

**OT Optima Telekom d.d.**

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**Management Interim Report**

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**for the first three months of 2011**

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**nonconsolidated report**



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## **Main Features**

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Compared to the same period of 2010, Optima Telekom concluded the first quarter of 2011 with an increase of revenue from Internet services, data services and of revenue from interconnection services, as well as a significant increase of revenue from multimedia services.

Along with the revenue increase, optimal management of operating expenses continued, so that the same have been decreased in comparison with the same period of the previous year.

The subsidiary – Optima Direct - continues to provide customer care and residential sales services for Optima Telekom.

## Business Indicators

Optima Telekom has concluded the first quarter of 2011 with:

- an increase of overall consolidated revenue by HRK **6,0** million (**5,5%**), with a simultaneous decrease of overall expenses by HRK **719** thousand (**-0,6%**) compared to the same period of the previous year
- an improvement of earnings before taxation, interest and depreciation (EBITDA) by **18,5%** compared to the same period of the previous year, and a positive EBITDA of HRK **17,8** million in the first quarter of 2011
- a significant decrease of the loss before taxation (EBT) by **35,6%**

### SAŽETAK KLJUČNIH POKAZATELJA

	Q1 2010	Q1 2011	Q1 2011/ Q1 2010
<b>Total income</b>	111.021	117.120	5,5%
<b>EBITDA</b>	15.027	17.801	18,5%
<b>EBT</b>	(19.154)	(12.336)	(35,6%)

	31.03.2010.	31.03.2011./ 31.03.2010.	31.12.2010.	31.03.2011./ 31.12.2010.	31.03.2011.
<b>Total number of OT users</b>					
Number of voice channels	276.919	-0,5%	271.937	1,4%	275.653
Number of LLU users (own network)	95.658	11,1%	103.351	2,9%	106.327
Number of OptiDSL LLU users (own network)	51.062	21,8%	58.818	5,7%	62.185
Number of OptiTV LLU users (own network)	4.500	163,3%	9.800	20,9%	11.850
<b>Number of installed collocations</b>	244	6,1%	257	0,8%	259
North	77	6,5%	81	1,2%	82
West	43	4,7%	45	0,0%	45
East	48	8,3%	51	2,0%	52
South	76	5,3%	80	0,0%	80

\* Voice channel is the basic unit for transfer of voice or data. The number of voice channels determines how many conversations can take place simultaneously on one telephone connection. Telephone connection is a physical connection of the use to the telecommunications network. A telephone connection may have one or more voice channels.

## Consolidated revenue

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The overall consolidated revenue amounts to HRK **117,1** million, which, compared to the results achieved in 2010, shows a **5,5%** increase.

The telecommunications services sales revenue amounts to HRK **108,0** million, and has been increased by **4,1%** compared to the results achieved in the previous year.

The above mentioned increase is primarily a result of Internet and multimedia services revenue, due to the increase in the number of users of OptiTV service, which was introduced in 2009.

## Earnings before interest, taxation and depreciation – EBITDA

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EBITDA continues in its positive trend from 2010 and amounts to HRK **17,8** million, which represents an increase of HRK **2,8** million compared to the same period of the previous year.

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

## Earnings before taxation – EBT

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In the first quarter of 2011, the EBT amounts to HRK **-12,3** million which is a better result by HRK **6,8** million or by **35,6%** compared to the same period of the previous year.

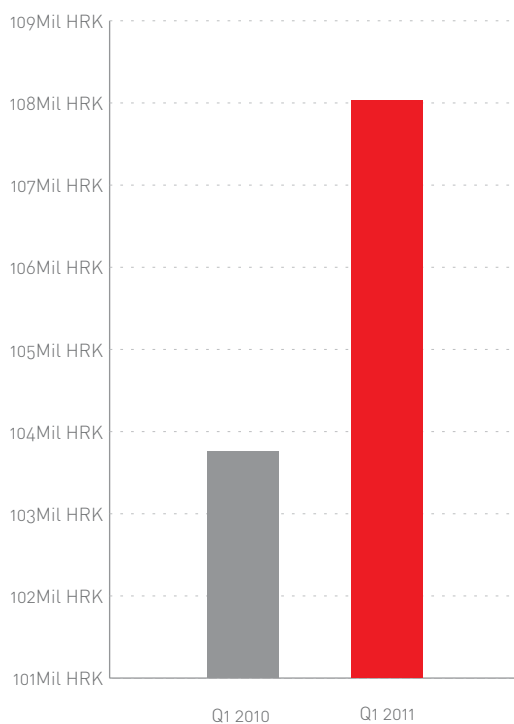
## Telecommunications services revenue

The overall revenue from telecommunications services has shown an increase of 4,1% compared to the same period of the previous year.

After a little over a year from the date when the OptiTV service was launched by Optima Telekom, the revenue accumulated from this service, i.e. the **multimedia services revenue**, continues to increase significantly in the first quarter of 2011. The increase of multimedia services revenue, which is now exponential, shows that there is still a considerable interest for these services in the Croatian market, as well as the fact that the market recognizes OT - Optima Telekom as a significant competitor in the Croatian market.

The multimedia services revenue has mitigated the decrease in public voice service revenue, which has been showing a decreasing trend for some time, due to the decrease of minutes spent and the decrease of average revenue from public voice services in general.

Simultaneously, OT-Optima Telekom has recorded a revenue increase in all of its main telecommunications services, and in all segments - residential, corporate and wholesale.





**The increase in Internet services revenue (25,3%)** is directly connected with the increase of the number of OptiDSL users in the residential segment as well as with a significant increase of the number of corporate users that use some variety of Internet access services. A large portion of such users comes from the SoHo and SME lower market segments.

**Data services record a stable revenue** in the amount of HRK **5,0** million, even though these services are under constant pressure resulting from market conditions, which primarily means the reduction and optimization of the corporate segment's operating expenses, especially the KA corporate users segment, the predominant users of this service.

**The interconnection revenue has increased**, compared to the same period of the previous year, by **16,7%** and amounts to HRK **19,9** million.

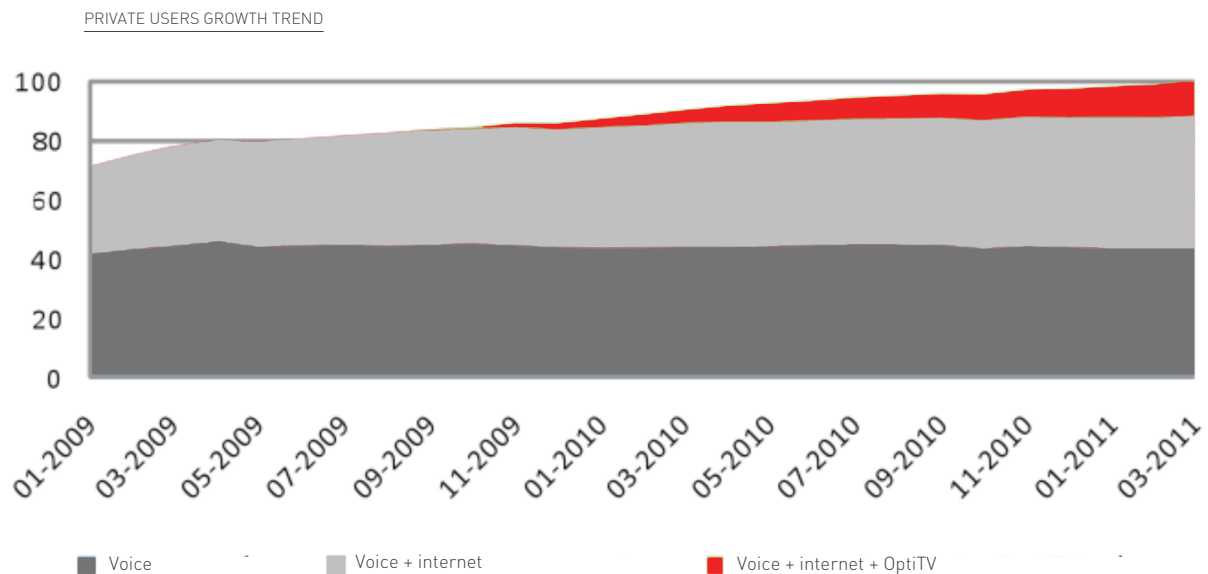
## Optima Telekom continues its activities in acquiring entirely new users, and transferring the carrier pre-selection service to its own network.

At the end of the first quarter, the number of LLU\* users has increased by 11,1% (from 95.685 to 106.327) compared to the same period of the previous year.

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

- Considerable success has been achieved in the segment of existing users, in the form of an upgrade by using new services (OptiDSL, OptiTV)
- The acquisition of entirely new users to own network is being intensified (particularly in the corporate SoHo segment), and that change in the user base structure also influenced the profitability improvement
- The transfer of carrier pre-selection service (CPS\*\*) users to own network continues.

A significant increase has been recorded precisely in the segment of ADSL users in own network, from 51.062 at the end of the first quarter of 2010 to 62.185 in the same period of 2011, i.e. a significant **21,8%**.



\* eng. Local Loop Unbundling - the process in which the existing operator (HT) enables the other operators to use the access infrastructure for providing services to their users. In such cases, the user pays the subscription and the price of voice services to Optima Telekom

\*\* eng. Carrier Pre Selection - the end user retains subscription with the existing operator (HT) and pays the costs of the voice services to Optima Telekom

## **Infrastructural Development**

In accordance with the plan of development of own infrastructure for 2011, the investments are at last year's level, which is confirmed by the trend of installing new collocations. Compared to 15 new collocations in 2010, in the first quarter of 2011 2 new collocations have been activated – Lapovci and Petrinja.

The total number of active collocations at the end of the first quarter of 2011 is 259.

Apart from installing new collocations, infrastructural development also means a development of own optical network. During the first quarter of 2011 the said development has been characterised primarily by the construction of shorter sections, i.e. user feeds, but it should be emphasized that the number of connections installed has increased drastically compared to the same period of the previous year.

In numbers, we are talking about 11,3 km of new optical sections with 38 feeds. Comparing overall lengths, this is a growth of the optical network by 0,5% (2.340 km as opposed to 2.329 km achieved by the end of 2010). A more significant growth is also visible if we compare the number and length of feeds in the same period of the previous year, which rose from 3,2 newly installed feeds in the first quarter of 2010 to 11,3 km in the first quarter of 2011, which represents a 253% increase, but on the other hand, a fiber optic routing of more considerable length to serve the needs of the core network was not constructed.

## Significant events in 2011 and expectations for future development

### Macroeconomic and market trends\*

Analysts estimate that there is a great probability of a new decrease of GDP in the first quarter of 2011 regardless of the estimated mild growth of 1,4% of the GDP for the whole 2011, which is supported by the decrease of industrial production cummulative in the first two months by 4% compared to the same period of the previous year. The growth of unemployment continued, so that the number of unemployed persons reached 336,4 thousand, which represents 19,6% of the recorded unemployment rate. According to available data for January 2011, net wages were reduced by 2%, and gross wages by 2,1% compared to December of 2010.

The negative liquidity and solvency trend continues in 2010, and has come up to HRK 37,6 billion of outstanding payment titles, which represents 80.261 business entities with blocked bank accounts.

### Market Potential

According to publically available data, there are approx. 1,53 million of active phone lines in the Republic of Croatia. Within this potential, at the end of the first quarter, Optima has a total of 275.653 voice channels in its network .

In the first quarter of 2011, the number of potentially available connections at Optima telekom came up to 677.548 connections, which represents:

- a **1%** increase (from 673.946 to 677.548 connections compared to the same period of the previous year)
- more than **44,3%** of available connections, which is somewhat above the benchmark of the share of alternative carriers in developed markets

\* Data source: National Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

## Regulatory environment

Compared to the previous reporting period, the Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) rendered several important regulatory decisions, out of which we would mention in particular the Decree rendered by HAKOM whereby the regulatory obligation of price supervision and expense accounting imposed on HT was changed, by way of amending the document called "Analysis of the market of wholesale (physical) access to network infrastructure (including shared or exclusive access) at a fixed location", as a consequence of which the monthly compensation for exclusive access to the local grid has decreased. It is to be expected that the said decision will have an important impact on the business results of Optima in subsequent periods.

## Research and development activities

Product development activities are aimed at the development of services and tariff options that will make Optima Telekom services more competitive in the market.

By introducing new tariff options (OptiFlat) the users got the possibility of free conversations in the national fixed network.

Except for this benefit, all existing and future users of Optima services are or will be able to use the OptiStream service, which removed the limiting factor of ADSL service availability to certain areas in Croatia. By introducing the OptiStream service, ADSL availability has been increased to almost the entire territory of Croatia, and the same is expected soon for the IPTV service (OptiTV) as well.

In the future, corporate users can rely on new services based on the existing OptimaLAN Office service, which primarily pertain to the possibility of simpler use and administration of services.

In the future, Optima Telekom users will be able to keep track and archive their telecommunications services bills in a simpler way, by introducing the eRačun service. Apart from the practicality and simple access, this service has an ecological feature because using it reduces the need to print and expend paper.

## Information on Management and Supervisory Board Members' participation in the ownership structure of the Company

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Regarding the information on Management and Supervisory Board Members' participation in the ownership structure of the Company, there have been no changes. Information on the Management and Supervisory Board Members who are also shareholders in the Company as per 31.03.2011:

- Matija Martić, Chairman of the Management Board holds 65,94% of the share capital, i.e. 1.850.569 of regular shares.
- Marijan Hanžeković, a member of the Supervisory Board holds 4,75% of the share capital, i.e. 133 962 of regular shares.
- Goran Jovičić, a member of the Management Board holds 0,71% of the share capital, i.e. 20 200 of regular shares.

## Statement of the Persons in Charge of Financial Statements

In accordance with Article 410 of the Capital Market Act, the members of the Management Board, Mr. Matija Martić as Chairman of the Management Board, Mr. Goran Jovičić, as Member of the Management Board and Ms. Jadranka Suručić, as Member of the Management Board, jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable standards of financial reporting and that they contain overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the companies included in consolidation.

The quarterly financial report contains a true presentation of development, results and position of Optima Telekom and its subsidiaries, as well as a description of the most significant risks and uncertainties to which the group is exposed.

  
Matija Martić

  
Goran Jovičić

  
Jadranka Suručić

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

The Management Board would like to emphasise 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 financial report in its entirety and confirms that during the reporting period, the Management Board acted in accordance with the 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](http://www.optima.hr/investitori.hr)

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Collocation	location of own telecommunications equipment connected on own or HT's access infrastructure	11
CPS	eng. Carrier Pre Selection - the end user retains subscription with the existing operator (HT) and pays the costs of the voice services to Optima Telekom	10
LLU	eng. Local Loop Unbundling - the process in which the existing operator (HT) enables the other operators to use the access infrastructure for providing services to their users. In such cases, the user pays the subscription and the price of voice services to Optima Telekom	10
Voice Channel	Voice channel is the basic unit of voice or data transmission. Number of voice channels determines how many conversations can take place simultaneously on one telephone connection. Telephone connection is defined as physical connection of the user to the telecommunications network. A telephone connection may have one or more voice channels.	6



## **Optima Telekom d.d.**

### **Nonconsolidated financial Statements as of March 31, 2011. godine**

### **Nonconsolidated report**

**Enclosure 1**

Reporting period:

1 Jan 2011

to

31 Mar 2011

**Quarterly Financial Report-TFI-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 75A**e-mail address: [info@optima.hr](mailto:info@optima.hr)Internet address: [www.optima.hr](http://www.optima.hr)Code and name for municipality/city: **133**Code and name for county: **21**Number of employees (at the year's end): **193**Consolidated Report: **NO**

Business activity code:

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.hr](mailto:svetlana.kundovic@optima-telekom.hr)Surname and name: **MATIJA MARTIĆ, JADRANKA SURUČIĆ**

(osoba ovlaštene za zastupanje)

**Documents for publication**

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

M.P.


  
 (signature of authorized person)

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

**PROFIT AND LOSS ACCOUNT**  
for the period from 01.01.2011. to 31.03.2011.

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	106,786,793	106,786,793	111,296,587	111,296,587
1. Sales income	112	105,254,834	105,254,834	109,811,649	109,811,649
2. Other operating income	113	1,531,959	1,531,959	1,484,938	1,484,938
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	106,043,943	106,043,943	109,514,635	109,514,635
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	80,109,447	80,109,447	81,778,484	81,778,484
a) Costs of raw material and supplies	117	361,054	361,054	434,379	434,379
b) Costs of goods sold	118	1,645,074	1,645,074	1,174,639	1,174,639
c) Other external costs	119	78,103,319	78,103,319	80,169,466	80,169,466
3. Staff costs (121 do 123)	120	8,837,568	8,837,568	8,982,618	8,982,618
a) Net salaries and wages	121	4,713,410	4,713,410	4,853,338	4,853,338
b) Expenses of taxes and contributions from salaries	122	2,864,832	2,864,832	2,824,812	2,824,812
c) Contributions to salaries	123	1,259,326	1,259,326	1,304,468	1,304,468
4. Amortization	124	12,518,710	12,518,710	13,139,376	13,139,376
5. Other costs	125	2,538,945	2,538,945	2,517,814	2,517,814
6. Value adjustment (127+128)	126	2,039,273	2,039,273	3,096,343	3,096,343
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	2,039,273	2,039,273	3,096,343	3,096,343
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
<b>III. FINANCIAL INCOME (132 through 136)</b>	<b>131</b>	2,101,815	2,101,815	1,947,333	1,947,333
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	500,590	500,590	284,383	284,383
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	1,601,225	1,601,225	1,662,950	1,662,950
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
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	23,136,060	23,136,060	18,284,075	18,284,075
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	23,136,060	23,136,060	18,284,075	18,284,075
3. Unrealized losses (expenses) of the financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
<b>V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS</b>	<b>142</b>	0	0	0	0
<b>VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	108,888,608	108,888,608	113,243,920	113,243,920
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	129,180,003	129,180,003	127,798,710	127,798,710
<b>XI. PROFIT / LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-20,291,395	-20,291,395	-14,554,790	-14,554,790
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	20,291,395	20,291,395	14,554,790	14,554,790
<b>XII. PROFIT TAX</b>	<b>151</b>	0	0	0	0
<b>XIII. PROFIT / LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-20,291,395	-20,291,395	-14,554,790	-14,554,790
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	20,291,395	20,291,395	14,554,790	14,554,790
<b>ANEX TO P&amp;L (to be filled in by entrepreneur submitting consolidated financial report)</b>					
<b>XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD</b>					
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
<b>OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)</b>					
<b>I. PROFIT / LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-20,291,395	-20,291,395	-14,554,790	-14,554,790
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	0	0	0	0
1. Exchange differences on translating foreign operations	159	0	0	0	0
2. Changes in revalorization reserves of fixed and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Profit or loss on effective cash flow protection	162	0	0	0	0
5. profit or loss on effective hedge of a net foreign investment	163	0	0	0	0
6. Share of other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial income / loss on defined benefit plans	165	0	0	0	0
<b>III. COMPREHENSIVE INCOME TAX</b>	<b>166</b>	0	0	0	0
<b>IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	0	0	0	0
<b>V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-20,291,395	-20,291,395	-14,554,790	-14,554,790
<b>ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)</b>					
<b>VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD</b>					
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

as at 31.03.2011.

Issuer: OT - Optima Telekom d.d.			
Item	EDP #	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (003+010+020+029+033)</b>	<b>002</b>	476,551,339	474,163,770
I. INTANGIBLE ASSETS (004 through 009)	003	38,101,328	29,181,988
1. Development expenses	004		
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	38,101,328	29,181,988
3. Goodwill	006		
4. Advances for procurement of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 through 019)	010	385,516,545	369,470,267
1. Land	011	23,269	23,269
2. Building objects	012	14,607,856	14,194,998
3. Facilities and equipment	013	315,614,905	318,261,709
4. Tools, production inventory and transport assets	014	982,463	552,902
5. Biological assets	015		
6. Advances for tangible assets	016		
7. Tangible assets in preparation	017	53,166,196	35,900,552
8. Other tangible assets	018	46,822	46,822
9. Real estate investments	019	1,075,034	490,015
III. FIXED FINANCIAL ASSETS (021 through 028)	020	52,933,466	75,511,515
1. Shares (stock) in affiliated entrepreneurs	021	19,279,891	19,280,973
2. Loans granted to affiliated entrepreneurs	022	23,566,921	19,297,604
3. Participating interests (shares)	023		
4. Loans given to entrepreneurs with participating interests	024		
5. Securities investments	025		
6. Granted loans, deposits and such	026	10,086,654	36,932,938
7. Own stocks and shares	027		
8. Other fixed financial assets	028		
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030		
2. Receivables pertaining to sale on credit	031		
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	110,363,900	83,578,113
I. INVENTORY (036 do 042)	035	6,947,747	3,045,824
1. Raw material and supplies	036		
2. Ongoing production	037		
3. Finished products	038		
4. Trading goods	039	6,947,747	3,045,824
5. Inventory advances	040		
6. Assets intended for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	77,243,931	78,239,835
1. Receivables from affiliated entrepreneurs	044		
2. Receivables from buyers	045	72,926,667	75,853,899
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and members of the entrepreneur	047	72,861	2,901
5. Receivables from the state and other institution	048	1,639,106	323,662
6. Other receivables	049	2,605,297	2,059,373
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	24,908,864	400,881
1. Shares (stock) in affiliated entrepreneurs	051		
2. Loans granted to affiliated entrepreneurs	052		
3. Participating interests (shares)	053		
4. Loans given to entrepreneurs with participating interests	054		
5. Securities investments	055		
6. Granted loans, deposits and such	056	24,908,864	400,881
7. Other financial assets	057		
IV. CASH IN BANK AND REGISTER	058	1,263,358	1,891,573
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	56,916,367	53,031,522
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	643,831,606	610,773,405
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	591,364,987	1,013,162,599

<b>PASIVA</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	-351,332,641	-411,250,136
I. BASE (registered) capital	<b>063</b>	28,200,700	28,200,700
II. CAPITA RESERVES	<b>064</b>	194,354,000	194,354,000
III. PROFIT RESERVES (066+067-068+069+070)	<b>065</b>	0	0
1. Legal reserves	<b>066</b>		
2. Own stock reserves	<b>067</b>		
3. Own stocks and shares (deductable item)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALORIZATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	-553,595,946	-619,250,046
1. Retained earnings	<b>073</b>		
2. Loss carried forward	<b>074</b>	553,595,946	619,250,046
VI. PROFIT OR LOSS OF THE YEAR (076-077)	<b>075</b>	-20,291,395	-14,554,790
1. Profit of the year	<b>076</b>		
2. Loss of the year	<b>077</b>	20,291,395	14,554,790
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 through 082)</b>	<b>079</b>	1,338,578	2,796,143
1. Provisions for pensions, severance payments and similar obligations	<b>080</b>	409,736	1,867,301
2. Provisions for tax liabilities	<b>081</b>	928,842	928,842
3. Other provisions	<b>082</b>		
<b>C) FIXED LIABILITIES (084 through 092)</b>	<b>083</b>	262,970,402	574,629,611
1. Liabilities towards affiliated entrepreneurs	<b>084</b>		
2. Liabilities for loans, deposits and similar	<b>085</b>	62,430,100	44,421,646
3. Liabilities towards banks and other financial institutions	<b>086</b>	200,540,302	530,207,965
4. Liabilities for advances	<b>087</b>		
5. Liabilities towards suppliers	<b>088</b>		
6. Liabilities as per securities	<b>089</b>		
7. Liabilities towards entrepreneur with participating interests	<b>090</b>		
8. Other fixed liabilities	<b>091</b>		
9. Deferred tax liabilities	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	713,586,482	433,316,207
1. Liabilities towards affiliated entrepreneurs	<b>094</b>	3,658,624	8,793,100
2. Liabilities for loans, deposits and similar	<b>095</b>		1,833,521
3. Liabilities towards banks and other financial institutions	<b>096</b>	327,813,815	5,262,784
4. Liabilities for advances	<b>097</b>		
5. Liabilities towards suppliers	<b>098</b>	125,146,781	160,870,065
6. Liabilities as per securities	<b>099</b>	248,285,938	249,747,188
7. Liabilities towards entrepreneur with participating interests	<b>100</b>		
8. Liabilities towards employees	<b>101</b>	1,584,388	1,710,118
9. Liabilities for taxes, contributions and similar levies	<b>102</b>	6,094,227	5,080,960
10. Liabilities as per share in results	<b>103</b>		
11. Liabilities as per longterm assets intended for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	1,002,709	18,471
<b>E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD</b>	<b>106</b>	17,268,785	11,281,580
<b>F) TOTAL – LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	643,831,606	610,773,405
<b>G) OFF – BALANCE RECORDS</b>	<b>108</b>	591,364,987	1,013,162,599
<b>ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Assigned to the holders of parent company's capital	<b>109</b>		
2. Assigned to minority interest	<b>110</b>		

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 01.01.2011. to 31.03.2011.

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before taxation	001	-20,291,395	-14,554,790
2. Depreciation	002	12,518,710	13,139,376
3. Increase of short-term liabilities	003	56,597,751	16,494,433
4. Decrease of short-term receivables	004	10,658,715	708,273
5. Decrease of inventories	005	4,471,738	633,288
6. Other increase of cash flow	006		8,044
<b>I. Total increase of cash flow from operating activities (001 through 006)</b>	<b>007</b>	63,955,519	16,428,624
1. Decrease of short-term liabilities	008		
2. Increase of short-term receivables	009		
3. Increase of inventories	010		
4. Other decrease of cash flow	011	7,358,516	7,407,458
<b>II. Total decrease of cash flow from operating activities (008 through 011)</b>	<b>012</b>	7,358,516	7,407,458
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	56,597,003	9,021,166
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	0	0
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Cash receipt from sale of tangible and intangible assets	015		
2. Cash receipt from sale of ownership and debt instruments	016		
3. Cash receipt from interest rates	017		
4. Cash receipt from dividends	018		
5. Other cash receipts from investment activities	019		
<b>III. Total cash receipts from investment activities (015 through 019)</b>	<b>020</b>	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	12,518,710	4,576,146
2. Cash expenditure for acquiring ownership and debt financial instruments	022		
3. Other expenditures from investment activities	023	6,554,295	
<b>IV. Total cash expenditures from investment activities (021 through 023)</b>	<b>024</b>	19,073,005	4,576,146
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)</b>	<b>025</b>	0	0
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)</b>	<b>026</b>	19,073,005	4,576,146
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash receipt from issuing of ownership and debt financial instruments	027		
2. Cash receipt from loan principal, debentures, loans and other borrowing	028		5,746,910
3. Other receipt from financial activities	029		158,333
<b>V. Total cash receipt from financial activities (027 through 029)</b>	<b>030</b>	0	5,905,243
1. Cash expenditure for the payment of loan principal and bonds	031	15,963,565	7,524,807
2. Cash expenditure for the payment of dividend	032		
3. Cash expenditure for financial lease	033		
4. Cash expenditure for own shares buy-off	034		
5. Other expenditures from financial activities	035	22,812,500	2,081,925
<b>VI. Total cash expenditure from financial activities (031 through 035)</b>	<b>036</b>	38,776,065	9,606,732
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>	0	0
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	38,776,065	3,701,489
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	743,531
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	1,252,067	0
Cash and cash equivalents at the beginning of the period	041	2,515,425	1,148,042
Increase of cash and cash equivalents	042	0	743,531
Decrease of cash and cash equivalents	043	1,252,067	0
Cash and cash equivalents at the end of the period	044	1,263,358	1,891,573

### CHANGE IN CAPITAL STATEMENT

for the period from 1/1/11 to 3/31/11

Item 1	EDP 2	Previous period 3	Current period 4
1. Subscribed capital	001	28,200,700	28,200,700
2. Capital reserves	002	194,354,000	194,354,000
3. Profit reserves	003		
4. Retained profit or loss carried forward	004	-553,595,946	-619,250,046
5. Profit or loss of the current year	005	-65,654,100	-14,554,790
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008		
9. Other revaluation	009		
<b>10. Total capital and reserves (EDP 001 through 009)</b>	<b>010</b>	-396,695,346	-411,250,136
11. Foreign exchange differences from net investments in foreign operations	011		
12. Current and deferred taxes (part)	012		
13. Cash flow protection	013		
14. Changes in accounting policies	014		
15. Correction of significant mistakes from the previous period	015		
16. Other equity changes	016		
<b>17. Total increase or decrease of capital (EDP 011 through 016)</b>	<b>017</b>	0	0
17 a. Assigned to holders of parent company's capital	018		
17 b. Assigned to minority interest	019		

Items that reduce capital entered with a negative sign

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

# Notes to the Financial Statements

## 1. GENERAL INFORMATION

### History and incorporation

The company Optima Telekom d.d. ( hereinafter: the Company) was established in 1994 as Syskey d.o.o., while its principal operating activity and company name was changed to Optima Telekom d.o.o. on 22 April 2004.

The Company changed its legal status from a limited liability company to a joint stock company in July 2007. The Council of the Croatian Telecommunications Agency issued a licence for public voice service in fixed networks for the company on 19 November 2004, for a period of 30 years.

### Principal Business Activities

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

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

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

### Staff

On 31 March 2011, the Company employed 193 employees.

## MANAGEMENT AND SUPERVISORY BOARD

### Management Board of the Company in 2011:

Matija Martić	Chairman of the Company
Goran Jovičić	Member
Jadranka Suručić	Member

### Supervisory Board of the Company:

Nada Martić	Chairman
Marjan Hanžeković	Member and Deputy Chairman
Ivan Martić	Member

## REVIEW OF BASIC ACCOUNTING POLICIES

### Basis of Preparation

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

Financial Statements as per 31 March 2011 have been prepared on the basis of accounting policies presented and published in the Audited Consolidated Financial Statements of the Group on 31 December 2010 which were made available on Zagreb Stock Exchange d.d. on 06 April 2011.

In the period January - March 2010, there were no changes in accounting policies and accounting estimations based on which the financial reports for the indicated period have been prepared.

### Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 31 December 2010 was HRK 7,382807 for EUR 1 and HRK 5,244216 for USD 1.

## 112. SALES INCOME

	31 Mar 2011	31 Mar 2010
Public voice services	64,738,940	68,510,094
Interconnection services	19,948,236	17,097,620
Internet services	16,236,880	12,955,388
Data services	5,080,930	4,928,402
Multimedia services	2,071,164	270,899
Lease and sale of equipment	561,400	520,177
Other services	1,174,099	972,254
	<u>109,811,649</u>	<u>105,254,834</u>



**113. OTHER OPERATING INCOME**

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Write off old trade payables	810,294	578,176
Income from rent - billing system	444,661	328,363
Income from collected penalties etc.	0	76,630
Income from in kind payments	65,346	0
Other income	164,637	548,790
	<b><u>1,484,938</u></b>	<b><u>1,531,959</u></b>

**116. MATERIAL COSTS**

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Costs of raw material and supplies	434,379	361,054
Costs of goods sold	1,174,639	1,645,074
Costs of services	0	897,997
Costs of maintenance	3,427,562	3,835,522
Marketing services	2,071,351	538,923
Billing costs	1,729,018	2,695,725
Line lease costs	10,747,272	11,233,734
Intellectual and other services	519,470	475,143
Utilities	2,211,047	779,151
Customer attraction costs	3,702,042	5,147,255
Pair connection fees	16,436,211	14,870,932
Telecommunications costs	33,095,941	33,104,922
Residential sales services	5,904,465	3,767,100
Other costs	325,087	756,915
	<b><u>81,778,484</u></b>	<b><u>80,109,447</u></b>

**120. STAFF EXPENSES**

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Net salaries	4,853,338	4,713,410
Taxes and contributions from salaries	2,824,812	2,864,832
Taxes and contributions on salaries	1,304,468	1,259,326
	<b><u>8,982,618</u></b>	<b><u>8,837,568</u></b>

Number of employees on 31 Mar 2011 193 182

**124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS**

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Amortization of intangible assets	2,429,463	2,595,073
Amortization of fixed tangible assets	10,709,913	9,923,637
	<b><u>13,139,376</u></b>	<b><u>12,518,710</u></b>

**125. OTHER OPERATING EXPENSES**

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Compensations to employees	306,076	259,258
Representation	138,552	98,689
Insurance premiums	428,434	500,300
Bank charges	931,822	593,488
Taxes, contributions and membership fees	264,296	436,357
Costs of sold and written off assets	0	412,178
Gifts and sponsorships	73,280	38,000
Subsequently determined operating expenses	0	0
Other expenses	375,354	200,675
	<b><u>2,517,814</u></b>	<b><u>2,538,945</u></b>

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

**126. VALUE ADJUSTMENT**

Value adjustment is performed at the end of the reporting period if there is evidence that there are uncollectible trade receivables arising from significant financial difficulties on the clients' side, cancellation of contracts and forced execution, pending bankruptcy etc.

**131. FINANCIAL INCOME**

	31 Mar 2011	31 Mar 2010
Interest income related to affiliated undertakings	284,383	500,590
Interest income	1,377,910	1,297,077
Foreign exchange gains	285,040	304,148
	<b>1,662,950</b>	<b>1,601,225</b>

**137. FINANCIAL EXPENSES**

	31 Mar 2011	31 Mar 2010
Interest expenses	17,912,880	22,226,806
Fee	172,063	179,834
Foreign exchange losses	199,132	729,420
	<b>18,284,075</b>	<b>23,136,060</b>

Interest expenses consist of interests accrued on credits, bonds issued by the Company and default interest for untimely settlement of trade payables. By reducing interest expense occurred due to the decrease in interest rates that are achieved with reprogram in year 2010

**003. INTANGIBLE ASSETS**

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
<b>PURCHASE VALUE</b>				
As at 01 Jan 2011	<b>8,187,690</b>	<b>75,756,560</b>		<b>83,944,250</b>
Additions				0
Transfer from assets in progress				0
Disposals and retirements				0
As at 31 Mar 2011	<b>8,187,690</b>	<b>75,756,560</b>	<b>0</b>	<b>83,944,250</b>
<b>VALUE ADJUSTMENT</b>				
As at 01 Jan 2011	<b>1,385,174</b>	<b>50,947,625</b>		<b>52,332,799</b>
Amortization of the current year	68,162	2,361,301		2,429,463
Disposals and retirements				0
Amortization as at 31 Mar 2011	<b>1,453,336</b>	<b>53,308,926</b>	<b>0</b>	<b>54,762,262</b>
<b>NET ACCOUNTING VALUE</b>				
As at 31 Mar 2011	<b>6,734,354</b>	<b>22,447,634</b>	<b>0</b>	<b>29,181,988</b>

**010. FIXED ASSETS**

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
<b>PURCHASE VALUE</b>								
As at 01 Jan 2011	<b>23,269</b>	<b>16,514,322</b>	<b>474,276,111</b>	<b>126,055</b>	<b>46,822</b>	<b>41,904,067</b>	<b>3,767,834</b>	<b>536,658,480</b>
Additions			805,342			3,755,304	15,500	4,576,146
Transfer from assets in progress			9,758,819			-9,758,819		0
Disposals and retirements								0
As at 31 Mar 2011	<b>23,269</b>	<b>16,514,322</b>	<b>484,840,272</b>	<b>126,055</b>	<b>46,822</b>	<b>35,900,552</b>	<b>3,783,334</b>	<b>541,234,626</b>
<b>VALUE ADJUSTMENT</b>								
As at 01 Jan 2011		<b>2,216,110</b>	<b>155,555,408</b>	<b>72,997</b>			<b>3,209,931</b>	<b>161,054,446</b>
Amortization of the current year		103,214	10,517,008	6,303			83,388	10,709,913
Disposals and retirements								0
Amortization as at 31 Mar 2011	<b>0</b>	<b>2,319,324</b>	<b>166,072,416</b>	<b>79,300</b>	<b>0</b>	<b>0</b>	<b>3,293,319</b>	<b>171,764,359</b>
<b>NET ACCOUNTING VALUE</b>								
As at 31 Mar 2011	<b>23,269</b>	<b>14,194,998</b>	<b>318,767,856</b>	<b>46,755</b>	<b>46,822</b>	<b>35,900,552</b>	<b>490,015</b>	<b>369,470,267</b>

## 020. LONG-TERM FINANCIAL ASSETS

	31 Mar 2011	31 Mar 2010
Loans to majority shareholder	4,589,813	4,238,057
Loans to third party companies	30,466,827	3,996,317
Long term deposits	3,418,445	3,368,568
	<b>38,475,085</b>	<b>11,602,942</b>
Value adjustment	<b>-1,542,147</b>	<b>-1,516,288</b>
	<b>36,932,938</b>	<b>10,086,654</b>
Loans to affiliated undertakings	19,297,604	23,566,921
<b>Loans and deposits</b>	<b>56,230,542</b>	<b>33,653,575</b>
Shares in affiliated undertakings	19,280,973	19,279,891
	<b>75,511,515</b>	<b>52,933,466</b>

Loans to third party companies refer to the loans granted to company OSN INŽENJERING d.o.o. with interest rate of 11,5% and due dates 13 August 2012 (loan in the amount of HRK 2,75 million) and 30 April 2013 (loans in the amount of HRK 26,18 million)

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. for purchase and installation of telecommunications equipment and they come due on 16 February 2015 and 20 February 2015, respectively, as well as one deposit with BKS bank, coming due on 31 March 2012.

## SHARES IN AFFILIATED UNDERTAKINGS

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. Glavna djelatnosti Optima Direct d.o.o. je trgovina i pružanje raznovrsnih usluga koje se većinom odnose na sektor telekomunikacija.

The main business activities of Optima Direct d.o.o. are trading and providing various services which mainly relate to telecommunications sector.

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

Investments in affiliated companies as on 31 December 2011:

Subsidiaries	Shareholding
Optima Direct d.o.o., Croatia	100%
Optima Telekom d.o.o., Slovenia	100%

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

## 043. RECEIVABLES

	31 Mar 2011	31 Mar 2010
Trade receivables	75,853,899	72,926,667
Employee receivables	2,901	72,861
Receivables from the state and other institutions	323,662	1,639,106
Interest receivables	360,443	729,926
Advance payments receivables	1,653,974	1,777,482
Other receivables	44,956	97,889
	<b>78,239,835</b>	<b>77,243,931</b>

## 045. TRADE RECEIVABLES

	31 Mar 2011	31 Mar 2010
Receivables from affiliated undertakings	87,842,538	76,844,591
Domestic trade receivables	287,295	337,620
Foreign trade receivables	11,418,802	5,280,122
	<b>99,548,635</b>	<b>82,462,333</b>
Value adjustment	<b>-23,694,736</b>	<b>-9,535,666</b>
	<b>75,853,899</b>	<b>72,926,667</b>

Movement of value adjustment for doubtful receivables:

	31 Mar 2011
1 January 2011	22,485,387
Write off during the year	-1,091,167
Collected during the year	-821,351
Reserved during the year	3,121,867
<b>Closing balance</b>	<b>23,694,736</b>

Aging of trade receivables of the Company:

	<b>31 Mar 2011</b>
Undue	52,654,883
Up to 120 days	28,408,515
120-360 days	6,393,628
over 360 days	12,091,609
	<b><u>99,548,635</u></b>

#### 056. GRANTED LOANS AND DEPOSITS

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Loans	160,000	23,507,123
Deposits	400,881	1,561,741
	<b><u>560,881</u></b>	<b><u>25,068,864</u></b>
Value adjustment	<b><u>-160,000</u></b>	<b><u>-160,000</u></b>
	<b><u>400,881</u></b>	<b><u>24,908,864</u></b>

#### 058. CASH IN BANK AND REGISTER

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Kuna accounts balance	889,984	652,767
Foreign currency accounts balance	987,919	606,664
Cash in register	13,670	3,927
	<b><u>1,891,573</u></b>	<b><u>1,263,358</u></b>

#### 059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
Differed customer related expenses	47,876,202	50,653,793
Bond issuing expenses	1,559,032	2,318,978
Prepaid expenses	3,596,288	3,616,198
Accrued income	0	0
Insurance premiums	0	0
Prepaid maintenance expenses	0	327,398
	<b><u>53,031,522</u></b>	<b><u>56,916,367</u></b>

#### 063. SUBSCRIBED CAPITAL

On 24 August 2007, the sole shareholder at that time Mr. Matija Martić paid up the amount of HRK 20 million in the Company's share capital. In this way, the share capital of the Company has been increased from HRK 201 thousand to HRK 20.201 thousand. The Company has undergone transformation from limited liability company to joint stock company. The total number of shares amounted to 2.020.070 of ordinary shares with nominal value of HRK 10 each. The sole shareholder remained Matija Martić.

In December 2007, the Company increased the share capital through initial public offering. The Company issued 800.000 shares with nominal value of HRK 10 each. In this way, the total number of shares has been increased to 2.820.070. By subscribing the new shares, the Company realized capital gain of HRK 194.354 thousand representing the difference between the nominal value and the price determined on the initial public offering.

At 31 Mar 2011, loss per share is as follows:

Net result - loss	14,554,790
Number of shares	2,820,070
Loss per share	<b>5.16</b>

In the same period last year, loss per share amounted to HRK 7,20

Price of shares realized on the stock exchange within the current quarter (1 Jan - 31 Mar 2011) varied from HRK 25,04 (the lowest price) to HRK 42,39 (the highest price). Market capitalization in thousands of HRK on 31 March 2011 amounted to HRK 94.049 thousand.

In the period from January to March 2011 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Ten major shareholders as on 30 March 2011:

Shareholder	in 000 HRK	%
MARTIĆ MATIJA (1/1)	18,596	65.94
RAIFFEISENBANK AUSTRIA D.D./R5	1,345	4.77
HANŽEKOVIĆ MARIJAN (1/1)	1,340	4.75
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNI	1,305	4.63
RAIFFEISENBANK AUSTRIA D.D./RBA	979	3.47
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2.72
ZAGREBAČKA BANKA D.D. (1/1)	428	1.52
RAIFFEISENBANK AUSTRIA D.D. (1/1)	365	1.29
ŽUVANIĆ ROLAND (1/1)	303	1.07
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ PROFIT DOBROVOLJNI MIROVINSKI FOND (1/1)	229	0.81

### 083. LONG-TERM LIABILITIES

	31 Mar 2011	31 Mar 2010
Loan based liabilities	44,421,646	62,430,100
Liabilities towards credit institutions	530,207,965	200,540,302
	<b>574,629,611</b>	<b>262,970,402</b>

### 093. SHORT-TERM LIABILITIES

	31 Mar 2011	31 Mar 2010
Loan based liabilities	1,833,521	0
Liabilities towards credit institutions	0	271,437,332
Interest liabilities	5,262,784	56,376,483
Liabilities for bonds issued	249,747,188	248,285,938
Receivables toward affiliated undertakings	8,793,100	3,658,624
Trade payables	160,870,065	125,146,781
Liabilities towards employees	1,710,118	1,584,388
Taxes, contributions and other levies	5,080,960	6,094,227
Other liabilities	18,471	1,002,709
	<b>433,316,207</b>	<b>713,586,482</b>

### 099. BONDS ISSUED

On 5 February 2007, the Company issued bonds (OPTE-O-124A) with nominal value of HRK 250 million. The bonds have been issued on Zagreb Stock Exchange with interest rate of 9,125% and maturity date on 1 February 2014. The bonds have been issued with the price of 99,496%. The interest rate is paid on annual basis on 1 February 2011.

	31 Mar 2011	31 Mar 2010
Nominal value	250,000,000	250,000,000
Compensations for issuance of bonds	-4,018,437	-5,479,687
Liabilities based on calculated interest	3,765,625	3,765,625
	<b>249,747,188</b>	<b>248,285,938</b>

### 098. LIABILITIES TOWARDS SUPPLIERS

	31 Mar 2011	31 Mar 2010
Domestic trade payables	144,967,588	117,387,716
Foreign trade payables	4,931,361	6,092,567
Invoice accrual	10,971,116	1,666,498
	<b>160,870,065</b>	<b>125,146,781</b>

## 102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Mar 2011	31 Mar 2010
VAT Liabilities	3,082,196	3,479,824
Taxes and contributions on and from salaries	1,382,131	1,415,154
Other taxes and contributions	616,633	1,199,249
	<b>5,080,960</b>	<b>6,094,227</b>

## 106. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Mar 2011	31 Mar 2010
Domestic payables for which invoices have not been received	8,712,755	14,852,966
Foreign payables for which invoices have not been received	1,501,471	1,586,417
Income deferred due to uncertainty	1,067,354	829,402
	<b>11,281,580</b>	<b>17,268,785</b>

## 3. FINANCIAL INSTRUMENTS

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

### Currency Risk Management

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

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

	Liabilities		Assets	
	31 Mar 2011 in 000 HRK	31 Mar 2010 in 000 HRK	31 Mar 2011 in 000 HRK	31 Mar 2010 in 000 HRK
EUR	578,765	189,670	-23,000	-17,532
USD	264	4,602	-109	-109
CHF				
GPB				
	<b>579,029</b>	<b>194,272</b>	<b>-23,109</b>	<b>-17,641</b>

### 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 2010 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 Mar 2011 in 000 HRK	31 Mar 2010 in 000 HRK	31 Mar 2011 in 000 HRK	31 Mar 2010 in 000 HRK
EUR	57,877	18,967	-2,300	-1,753
USD	26	460	-11	-11
CHF				
GPB				
	<b>57,903</b>	<b>19,427</b>	<b>-2,311</b>	<b>-1,764</b>

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 371,67 million, and therefore, the Company's exposure to the interest rate risk is significant. Other assets and liabilities, including bonds issued, are not exposed to interest rate risk.

### Credit Risk

Credit risk is the risk that the Company's customers will default on their contractual obligations causing possible financial loss to the Company. The Company has adopted procedures which are applied in dealing with customers and it requests and collects payment security instruments, where appropriate, in order to mitigate possible financial risks and losses resulting from a default in payment and fulfillment 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
<b>31 Mar 2011</b>				
Non-interest bearing liabilities	171,392			171,392
Interest bearing liabilities	51,172	777,865	2,436	831,473
	<b>222,564</b>	<b>777,865</b>	<b>2,436</b>	<b>1,002,865</b>
<b>31 Mar 2010</b>				
Non-interest bearing liabilities	137,487			137,487
Interest bearing liabilities	356,154	450,314	32,603	839,071
	<b>493,641</b>	<b>450,314</b>	<b>32,603</b>	<b>976,558</b>

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 160.870 thousand for the period from January to March 2011 (HRK 125.147 thousand for the same period last year).


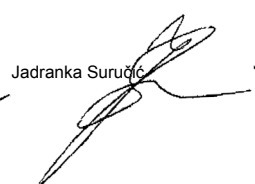
Interest bearing liabilities include short-term and long-term borrowings, bonds issued and financial lease.

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
<b>31 Mar 2011</b>				
Non-interest bearing liabilities	79,808			79,808
Interest bearing liabilities	452	39,306	16,874	56,632
	<b>80,260</b>	<b>39,306</b>	<b>16,874</b>	<b>136,440</b>
<b>31 Mar 2010</b>				
Non-interest bearing liabilities	78,653			78,653
Interest bearing liabilities	24,909	5,849	4,238	34,996
	<b>103,562</b>	<b>5,849</b>	<b>4,238</b>	<b>113,649</b>

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

   
Matija Martić      Jadranka Suručić

OT-Optima Telekom d.d.  
ZAGREB