

OT – Optima Telekom d.d.
Management Interim Report
for the first quarter of 2013
unconsolidated

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Main features

Due to overindebtedness, illiquidity and insolvency, and in line with the Law on Financial Operations and Pre-bankruptcy Settlement (the Official Gazette nos. 108/2012 and 11/2012), OT-Optima Telekom d.d. (hereinafter: Optima) has, in the period prior to the publication of the present report, initiated pre-bankruptcy settlement proceedings in order to carry out operational and financial restructuring of its business. By implementing the Operational and Financial Restructuring Plan, Optima should become solvent and liquid in the period to come. On 11.04.2013 Optima obtained a decree on commencement of pre-bankruptcy settlement proceedings, and the first (examination) hearing has been set for 06.06.2013. Pursuant to the Law on Financial Operations and Pre-bankruptcy Settlement, all the information concerning the course of pre-bankruptcy settlement proceedings are publicly available on the Financial Agency's website, www.fina.hr

Business indicators

Optima Telekom concluded the first quarter with the following results:

- A decrease of overall consolidated operating income by HRK **1,3** million, i.e. **0.9%**, with a simultaneous decrease of overall operating costs by HRK **8,0** million, i.e. **6,1%** compared to the same period of the previous year
- An improvement of earnings before taxation, interest and depreciation (EBITDA) by **39,7%** compared to the same period of the previous year, so that a positive EBITDA of HRK **25,6** million has been achieved in the first quarter of 2013

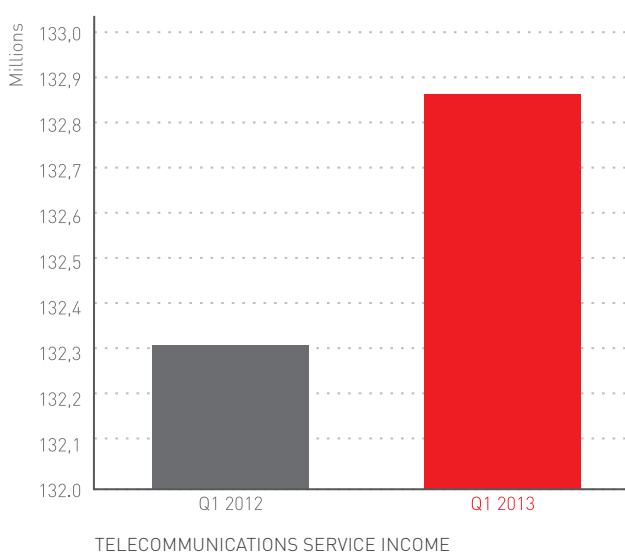
	Q1 2012	Q1 2013	Q1 2013/ Q1 2012
Total income	136,824	135,525	[0.9%]
EBITDA	18,341	25,632	39.7%
EBT	(10,805)	(11,447)	5.9%

	31/03/2012	31.03.2013/ 31.03.2012	31/12/2012	31.03.2013/ 31.12.2012	31/03/2013
Total number of OT users					
Number of voice channels	281,001	-18.3%	229,550	0.0%	229,500
Number of users in own LLU network	114,599	2.4%	115,110	1.9%	117,294
Number of OptiDSL users in own LLU network	72,289	7.4%	74,660	4.0%	77,652
Number of OptiTV users in own LLU network	17,500	28.6%	21,800	3.2%	22,500
Number of collocations installed					
North	91	1.1%	92	0.0%	92
West	45	2.2%	46	0.0%	46
East	52	5.8%	55	0.0%	55
South	81	2.5%	83	0.0%	83

Income

Overall income at the end of the first quarter of 2013 amount to HRK 137,2 million which, compared to the same period of the previous year, represents a 2,3% decrease. The decrease of overall consolidated income was prevalently influenced by the public voice service income which shows a decreasing tendency at a global level, and which is the only one that recorded a decrease significant enough to make the increase of all other income insufficient to reach the last year's income for the same period.

Telecommunications service income



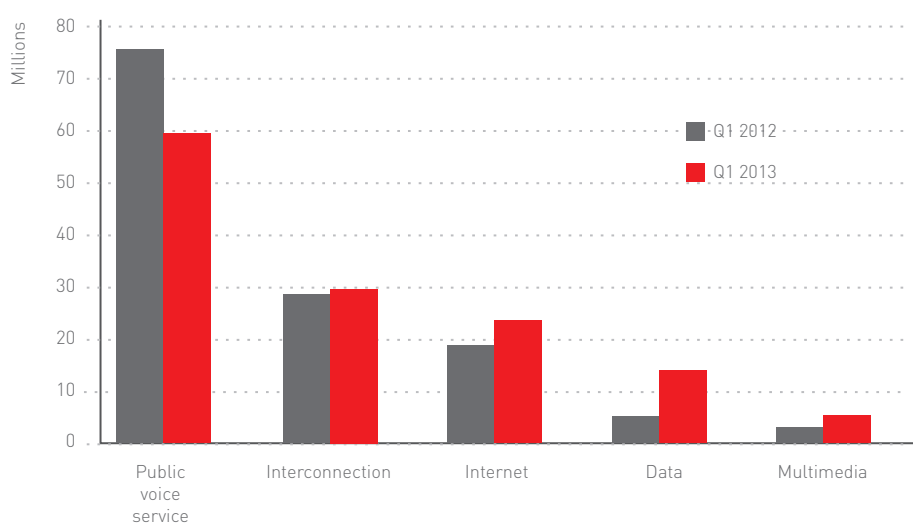
The negative competition pressures in the telecommunications market are still present in the first quarter. Despite such an environment, Optima has achieved an increase of income compared to the same period of the previous year, and the telecommunications services income in the first quarter amounts to HRK **132,9** million

Public voice service income has recorded a **21.2%** drop, which is primarily a result of a continuous drop in fixed networks transmission.

Contrary to the transmission decrease in fixed networks, multimedia, Internet and data services are recording a constant increase of income.

The income from Internet and multimedia services increased by **24.0%** and **65.3%**. Data services have recorded a **159.4%** increase.

Interconnection income amount to HRK **29.8** million and have recorded a **3.3%** increase compared to the same period of the previous year.



Earnings before interest, taxation and depreciation (EBITDA)

EBITDA amounts to HRK **25,6** million at the end of the first quarter of 2013, which represents a **39,7%** increase compared to the same period of the previous year.

The positive EBITDA improvement trend is a result of starting operational restructuring envisaged in the pre-bankruptcy settlement proposal.

Earnings before taxation – EBT

Due to the initiation of pre-bankruptcy settlement proceedings, most creditors calculated default interest, and therefore, at the end of the first quarter of 2013, EBT amounts to HRK **-11.4** million, which is a result inferior by HRK **0,6** million or **5,9%** compared to the same period of the previous year.

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 quarter, Optima has a total of 229,500 voice channels in its network¹.

In the first quarter of 2013, the number of potentially available connections at Optima decreased to 658,581 connections, which represents:

- A reduction (from 661,362 to 658,581) of available connections compared to the previous quarter. A slight reduction of the quantity of available connections is a result of reconstruction activities in the own access carrier network, which is decreasing the length of local pair cabling in order to improve service quality. By opening new UPSs, the access carrier has also been decreasing the number of pair cables within reach on the existing UPSs.
- Over **45.9%** of available connections, which is just above the benchmark for the share of alternative carriers 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 line with the development plan for own infrastructure in 2013, in the first quarter of 2013 preparations have been made for the erection of new collocations in Zagreb (Bogdani), Samobor (Samobor East), Trogir (Čiovo), Šibenik (Šubićevac), Pula (Stoja2), where the local loop length is being shortened, which will improve the quality of broadband Internet access. The collocations are going to be active in May. There is a plan to erect collocations in Rijeka (Strmica) and in Medulin. 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.

The total number of active collocations by the end of the first quarter of 2013 is **276**.

Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network. During the first quarter of 2013, the optical network construction mainly consisted of regular construction of optical feeds to our end users. The overall length of constructed optical feeds and sections is 62% smaller compared to the same period of 2012, considering that in this period there was no significant construction of optical sections, especially city access sections.

In numbers, there is **10.9** km of new optical network, or **37** new feeds. Comparing overall lengths, this is an **0.4%** expansion of the optical network compared to the construction level established at the end of 2012 (**2.738** km compared to the **2.727** km constructed by the end of 2012).

The largest quantity of feeds and sections was constructed in Region North (3.7 km), followed by Region South (3.4 km), Region West (2.7 km) and Region East (1.1 km).

Significant events in the first quarter of 2013

and expectations for future development

Macroeconomic and market trends³

At the beginning of this year, the slight trend of HRK currency weakening is still present. In February, the HRK – joint European currency exchange rate was extremely stable, the range between the lowest and the highest recorded HRK value amounting to just 0.2%. However, these trends were displayed at a relatively low value of HRK. Thus the achieved the average HRK exchange value for February, with the Euro being worth HRK 7.58 on average, was somewhat lower compared to the same period of the previous year and 0.2% lower than in January of the present year.

The past year was characterized by continuing negative economic trends and a relatively steep GDP drop of 2%. The initial estimate of the State Bureau of Statistics shows that in the last quarter of the previous year GDP dropped by 2.3% at an annual level, meaning that in the previous year there was an actual GDP decrease of 2%. Considering that initial estimates hardly ever differ from quarterly reports, it can be deduced that the drop in economic activity was greater than expected after all.

In January the achieved annual inflation (5.2%) is at its highest level since October of 2008. The increased annual inflation rate is primarily a result of administrative decisions (the increase of regulated prices and the changes to VAT rates) made in the middle of the previous year and in January of the present year. Therefore, the base effect currently has a very strong impact on forming the yearly inflation – the low base from the first months of the previous year up to the VAT rate increase in March as well as the increase or regulated prices of electricity, gas and communal services in May.

A decrease in the number of employed persons continues, to 1,323,729 persons in January, or 3.2% less at a yearly level. At a monthly level, the official statistics have recorded a decrease in employment for six months in a row. In January, a total of 22,600 people (an annual increase of 26.9%) were stricken from the unemployment records, but out of this number, only 58.6% found employment, while others were stricken from the records for other reasons laid down by law. Last year a total of 109,582 people were stricken from the records, being almost 34% of the average unemployment rate in 2012.

³ Data source: State Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

Last year, the average actual decrease of net salaries showed in all fields, and due to the adverse economic circumstances, no improvement is expected in 2013.

In January, the value of outstanding collectibles amounted to HRK 39.97 billion, with a significant monthly decrease of HRK 2.5 billion, being the first inter-annual decrease in the past four years. The long-term negative trend of increasing the amount of outstanding obligations was turned over at their amount decreased by HRK 4.6 billion in the period from November 2012 to January, 2013. In January alone the decrease amounted to HRK 2.5 billion and, for the first time since the beginning of 2009, a decrease has been recorded at yearly level (-4.5%).

Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) continued to regulate the electronic communications market in this reporting period as well, by conducting a second round of analyses of wholesale markets. The target of these analyses is to establish whether the conditions in a given market have changed, in order to evaluate the effectiveness of competition. In this vein, public debates were held concerning decision proposals and accompanying documents analyzing the market of call termination in a given mobile network as well as analyzing the market of call establishment and termination in the fixed network. Final decisions are expected in the next reporting period.

In the subsequent period, further activities by the regulatory body are anticipated in conducting market analyses as well as defining wholesale conditions by applying the principle of cost-oriented pricing and cost models, which should have a significant impact on the company's business in the upcoming 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.
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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.

**Financial Statements
as of 31 March 2013**

Enclosure 1

Reporting period:

1 Jan 2013

to

31 Mar 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.hr**Internet address: **www.optima.hr**Code and name for municipality/city: **133**Code and name for county: **21**Number of employees (at the year's end): **202**Consolidated Report: **NO**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm:

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone: **01/5492 027**Telefaks: **01/5492 019**e-mail address: **svetlana.kundovic@optima-telekom.hr**Surname and name: **MATIJA MARTIĆ, JADRANKA SURUČIĆ**

(osoba ovlaštene za zastupanje)

Documents for publication

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

M.P.

OT-Optima Telekom d.d.
ZAGREB

(signature of authorized person)

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2013 to 31 Mar 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	136,824,479	136,824,479	135,524,938	135,524,938
1. Sales income	112	134,796,843	134,796,843	134,154,338	134,154,338
2. Other operating income	113	2,027,636	2,027,636	1,370,600	1,370,600
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	132,154,326	132,154,326	123,112,961	123,112,961
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	105,705,843	105,705,843	95,477,228	95,477,228
a) Costs of raw material and supplies	117	504,458	504,458	404,717	404,717
b) Costs of goods sold	118	2,757,417	2,757,417	324,250	324,250
c) Other external costs	119	102,443,968	102,443,968	94,748,261	94,748,261
3. Staff costs (121 do 123)	120	8,971,571	8,971,571	9,553,102	9,553,102
a) Net salaries and wages	121	4,777,299	4,777,299	5,206,356	5,206,356
b) Expenses of taxes and contributions from salaries	122	2,877,470	2,877,470	3,086,123	3,086,123
c) Contributions to salaries	123	1,316,802	1,316,802	1,260,623	1,260,623
4. Amortization	124	13,671,313	13,671,313	13,219,985	13,219,985
5. Other costs	125	2,710,112	2,710,112	2,793,456	2,793,456
6. Value adjustment (127+128)	126	1,095,487	1,095,487	2,069,190	2,069,190
a) fixed assets (apart from financial assets)	127	0	0	1,116,830	1,116,830
b) current assets (apart from financial assets)	128	1,095,487	1,095,487	952,360	952,360
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	3,631,598	3,631,598	1,739,368	1,739,368
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	77,057	77,057	69,365	69,365
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	3,554,541	3,554,541	1,670,003	1,670,003
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	19,106,553	19,106,553	25,598,626	25,598,626
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	19,106,553	19,106,553	25,598,626	25,598,626
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	140,456,077	140,456,077	137,264,306	137,264,306
X. TOTAL EXPENSES (114+137+143 + 145)	147	151,260,879	151,260,879	148,711,587	148,711,587
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-10,804,802	-10,804,802	-11,447,281	-11,447,281
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	10,804,802	10,804,802	11,447,281	11,447,281
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-10,804,802	-10,804,802	-11,447,281	-11,447,281
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	10,804,802	10,804,802	11,447,281	11,447,281
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	0	0	0	0
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS FOR THE PERIOD (= 152)	157	-10,804,802	-10,804,802	-11,447,281	-11,447,281
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences on translating foreign operations	159	0	0	0	0
2. Changes in revaluation reserves of fixed and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Profit or loss on effective cash flow protection	162	0	0	0	0
5. profit or loss on effective hedge of a net foreign investment	163	0	0	0	0
6. Share of other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial income / loss on defined benefit plans	165	0	0	0	0
III. COMPREHENSIVE INCOME TAX	166	0	0	0	0
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	168	-10,804,802	-10,804,802	-11,447,281	-11,447,281
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	0	0	0	0
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
on 31 Mar 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	410,861,169	397,949,882
I. INTANGIBLE ASSETS (004 through 009)	003	20,868,771	19,805,111
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	20,868,771	19,805,111
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	361,452,805	349,733,744
1. Land	011	23,269	23,269
2. Building objects	012	15,034,764	14,921,638
3. Facilities and equipment	013	335,646,028	328,264,378
4. Tools, production inventory and transport assets	014	921,349	862,612
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	9,087,578	4,963,121
8. Other tangible assets	018	46,822	46,822
9. Real estate investments	019	692,995	651,904
III. FIXED FINANCIAL ASSETS (021 through 028)	020	28,539,593	28,411,027
1. Shares (stock) in affiliated entrepreneurs	021	19,302,400	19,302,760
2. Loans granted to affiliated entrepreneurs	022	5,708,908	5,560,949
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	3,493,285	3,512,318
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	85,611,337	84,362,820
I. INVENTORY (036 do 042)	035	2,438,088	2,219,778
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	2,438,088	2,219,778
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	80,837,192	80,205,274
1. Receivables from affiliated entrepreneurs	044	99,245	0
2. Receivables from buyers	045	79,295,564	78,843,534
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	39,010	39,925
5. Receivables from the state and other institution	048	304,987	149,509
6. Other receivables	049	1,098,386	1,172,306
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	588,199	588,199
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	588,199
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1,747,858	1,349,569
D) PREPAYMENTS AND ACCRUED INCOME	059	50,117,196	48,074,570
E) TOTAL ASSETS (001+002+034+059)	060	546,589,702	530,387,272
F) OFF-BALANCE RECORDS	061	1,035,973,547	1,031,603,115

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-562,552,094	-573,999,375
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	-688,761,522	-785,106,794
1. Retained earnings	073	0	0
2. Loss carried forward	074	688,761,522	785,106,794
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-96,345,272	-11,447,281
1. Profit of the year	076	0	0
2. Loss of the year	077	96,345,272	11,447,281
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	1,743,916	1,743,916
1. Provisions for pensions, severance payments and similar obligations	080	1,743,916	1,743,916
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	538,294,528	12,652,266
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	24,398,086	12,652,266
3. Liabilities towards banks and other financial institutions	086	513,896,442	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	0	0
D) CURRENT LIABILITIES (094 do 105)	093	503,725,557	1,053,464,028
1. Liabilities towards affiliated entrepreneurs	094	7,897,392	1,191,562
2. Liabilities for loans, deposits and similar	095	7,083,573	11,284,232
3. Liabilities towards banks and other financial institutions	096	22,241,499	574,906,738
4. Liabilities for advances	097	7,452,575	6,097,561
5. Liabilities towards suppliers	098	182,265,259	168,164,180
6. Liabilities as per securities	099	269,413,750	275,482,188
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	1,860,118	1,814,648
9. Liabilities for taxes, contributions and similar levies	102	5,316,322	14,164,763
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	195,069	358,156
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	65,377,795	36,526,437
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	546,589,702	530,387,272
G) OFF – BALANCE RECORDS	108	1,035,973,547	1,031,603,115
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	0	0
2. Assigned to minority interest	110	0	0

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

-85,540,470

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2013 to 31 Mar 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	-10,804,802	-11,447,281
2. Depreciation	002	13,671,313	13,219,985
3. Increase of short-term liabilities	003	45,692,665	0
4. Decrease of short-term receivables	004	0	631,918
5. Decrease of inventories	005	12,013	218,310
6. Other increase of cash flow	006	18,000	2,171,192
I. Total increase of cash flow from operating activities (001 through 006)	007	48,589,189	4,794,124
1. Decrease of short-term liabilities	008		7,127,431
2. Increase of short-term receivables	009	6,667,976	0
3. Increase of inventories	010	0	0
4. Other decrease of cash flow	011	1,917,564	28,851,354
II. Total decrease of cash flow from operating activities (008 through 011)	012	8,585,540	35,978,785
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	40,003,649	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	31,184,661
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	8,638,078	437,264
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	8,638,078	437,264
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	8,638,078	437,264
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	31,223,636
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	0	31,223,636
1. Cash expenditure for the payment of loan principal and bonds	031	31,446,441	
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	31,446,441	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	31,223,636
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	31,446,441	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	80,870	398,289
Cash and cash equivalents at the beginning of the period	041	1,372,426	1,747,858
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	80,870	398,289
Cash and cash equivalents at the end of the period	044	1,291,556	1,349,569

CHANGE IN CAPITAL STATEMENT

for the period from 1/1/13 to 3/31/13

Item	EDP	Previous period	Current period
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	-688,761,522	-785,106,794
5. Profit or loss of the current year	005	-10,804,802	-11,447,281
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	-477,011,624	-573,999,375
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	0	0
17 b. Assigned to minority interest	019	0	0

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

Notes to the Financial Statements

According to HANFA's instructions items in balance sheet in the positions of the previous period are as at 31 December 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 is scheduled for 06 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.

Staff

On 31 Mar 2013 the Company employed 202 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 31 Mar 2013 was HRK 7,586727 for EUR 1 and HRK 5,918807 for USD 1.

112. SALES INCOME

	31 Mar 2013	31 Mar 2012
Public voice services	59,502,760	75,485,618
Interconnection services	29,787,568	28,838,746
Internet services	23,698,071	19,108,373
Data services	14,259,129	5,497,846
Multimedia services	5,643,882	3,413,491
Lease and sale of equipment	817,173	1,095,971
Other services	445,755	1,356,798
	134,154,338	134,796,843

113. OTHER OPERATING INCOME

	31 Mar 2013	31 Mar 2012
Write off old trade payables and additional discounts	362,655	1,170,420
Income from collected penalties etc.	88,777	0
Income from rent - billing system	333,175	389,531
Income from in kind payments	90,494	98,439
Other income	495,499	369,246
	1,370,600	2,027,636

119. OTHER MATERIAL COSTS

	31 Mar 2013	31 Mar 2012
Costs of maintenance	2,852,231	4,343,784
Marketing services	448,367	1,288,556
Billing costs	1,610,959	1,976,853
Line lease costs	11,950,270	11,443,901
Intellectual and other services	1,237,695	878,500
Utilities	1,944,113	2,255,488
Customer attraction costs	4,199,374	5,461,855
Pair connection fees	15,539,716	14,905,477
Telecommunications costs	50,937,137	54,063,488
Residential sales services	3,625,000	5,320,050
Other costs	403,399	506,016
	94,748,261	102,443,968

120. STAFF EXPENSES

	31 Mar 2013	31 Mar 2012
Net salaries	5,206,356	4,777,299
Taxes and contributions from salaries	3,086,123	2,877,470
Taxes and contributions on salaries	1,260,623	1,316,802
	9,553,102	8,971,571

Number of employees on 31 Mar 2013	202	177
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Mar 2013	31 Mar 2012
Amortization of intangible assets	1,277,285	1,999,313
Amortization of fixed tangible assets	11,942,700	11,672,000
	13,219,985	13,671,313

125. OTHER OPERATING EXPENSES

	31 Mar 2013	31 Mar 2012
Compensations to employees	406,170	316,231
Representation	199,933	267,712
Insurance premiums	279,099	416,046
Bank charges	632,335	749,794
Taxes, contributions and membership fees	459,444	215,855
Costs of sold and written off assets	128,571	55,356
Gifts and sponsorships	131,550	244,320
Other expenses	556,354	444,798
	2,793,456	2,710,112

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

126. VALUE ADJUSTMENT

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

131. FINANCIAL INCOME

	31 Mar 2013	31 Mar 2012
Interest income from related companies	69,365	77,057
Interest income	1,569,080	1,262,002
Foreign exchange gains	100,923	2,292,539
	1,739,368	3,631,598

137. FINANCIAL EXPENSES

	31 Mar 2013	31 Mar 2012
Interest expenses	22,161,486	18,895,948
Fee	134,688	210,605
Foreign exchange losses	3,302,452	0
	25,598,626	19,106,553

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 2013	8,187,690	80,544,157	0	88,731,847
Additions			213,625	213,625
Transfer from assets in progress		213,625	-213,625	0
Disposals and retirements				0
As at 31 Mar 2013	8,187,690	80,757,782	0	88,945,472
VALUE ADJUSTMENT				
As at 01 Jan 2013	1,930,474	65,932,602	0	67,863,076
Amortization of the current year	68,163	1,209,122		1,277,285
Disposals and retirements				0
Amortization as at 31 Mar 2013	1,998,637	67,141,724	0	69,140,361
NET ACCOUNTING VALUE				
As at 31 Mar 2013	6,189,053	13,616,058	0	19,805,111

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 2013	23,269	18,100,210	578,301,900	5,005,380	46,822	9,087,578	4,444,741	615,009,900
Additions			2,237,869			3,994,643	12,453	6,244,965
Transfer from assets in progress			8,100,425			-8,119,100	18,675	0
Disposals and retirements			-7,776,868					-7,776,868
As at 31 Mar 2013	23,269	18,100,210	580,863,326	5,005,380	46,822	4,963,121	4,475,869	613,477,997
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	3,065,446	242,655,872	4,084,031	0	0	3,751,746	253,557,095
Amortization of the current year		113,126	11,698,618	58,737			72,219	11,942,700
Disposals and retirements			-1,755,542					-1,755,542
Amortization as at 31 Mar 2013	0	3,178,572	252,598,948	4,142,768	0	0	3,823,965	263,744,253
NET ACCOUNTING VALUE								
As at 31 Mar 2013	23,269	14,921,638	328,264,378	862,612	46,822	4,963,121	651,904	349,733,744

020. LONG-TERM FINANCIAL ASSETS

	31 Mar 2013
Loans to majority shareholder	5,383,530
Loans to third party companies	36,366,625
Long term deposits	3,512,318
	45,262,473
Value adjustment	-41,750,155
	3,512,318
Loans to related companies	5,560,949
Loans and deposits	9,073,267
Shares in related companies	19,302,760
Participating interests (shares)	35,000
	28,411,027

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 23 February 2015, respectively, as well as one deposit with BKS bank, coming due on 31 December 2013.

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

Movement of value adjustment of long term assets

	31 Mar 2013
1 January 2013	40,633,325
Write off during the year	0
Reserved during the year	1,116,830
Closing balance	41,750,155

021. SHARES IN RELATED COMPANIES

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

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

In August 2008, the Parent Company increased the share capital of Optima Direct d.o.o. by HRK 15.888 i.e. entering claims for loans and accrued interest into equity.

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

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

Investments in affiliated companies as on 31 Mar 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.

043. RECEIVABLES

	31 Mar 2013
Trade receivables	78,843,534
Employee receivables	39,925
Receivables from the state and other institutions	149,509
Other receivables	1,172,306
	80,205,274

045. TRADE RECEIVABLES

	31 Mar 2013
Domestic trade receivables	94,218,321
Foreign trade receivables	11,858,142
Interests receivables	3,755
	106,080,218
Value adjustment	-27,236,684
	78,843,534

Movement of value adjustment for doubtful receivables:

	31 Mar 2013
1 January 2013	26,592,556
Write off during the year	0
Collected during the year	-308,232
Reserved during the year	952,360
Closing balance	27,236,684

Aging of trade receivables of the Company without interests receivables:

	31 Mar 2013
Undue	52,473,682
Up to 120 days	21,058,879
120-360 days	6,999,038
over 360 days	25,544,864
	106,076,463

049. OTHER RECEIVABLES

	31 Mar 2013
Interest receivables	435,242
Advance payments receivables	736,979
Other receivables	85
	1,172,306

058. CASH IN BANK AND REGISTER

	31 Mar 2013
Kuna accounts balance	1,315,743
Foreign currency accounts balance	21,872
Cash in register	11,954
	1,349,569

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Mar 2013
Differed customer related expenses	31,507,425
Bond issuing expenses	717,970
Prepaid expenses	15,849,175
	48,074,570

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 that way, the total number of shares has been increased to 2.820.070. By subscribing the new shares, the Company realized capital gain of HRK 194.354 thousand representing the difference between the nominal value and the price determined on the initial public offering.

At 31 Mar 2013, loss per share is as follows:

Net result - loss	11,447,281
Number of shares	2,820,070
Loss per share	4.06

In the same period last year, loss per share amounted to HRK 3,83

In the period from January to March 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 31 Mar 2013:

Shareholders	u 000 HRK	%
MARTIĆ 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
RAIFFEISENBANK AUSTRIA D.D./R5	824	2.92
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2.72
RAIFFEISENBANK AUSTRIA D.D./RBA	663	2.35
ZAGREBAČKA BANKA D.D. (1/1)	428	1.52
ŽUVANIĆ ROLAND (1/1)	303	1.07
JOVIČIĆ GORAN (1/1)	202	0.72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE BANKE	144	0.51
	6,320	22.41
SMALL SHAREHOLDERS	3,285	11.65
	28,201	100.00

093. SHORT-TERM LIABILITIES

31 Mar 2013

Loan based liabilities	11,284,232
Liabilities towards credit institutions	523,096,243
Interest liabilities	51,810,495
Liabilities for bonds issued	275,482,188
Liabilities toward related companies	1,191,562
Liabilities for advances received	6,097,561
Trade payables	168,164,180
Liabilities towards employees	1,814,648
Taxes, contributions and other levies	14,164,763
Other liabilities	358,155
	1,053,464,027

Commencing pre-bankruptcy procedure all the long term liabilities toward Zagrebačka banka have matured and classified in short term liabilities.

098. LIABILITIES TOWARDS SUPPLIERS

31 Mar 2013

Domestic trade payables	166,573,527
Foreign trade payables	1,590,653
	168,164,180

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 Mar 2013
Nominal value	250,000,000
Compensations for issuance of bonds	-1,095,937
Liabilities based on calvulated interest	26,578,125
	<u>275,482,188</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Mar 2013
VAT Liabilities	11,973,822
Taxes and contributions on and from salaries	1,429,575
Other taxes and contributions	761,366
	<u>14,164,763</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Mar 2013
Domestic payables for which invoices have not been received	12,379,552
Foreign payables for which invoices have not been received	7,562,199
Deferred income	13,250,000
Deferred Income due to uncertainty	3,334,686
	<u>36,526,437</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	
	31 Mar 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	595,259	577,747	-21,286	-23,022
USD	1,367	2,641	0	0
CHF				
GPB				
	<u>596,626</u>	<u>580,388</u>	<u>-21,286</u>	<u>-23,022</u>

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	
	31 Mar 2013 in 000 HRK	31 Mar 2012 in 000 HRK	31 Mar 2013 in 000 HRK	31 Mar 2012 in 000 HRK
EUR	59,526	57,775	-2,129	-2,302
USD	137	264	0	0
CHF				
GPB				
	59,663	58,039	-2,129	-2,302

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 343,08 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 Mar 2013				
Non-interest bearing liabilities	177,626			177,626
Interest bearing liabilities	592,834	279,680	1,811	874,325
	770,460	279,680	1,811	1,051,951
31 Mar 2012				
Non-interest bearing liabilities	166,580			166,580
Interest bearing liabilities	102,920	756,413	2,152	861,485
	269,500	756,413	2,152	1,028,065

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 168.164 thousand for the period from January to March 2013 (HRK 182.265 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
31 Mar 2013				
Non-interest bearing liabilities	81,405			81,405
Interest bearing liabilities	640	9,022		9,662
	82,045	9,022	0	91,067
31 Mar 2012				
Non-interest bearing liabilities	91,275			91,275
Interest bearing liabilities	5,702	37,044	4,972	47,718
	96,977	37,044	4,972	138,993

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

