682.589	92.318.388
1. Decrease of short-term liabilities	008	0	434.496.279
2. Increase of short-term receivables	009	18.476.174	0
3. Increase of inventories	010	0	0
4. Other decrease of cash flow	011	36.672.682	0
II. Total decrease of cash flow from operating activities (008 through 011)	012	55.148.856	434.496.279
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	25.466.267	342.177.891
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	594.150.402
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	594.150.402
1. Cash expenditure for buying tangible and intangible fixed assets	021	21.671.942	20.387.930
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	21.671.942	20.387.930
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	573.762.472
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	21.671.942	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	79.430.050	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	79.430.050	0
1. Cash expenditure for the payment of loan principal and bonds	031	0	265.906.977
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	265.906.977
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	79.430.050	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	265.906.977
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	32.291.841	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	34.322.396
Cash and cash equivalents at the beginning of the period	041	1.747.858	67.873.272
Increase of cash and cash equivalents	042	32.291.841	0
Decrease of cash and cash equivalents	043	0	34.322.396
Cash and cash equivalents at the end of the period	044	34.039.699	33.550.876

CHANGE IN CAPITAL STATEMENT

for the period from **1.1.2014** to **30.9.2014**

Item	EDP	Previous period	Current period
1	2	3	4
1. Subscribed capital	001	28.200.700	632.659.190
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	
4. Retained profit or loss carried forward	004	-785.106.794	-835.538.780
5. Profit or loss of the current year	005	-59.741.898	6.799.216
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	-622.293.992	-1.726.374
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	0	0
17 b. Assigned to minority interest	019	0	0

Items that reduce capital entered with a negative sign

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

Notes to the Financial Statements

According to HANFA's instructions items in balance sheet in the positions of the previous period are as at 31 December 2013

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

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

1. GENERAL INFORMATION

Principal Business Activities

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

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

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

Staff

On 30 Sep 2014 the Company employed 206 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.)

Supervisory Board of the Company:

Nada Martić	Chairman (until 18 Jun 2014.)
Siniša Đuranović	Chairman (as of 18 Jun 2014.)
Ivan Martić	Member and Deputy Chairman (until 18 Jun 2014.)
Ariana Bazala-Mišetić	Member and Deputy Chairman (as of 18 Jun 2014.)
Zrinka Vuković Berić	Member (until 18 Jun 2014.)
Duško Grabovac	Member (until 18 Jun 2014.)
Marina Brajković	Member (as of 18 Jun 2014.)
Marina Benghez-Sedmak	Member (as of 18 Jun 2014. until 09. Jul 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.)

REVIEW OF BASIC ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements of the Company have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Financial Statements have been prepared under the historical cost convention, except for the valuation of certain financial instruments.

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 30 Sep 2014 was HRK 7,626267 for EUR 1 and HRK 6,015355 for USD 1.

112. SALES INCOME

	30 Sep 2014	30 Sep 2013
Public voice services	157.723.752	173.656.348
Interconnection services	64.773.331	89.997.495
Internet services	81.557.591	74.292.171
Data services	17.861.689	26.299.725
Multimedia services	18.808.510	17.693.507
Lease and sale of equipment	2.625.342	3.538.865
Other services	1.584.084	1.604.212
	344.934.299	387.082.323

113. OTHER OPERATING INCOME

	30 Sep 2014	30 Sep 2013
Write off old trade payables and additional discounts	936.221	1.232.049
Income from collected penalties etc.	1.612.217	1.287.207
Income from rent - billing system	776.948	845.604
Income from in kind payments	1.132.744	276.944
Income from assets sale	0	2.113.152
Revenue from liabilities discount	11.863.855	0
Other income	1.629.817	1.288.861
	17.951.802	7.043.817

119. OTHER MATERIAL COSTS

	30 Sep 2014	30 Sep 2013
Costs of maintenance	13.577.192	12.794.172
Marketing services	3.563.986	1.385.717
Billing costs	3.718.103	4.135.227
Line lease costs	30.907.219	34.455.069
Intellectual and other services	1.803.251	3.434.699
Utilities	6.067.044	6.119.629
Customer attraction costs	13.934.563	14.544.747
Pair connection fees	42.994.413	46.236.013
Telecommunications costs	115.838.516	154.420.687
Residential sales services	9.213.300	10.132.600
Other costs	1.306.325	1.373.800
	242.923.912	289.032.360

120. STAFF EXPENSES

	30 Sep 2014	30 Sep 2013
Net salaries	23.272.685	15.615.672
Taxes and contributions from salaries	16.267.893	9.273.270
Taxes and contributions on salaries	6.603.033	3.783.611
	46.143.611	28.672.553

Number of employees on 30 Sep 2014	206	207
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2014	30 Sep 2013
Amortization of intangible assets	18.665.828	3.589.831
Amortization of fixed tangible assets	37.876.956	36.246.650
	56.542.784	39.836.481

125. OTHER OPERATING EXPENSES

	30 Sep 2014	30 Sep 2013
Compensations to employees	1.272.488	1.152.568
Representation	467.798	889.535
Insurance premiums	928.212	702.546
Bank charges	445.995	1.977.433
Taxes, contributions and membership fees	754.398	1.043.822
Costs of sold and written off assets	3.530.335	2.051.398
Gifts and sponsorships	609.674	448.516
Unpaid receivables write-offs	4.798.172	1.480.339
Other expenses	1.329.318	2.005.973
	14.136.390	11.752.130

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

131. FINANCIAL INCOME

	30 Sep 2014	30 Sep 2013
Interest income from related companies	260.280	207.385
Interest income	4.792.056	5.337.388
Foreign exchange gains	2.890.320	589.162
Income from financial liability write offs based on prebankruptcy agreement	19.452.109	0
	27.394.765	6.133.935

137. FINANCIAL EXPENSES

	30 Sep 2014	30 Sep 2013
Interest expenses	12.886.276	75.955.627
Fee	10.000	268.250
Foreign exchange losses	1.291.039	5.442.549
Financial assets value adjustment	2.830.280	0
	17.017.595	81.666.426

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	2.611.840		2.003.853	4.615.693
Transfer from assets in progress		2.003.853	-2.003.853	0
Disposals and retirements				0
As at 30 Sep 2014	64.976.172	84.684.033	0	149.660.205
VALUE ADJUSTMENT				
As at 01 Jan 2014	23.258.343	70.354.289	0	93.612.632
Amortization of the current year	15.723.007	2.942.821		18.665.828
Disposals and retirements				0
Amortization as at 30 Sep 2014	38.981.350	73.297.110	0	112.278.460
NET ACCOUNTING VALUE				
As at 30 Sep 2014	25.994.822	11.386.923	0	37.381.745

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
PURCHASE VALUE								
As at 01 Jan 2014	23.269	18.100.210	604.001.690	5.821.046	46.822	8.640.361	4.642.720	615.009.900
Additions			2.807.780	716.201		20.308.653	5.400	23.838.034
Transfer from assets in progress		76.450	20.901.980	109.552		-21.089.454	1.472	0
Disposals and retirements		-6.648.274	-6.513.471	-2.203.087				-15.364.832
As at 30 Sep 2014	23.269	11.528.386	621.197.979	4.443.712	46.822	7.859.560	4.649.592	649.749.320
VALUE ADJUSTMENT								
As at 01 Jan 2014	0	3.517.951	287.250.469	4.383.393	0	0	4.003.748	299.155.561
Amortization of the current year		299.039	37.155.196	288.279			134.442	37.876.956
Disposals and retirements		-1.743.042	-4.230.427	-1.325.566				-7.299.035
Amortization as at 30 Sep 2014	0	2.073.948	320.175.238	3.346.106	0	0	4.138.190	329.733.482
NET ACCOUNTING VALUE								
As at 30 Sep 2014	23.269	9.454.438	301.022.741	1.097.606	46.822	7.859.560	511.402	320.015.838

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2014
Loans to majority shareholder	6.067.888
Loans to third party companies	37.421.859
Long term deposits	3.478.660
Loans to related companies	3.886.399
	50.854.806
Value adjustment	-45.535.577
	5.319.229
Loans and deposits	5.319.229
Shares in related companies	15.025.698
Participating interests (shares)	35.000
	20.379.927

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 Pevac d.d., acquired by uncollected receivables.

Movement of value adjustment of long term assets

	30 Sep 2014
1 January 2014	42.705.297
Write off during the year	0
Reserved during the year	2.830.280
Closing balance	45.535.577

021. SHARES IN RELATED COMPANIES

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

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

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

Investments in affiliated companies as on 30 Sep 2014:

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

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

043. RECEIVABLES

	30 Sep 2014
Receivables from related companies	292.360
Trade receivables	79.625.346
Employee receivables	26.324
Receivables from the state and other institutions	61.133
Other receivables	11.410.559
	<u>91.415.722</u>

045. TRADE RECEIVABLES

	30 Sep 2014
Domestic trade receivables	101.213.622
Foreign trade receivables	6.153.116
	<u>107.366.738</u>
Value adjustment	<u>-27.741.392</u>
	<u>79.625.346</u>

Movement of value adjustment for doubtful receivables:

	30 Sep 2014
1 January 2014	26.610.666
Write off during the year	0
Collected during the year	-1.089.040
Reserved during the year	2.219.766
Closing balance	<u>27.741.392</u>

Aging of trade receivables of the Company without interests receivables:

	30 Sep 2014
Undue	52.001.482
Up to 120 days	19.367.099
120-360 days	6.767.113
over 360 days	29.231.044
	<u>107.366.738</u>

049. OTHER RECEIVABLES

	30 Sep 2014
Interest receivables	5.756.281
Advance payments receivables	8.875.564
Other receivables	2.332.323
	<u>16.964.168</u>
Value adjustment	<u>-5.553.609</u>
	<u>11.410.559</u>

058. CASH IN BANK AND REGISTER

	30 Sep 2014
Kuna accounts balance	33.129.517
Foreign currency accounts balance	406.752
Cash in register	14.607
	<u>33.550.876</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Sep 2014
Differed customer related expenses	20.271.042
Prepaid expenses	14.302.020
	<u>34.573.062</u>

063. SUBSCRIBED CAPITAL

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

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

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 30 Sep 2014, earning per share is as follows:

Net result - earnings	8.788.047
Number of shares	63.265.919
Earnings per share	0,14

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

Structure of major shareholders as on 30 Sep 2014:

	u 000 HRK	%
ZAGREBAČKA BANKA D.D. (1/1)	255.830	40,44
HT D.D. (1/1)	120.902	19,11
HANŽEKOVIĆ MARIJAN (1/1)	23.923	3,78
RAIFFEISENBANK AUSTRIA D.D. (1/1)	21.246	3,36
MARTIĆ MATIJA (1/1)	18.596	2,94
MERKUR OSIGURANJE D.D. (1/1) /MATEMATIČKA PRIČUVA	11.921	1,88
VIPNET D.O.O. (1/1)	10.854	1,72
HRVATSKA POŠTANSKA BANKA D.D./ HPB GLOBAL - OIF S JAVNOM PONUDOM	9.873	1,56
RAIFFEISENBANK AUSTRIA D.D./RAB	9.407	1,49
HRVATSKA POŠTANSKA BANKA D.D. (1/1)	8.109	1,28
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./ZBIRNI SKRBNIČKI RAČUN ZA DP	7.260	1,15
ZAGREBAČKA BANKA D.D./ZAGREBAČKA BANKA/ZBIRNI SKRBNIČKI RAČUN -	6.759	1,07
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
ODAŠILJAČI I VEZE D.O.O. (1/1)	4.841	0,77
ZAGREBAČKA BANKA D.D./ZB GLOBAL	4.837	0,76
HUAWEI TECHNOLOGIES CO.LTD (1/1)	4.482	0,71
	546.678	86,41
OTHER SHAREHOLDERS	85.981	13,59
	632.659	100,00

083. LONG-TERM LIABILITIES

30.06.2014.

Loan based liabilities	3.977.350
Liabilities towards credit institutions	310.849.610
Trade payables based on prebankruptcy agreement	28.307.253
Liabilities from bonds issued	<u>76.326.884</u>
	<u>419.461.097</u>

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.

30 Sep 2014

Nominal value	75.000.000
Liabilities based on calvulated interest	<u>1.326.884</u>
	<u>76.326.884</u>

093. SHORT-TERM LIABILITIES

30 Sep 2014

Liabilities towards credit institutions	3.690.969
Interest liabilities	0
Trade payables	59.180.938
Liabilities towards employees	1.794.119
Taxes, contributions and other levies	6.486.523
Other liabilities	<u>24.340</u>
	<u>71.176.889</u>

098. LIABILITIES TOWARDS SUPPLIERS

	30 Sep 2014
Domestic trade payables	33.393.512
Foreign trade payables	3.977.155
Invoice accrual	21.810.271
	59.180.938

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2014
VAT Liabilities	4.976.149
Taxes and contributions on and from salaries	1.496.903
Other taxes and contributions	13.472
	6.486.523

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

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2014
Domestic payables for which invoices have not been received	19.269.447
Foreign payables for which invoices have not been received	4.188.244
Deferred income	21.509.349
Deferred Income due to uncertainty	3.765.823
	48.732.863

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	252.306	665.501	-15.323	-26.352
USD	211	1.447	0	-109
CHF				
GPB				
	252.516	666.948	-15.323	-26.461

Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of Croatian Kuna to Euro and US Dollar.

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 2014 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	25.231	66.550	-1.532	-2.635
USD	21	145		-11
CHF				
GPB				
	25.252	66.695	-1.532	-2.646

Exposure to the currency exchange for 10% mainly relates to received loans, trade payables and receivables from affiliated companies indicated in Euros (EURO) and US Dollars (USD).

Interest Rate Risk

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

Other assets and liabilities, including bonds issued, are not exposed to interest rate risk.

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2014				
Non-interest bearing liabilities	89.307			89.307
Interest bearing liabilities	1.992	228.800	164.052	394.844
	91.299	228.800	164.052	484.151
30 Sep 2013				
Non-interest bearing liabilities	219.400			219.400
Interest bearing liabilities	643.230	289.441	1.998	934.669
	862.630	289.441	1.998	1.154.069

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 87.488 thousand for the period from January to September 2014 (HRK 182.265 on 31 December 2013).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2014				
Non-interest bearing liabilities	124.895			124.895
Interest bearing liabilities	2.685	158	3.479	6.322
	127.580	158	3.479	131.217
30 Sep 2013				
Non-interest bearing liabilities	133.293			133.293
Interest bearing liabilities	912	8.476	0	9.388
	134.205	8.476	0	142.681

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

Zoran Kežman

Mirela Šešerko

Tomislav Tadić