

OT - Optima Telekom d.d.

2012. Audited Annual

Financial Report

unconsolidated

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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

OT Center

7. domobranske pukovnije 1/3, Zadar

Tel. +385 23 492 860

Ivana Matijaševića 14, Dubrovnik

Tel. +385 20 220 640

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

Main features of the Group

- An increase of total operating income for 80,0m 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	491,213	569,998	16.0%
EBITDA before one-time adjustment	68,934	73,352	6.4%
EBITDA before one-time adjustment	68,934	32,719	(52.5%)
EBT	(69,511)	(96,345)	38.6%
	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 **543.7** million.

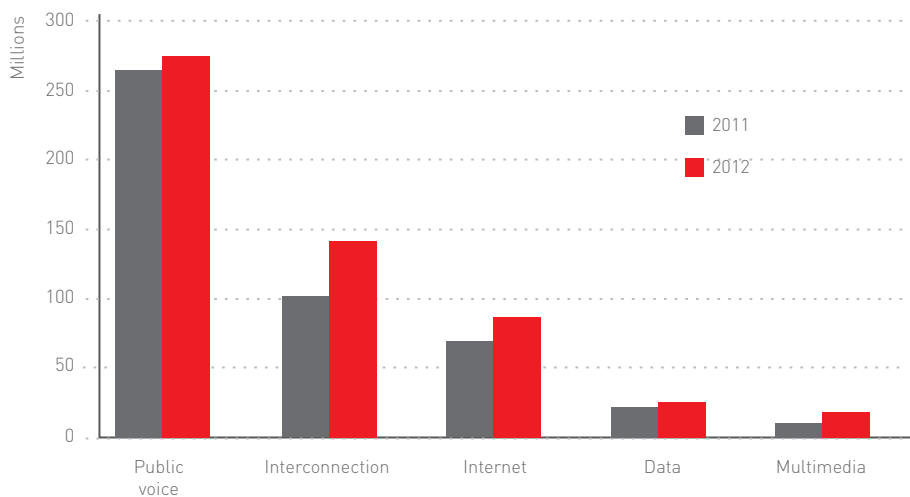
In absolutes, the highest increase is in interconnections, where revenues had an increase of HRK **39.1** million. A significant increase was also recorded in multimedia services, where revenue has grown by **63,2%**.

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 **274.6** 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

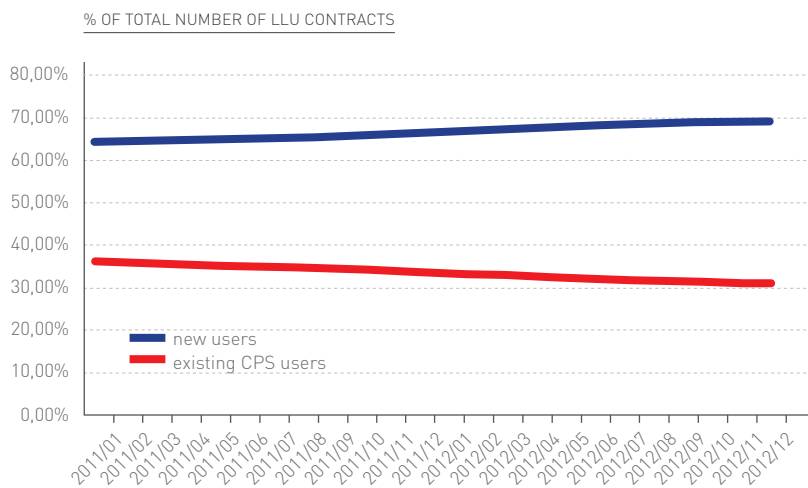


Residential users segment

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.



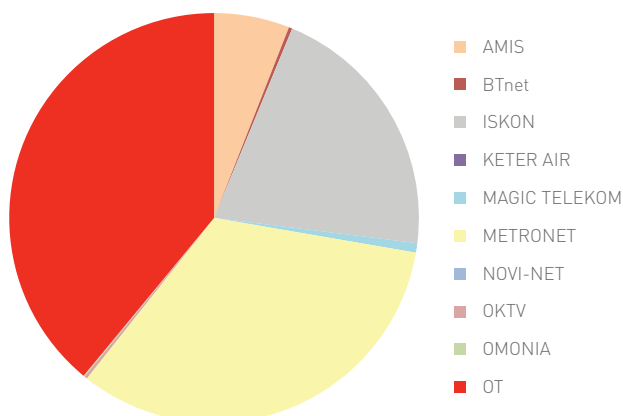
In 2012, **19,662** contracts for the full transfer to Optima's network have been concluded.

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



Izvor: 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.

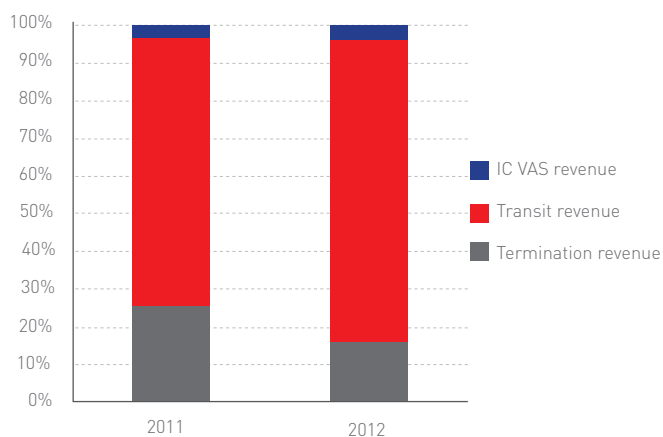
Wholesale

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 40,6 m HRK, and since the adjustments made are of one-time kind, EBITDA will be looked through the elimination of such adjustments, making it comparable to the previous year.

In 2012 EBITDA has improved by **1,4%** compared to 2011 and amounts to HRK **73.3** 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 96,3m HRK, which is 38,6% less compared to the results achieved at the end of 2011.

If one-time adjustments are eliminated for the 2012., EBT would amount to 55,7m HRK and represent an increase of 19,9%, when compared to the results achieved in 2011. Since depreciation clearly is a financial standard and amounts to 54,6m 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 **40.2** 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	2.007	4%
Capital technical investments	48.224	96%
ACCESS Network	40.236	80%
CORE Network	4.332	9%
Telecommunications center	3.656	7%
TOTAL	50.231	

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

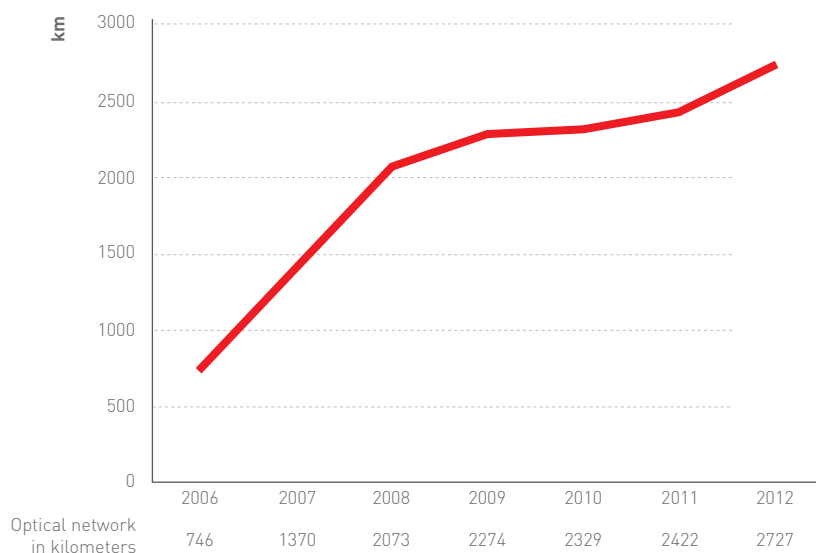
Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network.

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).

OPTICAL NETWORK IN KILOMETERS



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.

(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 unconsolidated 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-POD

Tax Number (MB): 0820431

Registration Number (MBS): 040035070

Personal Identification Number (OIB): 36004425025

(OIB):

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.hr

Code and name for municipality/city: 133

Code and name for county: 21

Number of employees: 208

(at the year's end)

Consolidated Report: NO

Business activity code: 6110

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

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

Book-keeping firm:

Contact person: Svetlana Kundović

(unosi se samo prezime i ime osobe za kontakt)

Telephone: 01/5492027

Telefaks: 01/4817160

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

Surname and name: 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.

OT-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	Current year
1	2	3	4
I. OPERATING INCOME (108 through 110)	107	483,086,105	563,046,952
1. Sales income	108	474,934,458	550,644,134
2. Income from usage of own products and services	109	0	0
3. Other operating income	110	8,151,647	12,402,818
II. OPERATING COSTS (112-113+114+118+122+123+124+127+128)	111	469,092,336	584,898,489
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	358,072,355	435,692,167
a) Costs of raw material and supplies	115	2,013,682	1,995,089
b) Costs of goods sold	116	5,101,469	661,277
c) Other external costs	117	350,957,204	433,035,801
4. Staff expenses (119 through 121)	118	36,491,802	36,115,701
a) Net salaries and wages	119	19,707,477	19,481,465
b) Expenses of taxes and contributions from salaries	120	11,456,264	11,691,282
c) Contributions to salaries	121	5,328,061	4,942,954
5. Amortization	122	54,940,494	54,570,270
6. Other costs	123	10,252,071	10,560,367
7. Value adjustment (125+126)	124	9,103,998	46,216,068
a) fixed assets (apart from financial assets)	125	0	40,633,325
b) current assets (apart from financial assets)	126	9,103,998	5,582,743
8. Reserves	127	231,616	1,743,916
9. Other operating costs	128	0	0
III. FINANCIAL INCOME (130 through 134)	129	8,127,049	6,951,183
1. Interest income, foreign exchange gains, dividends and other financial income related to affiliated undertakings	130	1,046,520	301,228
2. Interest income, foreign exchange gains, dividends and other financial income related to unaffiliated undertakings and other persons	131	7,080,529	6,649,955
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	91,632,293	81,444,918
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	91,632,293	81,444,918
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	491,213,154	569,998,135
VIII. TOTAL COSTS (111+135+141)	143	560,724,629	666,343,407
IX. PROFIT BEFORE TAXATION (142-143)	144	0	0
X. LOSS BEFORE TAXATION (143-142)	145	69,511,475	96,345,272
XI. PROFIT TAX	146		
XII. PROFIT FOR PERIOD (144-146)	147	0	0
XIII. LOSS FOR PERIOD (145+146) or (146-144)	148	69,511,475	96,345,272
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		
XV.* PROFIT ASSIGNED TO MINORITY INTEREST	150		
XVI.* LOSS ASSIGNED TO HOLDERS OF PARENT COMPANY'S CAPITAL	151		
XVII.* LOSS ASSIGNED TO MINORITY INTEREST	152		

BALANCE SHEET

as per	12/31/12			
Item		EDP	Previous year	Current year
1		2	3	4
ASSETS				
A) SUBSCRIBED CAPITAL UNPAID		001		
B) FIXED ASSETS (003+010+020+028+032)		002	452,183,931	410,861,169
I. INTANGIBLE ASSETS (004 THROUGH 009)		003	24,736,656	20,868,771
1. Development expenses		004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights		005	24,736,656	20,868,771
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	361,923,839	361,452,805
1. Land		011	23,269	23,269
2. Building objects		012	14,210,300	15,034,764
3. Facilities and equipment		013	341,638,072	335,646,028
4. Tools, production inventory and transport assets		014	314,030	921,349
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	462,720	692,995
III. FIXED FINANCIAL ASSETS (021 through 027)		020	65,523,436	28,539,593
1. Shares (stock) in affiliated entrepreneurs		021	19,302,266	19,302,400
2. Loans granted to affiliated entrepreneurs		022	6,330,230	5,708,908
3. Participating interests (shares)		023	0	35,000
4. Securities investments		024	0	0
5. Granted loans, deposits and such		025	39,890,940	3,493,285
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	88,310,309	85,611,337
I. STOCK (035 through 041)		034	2,585,871	2,438,088
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	2,585,871	2,438,088
6. Stock advances		040	0	0
7. Other assets intended for sale		041	0	0
II. RECEIVABLES (043 through 048)		042	83,691,051	80,837,192
1. Receivables from affiliated entrepreneurs		043	495,394	99,245
2. Receivables from buyers		044	81,604,914	79,295,564
3. Receivables from participating entrepreneurs		045	0	0
4. Receivables from employees and members of the entrepreneur		046	40,385	39,010
5. Receivables from the state and other institution		047	157,670	304,987
6. Other receivables		048	1,392,688	1,098,386
III. CURRENT FINANCIAL ASSETS (050 THROUGH 056)		049	660,961	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	660,961	588,199
6. Own stocks and shares		055	0	0
7. Other financial assets		056	0	0
IV. CASH IN BANK AND REGISTER		057	1,372,426	1,747,858
D) PREPAYMENTS AND ACCRUED INCOME		058	61,048,364	50,117,196
E) LOSS ABOVE CAPITAL		059	0	0
F) TOTAL ASSETS		060	601,542,604	546,589,702
G) OFF-BALANCE RECORDS		061	1,107,721,790	1,035,973,547

A) CAPITAL AND RESERVES (063+064+065+071+072-073+074-075+076)	062	-466,206,821	-562,552,094
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	619,250,046	688,761,522
VII. PROFIT IN THE BUSINESS YEAR	074	0	0
VIII. LOSS OF BUSINESS YEAR	075	69,511,475	96,345,272
IX. MINORITY INTEREST	076	0	0
B) RESERVATIONS (078 through 080)	077	2,098,917	1,743,916
1. Reservations for pensions, severance payments and similar obligations	078	2,098,917	1,743,916
2. Reservations for tax liabilities	079	0	0
3. Other reservations	080	0	0
C) FIXED LIABILITIES (082 through 089)	081	566,501,410	538,294,528
1. Liabilities towards affiliated entrepreneurs	082	0	0
2. Liabilities for loans	083	37,409,703	24,398,086
3. Liabilities towards banks and other financial institutions	084	529,091,707	513,896,442
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	0
D) CURRENT LIABILITIES (091 through 101)	090	452,820,649	503,725,557
1. Liabilities towards affiliated entrepreneurs	091	2,966,647	7,897,392
2. Liabilities for loans, deposits and similar	092	67,589,816	7,083,573
3. Liabilities towards banks and other financial institutions	093	7,631,541	22,241,499
4. Liabilities for advances	094	8,130,081	7,452,575
5. Liabilities towards suppliers	095	91,534,566	182,265,259
6. Liabilities as per securities	096	267,952,500	269,413,750
7. Liabilities towards employees	097	1,709,888	1,860,118
8. Liabilities for taxes, contributions and similar levies	098	5,218,490	5,316,322
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	195,069
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	102	46,328,449	65,377,795
F) TOTAL – LIABILITIES (062+077+081+090+102)	103	601,542,604	546,589,702
G) OFF – BALANCE RECORDS	104	1,107,721,790	1,035,973,547
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		
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	-69,511,475	-96,345,273
2. Depreciation	002	54,940,494	54,570,270
3. Increase of short-term liabilities	003	0	96,801,197
4. Decrease of short-term receivables	004	0	2,853,859
5. Decrease of stocks	005	1,093,241	147,783
6. Other increase of cash flow	006	35,545,565	67,037,115
I. Total increase of cash flow from operating activities (001 through 006)	007	22,067,825	125,064,951
1. Decrease of short-term liabilities	008	32,126,177	0
2. Increase of short-term receivables	009	4,742,943	0
3. Increase of stocks	010	0	0
4. Other decrease of cash flow	011	8,807,771	355,001
II. Total decrease of cash flow from operating activities (008 through 011)	012	45,676,891	355,001
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	124,709,950
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	23,609,066	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	34,385,504	50,231,351
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	34,385,504	50,231,351
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	34,385,504	50,231,351
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	73,871,962	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	73,871,962	0
1. Cash expenditure for the payment of loan principal and bonds	031	15,653,008	74,103,167
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	15,653,008	74,103,167
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	58,218,954	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	74,103,167
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	224,384	375,432
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	1,148,042	1,372,426
Increase of cash and cash equivalents	042	224,384	375,432
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of the period	044	1,372,426	1,747,858

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	-619,250,046	-688,761,522
5. Profit or loss of the current year	005	-69,511,475	-96,345,272
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	-466,206,821	-562,552,094
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	0	0
17 b. Assigned to minority interest	019		

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.

Staff

On 31 Dec 2011 the Company employed 208 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 2011 was HRK 7,545624 for EUR 1 and HRK 5,726794 for USD 1.

112. SALES INCOME

	31 Dec 2012	31 Dec 2011
Public voice services	274,599,611	264,277,573
Interconnection services	140,720,800	101,642,208
Internet services	86,306,246	68,692,328
Data services	24,655,585	21,769,059
Multimedia services	17,449,218	10,689,053
Lease and sale of equipment	3,130,896	2,674,483
Other services	3,781,778	5,189,754
	550,644,134	474,934,458

113. OTHER OPERATING INCOME

	31 Dec 2012	31 Dec 2011
Write off old trade payables and additional discounts	3,021,473	4,188,630
Income from rent - billing system	1,357,258	1,723,981
Income from collected penalties etc.	4,064,244	0
Income from in kind payments	384,808	391,210
Income from reversal of provisions	2,098,917	0
Other income	1,476,118	1,847,826
	12,402,818	8,151,647

119. MATERIAL COSTS

	31 Dec 2012	31 Dec 2011
Costs of maintenance	17,699,563	14,691,730
Marketing services	6,667,573	7,168,068
Billing costs	7,338,254	7,010,700
Line lease costs	47,572,196	45,420,392
Intellectual and other services	1,796,610	1,968,967
Utilities	8,370,257	9,220,273
Customer attraction costs	23,418,200	24,164,557
Pair connection fees	61,367,108	59,511,333
Telecommunications costs	239,451,706	163,797,106
Residential sales services	17,436,250	16,325,550
Other costs	1,918,084	1,678,528
	433,035,801	350,957,204

120. STAFF EXPENSES

	31 Dec 2012	31 Dec 2011
Net salaries	19,481,465	19,707,477
Taxes and contributions from salaries	11,691,282	11,456,264
Taxes and contributions on salaries	4,942,954	5,328,061
	36,115,701	36,491,802

Number of employees on 31 Dec 2012 208 193

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Dec 2012	31 Dec 2011
Amortization of intangible assets	5,809,335	9,724,714
Amortization of fixed tangible assets	48,760,935	45,215,780
	54,570,270	54,940,494

125. OTHER OPERATING EXPENSES

	31 Dec 2012	31 Dec 2011
Compensations to employees	1,541,263	1,498,013
Representation	1,484,271	1,023,940
Insurance premiums	1,171,455	1,559,957
Bank charges	2,867,624	3,364,677
Taxes, contributions and membership fees	1,093,934	987,089
Net loss of sold and written off assets	-67,480	114
Gifts and sponsorships	571,355	291,265
Other expenses	1,897,945	1,527,016
	10,560,367	10,252,071

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	40,633,325	0
Value adjustment of short term assets	5,582,743	9,103,998
	46,216,068	9,103,998

131. FINANCIAL INCOME

	31 Dec 2012	31 Dec 2011
Interest income from related companies	301,228	1,046,520
Interest income	5,880,782	5,814,995
Foreign exchange gains	769,173	1,265,534
	6,951,183	8,127,049

137. FINANCIAL EXPENSES

	31 Dec 2012	31 Dec 2011
Interest expenses	78,046,594	78,535,416
Fee	870,450	786,913
Foreign exchange losses	2,527,874	12,309,964
	81,444,918	91,632,293

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	78,602,707	0	86,790,397
Additions			1,941,450	1,941,450
Transfer from assets in progress		1,941,450	-1,941,450	0
Disposals and retirements				0
As at 31 Dec 2012	8,187,690	80,544,157	0	88,731,847
VALUE ADJUSTMENT				
As at 01 Jan 2012	1,657,824	60,395,917	0	62,053,741
Amortization of the current year	272,650	5,536,685		5,809,335
Disposals and retirements				0
Amortization as at 31 Dec 2012	1,930,474	65,932,602	0	67,863,076
NET ACCOUNTING VALUE				
As at 31 Dec 2012	6,257,216	14,611,555	0	20,868,771

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	16,839,796	536,741,703	4,119,373	46,822	5,228,626	3,983,228	566,982,817
Additions		685,183	8,398,796	688,953		41,493,654	78,701	51,345,287
Transfer from assets in progress		575,231	36,432,361	244,298		-37,634,702	382,812	0
Disposals and retirements			-3,270,960	-47,244				-3,318,204
As at 31 Dec 2012	23,269	18,100,210	578,301,900	5,005,380	46,822	9,087,578	4,444,741	615,009,900
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	2,629,496	195,103,630	3,805,343	0	0	3,520,508	205,058,977
Amortization of the current year		435,950	47,767,779	325,968			231,238	48,760,935
Disposals and retirements			-215,537	-47,280				-262,817
Amortization as at 31 Dec 2012	0	3,065,446	242,655,872	4,084,031	0	0	3,751,746	253,557,095
NET ACCOUNTING VALUE								
As at 31 Dec 2012	23,269	15,034,764	335,646,028	921,349	46,822	9,087,578	692,995	361,452,805

020. LONG-TERM FINANCIAL ASSETS

	31 Dec 2012	31 Dec 2011
Loans to majority shareholder	5,278,716	4,873,987
Loans to third party companies	35,354,609	33,102,589
Long term deposits	3,493,285	3,487,424
	44,126,610	41,464,000
Value adjustment	-40,633,325	-1,573,060
	3,493,285	39,890,940
Loans to related companies	5,708,908	6,330,230
Loans and deposits	9,202,193	46,221,170
Shares in related companies	19,302,400	19,302,266
Participating interest (up to 20% of share)	35,000	0
	28,539,593	65,523,436

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	1,573,060
Write off during the year	-1,573,060
Reserved during the year	40,633,325
Closing balance	40,633,325

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 Pevec d.d., acquired by uncollected receivables.

021. SHARES IN RELATED COMPANIES

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which changed its name to Optima Direct d.o.o. The main business activities of Optima Direct d.o.o. are trading and providing various services which mainly relate to telecommunications sector. In August 2008, the Parent Company increased the share capital of Optima Direct d.o.o. by HRK 15.888 i.e. the share capital was increased from HRK 3.328 to HRK 19.216.

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

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

Investments in affiliated companies as on 31 Dec 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.

043. RECEIVABLES

	31 Dec 2012	31 Dec 2011
Trade receivables	79,394,809	82,100,308
Employee receivables	39,010	40,385
Receivables from the state and other institutions	304,987	157,670
Other receivables	1,098,386	1,392,688
	80,837,192	83,691,051

045. TRADE RECEIVABLES

	31 Dec 2012	31 Dec 2011
Receivables from related companies	94,899,556	95,505,284
Domestic trade receivables	99,245	0
Foreign trade receivables	10,986,183	12,982,595
Interest receivables	2,381	78,283
	105,987,365	108,566,162
Value adjustment	-26,592,556	-26,465,854
	79,394,809	82,100,308

Movement of value adjustment for doubtful receivables:

	31 Dec 2012
1 January 2012	26,465,854
Write off during the year	-3,398,337
Collected during the year	-2,059,070
Reserved during the year	5,584,109
Closing balance	26,592,556

Aging of trade receivables of the Company:

	31 Dec 2012
Undue	49,287,196
Up to 120 days	24,622,458
120-360 days	8,151,734
over 360 days	23,923,596
	105,984,984

049. OTHER RECEIVABLES

	31 Dec 2012	31 Dec 2011
Interest receivables	440,735	396,304
Advance payments receivables	646,053	986,589
Other receivables	11,598	9,795
	1,098,386	1,392,688

056. GRANTED LOANS AND DEPOSITS

	31 Dec 2012	31 Dec 2011
Loans	30,000	30,000
Deposits	588,199	660,961
	618,199	690,961
Value adjustment	-30,000	-30,000
	588,199	660,961

058. CASH IN BANK AND REGISTER

	31 Dec 2012	31 Dec 2011
Kuna accounts balance	972,398	946,491
Foreign currency accounts balance	756,836	411,476
Cash in register	18,624	14,459
	1,747,858	1,372,426

059. 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	1,167,134
Prepaid expenses	16,452,493	18,595,554
	50,117,196	61,048,364

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	96,345,272
Number of shares	2,820,070
Loss per share	34.16

In the same period last year, loss per share amounted to HRK 24,65

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 2011:

Shareholder	31 Dec 2012		31 Dec 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	1,605	5.69	1,605	5.69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA BANKA	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 FOND	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 KLJENTE BANKE	144	0.51	144	0.51
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ PROFIT DOBROVOLJNI	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
CELIŽIĆ 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

083. LONG-TERM LIABILITIES

	31 Dec 2012	31 Dec 2011
Loan based liabilities	24,398,086	37,409,703
Liabilities towards credit institutions	513,896,442	529,091,707
	538,294,528	566,501,410

093. SHORT-TERM LIABILITIES

	31 Dec 2012	31 Dec 2011
Loan based liabilities	7,083,573	67,589,816
Liabilities towards credit institutions	8,213,777	1,800,000
Interest liabilities	14,027,722	5,831,541
Liabilities for bonds issued	269,413,750	267,952,500
Liabilities toward related companies	7,897,392	2,966,647
Liabilities for advances received	7,452,575	8,130,081
Trade payables	182,265,259	91,534,566
Liabilities towards employees	1,860,118	1,709,888
Taxes, contributions and other levies	5,316,322	5,218,490
Other liabilities	195,070	87,120
	503,725,558	452,820,649

098. LIABILITIES TOWARDS SUPPLIERS

	31 Dec 2012	31 Dec 2011
Domestic trade payables	177,913,279	82,137,340
Foreign trade payables	4,351,980	9,397,226
Invoice accrual	0	0
	182,265,259	91,534,566

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 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

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Dec 2012	31 Dec 2011
VAT Liabilities	3,243,240	3,068,069
Taxes and contributions on and from salaries	1,470,277	1,387,095
Other taxes and contributions	602,805	763,326
	5,316,322	5,218,490

106. 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	30,714,979	15,347,512
Deferred income	13,500,000	14,500,000
Deferred Income due to uncertainty	3,379,703	3,337,373
	65,377,795	46,328,449

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	583,907	581,956	-21,374	-23,459
USD	1,939	2,967	-2	0
CHF				
GPB				
	585,846	584,923	-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 2011 in 000 HRK	31 Dec 2010 in 000 HRK	31 Dec 2011 in 000 HRK	31 Dec 2010 in 000 HRK
EUR	58,391	58,196	-2,137	-2,346
USD	194	297	0	0
CHF				
GPB				
	58,585	58,493	-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 345,99 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	199,670			199,670
Interest bearing liabilities	108,236	726,915	1,883	837,034
	307,906	726,915	1,883	1,036,704

31 Dec 2011

Non-interest bearing liabilities	104,428			104,428
Interest bearing liabilities	113,423	794,009	2,243	909,675
	217,851	794,009	2,243	1,014,103

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 182.265 thousand for the period from January to December 2011 (HRK 91.535 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	82,281			82,281
Interest bearing liabilities	640	9,151	0	9,791
	82,921	9,151	0	92,072

31 Dec 2011

Non-interest bearing liabilities	84,906			84,906
Interest bearing liabilities	2,612	39,397	4,874	46,883
	87,518	39,397	4,874	131,789

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



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ZAGREB