

OT - Optima Telekom d.d.

2012 Audited Annual

Financial Report

consolidated

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About Optima Telekom

OT – Optima Telekom d.d. (hereinafter: Optima) is the first and largest alternative landline service provider in Croatia and the second landline telecommunications carrier in the Croatian market. In its eighth year of commercial operation, Optima is present in the Croatian market with a full range of telecommunications services. The current market potential of over six hundred thousand connections is connected by over 2,700 km of own optical network.

Optima's corporate culture supports innovation, loyalty, learning, enterprise and the desire to win in every employee, which is all recognized by our loyal users, now over 220,000 of them.

As a result of indebtedness, insolvency and inliquidity and by the time of publication of this report, in compliance with the Croatian Law on financial business and pre-bankruptcy settlement (NN 108/2012 and 11/2012), Optima has launched a pre-bankruptcy settlement with the goal of operational and financial restructuring of the company. With the implementation of restructuring programme, Optima should become solvent and liquid in subsequent period.

- Supervisory Board: Nada Martić – Chairperson, Ivan Martić – member and deputy Chair, Zrinka Vuković Berić – member, Duško Grabovac – member
- Board of Directors: Matija Martić – CEO, Goran Jovičić – member, Jadranka Suručić – member
- Business account: 2360000-1101848050, Zagrebačka banka d.d.
- Commercial Court of Zagreb
- Personal Identification Number: 36004425025
- Registration Number: 040035070
- Bureau of Statistics Number: 0820431
- Share capital amounts to: HRK 28,200,700.00
- Number of shares: 2,820,070, nominal value HRK 10.00 each

Optima Telekom Regions and Centers

HEAD OFFICE – COMPANY
MANAGEMENT

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

REGION WEST

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

OT Center

Tel. +385 51 554 651

REGION EAST

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

REGION NORTH

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

REGION SOUTH

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

OT Center

7. domobranske pukovnije 1/3, Zadar
Tel. +385 23 492 860

Ivana Matijaševića 14, Dubrovnik
Tel. +385 20 220 640

Alongside OT-OPTIMA TELEKOM
d.d., in 2012 the Group includes
the following members:

Optima direct d.o.o
Trg Josipa Broza Tita 1
52460 Buje
Republic of Croatia

Optima - Telekom d.o.o.
Ulica 15. maja 21
6 000 Koper
Republic of Slovenia

Optima telekom za upravljanje
nekretninama I savjetovanje d.o.o.

– STANDSTILL
Kuzminečka 8, Zagreb
10 000 Zagreb
Republic of Croatia

Main features of the Group

- An increase of total consolidated operating income for 74,9m HRK in relation to the same period of the previous year ;
- Telecommunications services revenue has recorded a 16,4% growth compared to the same time period in 2011.
- Internet services revenue has increased for 25,6% with regard to same time period in 2011, data services revenue has recorded a 13,3% growth, while public voice service revenue has increased for 3,9%, and multimedia services revenue marks a 63,2% growth
- Before one-time value adjustments were made, EBITDA has improved for 6,4% compared to same period in 2011., and in 2012. amounts to 73,3m HRK, thus making EBITDA cover the net financial expenses for the first time in Optima's business. The number of LLU users has increased by **3.4%** (from 111,322 to 115,110 users)
- The number of collocations also increased by **3.8%**, which represents a total of 276 collocations at the end of 2012.
- The number of potentially available connections via own infrastructure has been decreased by **1.9%** (from **674,492** connections to **661,362**), which represents **46%** of the active landline connections market, being a larger share compared to the previous year when the said share was **45%**

	2011.	2012.	2012./ 2011.
Total income	494,183	569,079	15.2%
EBITDA before one-time adjustment	74,730	75,802	1.4%
EBITDA before one-time adjustment	74,730	26,768	(64.2%)
EBT	(67,469)	(104,893)	55.5%
	31.12.2011.	31.12.2012./ 31.12.2011.	31.12.2012.
Total number of OT users			
Number of voice channels	275,796	-16.8%	229,550
Number of users in own LLU network	111,322	3.4%	115,110
Number of OptiDSL users in own LLU network	68,898	8.4%	74,660
Number of OptiTV users in own LLU network	15,300	42.5%	21,800
Number of collocations installed	266	3.8%	276
North	88	4.5%	92
West	45	2.2%	46
East	52	5.8%	55
South	81	2.5%	83

Croatian economy trends

Negative economy trends have been confirmed in 2012. In the first three quarters, the GDP was 1.8% lower compared to the same period of 2011. This represents the ongoing negative trend which, incited by the economic crisis, onset at the beginning of 2009.

Inflation is somewhat higher this year, in October 2012 it amounted to 4.8%, and on average for the first ten months 3.2%.

Despite everything, financial results of enterprises in the first nine months do not differ significantly from last year's results for the same period. Even though overall income has recorded a mild growth (0.7%), overall expenses have increased by 1.1%, with only a mild increase in the number of employees based on hours of work, while their net salaries were kept at last year's level. This indicates that the main reason for the increase of expenses is the increase of input costs, particularly the growth of energy costs. In 2012, the average investment value per entrepreneur continues to be two times lower than in the same period of 2008.

In November 2012 the registered unemployment rate amounted to 20.4%, also being the highest unemployment rate since the onset of the current economic crisis. This is over 347 thousand unemployed, with a tendency to increase further. At an inter-annual level, unemployment increased by 14.9% or 45 thousand people.

Influenced by the higher inflation rate in 2012, the actual decrease of average salaries is deepened, so that the average salary in October amounts to HRK 5,457 which is, compared to the same period of 2011, nominally 0.9% higher, but actually 2.2% lower. Along with the already increased VAT rate and the price increase of public and communal services, the abolition of the zero VAT rate for certain goods is bound to add pressure to the standard of living.

At the end of November of 2012 there was a steep downfall of overall outstanding liabilities (HRK 43.7 billion) which is HRK 830 million less than one month earlier. This was a decrease of outstanding liabilities of legal entities with accounts overdrawn for over 360 days and with no employees. Their outstanding liabilities decreased by HRK 504 million, and their number by 1.9 thousand. Even though the liquidation of a part of non-existent companies without employees improved the trend statistically, this is not to suggest the beginning of solving the liquidity problems. Namely, business entities continue to get their accounts overdrawn, which indicates an increase in the value of liabilities outstanding under 30 days.

Telecommunications services income and business segments

Telecommunications services income has increased by **16.4%** in 2012 and amounts to **HRK 543.6 million**.

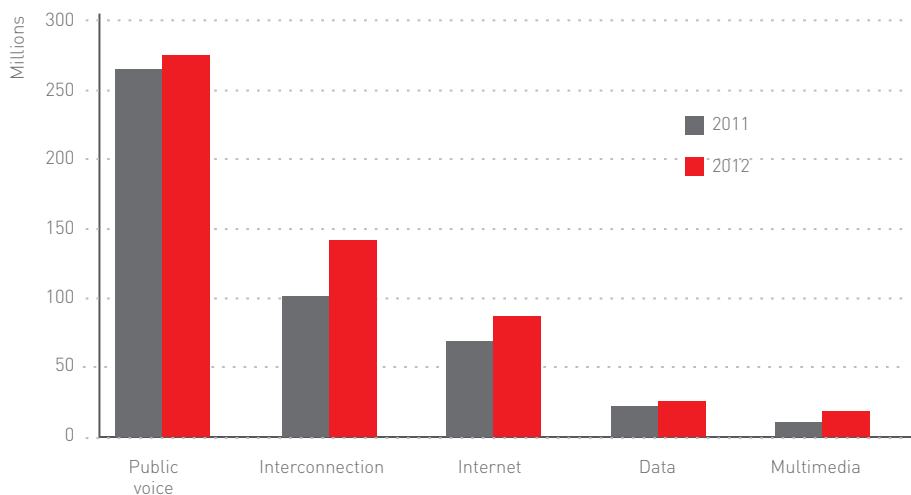
In absolutes, the highest increase is in interconnections, where revenues had an increase of HRK **39.1 million**. A significant increase was also recorded in multimedia services, where revenue has grown by 63,2%.

Even though the public voice service in fixed networks market has continued to drop in the number of minutes, Optima has recorded a **3.9%** growth in this segment as well, with an income of HRK **274.5 million**.

A more significant growth compared to 2010/2011 has been recorded in the Internet and data services income segment. In the Internet services income segment we have recorded an income of HRK **86.3 million**, i.e. a **25.6%** growth, while in the data services segment we have recorded an increase of income to HRK **24.7 million**, i.e. a **13.3%** growth.

The growth of multimedia and Internet services is a result of directing sales activities towards service packages containing Internet and other multimedia services (O2 and O3 packages).

TELECOMMUNICATIONS SERVICES INCOME

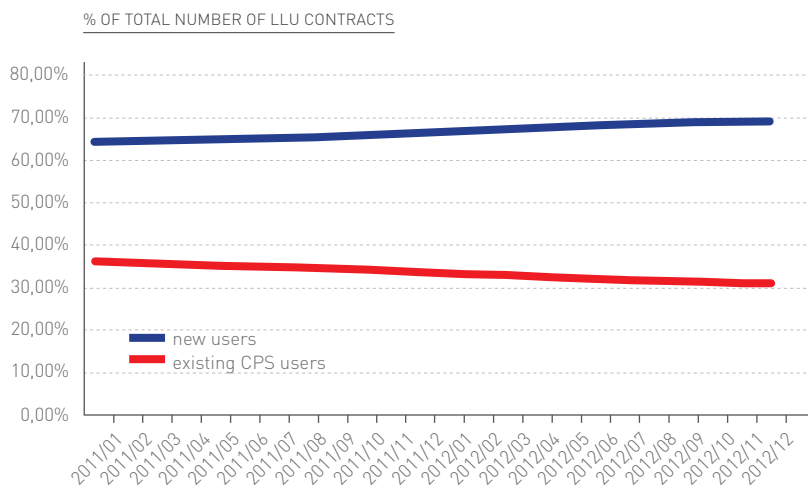


Residential users segment

The residential users services based on ULL, have followed three directions in 2012:

- signing up new users,
- additional services for existing users, primarily OptiDSL and OptiTV services (the so-called Upsell)
- transferring existing Optima users already using the CPS service (the so-called migration).

The result of such activities manifested itself through the increase of income from sales to residential users. Apart from the income increase, the result of such sales activities has resulted in the increase of the gross margin.



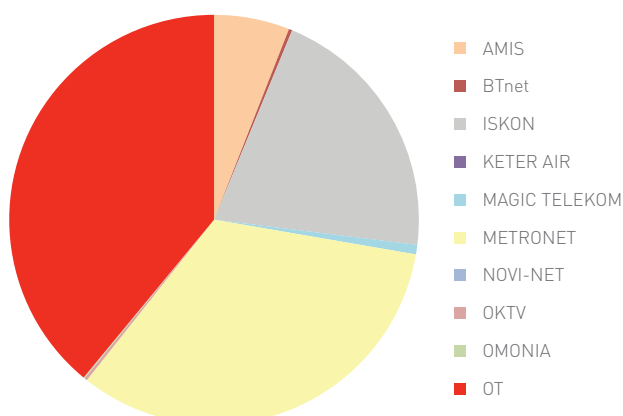
In 2012, **19,662** contracts for the full transfer to Optima's network have been concluded.

With such a trend, Optima is continuing the planned strategy of signing up new users to own network and migrating the existing CPS services users.

Based on data available to the public concerning numbers transferred (CADB) provided by the Croatian Agency for post and electronic communications (HAKOM) which records the status of each transaction during number transfer on a daily basis and has the information required to direct the calls towards the transferred number, it is clear that Optima is by far the most successful landline telecommunications carrier according to the migration of users to own network.

The overall data on telephone number transferability show a transfer of **196,680** numbers to Optima's network, which represents **26.8%** of total migrated landline numbers and one of the valuable indicators of acknowledgment of the new carriers, as well as the willingness of Croatian citizens to change their use of telecommunications, and by that, the liberalization of the Croatian telecommunications market as a whole.

NUMBER PORTABILITY STRUCTURE ON CROATIAN MARKET



Source: HAKOM

The corporate segment

The corporate segment income represents a little over **15.6%** of overall income.

There has been an increase in the key users segment, but also in the lower market segments, whereby Optima has increased its presence in all market segments.

As well as in previous years, in 2012 we fulfilled one of our strategic objectives pertaining to the user base growth in the lower market segments (SoHo and SME).

In 2012 Optima telekom participated in over 80 public tenders, bidding to provide telecommunications services.

In 2012 Optima continues to be present in tourism, trade, transport and higher education.

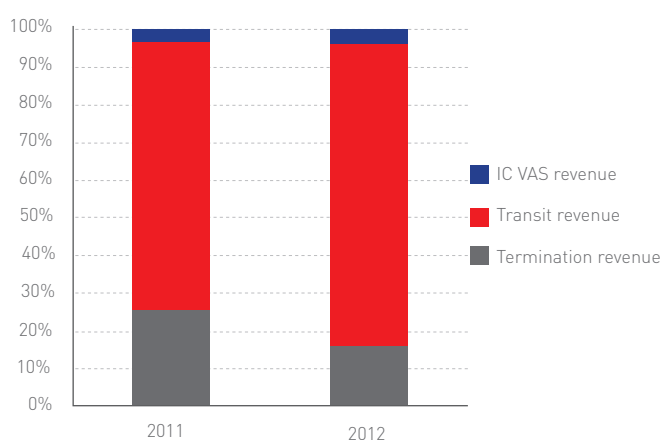
Wholesale

Optima has concluded Interconnection Agreements (the so-called interconnections) with 28 international carriers, 3 national mobile networks carriers and 20 national landline networks carriers.

This number of agreements has ensured us an interconnection income of HRK **140.7** million in 2013, which represents a **38.4%** increase.

Through market consolidation in 2012 the smaller wholesale customers have perished, but despite such market circumstances, growth has been ensured through increased cooperation with several existing customers and the successful realization of several projects according to the IRU15 model.

INTERCONNECTION REVENUES STRUCTURE



Earnings before interest, taxation and depreciation – EBITDA

In 2012, Optima adjusted values to its assets by the amount of 49,0 m HRK, and since the adjustments made are of one-time kind, EBITDA will be looked through the elimination of such adjustments, to make it comparable to the previous year.

In 2012 EBITDA has improved by **1,4%** compared to 2011 and amounts to HRK **75.8** million.

The reason for only a slight increase of EBITDA can be found in the rise of prices of energy and other costs that increased in 2012, which have also took part in the increase of inflation on the Croatian market, all beyond Optima's control.

Earnings before taxation – EBT

The EBT for 2012 amounts to 104,9m HRK, which is 55,5% less compared to the results achieved at the end of 2011.

If one-time adjustments are eliminated for the 2012., EBT would amount to 55,9m HRK and represent an increase of 17,2%, when compared to the results achieved in 2011. Since depreciation clearly is a financial standard and amounts to 56,0m HRK, the impression could be made that the positive cash flow has been realized for the 2012.

Capital investments in 2012

Capital investments in 2012 amounted to HRK 53.3 million, out of which HRK **42.5** million has been invested into the development of the access optical network, broadening the collocations network, user equipment for providing the IPTV service and connection equipment for corporate users. HRK **4.3** million have been invested into the core network, mostly used to extend the core network to the 10G technology and to expand the user center.

	2012. (kn)	share %
General investments	3,298,023	6%
Capital technical investments	50,520,655	94%
ACCESS Network	42,532,724	79%
CORE Network	4,331,713	8%
Telecommunications center	3,656,218	7%
TOTAL	53,818,678	

Infrastructural development

Being the largest alternative carrier in Croatia, Optima is trying to have its own infrastructure reach every user. For this reason, the construction of own collocations plays an important part in differentiating Optima from other telecom carriers – we have the ability to provide unique services for our users.

By the end of 2012 Optima has erected **276** collocations and connected them to its own infrastructural network, causing the number of available connections to go over 660,000, which is over 46% of all connections in Croatia.

In the years to come, the strategy of development will put emphasis on powerful broadening of the local optical network, which will provide access to users throughout Croatia. Therefore, the erection of new collocations is planned, as well as the broadening of existing collocations to enable access for a number of new users.

COUNTY	REGION	TP TOTAL	TP WITHIN REACH
SPLITSKO-DALMATINSKA	JUG	139019	78023
ZADARSKA	JUG	59282	32495
ISTARSKA	ZAPAD	84918	46464
GRAD ZAGREB	SJEVER	287239	155753
OSJEČKO-BARANJSKA	ISTOK	93472	50324
ŠIBENSKO-KNINSKA	JUG	40908	20719
PRIMORSKO-GORANSKA	ZAPAD	126545	62353
VARAŽDINSKA	SJEVER	51465	24599
SISAČKO-MOSLAVAČKA	SJEVER	55219	26313
DUBROVAČKO-NERETVANSKA	JUG	47257	21420
ZAGREBAČKA	SJEVER	103178	41218
BJELOVARSKO-BILOGORSKA	SJEVER	36665	13810
VUKOVARSKO-SRIJEMSKA	ISTOK	54099	19118
BRODSKO-POSAVSKA	ISTOK	45320	15727
KOPRIVNIČKO-KRIŽEVAČKA	SJEVER	33740	11549
KARLOVAČKA	SJEVER	43602	14604
POŽEŠKO-SLAVONSKA	ISTOK	22885	6335
VIROVITIČKO-PODRAVSKA	ISTOK	25613	6520
MEDIMURSKA	SJEVER	31601	5304
LIČKO-SENJSKA	ZAPAD	19703	2924
KRAPINSKO-ZAGORSKA	SJEVER	40553	5790
TOTAL		1,442,283	661,362

Optima's collocations in Croatia



Optical network

Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network.

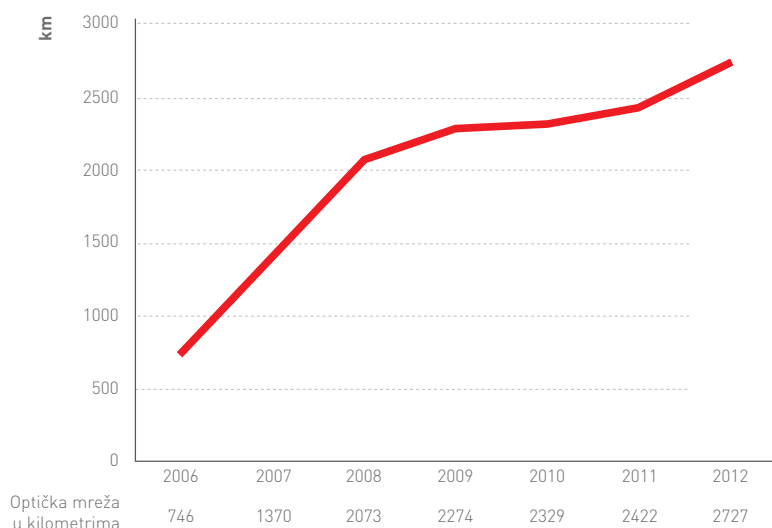
During the fourth quarter of 2012, construction was completed on the inter-city segment of Optima's northern optical backbone at the route Zagreb – Varaždin – Koprivnica. By constructing the aforesaid inter-city optical routes, we have connected Varaždin, Ludbreg and Koprivnica to our own optical network and enabled the connection of all cities and towns along the route to the optical network. One should particularly mention Sv. Ivan Zelina and Novi Marof due to their size, but there are a lot of smaller towns as well. By connecting the aforementioned cities to the optical network, we achieved significant savings by canceling the feed leases.

Along with the aforesaid completed capital investment, city optical network capacities have been expanded in the preceding period, due to the high degree of use of optical network in Zagreb and Rijeka. The overall length of constructed optical feeds on the access network is somewhat smaller compared to the same period of 2011, considering that significant growth has been achieved in the realization of optical routes, inter-city routes in particular. The aforesaid resulted in what is almost a seven-fold growth in the construction of optical infrastructure compared to the same period of 2011.

In numbers, we are dealing with 181 km of new optical network, i.e. 31 new feeds and 12 optical route segments. Comparing overall lengths, this is a significant growth of optical network of 7.1%, compared to the construction level determined at the end of the third quarter of 2012 (2,727 km compared to the 2,546 km realized by the end of the third trimester of 2012).

The largest quantity of feeds and routes has been realized in Region North (173.2 km), followed by Region South (3.5 km), Region West (3.3 km) and Region East (1 km).

OPTIČKA MREŽA U KILOMETRIMA



Affiliates

Optima Group also includes Optima Direct d.o.o., Optima telekom d.o.o. Koper, Optima telekom for real estate management and consulting d.o.o. which is at a standstill.

Optima Direct d.o.o. is a company owned by Optima 100%. After its inclusion in the Group in 2007, its impact on business operations continues to grow, particularly after the migration and reorganization of business processes into Optima Direct.

Within its scope of activities, Optima Direct also performs vital operative functions for Optima's residential segment. These functions pertain to the processes of:

1. Customer care
2. Residential (field) sales
3. Services towards third parties

Contact center operations are organized at two separate locations in Zagreb and Osijek. Except for the usual activities within the contact center domain, Optima Direct employees also act as the background office for Optima. Residential sales is one of the key features of Optima Direct's business activities, which has a direct positive impact on Optima's business. Optima Direct has 156 employees organized regionally in 4 centers (Zagreb, Osijek, Rijeka, Split) and 4 offices (Zadar, Buje, Varaždin, Sisak), all synchronized with Optima's needs and plans. By developing this segment in particular, a continuous inflow of new contracts has been ensured and the dependency on the unreliable market of indirect partners has been decreased.

It should be emphasized that Optima Direct is continuously engaged in the development of processes and applications useful not only to Optima, but also to other business partners of Optima Direct. Professional and educated Optima Direct employees guarantee a full range of contact center services in the Croatian market. The strategy and objectives of Optima Direct fit into the long term strategy of development of the Group. Optima remains with its business development strategy in its affiliate it adopted back in 2007, when the potential for the development of two significant participants in the telecom market was first noticed.

One of the basic reasons to migrate a part of the employees into the affiliate was the development of BPO¹, which was recognized as the potential model to expand the company's operations and optimize costs at Group level. In this way, the following services are offered to a broader market: Contact center (info desk, help desk), Telemarketing, Telesales, Direct mailing, Door2door sales.

¹ BPO – Business Process Outsourcing—a growing trend of transferring business functions to outsourced service providers in order to reduce operating costs

During the first half-year period, Optima Direct drafted and implemented the Excess Employees Provision Plan due to the reorganization of business operations which included 33 employees. There have been changes in the Company's Management as well, Ivan Drčec, who had previously held the position of director of Region North at Optima Telekom, was appointed as the sole member of the Board of Directors.

Regulatory environment

The Croatian Agency for Post and Electronic Communications (hereinafter: HAKOM) has continued to regulate the electronic communications market throughout the last quarter of 2012, so that the process of amending the Hrvatski Telekom d.d. Standard Offer for the wholesale broadband internet access service (hereinafter: bitstream access) has been completed, primarily by amending the terms, deadlines and prices for providing bitstream access at OLT level based on of FTTH solutions, as well as the conditions for providing the said service by way of VDSL technology.

HAKOM temporarily suspended the shut down process of 18 local operators and the transfer to IMS technology, so that all the wholesale terms for the change of technology would be transparently determined before the final shut down of local operators, given that this change will have a significant impact on the business of all carriers. With a view to enable the end users to keep track of their costs more simply and transparently, HAKOM introduced an information system called "e-Tariffs System" which gathers, simulates and displays data on the prices for services on the market.

Concerning the more important events in 2012, it is evident that HAKOM has had a very important impact on the state of the electronic communications market.

Within the market regulation, the regulation of the retail broadband internet access market has been carried out, as well as the closely connected market of television broadcasting subject to payment. Based on the EU framework, these markets are not subject to pre-regulation. After the market analysis was completed, carriers possessing a significant market share have been named and imposed regulatory obligations, with the purpose of allowing for efficient and equal competition for all market participants. It

has been made clear that the regulation of broadband internet access retail is delayed, and that we can expect the results of the IPTV market regulation in the periods to come.

In order to implement the principle of cost-orientation of prices, after a long term analysis HAKOM determined the methodology of creating and applying cost models for both fixed and mobile networks as well as universal services. Even though the methods of "comparable values" (benchmark) and "retail price minus" (retail minus) were useful as transitory methods, the cost models should represent the final tool in the implementation of price supervision obligations. During the course of 2013 we anticipate the start of cost models application, which should have a more significant impact on the market, primarily in defining the wholesale service costs.

Corporate Governance

There were no changes in the Company's management bodies.

Corporate Governance Code Compliance Statement

In its business operations, the Company tends to comply, to the greatest possible extent, with the Corporate Governance Code published on the web pages of Zagreb stock Exchange, given the circumstances and the special features of the company's business processes. The Company fulfilled and published Annual Questionnaire on fulfillment of Recommendations of the Corporate Governance Code on the pages of Zagreb stock Exchange, on the company's web pages and Official register of prescribed information.

By this statement, it is confirmed that the Company accepts and adheres to the recommendations of the Corporate Governance Code. The Company has not complied with the following recommendations due to the objective reasons:

The Company did not provide to shareholders, who for whatever reason have not been able to vote at the Shareholders Meeting, free of charge, proxies who are obliged to vote in accordance with their instructions because until now there was not such a need.

There was no decision on the payment of dividends or interim dividends as dividends are not paid out.

The Company has not established the mechanism to ensure supervision on the flow of inside information and its abuse, because every person in the Company who has access or possess inside information has been properly informed on the nature and importance of such information.

At the Shareholders Meeting, shareholders have not been given the opportunity to vote by means of modern communications technologies, because described way of voting is not foreseen by Company's Statute.

Activities in which the members of the Supervisory Board or their related entities and companies have been involved are not listed in the Company's reports as there was not such a activities in 2012.

The work of the Supervisory Board has not been regulated by special internal regulations and there is no framework plan regarding the work of the Supervisory Board. The activities of the Supervisory Board and the dynamics of the sessions are carried out in accordance with the needs and applicable regulations but not less than once in three months or more when such a need exists.

The Supervisory Board is not composed mostly of independent members according to the definition contained in the Recommendations. All members of the Supervisory Board have been elected at the Shareholders Meeting, in compliance with the procedure of announcing names of the candidates.

The Supervisory Board has no committees due to the fact that the particular characteristics of the Company and the way of carrying out its business operations do not justify constitution of such committees. The Supervisory Board gets familiarized, through regular supervising activities and Management Board Reports, with all information regarding appointment and dismissal of higher executive staff. The Awards Committee is not considered necessary in this moment due to the fact that Company has no policy of granting awards to the Management Board or other executive staff which is also in accordance with the business plan and the achieved results.

Audit Committee has not been established as well. The examination of financial statement is entrusted with the auditors who are warning both Supervisory Board and the Management Board, on any noticed deficiencies.

Data regarding the earnings and compensation paid from the Company to each member of the Management Board and Supervisory Board are published jointly for Management Board and the Supervisory Board in the auditor's report

The internal control has been exercised by means of internal procedures which include carrying out supervision activities over accurate and timely performance of duties. Therefore, in the sense of Corporate Governance Code, there is not special organizational unit which would be entrusted solely with internal control.

Company did not publicly released the information regarding the fees paid to external auditors for audit and other services because it is so far represented a trade secret.

Statement of the Persons in Charge of Financial Statements

In accordance with Article 403 of the Capital Market Act, the members of the Board of Directors, Mr. Matija Martić as the CEO, Mr. Goran Jovičić, as a member of the Board and Ms. Jadranka Suručić, as a 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 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 audited consolidated annual 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)



Matija Martić Goran Jovičić Jadranka Suručić

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

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

The Supervisory Board declares that it accepts the audited consolidated annual financial report in its entirety and confirms that during 2012 the Board of Directors acted in line with the relevant legislation and statutory powers.

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
as of 31 December 2012**

Enclosure 1

Reporting period:

1/1/12

to

12/31/12

Annual Financial Report for Entrepreneurs GFI-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 75 A**e-mail address: info@optima.hrInternet address: www.optima.hrCode and name for municipality/city: **133**Code and name for county: **21**Number of employees: **364**

(at the year's end)

Consolidated Report: **YES**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

OPTIMA DIRECT D.O.O**BUJE****03806014****OPTIMA TELEKOM D.O.O****KOPER, REPUBLIKA SLOVENIJA****02236133****OPTIMA TELEKOM za upravljanje nekretninama i savjetovanje d.o.o.****Kuzminečka 8, Zagreb****21017859228**

Book-keeping firm

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)


Telephone: **01/5492027**Telefaks: **01/4817160**e-mail address: svetlana.kundovic@optima-telekom.hrSurname and name: **Matija Martić, Jadranka Suručić**

(osoba ovlaštene za zastupanje)

Documents for publication

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

M.P.


Optima Telekom d.d.
ZAGREB

 (signature of authorized person)

PROFIT AND LOSS ACCOUNT

for the period from 1/1/12 to 12/31/12

Item	EDP	Previous year	Tekuća godina
1	2	3	4
I. OPERATING INCOME (108 through 110)	107	486,708,006	561,971,034
1. Sales income	108	481,007,486	551,441,429
2. Income from usage of own products and services	109	0	0
3. Other operating income	110	5,700,520	10,529,605
II. OPERATING COSTS (112-113+114+118+122+123+124+127+128)	111	468,293,764	591,185,221
1. Unfinished production and finished products stock value reduction	112	0	0
2. Unfinished production and finished products stock value increase	113	0	0
3. Material costs (115 through 117)	114	338,691,450	414,630,756
a) Costs of raw material and supplies	115	2,463,257	2,896,325
b) Costs of goods sold	116	4,939,728	661,278
c) Other external costs	117	331,288,465	411,073,153
4. Staff expenses (119 through 121)	118	50,654,497	51,601,871
a) Net salaries and wages	119	28,397,130	28,912,076
b) Expenses of taxes and contributions from salaries	120	14,875,511	15,628,208
c) Contributions to salaries	121	7,381,856	7,061,587
5. Amortization	122	56,316,049	55,982,253
6. Other costs	123	11,786,305	12,053,545
7. Value adjustment (125+126)	124	10,164,676	54,616,626
a) fixed assets (apart from financial assets)	125	0	49,033,883
b) current assets (apart from financial assets)	126	10,164,676	5,582,743
8. Reserves	127	680,787	2,300,170
9. Other operating costs	128	0	0
III. FINANCIAL INCOME (130 through 134)	129	7,475,233	7,108,279
1. Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	130	0	0
2. Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	131	7,475,233	7,108,279
3. Income from affiliated undertakings and participating interests	132	0	0
4. Unrealized income of the financial assets	133	0	0
5. Other financial income	134	0	0
IV. FINANCIAL EXPENSES (136 through 139)	135	92,509,582	82,501,184
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	136	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	137	92,509,582	82,501,184
3. Unrealized losses (expenses) of the financial assets	138	0	0
4. Other financial expenses	139	0	0
V. EXTRAORDINARY - OTHER INCOME	140	0	0
VI. EXTRAORDINARY - OTHER COSTS	141	0	0
VII. TOTAL INCOME (107+129+140)	142	494,183,239	569,079,313
VIII. TOTAL COSTS (111+135+141)	143	560,803,346	673,686,405
IX. PROFIT BEFORE TAXATION (142-143)	144	0	0
X. LOSS BEFORE TAXATION (143-142)	145	66,620,107	104,607,092
XI. PROFIT TAX	146	849,254	285,427
XII. PROFIT FOR PERIOD (144-146)	147	0	0
XIII. LOSS FOR PERIOD (145+146) or (146-144)	148	67,469,361	104,892,519
ANNEX TO THE PROFIT AND LOSS ACCOUNT (to be filled in by entrepreneur submitting consolidated financial report)			
XIV.* PROFIT ASSIGNED TO HOLDERS OF PARENT COMPANY'S CAPITAL	149	0	0
XV.* PROFIT ASSIGNED TO MINORITY INTEREST	150	0	0
XVI.* LOSS ASSIGNED TO HOLDERS OF PARENT COMPANY'S CAPITAL	151	67,469,361	104,892,519
XVII.* LOSS ASSIGNED TO MINORITY INTEREST	152	0	0

BALANCE SHEET

as per	12/31/12			
Item	1	EDP	Previous year	Current year
		2	3	4
ASSETS				
A) SUBSCRIBED CAPITAL UNPAID		001		
B) FIXED ASSETS (003+010+020+028+032)		002	447,481,471	397,633,543
I. INTANGIBLE ASSETS (004 THROUGH 009)		003	25,143,187	20,876,030
1. Development expenses		004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights		005	25,143,187	20,876,030
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	374,371,577	373,193,013
1. Land		011	23,269	23,269
2. Building objects		012	20,884,012	21,478,201
3. Facilities and equipment		013	347,294,765	340,766,940
4. Tools, production inventory and transport assets		014	375,206	1,052,514
5. Biological assets		015	0	0
6. Advances for tangible assets		016	0	0
7. Tangible assets in preparation		017	5,228,626	9,087,578
8. Other tangible assets		018	46,822	46,822
9. Real estate investments		019	518,877	737,689
III. FIXED FINANCIAL ASSETS (021 through 027)		020	47,966,707	3,564,500
1. Shares (stock) in affiliated entrepreneurs		021	0	0
2. Loans granted to affiliated entrepreneurs		022	0	0
3. Participating interests (shares)		023	0	0
4. Securities investments		024	0	0
5. Granted loans, deposits and such		025	47,966,707	3,564,500
6. Own stocks and shares		026	0	0
7. Other fixed financial assets		027	0	0
IV. RECEIVABLES (029 through 031)		028	0	0
1. Receivables from affiliated entrepreneurs		029	0	0
2. Receivables pertaining to sale on credit		030	0	0
3. Other receivables		031	0	0
V. DEFERRED TAX ASSETS		032	0	0
C) CURRENT ASSETS (034+042+049+057)		033	88,110,611	85,467,994
I. STOCK (035 through 041)		034	2,238,822	1,283,214
1. Raw material and supplies		035	0	0
2. Ongoing production		036	0	0
3. Unfinished products and semi-products		037	0	0
4. Finished products		038	0	0
5. Trading goods		039	2,238,822	1,283,214
6. Stock advances		040	0	0
7. Other assets intended for sale		041	0	0
II. RECEIVABLES (043 through 048)		042	83,816,293	81,776,725
1. Receivables from affiliated entrepreneurs		043	0	0
2. Receivables from buyers		044	82,171,332	79,809,127
3. Receivables from participating entrepreneurs		045	0	0
4. Receivables from employees and members of the entrepreneur		046	42,138	39,010
5. Receivables from the state and other institution		047	328,456	828,515
6. Other receivables		048	1,274,367	1,100,073
III. CURRENT FINANCIAL ASSETS (050 THROUGH 056)		049	660,962	588,199
1. Shares (stock) in affiliated entrepreneurs		050	0	0
2. Loans granted to affiliated entrepreneurs		051	0	0
3. Participating interests (shares)		052	0	0
4. Securities investments		053	0	0
5. Granted loans, deposits and such		054	660,962	588,199
6. Own stocks and shares		055	0	0
7. Other financial assets		056	0	0
IV. CASH IN BANK AND REGISTER		057	1,394,534	1,819,856
D) PREPAYMENTS AND ACCRUED INCOME		058	61,349,288	50,495,031
E) LOSS ABOVE CAPITAL		059	0	0
F) TOTAL ASSETS		060	596,941,370	533,596,568
G) OFF-BALANCE RECORDS		061	1,107,721,790	1,035,973,548

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	-486,678,809	-591,569,657
I. BASE (registered) capital	063	28,200,700	28,200,700
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. PROFIT WITHHELD	072	0	0
VI. TRANSFERRED LOSS	073	641,764,148	709,231,838
VII. PROFIT IN THE BUSINESS YEAR	074	0	0
VIII. LOSS OF BUSINESS YEAR	075	67,469,361	104,892,519
IX. MINORITY INTEREST	076	0	0
B) RESERVATIONS (078 through 080)	077	2,548,088	2,300,170
1. Reservations for pensions, severance payments and similar obligations	078	2,548,088	2,300,170
2. Reservations for tax liabilities	079	0	0
3. Other reservations	080	0	0
C) FIXED LIABILITIES (082 through 089)	081	570,350,294	541,604,388
1. Liabilities towards affiliated entrepreneurs	082	0	0
2. Liabilities for loans	083	37,409,704	24,398,088
3. Liabilities towards banks and other financial institutions	084	532,940,590	515,740,929
4. Liabilities for advances	085	0	0
5. Liabilities towards suppliers	086	0	0
6. Liabilities as per securities	087	0	0
7. Other fixed liabilities	088	0	0
8. Deferred tax liabilities	089	0	1,465,371
D) CURRENT LIABILITIES (091 through 101)	090	464,095,077	515,812,521
1. Liabilities towards affiliated entrepreneurs	091	0	0
2. Liabilities for loans, deposits and similar	092	67,589,816	7,083,572
3. Liabilities towards banks and other financial institutions	093	12,263,547	27,011,275
4. Liabilities for advances	094	8,130,081	7,452,575
5. Liabilities towards suppliers	095	97,928,407	195,123,259
6. Liabilities as per securities	096	267,952,500	269,413,750
7. Liabilities towards employees	097	2,531,653	2,539,882
8. Liabilities for taxes, contributions and similar levies	098	7,611,953	6,947,494
9. Liabilities as per share in results	099	0	0
10. Liabilities as per longterm assets intended for sale	100	0	0
11. Other current liabilities	101	87,120	240,714
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	102	46,626,720	65,449,146
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	596,941,370	533,596,568
G) OFF – BALANCE RECORDS	104	1,107,721,790	1,035,973,548
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	105	-419,215,361	-486,678,809
2. Assigned to minority interest	106		

CASH FLOW STATEMENT - Indirect method

in the period from 1/1/12 to 12/31/12

Item	EDP	Previous year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	-67,469,361	-104,892,519
2. Depreciation	002	56,316,049	55,982,253
3. Increase of short-term liabilities	003	0	97,475,960
4. Decrease of short-term receivables	004	0	2,039,568
5. Decrease of stocks	005	1,440,290	955,608
6. Other increase of cash flow	006	27,079,081	74,153,324
I. Total increase of cash flow from operating activities (001 through 006)	007	17,366,059	125,714,194
1. Decrease of short-term liabilities	008	28,001,707	0
2. Increase of short-term receivables	009	4,578,339	0
3. Increase of stocks	010	0	0
4. Other decrease of cash flow	011	11,257,013	247,918
II. Total decrease of cash flow from operating activities (008 through 011)	012	43,837,059	247,918
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	125,466,276
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	26,471,000	0
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	0
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	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	34,470,312	50,536,532
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	34,470,312	50,536,532
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	34,470,312	50,536,532
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	78,503,968	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	78,503,968	0
1. Cash expenditure for the payment of loan principal and bonds	031	17,384,037	74,504,422
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	17,384,037	74,504,422
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	61,119,931	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	74,504,422
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	178,619	425,322
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of the period	041	1,215,915	1,394,534
Increase of cash and cash equivalents	042	178,619	425,322
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of the period	044	1,394,534	1,819,856

CHANGE IN CAPITAL STATEMENT

for the period from 1/1/12 to 12/31/12

Item 1	EDP 2	Previous year 3	Current year 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	0	0
4. Retained profit or loss carried forward	004	-641,764,148	-709,231,838
5. Profit or loss of the current year	005	-67,469,361	-104,892,519
6. Revaluation of fixed tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial property available for sale	008	0	0
9. 9. Other revaluation	009	0	0
10. Total capital and reserves (EDP 001 through 009)	010	-486,678,809	-591,569,657
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	-419,215,361	-486,678,809
17 b. Assigned to minority interest	019		

Items decreasing capital are entered as negative values. Data under EDP 001 through 009 are entered as status on the date of balance.

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.

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which changed its name to Optima Direct d.o.o.

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

In August 2008, the Parent Company increased the share capital of Optima Direct d.o.o. by HRK 15.888 i.e. the share capital was increased from HRK 3.328 to HRK 19.216.

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

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

Investments in affiliated companies as on 31 December 2012:

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.

Staff

On 31 December 2012. the Company employed 364 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
Ivan Martić	Member and Deputy Chairman
Zrinka Vuković Berić	Member
Duško Grabovac	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.

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 31 Dec 2012 was HRK 7,545624 for EUR 1 and HRK 5,726794 for USD 1.

108. SALES INCOME

	31 Dec 2012	31 Dec 2011
Public voice services	274,480,768	264,122,706
Interconnection services	140,720,800	101,642,208
Internet services	86,304,302	68,691,222
Data services	24,655,585	21,769,060
Multimedia services	17,448,158	10,689,008
Lease and sale of equipment	3,130,321	2,512,611
Sale of goods and products	0	0
Trade agency income	203,315	5,124,465
Other services	4,498,180	6,456,206
	551,441,429	481,007,486

110. OTHER OPERATING INCOME

	31 Dec 2012	31 Dec 2011
Write off old trade payables	3,021,473	3,763,964
Income from rent - billing system	12,591	0
Income from collected penalties etc.	4,064,244	0
Income from in kind payments	427,013	426,166
Income from reversal of provisions	2,548,088	0
Other income	456,196	1,510,390
	10,529,605	5,700,520

117. MATERIAL COSTS

	31 Dec 2012	31 Dec 2011
Costs of maintenance	17,846,959	14,770,431
Marketing services	6,703,879	7,182,116
Billing costs	7,338,254	7,010,700
Line lease costs	46,546,326	44,369,432
Intellectual and other services	1,898,760	2,170,390
Utilities	8,888,791	9,705,859
Customer attraction costs	11,295,157	15,210,357
Pair connection fees	61,367,108	59,511,333
Telecommunications costs	239,460,958	163,819,888
Residential sales services	2,630,484	4,500,956
Other costs	7,096,477	3,037,003
	411,073,153	331,288,465

118. STAFF EXPENSES

	31 Dec 2012	31 Dec 2011
Net salaries	28,912,076	28,397,130
Taxes and contributions from salaries	15,628,208	14,875,511
Taxes and contributions on salaries	7,061,587	7,381,856
	51,601,871	50,654,497

Number of employees on 31 Dec 2011	364	387
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122. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Dec 2012	31 Dec 2011
Amortization of intangible assets	6,208,608	10,123,988
Amortization of fixed tangible assets	49,773,645	46,192,061
	55,982,253	56,316,049

123. OTHER OPERATING EXPENSES

	31 Dec 2012	31 Dec 2011
Compensations to employees	2,479,309	2,430,474
Representation	1,570,743	1,113,560
Insurance premiums	1,311,866	1,676,702
Bank charges	2,944,938	3,434,205
Taxes, contributions and membership fees	1,181,999	1,100,679
Net loss of sold and written off assets	70,133	61,225
Gifts and sponsorships	571,355	296,765
Other expenses	1,923,202	1,672,695
	12,053,545	11,786,305

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.

124. VALUE ADJUSTMENT

	31 Dec 2012	31 Dec 2011
Value adjustment of long term assets	49,033,883	0
Value adjustment of short term assets	5,582,743	10,164,676
	46,216,068	9,103,998

131. FINANCIAL INCOME

	31 Dec 2012	31 Dec 2011
Interest income	6,254,440	6,175,714
Foreign exchange gains	853,839	1,299,519
	7,108,279	7,475,233

137. FINANCIAL EXPENSES

	31 Dec 2012	31 Dec 2011
Interest expenses	78,967,915	79,265,161
Fee	870,450	786,913
Foreign exchange losses	2,662,819	12,457,508
	82,501,184	92,509,582

Interest expenses consist of interests accrued on credits, bonds issued by the Company and default interest for untimely settlement of trade payables.

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2012	8,187,690	80,599,075	0	88,786,765
Additions			1,941,450	1,941,450
Transfer from assets in progress		1,941,450	-1,941,450	0
Disposals and retirements			0	0
As at 31 Dec 2012	8,187,690	82,540,525	0	90,728,215
VALUE ADJUSTMENT				
As at 01 Jan 2012	1,657,824	61,985,754	0	63,643,578
Amortization of the current year	272,650	5,935,958		6,208,608
Disposals and retirements				0
Amortization as at 31 Dec 2012	1,930,474	67,921,712	0	69,852,186
NET ACCOUNTING VALUE				
As at 31 Dec 2012	6,257,216	14,618,813	0	20,876,029

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 2012	23,269	25,892,462	550,739,065	-323,096	46,822	5,228,626	4,040,546	585,647,694
Additions	0	685,184	8,809,429	810,259	0	41,493,654	78,702	51,877,228
Transfer from assets in progress	0	575,231	36,432,361	244,298	0	-37,634,702	382,812	0
Disposals and retirements	0	4,519	-3,550,409	-58,015	0	0	0	-3,603,905
As at 31 Dec 2012	23,269	27,157,396	592,430,446	673,446	46,822	9,087,578	4,502,060	633,921,017
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	5,008,449	202,741,151	4,847	0	0	3,521,670	211,276,117
Amortization of the current year	0	670,230	48,485,814	374,899	0	0	242,702	49,773,645
Disposals and retirements	0	515	-266,608	-55,665	0	0	0	-321,758
Amortization as at 31 Dec 2012	0	5,679,194	250,960,357	324,081	0	0	3,764,372	260,728,004
NET ACCOUNTING VALUE								
As at 31 Dec 2012	23,269	21,478,202	341,470,089	349,365	46,822	9,087,578	737,688	373,193,013

020. LONG-TERM FINANCIAL ASSETS

	31 Dec 2012	31 Dec 2011
Loans to majority shareholder	13,679,275	12,913,539
Loans to third party companies	35,354,609	34,988,582
Long term deposits	3,529,500	3,523,639
Participating interest (up to 20% of share)	35,000	0
	52,598,384	51,425,760
Value adjustment	-49,033,884	-3,459,053
	3,564,500	47,966,707

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 3,35 million) and 30 April 2013 (loans in the amount of HRK 32,00 million). Management does not believe the claims of the company Optima OSN Inženjering d.o.o. Rijeka to be collectible and therefore this amount is entirely corrected at 31 Dec 2012.

Movement of value adjustment of long term assets

	31 Dec 2012
1 January 2012	3,459,053
Write off during the year	-3,459,053
Reserved during the year	49,033,884
Closing balance	49,033,884

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.

Participating interests are related to the shares in company Pevac d.d., acquired by uncollected receivables.

042. RECEIVABLES

	31 Dec 2012	31 Dec 2011
Trade receivables	79,809,127	82,171,332
Employee receivables	39,010	42,138
Receivables from the state and other institutions	828,515	328,456
Other receivables	1,100,073	1,274,367
	81,776,725	83,816,293

044. TRADE RECEIVABLES

	31 Dec 2012	31 Dec 2011
Domestic trade receivables	99,262,988	99,921,571
Foreign trade receivables	10,986,184	12,487,200
Interests receivables	2,381	78,283
	110,251,553	112,487,054
Value adjustment	-30,442,426	-30,315,722
	79,809,127	82,171,332

Movement of value adjustment for doubtful receivables:

	31 Dec 2012
1 January 2011	30,315,722
Write off during the year	-3,398,337
Collected during the year	-2,059,070
Reserved during the year	5,584,111
Closing balance	30,442,426

Aging of trade receivables of the Company:

	31 Dec 2012
Undue	53,198,280
Up to 120 days	24,833,117
120-360 days	8,093,931
over 360 days	24,123,844
	<u>110,249,172</u>

048. OTHER RECEIVABLES

	31 Dec 2012	31 Dec 2011
Interest receivables	441,471	397,038
Advance payments receivables	989,375	961,223
Other receivables	26,185	9,795
	<u>1,457,031</u>	<u>1,368,056</u>
Value adjustment	<u>-356,958</u>	<u>-93,689</u>
	<u>1,100,073</u>	<u>1,274,367</u>

054. GRANTED LOANS AND DEPOSITS

	31 Dec 2012	31 Dec 2011
Loans	113,530	113,530
Deposits	588,199	660,962
	<u>701,729</u>	<u>774,492</u>
Value adjustment	<u>-113,530</u>	<u>-113,530</u>
	<u>588,199</u>	<u>660,962</u>

057. CASH IN BANK AND REGISTER

	31 Dec 2012	31 Dec 2011
Kuna accounts balance	1,042,480	966,873
Foreign currency accounts balance	758,752	413,200
Cash in register	18,624	14,461
	<u>1,819,856</u>	<u>1,394,534</u>

058. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Dec 2012	31 Dec 2011
Differed customer related expenses	32,867,759	41,285,676
Bond issuing expenses	796,944	1,167,133
Prepaid expenses	16,830,328	18,896,479
	<u>50,495,031</u>	<u>61,349,288</u>

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 Dec 2012, loss per share is as follows:

Net result - loss	104,892,519
Number of shares	2,820,070
Loss per share	37.20

In the same period last year, loss per share amounted to HRK 23,79

Price of shares realized on the stock exchange within the current quarter (1 Jan - 31 Dec 2012) varied from HRK 7,22 (the lowest price) to HRK 18,99 (the highest price). Market capitalization in thousands of HRK on 31 Dec 2012 amounted to HRK 28.229 thousand.

In the period from January to December 2012 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of shareholders as on 31 Dec 2012:

Shareholder	31.12.2012.		31.12.2011.	
	in 000 HRK	%	in 000 HRK	%
MARTIĆ MATIJA	18,596	65.94	18,596	65.94
	18,596	65.94	18,596	65.94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	1,605	5.69	1,605	5.69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA BANKA D.D./DF	1,385	4.91	1,385	4.91
RAIFFEISENBANK AUSTRIA D.D./R5	1,338	4.74	1,345	4.77
RAIFFEISENBANK AUSTRIA D.D./RBA	966	3.43	979	3.47
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI	766	2.72	766	2.72
ZAGREBAČKA BANKA D.D. (1/1)	428	1.52	428	1.52
ŽUVANIĆ ROLAND (1/1)	303	1.07	303	1.07
JOVIČIĆ GORAN (1/1)	202	0.72	202	0.72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE BANKE	144	0.51	144	0.51
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ PROFIT DOBROVOLJNI MIROVINSKI FOND (1/1)	127	0.45	127	0.45
INTERKAPITAL D.D. (1/1)	102	0.36	108	0.38
ČORAK LJERKA (1/1)	100	0.35	100	0.35
ČERNOŠEK KRUNOSLAV (1/1)	100	0.35	74	0.26
RAIFFEISENBANK AUSTRIA D.D. (1/1)	91	0.32	91	0.32
INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O./ZBIRNI SKRBNIČKI RAČUN ZA	69	0.25	85	0.30
RAIFFEISENBANK AUSTRIA D.D./ZBIRNI SKRBNIČKI RAČUN ZA DF	57	0.20	57	0.20
KMETOVIĆ IVO (1/1)	43	0.15	43	0.15
OREŠKOVIĆ STJEPAN (1/1)	38	0.13	38	0.13
HUGHES KATICA (1/1)	38	0.13	38	0.13
SULJE ZORAN (1/1)	34	0.12	0	0.00
KANTOCI IVANIŠEVIĆ KRISTINA (1/1)	32	0.11	32	0.11
CELŽIĆ MARIO (1/1)	30	0.11	30	0.11
	7,998	28.36	7,979	28.29
OTHER	1,608	5.70	1,627	5.43
	28,201	100	28,201	100

081. LONG-TERM LIABILITIES

	31 Dec 2012	31 Dec 2011
Loan based liabilities	24,398,088	37,409,704
Liabilities towards credit institutions	515,740,929	532,940,590
Liabilities for taxes	1,465,371	0
	541,604,388	570,350,294

Taxes liabilities are related to rescheduled liabilities according to the notice of the Ministry of Finance from 21 Nov 2012

090. SHORT-TERM LIABILITIES

	31 Dec 2012	31 Dec 2011
Loan based liabilities	7,083,572	67,589,816
Liabilities towards credit institutions	12,983,553	6,432,006
Interest liabilities	14,027,722	5,831,541
Liabilities for bonds issued	269,413,750	267,952,500
Liabilities for advances received	7,452,575	8,130,081
Trade payables	195,123,259	97,928,407
Liabilities towards employees	2,539,882	2,531,653
Taxes, contributions and other levies	6,947,494	7,611,953
Other liabilities	240,714	87,120
	515,812,521	464,095,077

095. LIABILITIES TOWARDS SUPPLIERS

	31 Dec 2012	31 Dec 2011
Domestic trade payables	187,985,019	86,599,636
Foreign trade payables	7,138,240	11,328,771
Invoice accrual	0	0
	195,123,259	97,928,407

096. BONDS ISSUED

On 5 February 2007, the Company issued bonds (OPT-E-124A) with nominal value of HRK 250 million. The bonds have been issued on Zagreb Stock Exchange with interest rate of 9,125% and maturity date on 1 February 2014. The bonds have been issued with the price of 99,496%. The interest rate due on 01 Feb 2013 is not paid

	31 Dec 2012	31 Dec 2011
Nominal value	250,000,000	250,000,000
Compensations for issuance of bonds	-1,461,250	-2,922,500
Liabilities based on calculated interest	20,875,000	20,875,000
	269,413,750	267,952,500

098. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Dec 2012	31 Dec 2011
VAT Liabilities	4,277,028	4,244,937
Taxes and contributions on and from salaries	1,860,914	1,861,577
Other taxes and contributions	809,552	1,505,439
	6,947,494	7,611,953

102. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Dec 2012	31 Dec 2011
Domestic payables for which invoices have not been received	11,797,101	12,612,772
Foreign payables for which invoices have not been received	5,986,012	530,792
Accrued interests	30,786,331	15,645,783
Deferred income	13,500,000	14,500,000
Deferred income due to uncertainty	3,379,702	3,337,373
	65,449,146	46,626,720

Accrued interest refer to undue interest for loans reprogrammed in Zagrebačka banka in December 2010, which are attributable to principal payment

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	31 Dec 2012 in 000 HRK	31 Dec 2011 in 000 HRK	31 Dec 2012 in 000 HRK	31 Dec 2011 in 000 HRK
EUR	585,752	585,805	-21,374	-23,459
USD	1,939	2,967	-2	0
CHF				
GPB				
	587,691	588,772	-21,376	-23,459

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 2012 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	31 Dec 2012 in 000 HRK	31 Dec 2011 in 000 HRK	31 Dec 2012 in 000 HRK	31 Dec 2011 in 000 HRK
EUR	58,575	58,580	-2,137	-2,346
USD	194	297	0	0
CHF				
GPB				
	58,769	58,877	-2,137	-2,346

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 347,83 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 fulfilment of contractual obligations.

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
31 Dec 2012				
Non-interest bearing liabilities	205,370			205,370
Interest bearing liabilities	114,850	726,915	1,883	843,648
	320,220	726,915	1,883	1,049,018
31 Dec 2011				
Non-interest bearing liabilities	108,677			108,677
Interest bearing liabilities	120,063	795,850	2,243	918,156
	228,740	795,850	2,243	1,026,833

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 97.468 thousand for the period from January to December 2011 (HRK 136.498 thousand for the same period last year).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
31 Dec 2012				
Non-interest bearing liabilities	82,782			82,782
Interest bearing liabilities	676	3,442	0	4,118
	83,458	3,442	0	86,900
31 Dec 2011				
Non-interest bearing liabilities	84,976			77,589
Interest bearing liabilities	750	43,004	4,874	19,220
	85,726	43,004	4,874	133,604

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