

OT – Optima Telekom d.d.
Management Interim Report
for the first half and second
quarter of 2013
consolidated

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Main features

Due to overindebtedness, lack of liquidity and insolvency, pursuant to the Financial Operations and Pre-Bankruptcy Settlement Act (the Official Gazette no. 108/2012 and 11/2012), OT – Optima Telekom d.d. (hereinafter: Optima) has already initiated the pre-bankruptcy settlement procedure, with the purpose of operative and financial restructuring of its business. By implementing the financial and operative restructuring plan, in the forthcoming period, Optima should become both liquid and solvent. Optima obtained the Decision on initiation of pre-bankruptcy settlement proceedings on 11 April 2013, and the first (inspection) hearing took place on 21 June 2013. Pursuant to the Financial Operations and Pre-Bankruptcy Settlement Act, all information concerning the course of pre-bankruptcy settlement proceedings are made available to the public at the Financial Agency's website, www.fina.hr.

Business indicators

Optima Telekom concluded the first half-year period with:

- a decrease of overall consolidated operating revenue by HRK **19.0** million, or **6.6%**, with the simultaneous decrease of overall operating costs by **15.8** million, or **5.9%**, compared to the first half of the previous year, while at a quarterly level, that represents an **8.3%** reduction of operating revenue and a **2.4%** reduction of operating costs.
- an 8.8% lower earnings before taxation, interest and depreciation (EBITDA) compared to the first half of the previous year, with a positive EBITDA of HRK **41.0** million achieved in the first half of 2013, and HRK 14.5 million in the second quarter.

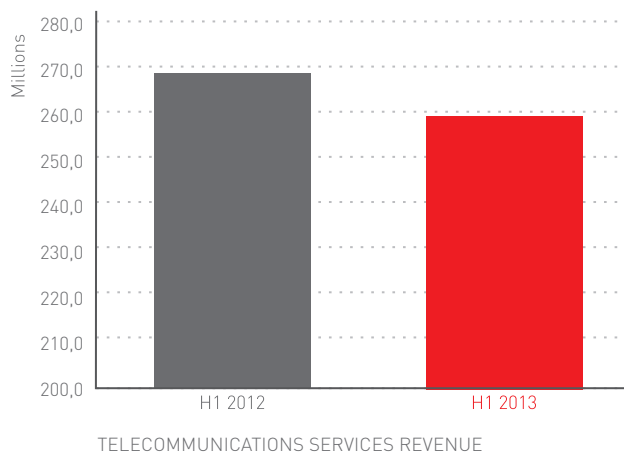
	H1 2012	H1 2013	H1 2013 / H1 2012	Q2 2012	Q2 2013	Q2 2013 / Q2 2012
Total operating income	290,248	277,054	(4.5%)	144,311	140,083	(2.9%)
EBITDA	44,921	40,978	(8.8%)	23,317	14,471	(37.9%)
EBT	(16,715)	(26,840)	60.6%	(8,623)	(15,825)	83.5%

	30.06.2012	30.06.2013/ 30.06.2012	31.12.2012	30.06.2013/ 31.12.2012	31.03.2013	30.06.2013/ 31.03.2013	30.06.2013
Total number of OT users							
Number of voice channels	267,240	-15.4%	229,550	-1.5%	229,500	-1.5%	226,033
Number of users in own LLU network	116,785	-0.9%	115,110	0.5%	117,294	-1.3%	115,732
Number of OptiDSL users in own LLU network	74,734	3.5%	74,660	3.7%	77,652	-0.3%	77,386
Number of OptiTV users in own LLU network	19,200	22.4%	21,800	7.8%	22,500	4.4%	23,500
Number of collocations installed							
	270	3.7%	276	1.4%	276	1.4%	280
North	92	2.2%	92	2.2%	92	2.2%	94
West	45	4.4%	46	2.2%	46	2.2%	47
East	52	5.8%	55	0.0%	55	0.0%	55
South	81	3.7%	83	1.2%	83	1.2%	84

Consolidated revenue

The overall consolidated revenue at the end of the first half of 2013 amount to HRK **277.1** million, which indicates a **4.5%** decrease compared to the results achieved in the same period of the previous year. The greatest impact on the decrease of overall consolidated income came from public voice service revenue that, at a global level, has a tendency to decrease, and is the only one with a decrease that significant, making the increase of all other revenue insufficient to reach last year's revenue for the same period.

Telecommunications services revenue

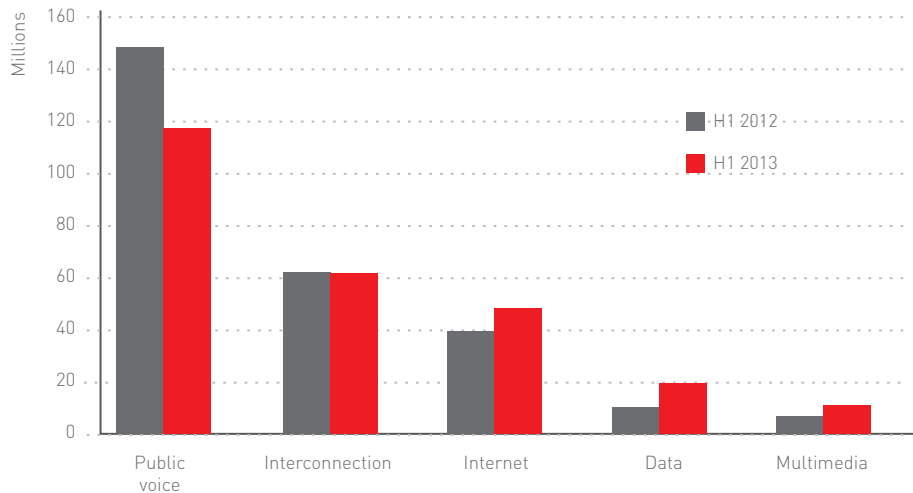


Telecommunications services sales revenue in the first half of 2013 amounted to HRK **259.2** million, being **3.6%** less compared to the same period of the previous year. The revenue decrease was primarily influenced by the **20.9%** drop in public voice service revenue, that amounted to HRK **117.2** million at the end of the first half. The decrease in revenue arising out of voice services is primarily a result of the reduction in the number of minutes of using voice services and the minute price reduction.

A significant improvement has been achieved in broadband internet access and multimedia services (TV via broadband internet access) retail markets, which constitute the majority of the improvement. Interner services revenue that amounts to HRK **48.5** million at the end of the first half are **20.8%** higher compared to the same period of the previous year. The increase of internet services revenue is accompanied by the increase of multimedia services revenue that amounts to HRK **11.5** million and shows a **57.1%** increase

Data services revenue amounts to HRK **20.1** million at the end of the first half of 2013 and is **84.9%** higher compared to the same period of the previous year.

Interconnection revenue amounts to HRK **62.0** million, being **0.9%** lower compared to the same period of the previous year.



Earnings before interest, taxation and depreciation – EBITDA

The first half EBITDA amounts to HRK **41.0** million, which represents an **8.8%** decrease compared to the same period of the previous year, and a **37.9%** decrease for the second quarter, to a level of HRK **14.5** million.

The EBITDA decrease compared to 2012 was partially caused by the initiation of pre-bankruptcy settlement and the increase of related costs.

Earnings before taxation - EBT

Due to the initiation of pre-bankruptcy settlement proceedings, most creditors charged default interest, causing the EBT plummet at the end of the first half of 2013 to the amount of HRK **-26.8** million, which is a worse result by HRK **10.1** million or **60.6%** compared to the same period of the previous year.

Given that the majority of the liabilities became due and payable as per the date of initiating the pre-bankruptcy proceedings, the calculation of financial costs is not done according to regular interest rates, but default interest rates that are higher and less favorable for the debtor.

Market potential

According to data available to the public, Croatia has approximately 1.44 million active phone lines. Within this potential, at the end of the first half, Optima has a total of 226,033 voice channels¹ in its network.

In the first half of 2013, the number of potentially available connections at Optima was reduced to 657,342 connections, which represents:

- A reduction (from 658,581 to 657,342) of available connections compared to the previous quarter. The insignificant reduction in the number of available connections is a result of reconstruction of own access carrier network, which is decreasing the length of local area fibers in order to improve service quality. By opening new UPSs, the access carrier has been decreasing the number of fibers within reach on the existing UPSs.
- Over 45.9% of available connections, which is slightly above the benchmark² for the alternative carriers' share in developed markets.

¹ Indicators published by HAKOM; Voice channel is the basic unit of voice or data transmission. Number of voice channels determines how many conversations can take place simultaneously on one telephone connection. Telephone connection is defined as physical connection of the user to the telecommunications network. A telephone connection may have one or more voice channels.

² Benchmark - continuing, systematic process of evaluation of products, services or business operations of an organization, recognized as the best praxis with the purpose of realizing organizational improvements.

Infrastructural development

In accordance with the own infrastructure development plan for 2013, during the first half of 2013 collocations have been erected in Zagreb (Bogdani), Samobor (Samobor East), Šibenik (Šubićevac), Pula (Stoja 2), where the local loop length is being shortened, thus improving the quality of broadband internet access. Erecting collocations in Trogir (Čiovo), Rijeka (Strmica) and in Medulin is being prepared. U pripremi je podizanje kolokacija u gradovima Trogir (Čiovo), Rijeka (Strmica) te u Medulinu. Intersection optimization was carried out in the first quarter. This primarily means a decrease in the quantity of intersections leased from HŽ, in order to reduce costs.

By the end of the first half of 2013, there were a total of **280** active collocations.

Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network. During the first half of 2013, the optical network construction mainly consisted of regular construction of optical feeds to our end users. Here, we can point out connecting the feeds for the Ministry of Justice and VIPNet.

In numbers, we are talking about **37** km of new optical network, or **103** new feeds. Comparing overall lengths, this is an **1.36%** expansion of the optical network compared to the construction level established at the end of 2012 (**2,764** km compared to the **2,727** km constructed by the end of 2012).

The overall length of constructed optical feeds and sections is 60.5% smaller compared to the same period of 2012 (first half of the year) considering that there was no significant construction of optical sections in this period, primarily city access sections.

The largest quantity of feeds and sections was constructed in Region North (15 km), followed by Region South (10.9 km), Region West (7.9 km) and Region East (3.2 km).

Significant events in the first half of 2013 and expectations for future development

Macroeconomic and market trends³

After an extended period of slight depreciation of the HRK compared to the joint European currency, in May a mild trend of its increase in value was recorded, so that the Euro was worth 0.5% less at the end of the month than at its beginning. Such a trend in the exchange rate was caused by the increased offer of foreign currencies by the banking sector, in part, by the increased inflow of foreign currencies in the low tourist season, but in part also by speculative expectations of seasonal value increase of the HRK during the high tourist season.

All the relevant economic variables were already showing less than favorable trends at the beginning of the year, so it is no surprise that the GDP decreased in the first quarter of this year. The actual 1.5% GDP decrease compared to the same period of the previous year was mostly influenced by the reduction in private consumption and export of goods and services.

The inflation curve continues to grow mild: in April the annual inflation rate (3.3%) was at its lowest counting back a year. This was mostly contributed to by the prices of oil derivatives that dropped significantly at the annual level (liquid fuels by 7% and car fuels and lubricants by 5.4%), which made them one of the principal factors in downward adjustment of the inflation rate. On the other hand, the pressure for inflation is generated from administrative prices for energy (electricity, gas) and alimentation.

The number of employed persons amounted to 1,120,728 in April, increasing by 0.7% compared to the previous month. At the annual level, there is still a 3% decrease. The number of employed persons is increasing for the second month in a row, primarily due to seasonal employment. The average net salary paid in March amounted to HRK 5,516, being nominally 1.3%, and actually 1% higher at a monthly level. Compared to the same month of the previous year, the net salary is nominally higher by 0.3%, while it is actually 3.3% lower, which means that the actual negative trend in the amount of salaries is going on for thirteen months in a row.

³ Dana resources: State Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

Resolving the issue (striking from records) of large and long-time debtors, the value of outstanding collectibles is lower this year, even by comparison. In April, the annual decrease was achieved in the amount of 14% (by HRK 6.1 billion). However, the said decrease was generated solely by legal entities, while the situation in the trades and crafts sector continues to deteriorate.

Research and development activities

Research and development activities are primarily directed towards analyzing the competition's market and developing services considering the possibilities that appeared as a result of regulatory changes in the application of wholesale services. We would like to underline the following key activities that marked the first half of 2013:

- Introducing two new services - HaloSurf and OptimaLAN ured – intended for small and medium size users that, as a standard, offer broadband internet access and voice service via Voice over Internet Protocol (VoIP),
- Replacing the existing ADSL Traffic packages with single O+ packages,
- A new children's channel synchronized in Croatian – MINI TV – has been added to the basic OptiTV package
- The following OptiTV channels have been localized: **Nickelodeon, Da Vinci learning and Discovery TLC**
- The localized channel **Jugoton TV** has been added to OptiTV FULL package
- Premium HD packages have been added to OptiTV: HBO HD, HBO Comedy HD, Cinemax HD, Cinemax 2HD, as well as the new HBO GO service – an internet service accessible via PC, smartphone or tablet which offers direct access to the HBO Adria channel and over 400 video titles available on demand.
- Over 1200 hours of broadcasting material from HBO production has been added to OptiTV, available via computers, tablets and mobile devices through the HBO GO package,
- 14 new OptiTV channels are recordable
- OptiTV interface was corrected and redesigned in May of
- Additional benefits are available to both existing and future O+ package users, as a part of the **Bonus kune** stimulation program.

Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) continued to regulate the electronic communications market in this reporting period as well, and in doing so, in order to enforce the regulatory obligation of price control and cost accounting for landline network services, it rendered a decision defining a reasonable rate of return of invested capital in the amount of 11.05% within the following 3 years, which is augmented by an additional risk premium of 3.63% for new generation access network (NGN) services. Until now, only the price of DTK lease and HT's collocation space was augmented by the WACC amount that was determined at 11.93%. The said rate will have an impact on HAKOM's price regulation in line with the cost model. This is a weighted average capital cost by which HT's cost oriented price is to be augmented, in order to enforce the regulatory obligation of price control.

For the purpose of protecting competition, after analyzing the relevant markets, HAKOM has found that the competition is ineffective, designated the carriers with significant market power and re-imposed regulatory obligations for each of them. In this vein, HAKOM has rendered final decisions in the process of analyzing the market of call initiation and termination market to landline network, the market of call termination to a certain mobile network, the market wholesale access to network infrastructure at a fixed location, the wholesale broadband access market. Even after the second round of market analysis, the regulatory obligations of all carriers having significant market power remain in force. Out of the obligations having a significant impact on the company's business, we would like to mention the regulatory obligation of price control, especially the calculation of the price of call termination to a landline network. Namely, HAKOM has now also regulated the prices of indirect international termination, which were previously determined at a commercial basis. The market analysis confirmed the prices for call termination in force as of 01.01.2013, for both HT and other carriers with significant market power, the Company included, and the change of the termination price which will be calculated according to HAKOM's cost model is anticipated by the end of the year. Furthermore, in separate proceedings the regulatory body has calculated the price of call termination to mobile networks, according to the cost model. Due to the regulatory body's decision to delaying the application of cost oriented pricing until 01.01.2015 and determining the gradual decrease of current prices of call termination to mobile networks, it is estimated that the Company was prevented from saving HRK 6 million in the period between 01.01.2013 and 01.01.2015, when the real cost oriented price is to apply.

HAKOM's decision also regulated new prices for the wholesale broadband access service based on the ADSL/VDSL technology, as well as the prices for additional virtual channels for the VoIP and IPTV service and the user equipment supervision via ADSL/VDSL access. The new cost oriented price for monthly charges for wholesale broadband access for internet services based on ADSL/VDSL technology is somewhat higher than the previous one, but for carriers that have already, at wholesale level, contracted a certain number of individual wholesale broadband access services with mandatory contract duration of 12 or 24 months,

the price will remain the same until the expiry of each individual access, the new prices to be applied only thereafter. In addition to the new pieces of additional virtual channels for the VoIP and IPTV services and supervision of user equipment via ADSL/VDSL technology, the calculation of the same according to the cost model resulted in a significant price reduction (from HRK 7 to 10 per channel). The completion of the calculation of cost oriented prices for the service of single access to the local loop, the service of wholesale broadband access based on FTTH technology, as well as the service of leased lines wholesale is anticipated in the upcoming reporting periods.

In this reporting period, for the first time the market regulation was alleviated in order to encourage investments in optical network construction in areas where there is little commercial interest for investments into the access network. In order to enhance the demand for retail services of broadband internet access based on FTTH technology, by narrowing down the conditions for controlling promotional offers, HAKOM alleviated the regulatory obligations imposed on HT in the broadband internet access retail market in areas with little commercial interest (the so-called type 2 regulated area), with a simultaneous abolition of HT's obligation to replicate promotional offers for services based on FTTH technology at wholesale level.

In the second round of analysis of relevant markets changed the method of calculation of charges for the delay in realization of wholesale services by introducing a fixed amount of charges, instead of the previous percentage of monthly charges for using particular services, calculated by day of delay. Sanctioning premature realization and regulated in the same way was also introduced and regulated in the same way. Furthermore, in order to coordinate with the provisions of the Financial Operations and Pre-Bankruptcy Settlement, the maturity period has been prolonged for invoices issued by carriers with significant market (HT, VIPnet and Tele2), for the use of regulated wholesale services, from the present 30 to 60 days, starting from the date when the invoice is received, and not when it is sent. At the same time, the legal framework for forced collection has been regulated and period of withholding services has been shortened from 60 to 30 days, with the possibility to activate provided securities without the creditor's obligation to send a warning once the invoice is due. In addition, for the first time quotas were introduced allowing HR to realize the wholesale service to the carrier user beyond the proscribed deadline. HT is obligated to realize the average daily quota of requests within the proscribed deadline, with a 20% margin permitted, and the rest within an additional deadline. Moreover, HT is forbidden to charge any monthly charges on the grounds of the carrier user access via its own access lines to HT's access point. The described amendment of the regulatory framework will have a significant financial impact on the company's business in the forthcoming reporting period.

In the period to come, the regulatory body is anticipated to continue its activities in market analysis procedures, as well as in defining wholesale terms and conditions by applying the principle of cost orientation of prices and cost models, which should have an impact on the company's business in future periods.

Changes in the Company's Management Bodies

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

Statement of the Persons in Charge of Financial Statements

In accordance with Article 410 of the Capital Market Act, the HANFA Directive of April 15, 2010 and in light of the HANFA opinion of October 21, 2010 pertaining to the publication of reports concerning the issuers included in the regulated market, the members of the Board of Directors, Mr. Matija Martić as Chairman of the Board, Mr. Goran Jovičić, as Member of the Board and Ms. Jadranka Suručić, as Member of the Board, jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable standards of financial reporting and that they contain an overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the companies included in consolidation. The financial report contains a true presentation of development, results and position of Optima Telekom and its subsidiaries, as well as a description of the most significant risks and uncertainties which the group is exposed to.

(signatures of Board members)



Matija Martić Goran Jovičić Jadranka Suručić

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

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

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

**Optima Telekom d.d.
and Subsidiaries**

**Financial Statements of Group
as of 30 June 2013**

Enclosure 1

Reporting period:

1 Jan 2013

to

30 Jun 2013

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification
Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hrand name for municipality/city **133**Code and name for county **21**Number of employees **391**
(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 **01/5492 027**Telefaks: **01/5492 019**e-mail address: svetlana.kundovic@optima-telekom.hrSurname and name **MATIJA MARTIĆ, JADRANKA SURUČIĆ**

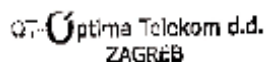
(osoba ovlaštene za zastupanje)

Documents for publication

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

M.P.

(signature of authorized person)


Optima Telekom d.d.
ZAGREB

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2013 to 30 Jun 2013

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	286.067.822	143.800.107	267.097.724	131.887.045
1. Sales income	112	283.806.522	142.950.842	263.092.176	128.806.066
2. Other operating income	113	2.261.300	849.265	4.005.548	3.080.979
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	268.826.724	134.144.461	253.049.593	130.880.511
1. Changes in the value of inventories of ongoing production and finished goods	115	0	0	0	0
2. MATERIAL COSTS (117 do 119)	116	207.086.110	103.496.198	187.275.534	96.641.738
a) Costs of raw material and supplies	117	1.565.612	877.502	1.121.064	526.747
b) Costs of goods sold	118	9.789.075	3.625.252	898.275	501.415
c) Other external costs	119	195.731.423	98.993.444	185.256.195	95.613.576
3. Staff costs (121 do 123)	120	25.953.092	12.900.449	25.615.944	12.920.386
a) Net salaries and wages	121	14.457.411	7.221.127	14.394.535	7.263.104
b) Expenses of taxes and contributions from salaries	122	7.815.764	3.913.543	7.844.027	3.953.696
c) Contributions to salaries	123	3.679.917	1.765.779	3.377.382	1.703.586
4. Amortization	124	27.680.164	13.660.961	26.929.455	13.463.991
5. Other costs	125	5.956.651	3.031.633	7.892.523	4.889.731
6. Value adjustment (127+128)	126	2.150.707	1.055.220	5.336.137	2.964.665
a) fixed assets (apart from financial assets)	127	0	0	1.635.734	216.622
b) current assets (apart from financial assets)	128	2.150.707	1.055.220	3.700.403	2.748.043
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	4.180.513	510.552	9.956.215	8.195.554
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	4.180.513	510.552	9.956.215	8.195.554
3. Income from affiliated undertakings and participating interests	134	0	0	0	0
4. Unrealized income of the financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	38.136.486	18.788.740	50.844.660	25.027.221
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	138	0	0	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	139	38.136.486	18.788.740	50.844.660	25.027.221
3. Unrealized losses (expenses) of the financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	142	0	0	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	290.248.335	144.310.659	277.053.939	140.082.599
X. TOTAL EXPENSES (114+137+143 + 145)	147	306.963.210	152.933.201	303.894.253	155.907.732
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-16.714.875	-8.622.542	-26.840.314	-15.825.133
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	16.714.875	8.622.542	26.840.314	15.825.133
XII. PROFIT TAX	151				
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-16.714.875	-8.622.542	-26.840.314	-15.825.133
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	16.714.875	8.622.542	26.840.314	15.825.133
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS OF THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	-16.714.875	-8.622.542	-26.840.314	-15.825.133
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-16.714.875	-8.622.542	-26.840.314	-15.825.133
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences on translating foreign operations	159	0	0		
2. Changes in revalorization reserves of fixed and intangible assets	160	0	0		
3. Profit or loss from revaluation of financial assets available for sale	161	0	0		
4. Profit or loss on effective cash flow protection	162	0	0		
5. profit or loss on effective hedge of a net foreign investment	163	0	0		
6. Share of other comprehensive income / loss of associated companies	164	0	0		
7. Actuarial income / loss on defined benefit plans	165	0	0		
III. COMPREHENSIVE INCOME TAX	166	0	0		
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	168	-16.714.875	-8.622.542	-26.840.314	-15.825.133
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	-16.714.875	-8.622.542	-26.840.314	-15.825.133
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET

as at 30 Jun 2013

Issuer: OT - Optima Telekom d.d.			
Item	EDP #	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+029+033)	002	397.633.543	379.176.715
I. INTANGIBLE ASSETS (004 through 009)	003	20.876.030	18.855.309
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	20.876.030	18.855.309
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	373.193.013	356.851.325
1. Land	011	23.269	23.269
2. Building objects	012	21.478.201	21.111.180
3. Facilities and equipment	013	340.766.940	327.064.922
4. Tools, production inventory and transport assets	014	1.052.514	1.592.612
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	9.087.578	6.323.529
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	737.689	688.991
III. FIXED FINANCIAL ASSETS (021 through 028)	020	3.564.500	3.470.081
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.529.500	3.435.081
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	85.467.994	137.850.090
I. INVENTORY (036 do 042)	035	1.283.214	2.180.039
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.283.214	2.180.039
5. Inventory advances	040	0	0
6. Assets intended for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	81.776.725	101.771.156
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	79.809.127	94.868.491
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	39.010	42.503
5. Receivables from the state and other institution	048	828.515	478.890
6. Other receivables	049	1.100.073	6.381.272
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	588.199	1.080.452
1. Shares (stock) in affiliated entrepreneurs	051	0	0
2. Loans granted to affiliated entrepreneurs	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans given to entrepreneurs with participating interests	054	0	0
5. Securities investments	055	0	0
6. Granted loans, deposits and such	056	588.199	1.080.452
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.819.856	32.818.443
D) PREPAYMENTS AND ACCRUED INCOME	059	50.495.031	46.621.758
E) TOTAL ASSETS (001+002+034+059)	060	533.596.568	563.648.563
F) OFF-BALANCE RECORDS	061	1.035.973.548	1.626.752.330

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-591.569.657	-616.731.266
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. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-709.231.838	-812.445.652
1. Retained earnings	073	0	0
2. Loss carried forward	074	709.231.838	812.445.652
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-104.892.519	-26.840.314
1. Profit of the year	076	0	0
2. Loss of the year	077	104.892.519	26.840.314
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.300.170	2.300.170
1. Provisions for pensions, severance payments and similar obligations	080	2.300.170	2.300.170
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	541.604.388	15.136.721
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	24.398.088	13.922.556
3. Liabilities towards banks and other financial institutions	086	515.740.929	0
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	0
6. Liabilities as per securities	089	0	0
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	1.465.371	1.214.165
D) CURRENT LIABILITIES (094 do 105)	093	515.812.521	1.131.425.382
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	7.083.572	2.902.951
3. Liabilities towards banks and other financial institutions	096	27.011.275	603.211.943
4. Liabilities for advances	097	7.452.575	0
5. Liabilities towards suppliers	098	195.123.259	227.757.365
6. Liabilities as per securities	099	269.413.750	281.550.625
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.539.882	2.602.523
9. Liabilities for taxes, contributions and similar levies	102	6.947.494	13.223.274
10. Liabilities as per share in results	103	0	0
11. Liabilities as per longterm assets intended for sale	104	0	0
12. Other current liabilities	105	240.714	176.701
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	65.449.146	31.517.556
F) TOTAL - LIABILITIES (062+079+083+093+106)	107	533.596.568	563.648.563
G) OFF - BALANCE RECORDS	108	1.035.973.548	1.626.752.330
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	-591.569.657	-616.731.266
2. Assigned to minority interest	110	0	

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

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2013 to 30 Jun 2013

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	-16.714.875	-26.840.314
2. Depreciation	002	27.680.164	26.929.455
3. Increase of short-term liabilities	003	102.560.445	43.592.814
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005	0	0
6. Other increase of cash flow	006	5.081.795	5.646.397
I. Total increase of cash flow from operating activities (001 through 006)	007	118.607.529	49.328.352
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	16.640.420	19.994.431
3. Increase of inventories	010	1.207.479	896.825
4. Other decrease of cash flow	011	2.782.570	34.423.843
II. Total decrease of cash flow from operating activities (008 through 011)	012	20.630.469	55.315.099
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	97.977.060	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	5.986.747
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	25.441.508	8.567.046
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	25.441.508	8.567.046
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	25.441.508	8.567.046
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	0	45.552.380
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	0	45.552.380
1. Cash expenditure for the payment of loan principal and bonds	031	72.942.802	0
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	72.942.802	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	45.552.380
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	72.942.802	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	30.998.587
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	407.250	0
Cash and cash equivalents at the beginning of the period	041	1.394.534	1.819.856
Increase of cash and cash equivalents	042	0	30.998.587
Decrease of cash and cash equivalents	043	407.250	0
Cash and cash equivalents at the end of the period	044	987.284	32.818.443

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2013 to 30.6.2013

Item	EDP	Previous year	Current year
1	2	3	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	-708.390.211	-812.445.652
5. Profit or loss of the current year	005	-16.714.875	-26.840.314
6. Revaluation of fixed tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial property available for sale	008	0	0
9. Other revaluation	009	0	0
10. Total capital and reserves (EDP 001 through 009)	010	-502.550.386	-616.731.266
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	-502.550.386	-616.731.266
17 b. Assigned to minority interest	019	0	0

Items that reduce capital entered with a negative sign
Data under EDP codes 001-009 to be input balance sheet as at date

Notes to the Financial Statements

According to HANFA's instructions items in balance sheet in the positions of the previous period is 31 December 2012

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. On 11 Apr 2013 Optima received the decision of opening of the prebankruptcy settlement and first (questioning) session was on 21 Jun 2013. All information regarding the proceedings of prebankruptcy settlement are made public in accordance with the financial business and pre-bankruptcy settlement on the website of Fina. www.fina.hr

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

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

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., on 23 September 2008.

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 30 Jun 2013

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 30. Jun 2013 the Company employed 391 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2013:

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 30 Jun 2013 was HRK 7,451344 for EUR 1 and HRK 5,706344 for USD 1.

112. SALES INCOME

	30 Jun 2013	30 Jun 2012
Public voice services	117.159.845	148.059.604
Interconnection services	61.961.697	62.531.578
Internet services	48.490.895	40.141.959
Data services	20.063.660	10.849.374
Multimedia services	11.529.319	7.337.896
Lease and sale of equipment	2.540.021	1.971.488
Sale of goods and products	0	7.461.145
Trade agency income	56.094	2.536.271
Other services	1.290.645	2.917.207
	263.092.176	283.806.522

113. OTHER OPERATING INCOME

	30 Jun 2013	30 Jun 2012
Write off old trade payables	783.603	1.854.898
Income from rent - billing system	75.546	0
Income from collected penalties etc.	862.651	0
Income from in kind payments	196.544	213.697
Income from assets sale	1.655.203	0
Other income	432.001	192.705
	4.005.548	2.261.300

119. OTHER MATERIAL COSTS

	30 Jun 2013	30 Jun 2012
Costs of maintenance	7.937.277	8.526.416
Marketing services	1.099.908	2.708.361
Billing costs	2.932.500	3.931.717
Line lease costs	23.257.334	20.174.457
Intellectual and other services	2.440.952	1.101.822
Utilities	4.176.054	4.718.759
Customer attraction costs	2.685.035	5.467.234
Pair connection fees	30.982.971	30.272.189
Telecommunications costs	105.196.346	113.319.638
Residential sales services	1.466.289	2.160.732
Other costs	3.081.529	3.350.098
	185.256.195	195.731.423

120. STAFF EXPENSES

	30 Jun 2013	30 Jun 2012
Net salaries	14.394.535	14.457.411
Taxes and contributions from salaries	7.844.027	7.815.764
Taxes and contributions on salaries	3.377.382	3.679.917
	25.615.944	25.953.092

Number of employees on 30 Jun 2013	391	374
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Jun 2013	30 Jun 2012
Amortization of intangible assets	2.465.701	3.470.032
Amortization of fixed tangible assets	24.463.754	24.210.132
	26.929.455	27.680.164

125. OTHER OPERATING EXPENSES

	30 Jun 2013	30 Jun 2012
Compensations to employees	1.145.032	1.054.145
Representation	615.103	741.895
Insurance premiums	633.810	830.018
Bank charges	1.296.636	1.507.423
Taxes, contributions and membership fees	759.269	459.039
Costs of sold and written off assets	1.066.496	58.005
Gifts and sponsorships	279.620	457.975
Other expenses	2.096.557	848.151
	<u>7.892.523</u>	<u>5.956.651</u>

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

126. VALUE ADJUSTMENT

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

131. FINANCIAL INCOME

	30 Jun 2013	30 Jun 2012
Interest income	3.630.256	2.899.167
Foreign exchange gains	6.325.959	1.281.346
	<u>9.956.215</u>	<u>4.180.513</u>

137. FINANCIAL EXPENSES

	30 Jun 2013	30 Jun 2012
Interest expenses	50.257.444	37.595.990
Fee	263.750	419.174
Foreign exchange losses	323.466	121.322
	<u>50.844.660</u>	<u>38.136.486</u>

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

Due to pre-bankruptcy settlement in which loans matured, interest is calculated at penalty rate (instead on regular rate) which is higher and because of that interest expenses increased

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2013	8.187.690	82.540.525	0	90.728.215
Additions			444.980	444.980
Transfer from assets in progress		444.980	-444.980	0
Disposals and retirements				0
As at 30 Jun 2013	8.187.690	82.985.505	0	91.173.195
VALUE ADJUSTMENT				
As at 01 Jan 2013	1.930.474	67.921.711	0	69.852.185
Amortization of the current year	136.325	2.329.376		2.465.701
Disposals and retirements				0
Amortization as at 30 Jun 2013	2.066.799	70.251.087	0	72.317.886
NET ACCOUNTING VALUE				
As at 30 Jun 2013	6.120.891	12.734.418	0	18.855.309

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	27.157.396	586.564.547	6.539.345	46.822	9.087.578	4.502.060	633.921.017
Additions			4.734.000	679.540		7.907.618	107.680	13.428.838
Transfer from assets in progress			10.671.667			-10.671.667		0
Disposals and retirements		-28.020	-8.298.223	-8.442				-8.334.685
As at 30 Jun 2013	23.269	27.129.376	593.671.991	7.210.443	46.822	6.323.529	4.609.740	639.015.170
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	5.679.195	245.797.607	5.486.831	0	0	3.764.371	260.728.004
Amortization of the current year		342.993	23.825.605	138.778			156.378	24.463.754
Disposals and retirements		-3.992	-3.016.143	-7.778				-3.027.913
Amortization as at 30 Jun 2013	0	6.018.196	266.607.069	5.617.831	0	0	3.920.749	282.163.845
NET ACCOUNTING VALUE								
As at 30 Jun 2013	23.269	21.111.180	327.064.922	1.592.612	46.822	6.323.529	688.991	356.851.325

020. LONG-TERM FINANCIAL ASSETS

	30 Jun 2013
Loans to majority shareholder	14.071.454
Loans to third party companies	36.777.680
Long term deposits	3.435.081
Participating interests (shares)	35.000
	54.319.215
Value adjustment	-50.849.134
	3.470.081

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. and they come due on 16 February 2015 and 23 February 2015, respectively.

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

Movement of value adjustment of long term assets

	30 Jun 2013
1 January 2013	49.033.884
Write off during the year	0
Reserved during the year	1.815.250
Closing balance	50.849.134

043. RECEIVABLES

	30 Jun 2013
Trade receivables	94.868.491
Employee receivables	42.503
Receivables from the state and other institutions	478.890
Other receivables	6.381.272
	101.771.156

045. TRADE RECEIVABLES

	30 Jun 2013
Domestic trade receivables	108.775.367
Foreign trade receivables	14.891.009
Interests receivables	16.405
	123.682.781
Value adjustment	-28.814.290
	94.868.491

Movement of value adjustment for doubtful receivables:

	30 Jun 2013
1 January 2013	30.442.425
Write off during the year	-4.480.232
Collected during the year	-668.789
Reserved during the year	3.520.886
Closing balance	28.814.290

Aging of trade receivables of the Company without interests receivables:

	30 Jun 2013
Undue	65.130.691
Up to 120 days	24.518.112
120-360 days	7.000.806
over 360 days	<u>27.016.767</u>
	<u>123.666.376</u>

049. OTHER RECEIVABLES

	30 Jun 2013
Interest receivables	1.268.858
Advance payments receivables	5.062.238
Other receivables	<u>63.812</u>
	<u>6.394.908</u>
Value adjustment	<u>-13.636</u>
	<u>6.381.272</u>

058. CASH IN BANK AND REGISTER

	30 Jun 2013
Kuna accounts balance	29.975.787
Foreign currency accounts balance	2.837.462
Cash in register	<u>5.194</u>
	<u>32.818.443</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Jun 2013
Differed customer related expenses	29.639.015
Bond issuing expenses	638.997
Prepaid expenses	<u>16.343.746</u>
	<u>46.621.758</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 that 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 30 Jun 2013, loss per share is as follows:

Net result - loss	26.840.314
Number of shares	2.820.070
Loss per share	9,52

In the same period last year, loss per share amounted to HRK 5,93

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Jun 2013) varied from HRK 6,55 (the lowest price) to HRK 8,81 (the highest price). Market capitalization in thousands of HRK on 30 Jun 2013 amounted to HRK 23.576 thousand.

In the period from January to June 2013 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of 10 major shareholders as on 30 Jun 2013:

Shareholders	u 000 HRK	%
MARTIC MATIJA	18.596	65,94
	18.596	65,94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	1.605	5,69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA BANKA D.D./DF	1.385	4,91
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2,72
KONEČNY ZORAN (1/1)	481	1,71
ZAGREBAČKA BANKA D.D. (1/1)	428	1,52
ŽUVANIĆ ROLAND (1/1)	303	1,07
ČERNOŠEK KRUNOSLAV (1/1)	207	0,73
JOVIČIĆ GORAN (1/1)	202	0,72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE	164	0,58
	5.541	19,65
SMALL SHAREHOLDERS	4.064	14,41
	28.201	100,00

083. LONG-TERM LIABILITIES

	30 Jun 2013
Loan based liabilities	13.922.556
Liabilities for taxes	1.214.165
	<u>15.136.721</u>

093. SHORT-TERM LIABILITIES

	30 Jun 2013
Loan based liabilities	2.902.951
Liabilities towards credit institutions	534.130.416
Interest liabilities	69.081.527
Liabilities for bonds issued	281.550.625
Trade payables	227.757.365
Liabilities towards employees	2.602.523
Taxes, contributions and other levies	13.223.274
Other liabilities	176.701
	<u>1.131.425.382</u>

098. LIABILITIES TOWARDS SUPPLIERS

	30 Jun 2013
Domestic trade payables	217.912.651
Foreign trade payables	9.844.714
	<u>227.757.365</u>

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.

	30 Jun 2013
Nominal value	250.000.000
Compensations for issuance of bonds	-730.625
Liabilities based on calculated interest	32.281.250
	<u>281.550.625</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Jun 2013
VAT Liabilities	10.650.190
Taxes and contributions on and from salaries	1.882.111
Other taxes and contributions	690.973
	<u>13.223.274</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Jun 2013
Domestic payables for which invoices have not been received	10.533.325
Foreign payables for which invoices have not been received	4.679.240
Accrued interests	16.103
Deferred income	13.010.410
Deferred income due to uncertainty	3.278.478
	<u>31.517.556</u>

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Jun 2013 in 000 HRK	30 Jun 2012 in 000 HRK	30 Jun 2013 in 000 HRK	30 Jun 2012 in 000 HRK
EUR	611.238	601.273	27.093	27.786
USD	1.334	2.782	0	22
CHF				
GPB				
	612.572	604.055	27.093	27.808

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 2013 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	30 Jun 2013 in 000 HRK	30 Jun 2012 in 000 HRK	30 Jun 2013 in 000 HRK	30 Jun 2012 in 000 HRK
EUR	61.124	60.127	2.709	2.779
USD	133	278	0	2
CHF				
GPB				
	61.257	60.406	2.709	2.781

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

Liabilities arising from credits and loans with variable interest rates amount to HRK 333,92 million, and therefore, the Company's exposure to the interest rate risk is significant.

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

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

The following tables detail maturity of the Company's contractual liabilities indicated in the balance sheet at the end of the reporting period. Tables have been created on the basis of undiscounted cash flows of financial liabilities on their due date. The tables include both interest and principal cash flows.

in 000 HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2013				
Non-interest bearing liabilities	230.537			230.537
Interest bearing liabilities	615.996	283.906	1.686	901.588
	846.533	283.906	1.686	1.132.125
30 Jun 2012				
Non-interest bearing liabilities	220.177			220.177
Interest bearing liabilities	89.073	743.398	2.067	834.538
	309.250	743.398	2.067	1.054.715

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 227.757 thousand for the period from January to June 2013 (HRK 193.602 on 31 december 2012).

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

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

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

in 000 HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Jun 2013				
Non-interest bearing liabilities	134.111			134.111
Interest bearing liabilities	1.117	3.399	0	4.516
	135.228	3.399	0	138.627
30 Jun 2012				
Non-interest bearing liabilities	100.793			100.793
Interest bearing liabilities	34.077	11.645	5.071	50.793
	134.870	11.645	5.071	151.586

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

