

**OT - Optima Telekom d.d.**  
**Audited consolidated**  
**annual financial report**  
**for 2013**

About Optima Telekom	3
Optima Telekom regions and centers	4
Main features of the group	6
Matija Martić, Chairman of the Board of Directors	7
Trends in the Croatian economy	8
Consolidated revenue from telecommunications services and corporate segments	9
Residential user segment	10
Corporate segment	11
Wholesale	11
Earnings before interest, taxation and depreciation – EBITDA	12
Earnings before taxation - EBT	12
Capital investments in 2013	13
Infrastructural development	14
Optical network	16
Affiliated entities	17
Regulatory environment	18
Corporate governance	19
Corporate Governance Code Compliance Statement	20
Statement of the Persons in Charge of Financial Statements	22
Consolidated financial Statements as of 31 December 2013	23

## About Optima Telekom

OT – Optima Telekom d.d (hereinafter: Optima) is the first and largest alternative landline service provider in Croatia, as well as the second landline telecommunications carrier in the Croatian market. In its ninth year of commercial activity, Optima is present in the Croatian market with a full range of telecommunications services. The current market potential of over six hundred thousand connections is inter-connected by over 2,800 km of own optical network.

Optima's corporate culture supports innovativeness, loyalty, learning, pushing forward and the desire for victory in each employee, which is entirely recognized by over **218,000** of our loyal users.

Due to overindebtedness, lack of liquidity and insolvency, in the period prior to publication of this report, acting in accordance with the Financial Operations and Pre-bankruptcy Settlement Act (Official Gazette no. 108/2012 and 11/2012), OT – Optima Telekom d.d. (hereinafter: Optima) initiated 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 hearing for voting on the Financial and Operative Restructuring took place on 5 November 2013 where the plan was adopted by a majority of 94.06% of all creditors. 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](http://www.fina.hr). The company is informing the public on the course of the procedure timely and transparently and in line with the regulations in the field of capital markets.

- Supervisory Board: Nada Martić – president, Ivan Martić – member and vice president, Zrinka Vuković Berić – member, Duško Grabovac – member
- Board of Directors: Matija Martić – chairman, Goran Jovičić – member, Jadranka Suručić – member
- Business account: 2360000-1101848050 with Zagrebačka banka d.d.
- Commercial Court of Zagreb
- OIB: 36004425025
- MBS: 040035070
- MB: 0820431
- Share capital amount: HRK 28,200,700.00
- Number of shares: 2,820,070, HRK 10,00 nominal value each

## Optima Telekom regions and centers

### HEADQUARTERS – COMPANY

#### MANAGEMENT

OT-Optima Telekom d.d.

Bani 75a, Buzin

10 000 Zagreb, Croatia

Phone +385 1 54 92 699

Fax +385 1 54 92 019

### OT Center

7. domobranske pukovnije 1/3, Zadar

Phone +385 23 492 860

Ivana Matijaševića 14, Dubrovnik

Phone +385 20 220 640

### REGION WEST

OT-Optima Telekom d.d.

Andrije Kačića Miošića 13

51 000 Rijeka, Croatia

Phone +385 51 492 799

Fax +385 51 492 709

#### OT Center

Phone +385 51 554 651

### REGION EAST

OT-Optima Telekom d.d.

Županijska 21/I

31 000 Osijek, Croatia

Phone +385 31 492 999

Fax +385 31 210 459

### REGION NORTH

OT-Optima Telekom d.d.

Bani 75a, Buzin

10 000 Zagreb, Croatia

Phone +385 1 54 92 301

Fax +385 1 54 92 309

### REGION SOUTH

OT-Optima Telekom d.d.

Trg Hrvatske bratske zajednice 8/II

21 000 Split, Croatia

Phone +385 21 492 899

Fax +385 21 492 829

Alongside OT- OPTIMA TELEKOM  
d.d., in 2012 the following members  
are a part of the Group:

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

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

Optima telekom za upravljanje  
nekretninama i savjetovanje d.o.o –  
ACTIVITIES SUSPENDED  
Kuzminečka 8, Zagreb  
10 000 Zagreb  
Croatia

## Main features of the group

- The consolidated EBITDA of the core business is higher by HRK **74.7** million compared to 2012 and amounts to HRK **101.5** million.
- The consolidated EBT is better by HRK **71,2** million compared to the results of 2012 and amounts to HRK **-33.4** million..
- As a consequence of Croatia's accession to the EU, as well as the decrease of interconnection prices and the continued decrease in public voice service, Optima's overall consolidated revenue decreased by **8.5%** compared to 2012.
- The number of collocations increased by **2.2%**, which lead to a total number of **282** collocations at the end of 2013.
- Decreased number of potentially available connections through own infrastructure by **3.4%** (from **661,362** connections to **638,709**) representing **46%** of the active landline connections market.

	2012	2013	2013 / 2012
<b>Total revenue</b>	569.079	520.811	[8,5%]
<b>EBITDA</b>	26.768	101.510	279,2%
<b>EBT</b>	[104.607]	[33.438]	[68,0%]

	30.09.2012	31.12.2013 / 30.09.2012	31.12.2012	31.12.2013 / 31.12.2012	31.09.2013	31.12.2013 / 30.09.2013	31.12.2013
<b>Total number of OT users</b>							
Number of voice channels	243.690	-10,3%	229.550	-4,8%	223.885	-2,4%	218.482
Number of users in own LLU network	117.732	-4,1%	115.110	-1,9%	114.423	-1,3%	112.896
Number of OptiDSL users in own LLU network	76.143	1,1%	74.660	3,1%	77.288	-0,4%	76.968
Number of OptiTV users in own LLU network	21.050	21,1%	21.800	17,0%	25.200	1,2%	25.500
<b>Number of collocations installed</b>	276	2,2%	276	2,2%	282	0,0%	282
North	92	2,2%	92	2,2%	94	0,0%	94
West	46	4,3%	46	4,3%	48	0,0%	48
East	55	0,0%	55	0,0%	55	0,0%	55
South	83	2,4%	83	2,4%	85	0,0%	85

## **Matija Martić, Chairman of the Board of Directors**

---

After the conclusion of yet another business period, I would like to express my satisfaction with the results achieved. In spite of the ongoing pre-bankruptcy settlement procedure, Optima has continued stable business operations in 2013 as well, which is particularly demonstrated by the significant decrease of losses and realization of revenue within the planned framework. The restructuring that started in line with the Financial and Operative Restructuring Plan made it possible for us to consolidate and reorganize our business, as well as to start up new projects, which gave us new momentum for further market achievements.

Our expectations for 2014 also remain positive, primarily thanks to our creditors that have supported us in the pre-bankruptcy settlement procedures, the users that gave us their trust, but also the efforts made by the employees and strategic thinking by the management. We are convinced that the continuing positive business trends and the successful completion of the pre-bankruptcy settlement procedure will lead to stable business activity in the following period as well, much to the satisfaction of our users, partners and shareholders.

## Trends in the Croatian economy

According to preliminary estimates of the Central Bureau of Statistics, in the fourth quarter of last year GDP is on an annual basis in real terms decreased by 1.2%. Such relatively high fall was expected after some smaller falls in the second and third quarter to which movement had a positive impact good tourist season. With this realization in the last quarter the fall in real GDP for the full year was 1.0%, which represented a slowdown in the fall compared to the previous year (-1.9%).

In January, the annual inflation (0.1 %) to step up to deflation - the lowest annual increase in the general level of consumer prices since the beginning of 1995th year . The abatement on the dynamics of growth of consumer prices in recent months is the most individually from the fall in food prices.

Over the past year continued negative developments on the labor market in the context of the continued increase in unemployment while reducing employment. The average registered unemployment rate for 2013th amounted to 20.3%, as compared to 2012th an increase of 1.4 percentage points , while in relation to the pre-crisis 2008th unemployment increased by 7.1 percentage points (or 108,371 people). At the end of the year the government increased the minimum wage by 1%, a modest increase is a result of prolonged recession in the economy. In December the average net wage was HRK 5,556, which is on an annual basis the nominal increase of 1.3%.

In December last year were recorded less exchange rate fluctuations driven by increased supply of foreign exchange from the banking sector and increased demand in all sectors , but the exchange rate at the end of the month was almost the same as at its beginning , that is , it was only 0.1% less.

Downward trend value of uncommitted basis for payment is slowing, along with simultaneous high number of new account overdrawal. Since the Act on financial performance and pre-bankruptcy agreement has been starting using (October 1, 2012) until 31 January 2014, 5,979 cases were reported in pre-bankruptcy agreement in the amount of reported liabilities of 53.7 billion. Of these, 19.5% of cases received financial restructuring plan, and only for quarter (valued at 13.6 billion) concluded a settlement. It follows that for about 3.5 thousand cases (with about 12.7 billion reported liabilities) rejected a proposal to open pre-bankruptcy agreement or terminating the proceedings.



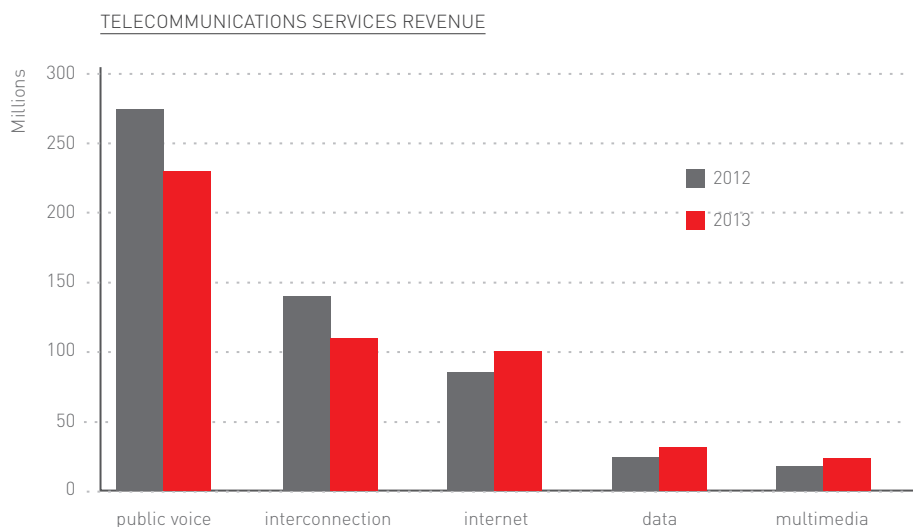
## Consolidated revenue from telecommunications services and corporate segments

The consolidated revenue from telecommunications services in 2013 reflect the image of unfavorable market trends caused by growing unemployment and the decrease of business activity, and is directly linked with the business activity pertaining to target market groups where OT is accruing revenue. At the same time, regulatory changes lead to the decrease of interconnection unit prices, which in turn lead to decreased interconnection revenue.

In 2013, Optima has recorded an **8.5%** decrease in consolidated telecommunications revenue to HRK **497.2** million.

The **16.3%** revenue decrease has been recorded in the voice service segment, which amount to HRK **229.8** million at the end of 2013.

At the same time, the revenue from other non-voice services are showing a **22.4%** increase, to the amount of HRK **157.1** million. The biggest increase of **37.5%** was recorded in the multimedia services revenue, then **31.1%** in data services revenue and **16.8%** in Internet service.



## Residential user segment

Due to regulatory changes in 2013, the user base increase in landline networks is mostly based on wholesale services, which ensured market expansion beyond the reach of own network (ULL).

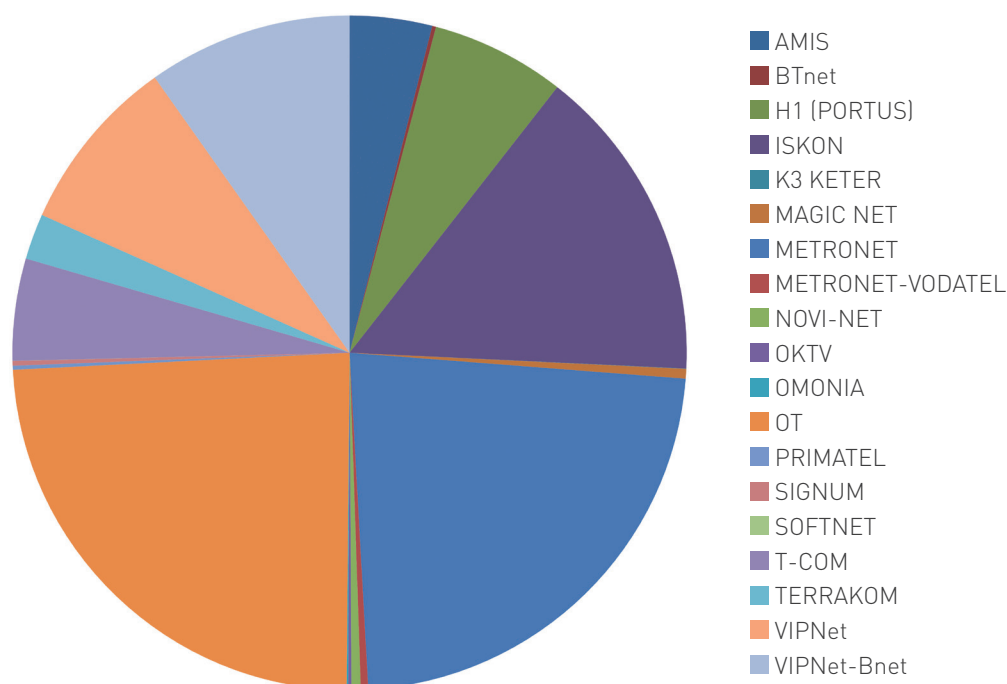
Results of these changes can be tracked through the increase in revenue and the number of users based on wholesale services.

The number of landline users has recorded an increase at the end of 2013 in the following segments:

- Broadband Internet access, by **7.8%**
- Digital television (IPTV), by **17.0%**

Based on data available to the public concerning carrier-to-carrier migration (CADB) of the Croatian Post and Electronic Communications Agency (HAKOM), that records the status of each transaction during the carrier-to-carrier migration process on a daily basis, and contains the data necessary to route the call towards the migrated number, it is evident that Optima is by far the most successful landline telecommunications services provider when it comes to carrier-to-carrier migration.

PORTING STRUCTURE IN THE CROATIAN MARKET



Source: HAKOM

## Corporate segment

The unfavorable market trends had a strong impact on the revenue in the corporate segment. Despite the particularly unfavorable trends and activities by the competition, revenue faced only a slight decrease of **1.5%**.

The greatest impact on revenue decrease in the corporate segment pertains to revenue from the middle market segment, while the revenue from large corporate users showed an increase.

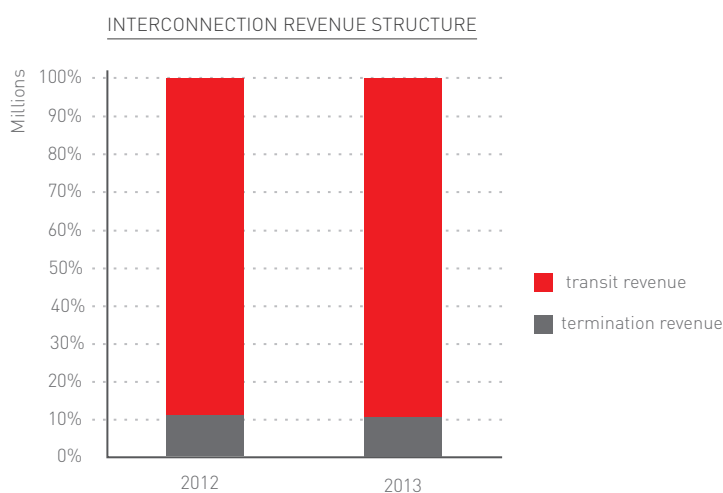
In 2013, Optima telekom participated in over 60 public tenders, bidding to provide telecommunications services.

## Wholesale

Optima is interconnected with 28 international operators, 3 national mobile network operators, and 20 national fixed network operators.

Interconnection revenues in 2013 have reached **110,3** mil kn, which is **21,7%** decrease compared to 2012. Revenue decrease in 2013 is mostly due to regulatory decrease of termination prices to mobile networks, which has at the same time, caused significant decrease (26,3%) of the total interconnection costs. Total number of transit minutes through Optima Telekom network has increased by 2,9%.

In the data wholesale segment, the revenues in 2013 have increased by 33,8%, mostly due to increased cooperation with several customers and successful realization of infrastructure projects.



Source: Optima business records

## Earnings before interest, taxation and depreciation – EBITDA

In 2013, the consolidated EBITDA of the core business improved by HRK **74,7** million compared to 2012 and amounts to HRK **101.5** million.

EBITDA result improvement is based on restructuring commenced according to the financial and operative restructuring plan in the pre-bankruptcy settlement procedure.

## Earnings before taxation - EBT

The achieved consolidated EBT in 2013 amounts to HRK **-33.4** million, which is a better result by **68,0%** compared to 2012.

Given that depreciation is strictly an accounting category, amounting to HRK 73,7 million, we can say that a positive cash flow has been achieved during the course of business in 2013.

## Capital investments in 2013

Consolidated capital investments amounted to HRK 86.5 million in 2013, out of which HRK **16.0** million was invested in the development of the access optical network, collocations network expansion, user equipment for IPTV, as well as the corporate users' connection equipment. HRK 10.4 have been invested into the core network, which were mostly used to further expand the core network to the 10G technology, while HRK 55.9 million have been invested into the telecommunications center, mostly for providing IPTV service.

	2013 (kn)	udio %
<b>General investments</b>	<b>4.231.222</b>	<b>5%</b>
<b>Capital technical investments</b>	<b>82.242.178</b>	<b>95%</b>
Access network	15.963.393	18%
Core network	10.418.567	12%
Telecommunications center	55.860.218	65%
<b>TOTAL</b>	<b>86.473.400</b>	<b>100%</b>

## Infrastructural development

---

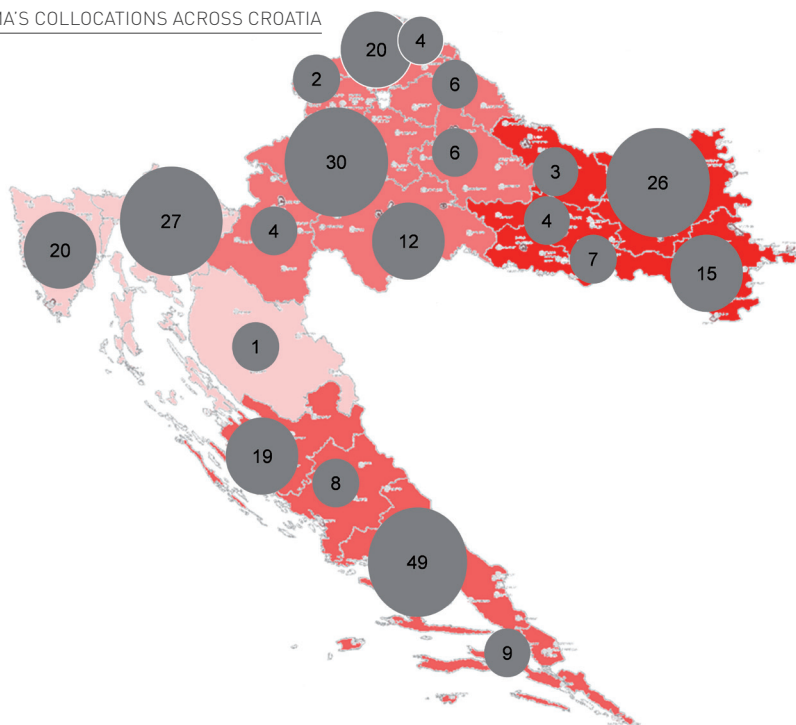
In accordance with the own infrastructure development plan for 2013, collocations have been erected in Zagreb (Bogdani), Samobor (Samobor Istok), Šibenik (Šubićevac), Pula (Stoja2), Trogir (Čiovo) and Rijeka (Strmica), where the local loop length is decreasing, thus increasing the quality of broadband internet access. In the first half year period, the optimization of nodes has been carried out, primarily by way of decreasing the number of nodes leased from Croatian Railroads, which lead to a significant decrease of costs.

The total number of active collocations by the end of the third quarter is **282**.

In the years to come, the development strategy puts emphasis on a strong expansion of the local optical network, intended to provide access to users throughout Croatia. In the same vein, the erection of new collocations is planned, as well as expanding the existing collocations enabling the admission of new users.

COUNTY	REGION	PAIR CABLING TOTAL	PAIR CABLING WITHIN REACH
SPLITSKO-DALMATINSKA	SOUTH	134532	75605
ISTARSKA	WEST	83186	46411
ZADARSKA	SOUTH	57677	31507
CITY OF ZAGREB	NORTH	273123	147655
OSJEČKO-BARANJSKA	EAST	90513	48497
ŠIBENSKO-KNINSKA	SOUTH	39848	20210
PRIMORSKO-GORANSKA	WEST	122230	60174
SISAČKO-MOSLAVAČKA	NORTH	53838	25542
VARAŽDINSKA	NORTH	50057	23642
DUBROVAČKO-NERETVANSKA	SOUTH	46523	21065
ZAGREBAČKA	NORTH	101105	40375
BELOVARSKO-BILOGORSKA	NORTH	35292	13082
VUKOVARSKO-SRIJEMSKA	EAST	52824	18512
BRODSKO-POSavska	EAST	44192	15270
KOPRIVNIČKO-KRIŽEVAČKA	NORTH	32374	10963
KARLOVAČKA	NORTH	42198	14012
POŽEŠKO-SLAVONSKA	EAST	22276	6114
VIROVITIČKO-PODRAVSka	EAST	25035	6371
MEDIMURSKA	NORTH	30941	5158
LIČKO-SENJSKA	WEST	19141	2877
KRAPINSKO-ZAGORSKA	NORTH	39699	5667
<b>TOTAL</b>		<b>1,396,604</b>	<b>638,709</b>

OPTIMA'S COLLOCATIONS ACROSS CROATIA



## Optical network

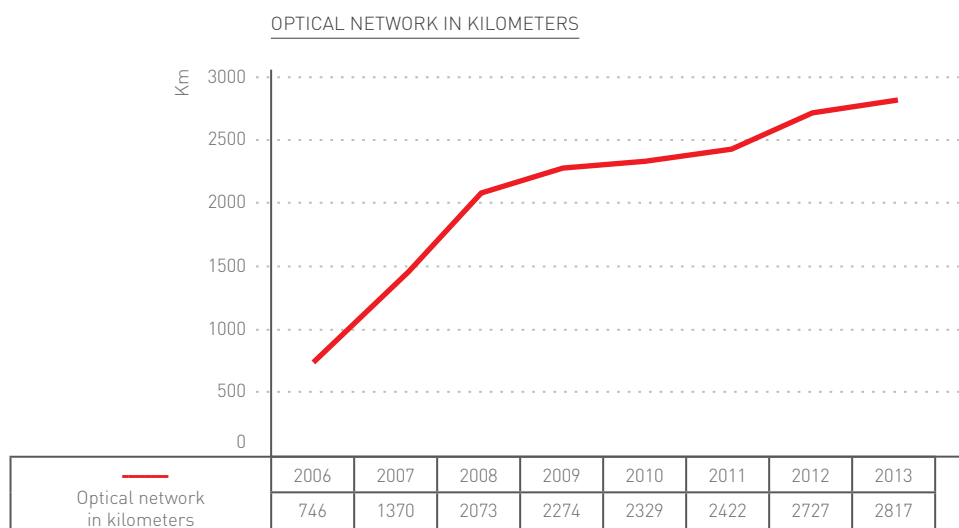
Along with the erection of new collocations, infrastructural development necessarily requires the construction of own optical network. During the third quarter of 2013, the optical network construction mainly consisted of regular construction of optical feeds to our end users. Here we can point out the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

The overall length of constructed optical feeds and sections is 70.7% shorter compared to the same period in 2012 (89.7 km in 2013 compared to 307.7 km in 2012), considering there was no significant construction of optical sections, particularly inter-city sections, but such construction is anticipated in 2014.

In numbers, we are talking about **89.7** km of new optical network, or **258** new feeds. Comparing overall lengths, this is a **3.19 %** expansion of the optical network compared to the construction level established at the end of 2013 (**2,817** km compared to the **2,727** km constructed by the end of 2013).

The overall length of constructed optical feeds and sections is shorter compared to the same period of 2013 considering that there was no significant construction of optical sections in this period, primarily city access sections and inter-city sections. The largest quantity of feeds and sections was constructed in Region North (40.4 km), followed by Region West (19.9 km), Region South (19.2) and Region East (10.2 km).

In the final quarter of 2013, **28.1** km of new optical network has been constructed, meaning **104** new feeds. Comparing overall lengths, this is a **1 %** expansion of the optical network compared to the construction level established at the end of the third quarter of 2013 (**2,817** km compared to the **2,789** km constructed by the end of the third quarter of 2013). The largest quantity of feeds and sections was constructed in Region North (13.9 km), followed by Region West (5.5 km), Region South (4.8) and Region East (3.9 km).





## Affiliated entities

**Optima Direct d.o.o., Optima telekom d.o.o., Koper and Optima telekom za upravljanje nekretninama i savjetovanje d.o.o., with suspended business activities also form part of the Group. All three companies are wholly owned by Optima.**

Within its scope of business, Optima Direct handles important business functions for Optima's residential segment. These functions pertain to customer care processes, residential (field) sales, as well as services to third parties.

Customer care entails the operation of the contact center organized at two separate locations in Zagreb and Osijek. Apart from the usual contact center functions, the employees of Optima Direct handle the backoffice duties for Optima as well. **The EN 15838 standard is a new European standard setting requirements for contact center services, and Optima Telekom's contact center is the first in the region to comply with the requirements posed by this standard. The certification audit of Optima's contact center has been carried out by SGS Group, the world's leading company for inspection, verification, testing and certification.**

Residential sales is one of the main features of Optima Direct's business having a direct positive effect on the business results of Optima. By developing this segment in particular, we have ensured a continuous intake of new contracts and decreased the dependency on the somewhat unreliable market of indirect partners.

It should be emphasized that Optima direct continues to work on the development of processes and applications useful not only to Optima, but to other business partners of Optima Direct as well. Highly skilled and trained employees of Optima Direct guarantee the quality of the all-inclusive contact center service in the Croatian market. One of the main reasons to migrate a part of the employees into the subsidiary is the development of BPO<sup>1</sup>, which has been recognized as a potential model of expanding the company's business and cost optimization at Group level. In this vein, Contact center (infodesk, help desk), Telemarketing, Telesales, Direct mailing, Door2Door sales services are offered to a wider market.

In the first quarter of 2013 Optima Direct has changed its Board of Directors, and Damir Cincar, who previously held the position of consultant for the Board of Directors at Optima Telekom, has been appointed as the sole Director.

<sup>1</sup> BPO- Business process outsourcing-the growing trend of transferring business functions to external service providers in order to decrease business costs.

## Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) continued to regulate the electronic communications market in this reporting period as well. In doing so, in line with its own cost model, HAKOM completed the procedure of determining the monthly charge for unbundled access to the local copper loop by setting the maximum charge for HT in the amount of HRK 57.30 a month, where the stated monthly charge may not lead to a margin squeeze at retail level.

Based on the cost model, HAKOM also calculated the prices of call termination and origination in fixed networks. The application of the cost oriented price for call termination determined pursuant to the “LRIC pure” method has been postponed until 01.01.2015 due to HT having to bear maintenance costs for the PSTN and NGN networks at the same time. Until then, the existing prices of call termination into HT network will decrease in linear progression every six months. As for the call origination price, the same is determined through the application of the „LRAIC+“ method, according to which, apart from the traffic realized through one service, other costs are considered (joint network costs, combined network and general costs) and in order for HT to be able to recover these costs, HAKOM has increased the price of call origination, but postponed its application for the very same reason as for the termination price, until 01.01.2015. with the existing price to decrease in linear progression every six months.

Being the competent regulatory body, it is evident that HAKOM greatly influenced the electronic communications market in 2013.

During regular market analyses, HAKOM has rendered final decisions in the call origination and termination in fixed networks market, call termination in a specific mobile network market, wholesale access to network infrastructure at a fixed location market and the wholesale broadband access market, and after the second round of market analyses, regulatory obligations for all carriers with significant market strength were kept in force. For the first time, market regulation has been alleviated in order to support investment into the construction of optical network in areas with little commercial interest for access network investments, so HAKOM alleviated regulatory obligations imposed on HT in the retail broadband Internet access market in territories of little commercial interest (the so-called regulated area type 2) with a simultaneous abolition of HT's obligation to replicate promotional offers for services based on FTTH technology at wholesale level. At the same time, HAKOM prolonged the payment deadlines for invoices issued by foreign carriers possessing significant market strength for the use of regulated wholesale services, from 30 to 60 days, starting from the date of receipt of

the invoice. Additionally, quotas were introduced for the first time allowing HT to realize the wholesale service to the user carrier beyond the proscribed deadline, so that HT is obliged to realize the average daily request quota + 20% within the proscribed deadline, and the remainder within an additional time frame. Furthermore, HT is not allowed to charge any monthly charges based on the access of user carriers through their own access lines to the HT access point, and the method of calculating delay charges in the realization of wholesale services has been modified.

By virtue of HAKOM's decision, new prices have been set for the wholesale broadband access based on ADSL/VDSL technologies, as well as for additional virtual channels for the VoIP and IPTV service and monitoring user equipment through ADSL/VDSL access.

In the reporting period to come, a significant impact on the company's business is anticipated, through the improvement of terms of using wholesale broadband access services and unbundled local loop.

As for the relevant legislation, emphasis should be put on the amendments of the Electronic Communications Act in the part determining the application of significantly lower prices of roaming communication services, while certain provisions of the Act have entered into force upon accession to the EU, making the regulatory framework additionally aligned with the *acquis*. As for legislation in other fields of law having a direct impact on the company's business, in this reporting period the Financial Operations and Pre-bankruptcy Settlement Act and the Public Procurement Act have been amended. By virtue of the amendments to the Public Procurement Act, tenderers undergoing pre-bankruptcy settlement have been allowed to participate and not be excluded, provided they settled their tax and other proscribed liabilities incurred after the opening of the pre-bankruptcy settlement procedure because the very purpose of the act regulating the pre-bankruptcy settlement procedure is to "heal" the economic operator. At the same time, the threshold for procurement falling within the scope of the Public Procurement Act has been elevated, up to HRK 200,000.00 for services, which will influence the company's business in subsequent periods.

## **Corporate governance**

---

There were no changes in the company's governing bodies.

## Corporate Governance Code Compliance Statement

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

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

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

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

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

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

Activities in which the members of the Supervisory Board or their related entities and companies have been involved are not listed in the Company's reports as there was not such a activities in 2013.

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

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

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

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

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

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

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

## Statement of the Persons in Charge of Financial Statements

In accordance with Article 430 of the Capital Market Act, the members of the Board of Directors, Mr. Matija Martić as the CEO, Mr. Goran Jovičić, as a member of the Board and Ms. Jadranka Suručić, as a member of the Board, jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable standards of financial reporting and that they contain overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the companies included in consolidation.

(signatures of Board members)



Matija Martić      Goran Jovičić      Jadranka Suručić

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

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

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

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

**Optima Telekom d.d.  
and subsidiaries**

**Consolidated financial Statements  
as of 31 December 2013**

**Enclosure 1**

Reporting period:

1.1.2013

to

31.12.2013

**Annual Financial Report for Entrepreneurs GFI-POD**Tax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75 A**e-mail address: [info@optima.hr](mailto:info@optima.hr)Internet address: [www.optima.hr](http://www.optima.hr)and name for municipality/city: **133**

Code and name for county

**21**

Number of employees

**424**

(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****KUZMINEČKA 8, ZAGREB****21017859228**

Book-keeping firm

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone: **01/5492027**Telefaks: **01/4817160**e-mail address: [svetlana.kundovic@optima-telekom.hr](mailto:svetlana.kundovic@optima-telekom.hr)


Surname and name

**Matija Martić, Jadranka Suručić**

(osoba ovlaštene za zastupanje)

Documents for publication

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

Optima Telekom d.d.  
ZAGREB  
(signature of authorized person)



**PROFIT AND LOSS ACCOUNT**  
for the period from 01 Jan 2013 to 31 Dec 2013

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	5
<b>I. OPERATING INCOME (112+113)</b>	<b>111</b>	561.971.034	512.285.740
1. Sales income	112	551.441.429	504.592.289
2. Other operating income	113	10.529.605	7.693.451
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	591.185.221	484.473.117
1. Changes in the value of inventories of ongoing production and finished goods	115	0	0
2. MATERIAL COSTS (117 do 119)	116	414.630.756	338.587.774
a) Costs of raw material and supplies	117	2.896.325	2.344.590
b) Costs of goods sold	118	661.278	1.939.087
c) Other external costs	119	411.073.153	334.304.097
3. Staff costs (121 do 123)	120	51.601.871	52.643.564
a) Net salaries and wages	121	28.912.076	29.796.286
b) Expenses of taxes and contributions from salaries	122	15.628.208	15.907.471
c) Contributions to salaries	123	7.061.587	6.939.807
4. Amortization	124	55.982.253	73.697.493
5. Other costs	125	12.053.545	13.780.981
6. Value adjustment (127+128)	126	54.616.626	3.286.006
a) fixed assets (apart from financial assets)	127	49.033.883	0
b) current assets (apart from financial assets)	128	5.582.743	3.286.006
7. Provisions	129	2.300.170	2.477.299
8. Other operating expenses	130	0	0
<b>III. FINANCIAL INCOME (132 through 136)</b>	<b>131</b>	7.108.279	8.524.893
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	7.108.279	8.524.893
3. Income from affiliated undertakings and participating interests	134	0	0
4. Unrealized income of the financial assets	135	0	0
5. Other financial income	136	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	82.501.184	59.411.108
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	138	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	139	82.501.184	59.411.108
3. Unrealized losses (expenses) of the financial assets	140	0	0
4. Other financial expenses	141	0	0
<b>V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS</b>	<b>142</b>	0	0
<b>VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS</b>	<b>143</b>	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	10.119.348
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	569.079.313	520.810.633
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	673.686.405	554.003.573
<b>XI. PROFIT / LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-104.607.092	-33.192.940
1. Profit before taxation (146-147)	149	0	0
2. Loss before taxation (147-146)	150	104.607.092	33.192.940
<b>XII. PROFIT TAX</b>	<b>151</b>	285.427	244.779
<b>XIII. PROFIT / LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-104.892.519	-33.437.719
1. Profit for the period (149-151)	153	0	0
2. Loss for the period (151-148)	154	104.892.519	33.437.719
<b>ANEX TO P&amp;L (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD</b>			
1. Assigned to the holders of parent company's capital	155	-104.892.519	-33.437.719
2. Assigned to minority interest	156	0	0
<b>OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)</b>			
<b>I. PROFIT / LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-104.892.519	-33.437.719
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	0	0
1. Exchange differences on translating foreign operations	159	0	0
2. Changes in revaluation 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
<b>III. COMPREHENSIVE INCOME TAX</b>	<b>166</b>	0	0
<b>IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	0	0
<b>V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-104.892.519	-33.437.719
<b>ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)</b>			
<b>VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD</b>			
1. Assigned to the holders of parent company's capital	169	-104.892.519	-33.437.719
2. Assigned to minority interest	170	0	0

# BALANCE SHEET

on 31 Dec 2013

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	0	0
<b>B) FIXED ASSETS (003+010+020+029+033)</b>	<b>002</b>	397.633.543	408.704.652
I. INTANGIBLE ASSETS (004 through 009)	<b>003</b>	20.876.030	51.431.879
1. Development expenses	<b>004</b>	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	<b>005</b>	20.876.030	51.431.879
3. Goodwill	<b>006</b>	0	0
4. Advances for procurement of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	0	0
6. Other intangible assets	<b>009</b>	0	0
II. TANGIBLE ASSETS (011 through 019)	<b>010</b>	373.193.013	353.717.714
1. Land	<b>011</b>	23.269	23.269
2. Building objects	<b>012</b>	21.478.201	20.671.141
3. Facilities and equipment	<b>013</b>	340.766.940	321.907.832
4. Tools, production inventory and transport assets	<b>014</b>	1.052.514	1.660.667
5. Biological assets	<b>015</b>	0	0
6. Advances for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>	9.087.578	8.640.361
8. Other tangible assets	<b>018</b>	46.822	46.822
9. Real estate investments	<b>019</b>	737.689	767.622
III. FIXED FINANCIAL ASSETS (021 through 028)	<b>020</b>	3.564.500	3.555.059
1. Shares (stock) in affiliated entrepreneurs	<b>021</b>	0	0
2. Loans granted to affiliated entrepreneurs	<b>022</b>	0	0
3. Participating interests (shares)	<b>023</b>	35.000	35.000
4. Loans given to entrepreneurs with participating interests	<b>024</b>	0	0
5. Securities investments	<b>025</b>	0	0
6. Granted loans, deposits and such	<b>026</b>	3.529.500	3.520.059
7. Own stocks and shares	<b>027</b>	0	0
8. Other fixed financial assets	<b>028</b>	0	0
IV. RECEIVABLES (030 through 032)	<b>029</b>	0	0
1. Receivables from affiliated entrepreneurs	<b>030</b>	0	0
2. Receivables pertaining to sale on credit	<b>031</b>	0	0
3. Other receivables	<b>032</b>	0	0
V. DEFERRED TAX ASSETS	<b>033</b>	0	0
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	85.467.994	156.848.368
I. INVENTORY (036 do 042)	<b>035</b>	1.283.214	1.343.689
1. Raw material and supplies	<b>036</b>	0	0
2. Ongoing production	<b>037</b>	0	0
3. Finished products	<b>038</b>	0	0
4. Trading goods	<b>039</b>	1.283.214	1.343.689
5. Inventory advances	<b>040</b>	0	0
6. Assets intended for sale	<b>041</b>	0	0
7. Biological assets	<b>042</b>	0	0
II. RECEIVABLES (044 do 049)	<b>043</b>	81.776.725	86.332.465
1. Receivables from affiliated entrepreneurs	<b>044</b>	0	0
2. Receivables from buyers	<b>045</b>	79.809.127	84.616.921
3. Receivables from participating entrepreneurs	<b>046</b>	0	0
4. Receivables from employees and members of the entrepreneur	<b>047</b>	39.010	40.629
5. Receivables from the state and other institution	<b>048</b>	828.515	394.134
6. Other receivables	<b>049</b>	1.100.073	1.280.781
III. CURRENT FINANCIAL ASSETS (051 through 057)	<b>050</b>	588.199	1.248.272
1. Shares (stock) in affiliated entrepreneurs	<b>051</b>	0	0
2. Loans granted to affiliated entrepreneurs	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans given to entrepreneurs with participating interests	<b>054</b>	0	0
5. Securities investments	<b>055</b>	0	0
6. Granted loans, deposits and such	<b>056</b>	588.199	1.248.272
7. Other financial assets	<b>057</b>	0	0
IV. CASH IN BANK AND REGISTER	<b>058</b>	1.819.856	67.923.942
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	50.495.031	38.216.674
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	533.596.568	603.769.694
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	1.035.973.548	1.724.426.416

<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	-591.569.657	-624.991.122
I. BASE (registered) capital	<b>063</b>	28.200.700	28.200.700
II. CAPITA RESERVES	<b>064</b>	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	<b>065</b>	0	0
1. Legal reserves	<b>066</b>	0	0
2. Own stock reserves	<b>067</b>	0	0
3. Own stocks and shares (deductable item)	<b>068</b>	0	0
4. Statutory reserves	<b>069</b>	0	0
5. Other reserves	<b>070</b>	0	0
IV. REVALORIZATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	-709.231.838	-814.108.103
1. Retained earnings	<b>073</b>	0	0
2. Loss carried forward	<b>074</b>	709.231.838	814.108.103
VI. PROFIT OR LOSS OF THE YEAR (076-077)	<b>075</b>	-104.892.519	-33.437.719
1. Profit of the year	<b>076</b>	0	0
2. Loss of the year	<b>077</b>	104.892.519	33.437.719
VII. MINORITY INTEREST	<b>078</b>	0	0
<b>B) PROVISIONS (080 through 082)</b>	<b>079</b>	2.300.170	2.477.299
1. Provisions for pensions, severance payments and similar obligations	<b>080</b>	2.300.170	2.477.299
2. Provisions for tax liabilities	<b>081</b>	0	0
3. Other provisions	<b>082</b>	0	0
<b>C) FIXED LIABILITIES (084 through 092)</b>	<b>083</b>	541.604.388	14.736.632
1. Liabilities towards affiliated entrepreneurs	<b>084</b>	0	0
2. Liabilities for loans, deposits and similar	<b>085</b>	24.398.088	13.773.674
3. Liabilities towards banks and other financial institutions	<b>086</b>	515.740.929	0
4. Liabilities for advances	<b>087</b>	0	0
5. Liabilities towards suppliers	<b>088</b>	0	0
6. Liabilities as per securities	<b>089</b>	0	0
7. Liabilities towards entrepreneur with participating interests	<b>090</b>	0	0
8. Other fixed liabilities	<b>091</b>	0	0
9. Deferred tax liabilities	<b>092</b>	1.465.371	962.958
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	515.812.521	1.184.580.424
1. Liabilities towards affiliated entrepreneurs	<b>094</b>	0	0
2. Liabilities for loans, deposits and similar	<b>095</b>	7.083.572	2.902.951
3. Liabilities towards banks and other financial institutions	<b>096</b>	27.011.275	599.114.442
4. Liabilities for advances	<b>097</b>	7.452.575	0
5. Liabilities towards suppliers	<b>098</b>	195.123.259	272.755.962
6. Liabilities as per securities	<b>099</b>	269.413.750	293.687.500
7. Liabilities towards entrepreneur with participating interests	<b>100</b>	0	0
8. Liabilities towards employees	<b>101</b>	2.539.882	2.786.048
9. Liabilities for taxes, contributions and similar levies	<b>102</b>	6.947.494	13.262.411
10. Liabilities as per share in results	<b>103</b>	0	0
11. Liabilities as per longterm assets intended for sale	<b>104</b>	0	0
12. Other current liabilities	<b>105</b>	240.714	71.110
<b>E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD</b>	<b>106</b>	65.449.146	26.966.461
<b>F) TOTAL – LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	533.596.568	603.769.694
<b>G) OFF – BALANCE RECORDS</b>	<b>108</b>	1.035.973.548	1.724.426.416

**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	<b>109</b>	-591.569.657	-624.991.122
2. Assigned to minority interest	<b>110</b>		

Note 1.: annex 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 31 Dec 2013

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before taxation	001	-104.892.519	-33.437.719
2. Depreciation	002	55.982.253	73.697.493
3. Increase of short-term liabilities	003	97.475.960	100.845.351
4. Decrease of short-term receivables	004	2.039.568	0
5. Decrease of inventories	005	955.608	0
6. Other increase of cash flow	006	74.153.324	12.464.926
<b>I. Total increase of cash flow from operating activities (001 through 006)</b>	<b>007</b>	<b>125.714.194</b>	<b>153.570.051</b>
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	0	4.555.740
3. Increase of inventories	010	0	60.475
4. Other decrease of cash flow	011	247.918	37.431.140
<b>II. Total decrease of cash flow from operating activities (008 through 011)</b>	<b>012</b>	<b>247.918</b>	<b>42.047.355</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>125.466.276</b>	<b>111.522.696</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
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
<b>III. Total cash receipts from investment activities (015 through 019)</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Cash expenditure for buying tangible and intangible fixed assets	021	50.536.532	86.473.400
2. Cash expenditure for acquiring ownership and debt financial instruments	022	0	0
3. Other expenditures from investment activities	023	0	0
<b>IV. Total cash expenditures from investment activities (021 through 023)</b>	<b>024</b>	<b>50.536.532</b>	<b>86.473.400</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)</b>	<b>026</b>	<b>50.536.532</b>	<b>86.473.400</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
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	41.054.790
3. Other receipt from financial activities	029	0	0
<b>V. Total cash receipt from financial activities (027 through 029)</b>	<b>030</b>	<b>0</b>	<b>41.054.790</b>
1. Cash expenditure for the payment of loan principal and bonds	031	74.504.422	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
<b>VI. Total cash expenditure from financial activities (031 through 035)</b>	<b>036</b>	<b>74.504.422</b>	<b>0</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>41.054.790</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	<b>74.504.422</b>	<b>0</b>
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	<b>425.322</b>	<b>66.104.086</b>
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period	<b>041</b>	<b>1.394.534</b>	<b>1.819.856</b>
Increase of cash and cash equivalents	<b>042</b>	<b>425.322</b>	<b>66.104.086</b>
Decrease of cash and cash equivalents	<b>043</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents at the end of the period	<b>044</b>	<b>1.819.856</b>	<b>67.923.942</b>

## CHANGE IN CAPITAL STATEMENT

for the period from **1.1.2013** to **31.12.2013**

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	-709.231.838	-814.108.103
5. Profit or loss of the current year	005	-104.892.519	-33.437.719
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
<b>10. Total capital and reserves (EDP 001 through 009)</b>	<b>010</b>	-591.569.657	-624.991.122
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
<b>17. Total increase or decrease of capital (EDP 011 through 016)</b>	<b>017</b>	0	0
17 a. Assigned to holders of parent company's capital	018	-591.569.657	-624.991.122
17 b. Assigned to minority interest	019		

Items that reduce capital entered with a negative sign

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

# Notes to the Financial Statements

As a result of indebtedness, insolvency and illiquidity 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. Optima obtained the Decision on initiation of pre-bankruptcy settlement proceedings on 11 April 2013, and the hearing for voting on the Financial and Operative Restructuring took place on 5 November 2013 where the plan was adopted by a majority of 94.06% of all creditors. 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](http://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 the beginning, Optima Telekom d.d. focused on business users, but soon after starting business operations, it began to aim for the private users market offering quality voice packages.

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

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

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

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

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

As a sole member-founder, the Company established Optima telekom za upravljanje nekretninama i savjetovanje d.o.o., on 16 Aug 2011, with

Investments in affiliated companies as on 31 December 2013:

<b>Subsidiaries</b>	<b>Shareholding</b>
Optima Direct d.o.o., Croatia	100%
Optima Telekom d.o.o., Slovenia	100%
Optima telekom za upravljanje nekretninama i savjetovanje d.o.o.	100%

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

### Staff

On 31 December 2013. the Company employed 424 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 Dec 2013 was HRK 7,637643 for EUR 1 and HRK 5,549000 for USD 1.

**108. SALES INCOME**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Public voice services	229.834.842	274.480.768
Interconnection services	110.252.227	140.720.800
Internet services	100.803.291	86.304.302
Data services	32.327.613	24.655.585
Multimedia services	23.986.234	17.448.158
Lease and sale of equipment	4.575.612	3.130.321
Sale of goods and products	0	0
Trade agency income	116.121	203.315
Other services	2.696.349	4.498.180
	<b>504.592.289</b>	<b>551.441.429</b>

**110. OTHER OPERATING INCOME**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Write off old trade payables	1.492.674	3.021.473
Income from rent - billing system	75.546	12.591
Income from collected penalties etc.	1.787.783	4.064.244
Income from in kind payments	397.813	427.013
Income from reversal of provisions	2.300.171	2.548.088
Other income	1.639.464	456.196
	<b>7.693.451</b>	<b>10.529.605</b>

**117. MATERIAL COSTS**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Costs of maintenance	17.203.428	17.846.959
Marketing services	2.030.718	6.703.879
Billing costs	5.449.947	7.338.254
Line lease costs	44.275.303	46.546.326
Intellectual and other services	1.950.626	1.898.760
Utilities	8.835.188	8.888.791
Customer attraction costs	5.544.260	11.295.157
Pair connection fees	61.342.765	61.367.108
Telecommunications costs	176.484.347	239.460.958
Residential sales services	5.437.011	2.630.484
Other costs	5.750.504	7.096.477
	<b>334.304.097</b>	<b>411.073.153</b>

**118. STAFF EXPENSES**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Net salaries	29.796.286	28.912.076
Taxes and contributions from salaries	15.907.471	15.628.208
Taxes and contributions on salaries	6.939.807	7.061.587
	<b>52.643.564</b>	<b>51.601.871</b>

Number of employees on 31 Dec 2013	424	364
------------------------------------	-----	-----

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

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Amortization of intangible assets	25.756.815	6.208.608
Amortization of fixed tangible assets	47.940.678	49.773.645
	<b>73.697.493</b>	<b>55.982.253</b>

**123. OTHER OPERATING EXPENSES**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Compensations to employees	2.582.996	2.479.309
Representation	1.379.824	1.570.743
Insurance premiums	1.137.596	1.311.866
Bank charges	770.168	2.944.938
Taxes, contributions and membership fees	1.285.444	1.181.999
Net loss of sold and written off assets	145.680	70.133
Gifts and sponsorships	514.562	571.355
Unpaid receivables write-offs	3.196.932	0
Other expenses	2.767.779	1.923.202
	<b>13.780.981</b>	<b>12.053.545</b>

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

**124. VALUE ADJUSTMENT**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Value adjustment of long term assets	0	49.033.883
Value adjustment of short term assets	3.286.006	5.582.743
	<b>46.216.068</b>	<b>9.103.998</b>

**131. FINANCIAL INCOME**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Interest income	7.724.131	6.254.440
Foreign exchange gains	800.762	853.839
	<b>8.524.893</b>	<b>7.108.279</b>

**137. FINANCIAL EXPENSES**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Interest expenses	51.209.984	78.967.915
Fee	272.250	870.450
Foreign exchange losses	7.928.874	2.662.819
	<b>59.411.108</b>	<b>82.501.184</b>

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
<b>PURCHASE VALUE</b>				
<b>As at 01 Jan 2013</b>	<b>8.187.690</b>	<b>82.540.525</b>	<b>0</b>	<b>90.728.215</b>
Additions	54.176.642	0	2.136.023	56.312.665
Transfer from assets in progress	0	2.136.023	-2.136.023	0
Disposals and retirements	0	-1.909.260	0	-1909260
<b>As at 31 Dec 2013</b>	<b>62.364.332</b>	<b>82.767.288</b>	<b>0</b>	<b>145.131.620</b>
<b>VALUE ADJUSTMENT</b>				
<b>As at 01 Jan 2013</b>	<b>1.930.474</b>	<b>67.921.711</b>	<b>0</b>	<b>69.852.185</b>
Amortization of the current year	21.327.869	4.428.946	0	25.756.815
Disposals and retirements	0	-1.909.259	0	-1909259
<b>Amortization as at 31 Dec 2013</b>	<b>23.258.343</b>	<b>70.441.398</b>	<b>0</b>	<b>93.699.741</b>
<b>NET ACCOUNTING VALUE</b>				
<b>As at 31 Dec 2013</b>	<b>39.105.989</b>	<b>12.325.890</b>	<b>0</b>	<b>51.431.879</b>

**010. FIXED ASSETS**

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENT S	TOTAL
<b>PURCHASE VALUE</b>								
<b>As at 01 Jan 2013</b>	<b>23.269</b>	<b>27.157.396</b>	<b>586.564.547</b>	<b>6.539.345</b>	<b>46.822</b>	<b>9.087.578</b>	<b>4.502.060</b>	<b>633.921.017</b>
Additions			5.857.310	952.725		28.058.231	234.536	35.102.802
Transfer from assets in progress			28.434.248			-28.505.448	71.200	0
Disposals and retirements		-220.360	-9.678.063	-1.292.434				-11.190.857
<b>As at 31 Dec 2013</b>	<b>23.269</b>	<b>26.937.036</b>	<b>611.178.042</b>	<b>6.199.636</b>	<b>46.822</b>	<b>8.640.361</b>	<b>4.807.796</b>	<b>657.832.962</b>
<b>VALUE ADJUSTMENT</b>								
<b>As at 01 Jan 2013</b>	<b>0</b>	<b>5.679.195</b>	<b>245.797.607</b>	<b>5.486.831</b>	<b>0</b>	<b>0</b>	<b>3.764.371</b>	<b>260.728.004</b>
Amortization of the current year		687.052	46.633.914	343.909			275.803	47.940.678
Disposals and retirements		-100.352	-3.161.311	-1.291.771				-4.553.434
<b>Amortization as at 31 Dec 2013</b>	<b>0</b>	<b>6.265.895</b>	<b>289.270.210</b>	<b>4.538.969</b>	<b>0</b>	<b>0</b>	<b>4.040.174</b>	<b>304.115.248</b>
<b>NET ACCOUNTING VALUE</b>								
<b>As at 31 Dec 2013</b>	<b>23.269</b>	<b>20.671.141</b>	<b>321.907.832</b>	<b>1.660.667</b>	<b>46.822</b>	<b>8.640.361</b>	<b>767.622</b>	<b>353.717.714</b>

**020. LONG-TERM FINANCIAL ASSETS**

	31 Dec 2013	31 Dec 2012
Loans to majority shareholder	14.478.158	13.679.275
Loans to third party companies	36.988.703	35.354.609
Long term deposits	3.520.059	3.529.500
Participating interest (up to 20% of share)	35.000	35.000
	<b>55.021.920</b>	<b>52.598.384</b>
Value adjustment	<b>-51.466.861</b>	<b>-49.033.884</b>
	<b>3.555.059</b>	<b>3.564.500</b>

Loans to third party companies refer to the loans granted to company OSN INŽENJERING d.o.o. with interest rate of 11,5% and due dates 13 August 2012 (loan in the amount of HRK 3,35 million) and 30 April 2013 (loans in the amount of HRK 32,00 million). Management does not believe the claims of the company Optima OSN Inženjering d.o.o. Rijeka to be collectible and therefore this amount is entirely corrected at 31 Dec 2012. Accrued interests in 2013. are also corrected

Movement of value adjustment of long term assets

	<b>31 Dec 2013</b>
1 January 2013	49.033.884
Write off during the year	0
Reserved during the year	2.432.977
<b>Closing balance</b>	<b>51.466.861</b>

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. and they come due on 16 February 2015 and 20 February 2015.

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

#### 042. RECEIVABLES

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Trade receivables	84.616.921	79.809.127
Employee receivables	40.629	39.010
Receivables from the state and other institutions	394.134	828.515
Other receivables	1.280.781	1.100.073
	<b>86.332.465</b>	<b>81.776.725</b>

#### 044. TRADE RECEIVABLES

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Domestic trade receivables	102.485.484	99.262.988
Foreign trade receivables	9.689.205	10.986.184
Interests receivables	51.514	2.381
	<b>112.226.203</b>	<b>110.251.553</b>
Value adjustment	<b>-27.609.282</b>	<b>-30.442.426</b>
	<b>84.616.921</b>	<b>79.809.127</b>

Movement of value adjustment for doubtful receivables:

	<b>31 Dec 2013</b>
1 January 2013	27.772.069
Write off during the year	-1.783.742
Collected during the year	-1.452.528
Reserved during the year	3.073.483
<b>Closing balance</b>	<b>27.609.282</b>

Aging of trade receivables of the Company:

	<b>31 Dec 2013</b>
Undue	50.051.913
Up to 120 days	27.472.814
120-360 days	8.623.307
over 360 days	26.026.655
	<b>112.174.689</b>

#### 048. OTHER RECEIVABLES

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Interest receivables	3.449.019	441.471
Advance payments receivables	786.331	989.375
Other receivables	133.532	26.185
	<b>4.368.882</b>	<b>1.457.031</b>
Value adjustment	<b>-3.088.101</b>	<b>-356.958</b>
	<b>1.280.781</b>	<b>1.100.073</b>

#### 054. GRANTED LOANS AND DEPOSITS

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Loans	0	113.530
Deposits	1.248.272	588.199
	<b>1.248.272</b>	<b>701.729</b>
Value adjustment	<b>0</b>	<b>-113.530</b>
	<b>1.248.272</b>	<b>588.199</b>

**057. CASH IN BANK AND REGISTER**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Kuna accounts balance	62.671.227	1.042.480
Foreign currency accounts balance	5.230.370	758.752
Cash in register	22.345	18.624
	<b><u>67.923.942</u></b>	<b><u>1.819.856</u></b>

**058. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Differed customer related expenses	23.609.859	32.867.759
Bond issuing expenses	0	796.944
Prepaid expenses	14.606.815	16.830.328
	<b><u>38.216.674</u></b>	<b><u>50.495.031</u></b>

**063. SUBSCRIBED CAPITAL**

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

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

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

Net result - loss	33.437.719
Number of shares	2.820.070
Loss per share	11,86

In the same period last year, loss per share amounted to HRK 37,20

Price of shares realized on the stock exchange within the current quarter (1 Jan - 31 Dec 2013) varied from HRK 5,40 (the lowest price) to HRK 8,46 (the highest price). Market capitalization in thousands of HRK on 31 Dec 2013 amounted to HRK 21.968 thousand.

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

Structure of shareholders as on 31 Dec 2013:

Shareholder	31 Dec 2013		31 Dec 2012	
	in 000 HRK	%	in 000 HRK	%
MARTIĆ MATIJA	18.596	65,94	18.596	65,94
	<b>18.596</b>	<b>65,94</b>	<b>18.596</b>	<b>65,94</b>
ZAGREBACKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	1.605	5,69	1.605	5,69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI KONEČNY ZORAN (1/1)	1.355	4,80	1.385	4,91
ZAGREBAČKA BANKA D.D. (1/1)	766	2,72	766	2,72
ŽUVANIĆ ROLAND (1/1)	471	1,67		
ČERNOŠEK KRUNOSLAV (1/1)	428	1,52	428	1,52
JOVIČIĆ GORAN (1/1)	303	1,07	303	1,07
	216	0,77	100	0,35
PARČINA ANTE (1/1)	202	0,72	202	0,72
MARIĆ-BANJE JAKOV (1/1)	177	0,63		
PBZ D.D./I - ZBIRNI SKRBNIČKI RAČUN	171	0,61		
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ PROFIT	156	0,55	25	0,09
DOBROVOLJNI MIROVINSKI FOND (1/1)	153	0,54	144	0,51
ČORAK LJERKA (1/1)	127	0,45	127	0,45
UJEVIĆ TOMISLAV (1/1)	100	0,35	100	0,35
STEPIĆ IVAN (1/1)	76	0,27		
ZAJEC TOMISLAV (1/1)	64	0,23	5	0,02
MATIJAŠIĆ NADA (1/1)	60	0,21		
LUKOVIĆ ŽELJKO (1/1)	55	0,20	28	0,10
JUGO ŽIGANTO KRISTINA (1/1)	50	0,18		
TROJANOVIĆ ALEKSANDAR (1/1)	49	0,17		
BLASLOV ŠIME (1/1)	48	0,17		
BARAČEVIĆ VEDRAN (1/1)	47	0,17		
KMETOVIĆ IVO (1/1)	45	0,16	22	0,08
	43	0,15	43	0,15
	<b>6.767</b>	<b>23,99</b>	<b>5.283</b>	<b>18,73</b>
MALI DIONICARI	2.838	10,07	4.322	15,33
	<b>28.201</b>	<b>100,00</b>	<b>28.201</b>	<b>100,00</b>

#### 081. LONG-TERM LIABILITIES

	31 Dec 2013	31 Dec 2012
Loan based liabilities	13.773.674	24.398.088
Liabilities towards credit institutions	0	515.740.929
Liabilities for taxes	962.958	1.465.371
	<b>14.736.632</b>	<b>541.604.388</b>

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

#### 090. SHORT-TERM LIABILITIES

	31 Dec 2013	31 Dec 2012
Loan based liabilities	2.902.951	7.083.572
Liabilities towards credit institutions	546.095.248	12.983.553
Interest liabilities	53.019.194	14.027.722
Liabilities for bonds issued	293.687.500	269.413.750
Liabilities for advances received	0	7.452.575
Trade payables	272.755.962	195.123.259
Liabilities towards employees	2.786.048	2.539.882
Taxes, contributions and other levies	13.262.411	6.947.494
Other liabilities	71.110	240.714
	<b>1.184.580.424</b>	<b>515.812.521</b>

**095. LIABILITIES TOWARDS SUPPLIERS**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Domestic trade payables	233.182.832	187.985.019
Foreign trade payables	6.451.707	7.138.240
Invoice accrual	33.121.423	0
	<b>272.755.962</b>	<b>195.123.259</b>

**096. 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

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Nominal value	250.000.000	250.000.000
Compensations for issuance of bonds	0	-1.461.250
Liabilities based on calculated interest	43.687.500	20.875.000
	<b>293.687.500</b>	<b>269.413.750</b>

**098. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
VAT Liabilities	10.510.034	4.277.028
Taxes and contributions on and from salaries	1.963.165	1.860.914
Other taxes and contributions	789.212	809.552
	<b>13.262.411</b>	<b>6.947.494</b>

**102. DEFERRED PAYMENTS AND FUTURE INCOME**

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Domestic payables for which invoices have not been received	6.634.309	11.797.101
Foreign payables for which invoices have not been received	4.068.943	5.986.012
Accrued interests	0	30.786.331
Deferred income	12.506.568	13.500.000
Deferred income due to uncertainty	3.756.641	3.379.702
	<b>26.966.461</b>	<b>65.449.146</b>

**3. FINANCIAL INSTRUMENTS**

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

**Currency Risk Management**

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

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

	<b>Liabilities</b>		<b>Assets</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	607.621	585.752	-23.524	-21.374
USD	1.581	1.939	0	-2
CHF				
GPB				
	<b>609.202</b>	<b>587.691</b>	<b>-23.524</b>	<b>-21.376</b>

#### Foreign currency sensitivity analysis

The Company is mainly exposed to the fluctuations in the exchange rate of Croatian Kuna to Euro and US Dollar.

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 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 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	60.762	58.575	-2.352	-2.137
USD	158	194	0	0
CHF				
GPB				
	<b>60.920</b>	<b>58.769</b>	<b>-2.352</b>	<b>-2.137</b>

Exposure to the currency exchange for 10% mainly relates to received loans, trade payables and receivables from affiliated companies indicated in Euros (EURO) and US Dollars (USD).

#### Interest Rate Risk

Long-term liabilities arising from credits and loans with variable interest rates amount to HRK 340,12 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
<b>31 Dec 2013</b>				
Non-interest bearing liabilities	275.613			275.613
Interest bearing liabilities	906.107	1.859	1.512	909.478
	<b>1.181.720</b>	<b>1.859</b>	<b>1.512</b>	<b>1.185.091</b>

**31 Dec 2012**

Non-interest bearing liabilities	205.370			205.370
Interest bearing liabilities	114.850	726.915	1.883	843.648
	<b>320.220</b>	<b>726.915</b>	<b>1.883</b>	<b>1.049.018</b>

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 272.756 thousand for the period from January to December 2013 (HRK 193.602 thousand for the same period last year ).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
<b>31 Dec 2013</b>				
Non-interest bearing liabilities	153.862			153.862
Interest bearing liabilities	1.284	3.484	0	4.768
	<b>155.146</b>	<b>3.484</b>	<b>0</b>	<b>158.630</b>

**31 Dec 2012**

Non-interest bearing liabilities	82.782			77.589
Interest bearing liabilities	676	3.442	0	19.220
	<b>83.458</b>	<b>3.442</b>	<b>0</b>	<b>86.900</b>

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

Matija Martić

Jadranka Suručić

Optima Telekom d.d.  
ZAGREB

