

OT - Optima Telekom d.d.
Management Interim Report
for the third quarter of 2013
consolidated

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Main features

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; Government Ordinance, Official Gazette no, 144/12, 81/2013, Government Ordinance 112/2013), 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 first (inspection) hearing took place on 21 June 2013. The following hearing for voting on the Financial and Operative Restructuring Plan from June of 2013 is scheduled for 5 November 2013. Pursuant to the Financial Operations and Pre-Bankruptcy Settlement Act, all information concerning the course of pre-bankruptcy settlement proceedings are made available to the public at the Financial Agency's website, www.fina.hr. 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.

Business indicators

Optima Telekom concluded the third quarter with:

- The overall consolidated revenue amount to HRK **399,5** million a decrease of **10.8%**, with the simultaneous decrease of overall operating costs by **43.3** million, or **10.3%**, compared to the same period of the previous year,
- Achieved EBITDA in amount of HRK **57,9** million with increase of EBITDA margin of 1,1 percentage points to **14,5%** compared to the same period of the previous year.

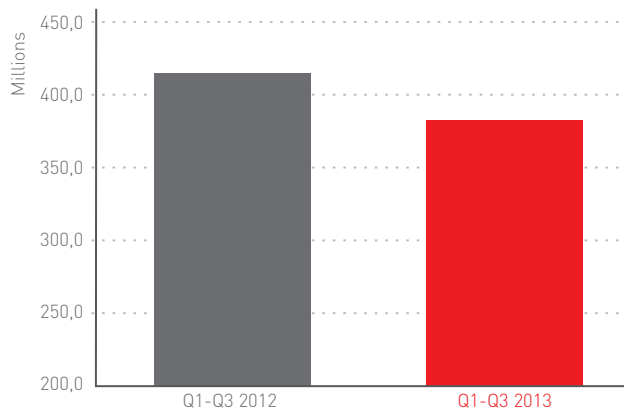
	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2013 / Q1-Q3 2012	Q3 2012	Q3 2013	Q3 2013 / Q3 2012
Total operating income	447,678	399,478	[10.8%]	157,430	122,424	[22.2%]
EBITDA	60,162	57,870	[3.8%]	15,241	16,892	10.8%
EBT	[28,659]	[58,719]	104.9%	[11,944]	[31,879]	166.9%

	30.09.2012	30.09.2013/ 30.09.2012	30.06.2013	30.09.2013/ 30.06.2013	30.09.2013
Total number of OT users					
Number of voice channels	243,690	-8.1%	226,033	-1.0%	223,885
Number of users in own LLU network	117,732	-2.8%	115,732	-1.1%	114,423
Number of OptiDSL users in own LLU network	76,143	1.5%	77,386	-0.1%	77,288
Number of OptiTV users in own LLU network	21,050	19.7%	23,500	7.2%	25,200
Number of collocations installed					
North	92	2.2%	94	0.0%	94
West	46	4.3%	47	2.1%	48
East	55	0.0%	55	0.0%	55
South	83	2.4%	84	1.2%	85

Consolidated revenue

The overall consolidated revenue at the end of the third quarter of 2013 amounts to HRK **399.5** million, which indicates a **10.8%** decrease compared to the results achieved in the same period of the previous year. The greatest impact on the decrease of overall consolidated income came from public voice service revenue and interconnection revenue. The public voice service has shown a decreasing tendency at a global level. As of 1 July 2013, by virtue of a regulatory decision, the prices of international call termination into mobile networks have been reduced significantly (from HRK 1.28/min to HRK 0.45/min or 64%), which lead to a decrease of interconnection revenue in the reporting period.

Telecommunications services revenue



TELECOMMUNICATIONS SERVICES REVENUE

Source: Optima's internal data

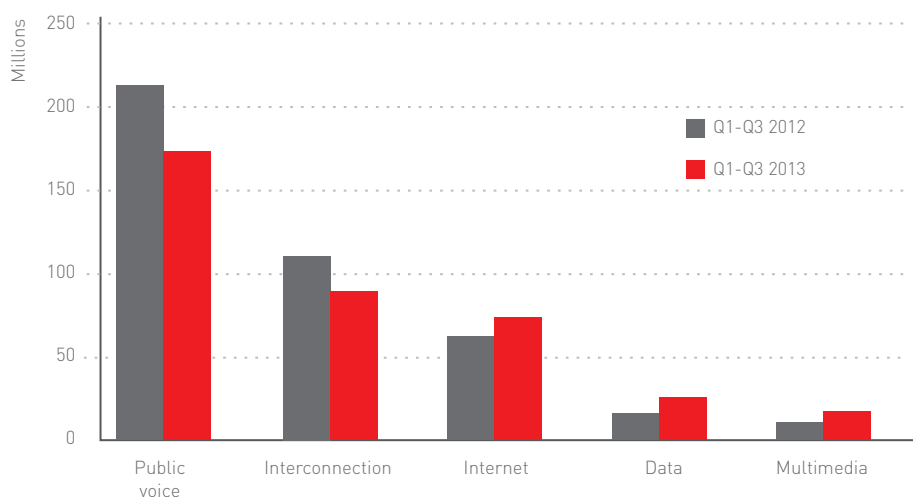
Revenue from Internet services that increased by **18.2%**, multimedia services with a **47.9%** increase, and data services with a realized increase of **61.5%** had a positive impact on the overall revenue in the third quarter.

The positive trend has been achieved thanks to sales activities in both the corporate and residential segment with emphasis on the increase of 2-play and 3-play services.

Public voice service revenue amounts to **HRK 173.6 million**, which is **18.3%** less compared to the same period of the previous year. However, the decreasing speed of the revenue from public voice services is evidently diminishing compared to the end of the previous quarter when the decrease amounted to 20.9%.

Apart from the decrease of revenue from public voice services due to the decreased number

of minutes in the national fixed network, and due to the price adjustment, expectedly, a lower interconnection revenue in the amount of **HRK 90.0 million** has been realized.



TELECOMMUNICATIONS SERVICES REVENUE

Source: Optima's internal data

Earnings before interest, taxation and depreciation – EBITDA

At the end of the third quarter, EBITDA amounts to HRK **57.9** million, which represents a **3.8%** decrease compared to the same period of the previous year.

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

Earnings before taxation - EBT

Due to the initiation of pre-bankruptcy settlement proceedings, most creditors charged default interest, causing the EBT to amount to HRK **-58.7** million at the end of the third quarter of 2013, which is a worse result by HRK **30.1** million or **104.9%** compared to the same period of the previous year.

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

Infrastructural development

In accordance with the own infrastructure development plan for 2013, collocations have been erected in Trogir (Čiovo) and Rijeka (Strmica) in the third quarter.

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

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.

In numbers, we are talking about **24.5** km of new optical network, or **56** new feeds. Comparing overall lengths, this is an **0.91%** expansion of the optical network compared to the construction level established at the end of the first half of 2013 (**2,789** km compared to the **2,764** km constructed by the end of the first half of 2013).

The overall length of constructed optical feeds and sections is 20.9% smaller compared to the same period of 2012 (third quarter) considering that there was no significant construction of optical sections in this period, primarily city access sections.

The largest quantity of feeds and sections was constructed in Region North (11.5 km), followed by Region West (6.5 km), Region South (3.5 km) and Region East (3 km).

Significant events in the third quarter of 2013

and expectations for future development

Macroeconomic and market trends¹

During the first part of July, the value Croatian Kuna slightly decreased compared to the Euro, by the end of the month it showed a slight increase, while during August the trend of slight value decrease of the Kuna prevailed. Therefore, the value of the Kuna at the end of August was 1.4% less than at the beginning of July, and this trend continued in September when the conversion rate exceeded HRK 7.6 for 1 Euro.

The decrease of economic activity continued in the second quarter, but with a dynamic milder than in the first quarter and less than expected. With an actual GDP reduction of 0.7%, the second quarter was the seventh consecutive quarter of constant GDP decrease at an annual level. According to the cost method, the biggest contribution to the increase of the gross domestic product in the second quarter of 2013 was achieved by the export of tourist services, while the biggest contribution to volume reduction was achieved by the import of goods. At a cumulative level, in the first six months there was an actual 1.1% drop of GDP. Albeit the positive trends in the second quarter, this drop was prevalently influenced by the reduction of personal consumption and export of goods and services.

Since May, after the disappearance of the powerful base impact based on the increase of administrative energy prices related to housing, the annual inflation is at a much lower level. Therefore, in both June and July the annual price increase was moderately low, at a level of 2.0% or 2.3%.

The registered unemployment rate has been reduced from 18.6% (June) to 18.5% (July), which is the lowest level since September of 2012, but still 1.2 percentages higher compared to July of the previous year. The average monthly net salary amounted to HRK 5,512 in August. The previous period was also characterized by the publication of the Ordinance on Minimum Salary Amount (Official Gazette no. 51/13), which set the minimum gross salary amount at HRK 2,984.78, applicable to the period from 1 June 2013 to 31 December 2013.

Between April and July, the value of outstanding collectibles was reduced by HRK 1.8 billion to HRK 35.5 billion, which is the lowest level since the end of 2010, primarily as a result

¹ Dana resources: State Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

of initiating pre-bankruptcy settlement procedures. However, according to FINA, based on the initiation of pre-bankruptcy settlement procedures, the amount of collectibles has been reduced by a significantly higher amount of HRK 2.5 billion, which implies a simultaneous increase of collectibles on other grounds. In total, based on the initiation of pre-bankruptcy settlement procedures, between February and July (ever since FINA started to publish this data), the value of outstanding collectibles has been reduced by HRK 7.7 billion.

Regulatory environment

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

As a part of carrying out regular market analyses, HAKOM has rendered final decisions in the call generation and termination in fixed network market, the call termination in a specific mobile network market, the market of wholesale access to network infrastructure at a fixed location, the wholesale broadband access market.

After the second round of market analysis, the regulatory obligations imposed on all carriers possessing significant market strength were kept. Considering the obligations having a significant impact on the Company's financial operations, we would like to point out the regulatory obligation of price control, and especially the calculation of the price of call termination in a fixed network. Namely, HAKOM has now also regulated the prices of indirect international termination, which were previously defined on a commercial basis. The market analysis confirmed call termination prices in force since 01.01.2013, for both HT and other carriers possessing significant market strength, including the Company, and a change of the termination prices is expected by the end of the year, which will be calculated according to the HAKOM's cost model. In a separate procedure, the regulator also calculated the call termination in mobile networks price according to the cost model, the application of which has been delayed until 1.1.2015. HAKOM's decision also regulated new prices for the wholesale broadband access service based on the ADSL/VDSL technology, as well as the prices for additional virtual channels for the VoIP and IPTV service and the user equipment supervision via ADSL/VDSL access.

The new cost oriented price for monthly charges for wholesale broadband access for internet services based on ADSL/VDSL technology is somewhat higher than the previous one, but for carriers that have already, at wholesale level, contracted a certain number of individual wholesale broadband access services with mandatory contract duration of 12 or 24 months, the price will remain the same until the expiry of each individual access, the new prices to be applied only thereafter. The completion of the calculation of cost oriented prices for the service of single access to the local loop, the service of wholesale broadband access based on FTTH technology, as well as the service of leased lines wholesale is anticipated in the upcoming reporting periods.

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

In the second round of analysis of relevant markets changed the method of calculation of charges for the delay in realization of wholesale services. In order to coordinate with the provisions of the Financial Operations and Pre-Bankruptcy Settlement Act, the maturity period has been prolonged for invoices issued by carriers with significant market strength (HT, VIPnet and Tele2), for the use of regulated wholesale services, from the present 30 to 60 days, starting from the date when the invoice is received. In addition, for the first time quotas were introduced allowing HT to realize the wholesale service to the carrier user beyond the proscribed deadline. HT is obligated to realize the average daily quota of requests within the proscribed deadline, with a 20% margin permitted, and the rest within an additional deadline. Moreover, HT is forbidden to charge any monthly charges on the grounds of the carrier user access via its own access lines to HT's access point.

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

Out of the more significant amendments to relevant legislation, the amendments to the Electronic Communications Act should be pointed out, in the part stipulating the application of new, significantly lower prices for roaming communications services. By Croatia's accession to the EU, the provisions of the said Act meant to enter into force as of the accession have entered into force, as a result of which the regulatory framework was additionally harmonized with the *acquis communautaire*.

Where legislation in other fields of law is concerned, the Financial Operations and Pre-bankruptcy Settlement Act has also been amended in this reporting period, and the Act amending and supplementing the Public Procurement Act entered into force as well.

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, 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.
and Subsidiaries**

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

Enclosure 1

Reporting period:

1 Jan 2013

to

30 Sep 2013

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hre and name for municipality/city: **133**Code and name for county: **21**Number of employees: **414**

(at the year's end)

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

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

OPTIMA DIRECT d.o.o.**Buje****03806014****OPTIMA TELEKOM d.o.o.****Koper, Republika Slovenija****02236133****OPTIMA TELEKOM za upravljanje nekretninama i
savjetovanje d.o.o.****Kuzminečka 8, Zagreb****21017859228**

Book-keeping firm:

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

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

(osoba ovlaštene za zastupanje)

Documents for publication

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

M.P.

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

(signature of authorized person)

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2013 to 30 Sep 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	437.584.847	151.517.025	393.114.556	126.016.832
1. Sales income	112	434.445.734	150.639.212	387.487.785	124.395.609
2. Other operating income	113	3.139.113	877.813	5.626.771	1.621.223
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	419.165.427	150.338.703	375.821.071	122.771.478
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	326.099.667	119.013.557	276.950.440	89.674.906
a) Costs of raw material and supplies	117	2.210.822	645.210	1.722.875	601.811
b) Costs of goods sold	118	13.525.339	3.736.264	1.453.947	555.672
c) Other external costs	119	310.363.506	114.632.083	273.773.618	88.517.423
3. Staff costs (121 do 123)	120	38.713.435	12.760.343	38.906.760	13.290.816
a) Net salaries and wages	121	21.641.092	7.183.681	21.930.438	7.535.903
b) Expenses of taxes and contributions from salaries	122	11.710.119	3.894.355	11.846.727	4.002.700
c) Contributions to salaries	123	5.362.224	1.682.307	5.129.595	1.752.213
4. Amortization	124	41.742.796	14.062.632	40.576.475	13.647.020
5. Other costs	125	8.632.426	2.675.775	12.563.630	4.671.107
6. Value adjustment (127+128)	126	3.977.103	1.826.396	6.823.766	1.487.629
a) fixed assets (apart from financial assets)	127	0	0	1.851.200	215.466
b) current assets (apart from financial assets)	128	3.977.103	1.826.396	4.972.566	1.272.163
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	10.093.615	5.913.102	6.363.268	-3.592.947
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	10.093.615	5.913.102	6.363.268	-3.592.947
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	57.172.388	19.035.902	82.376.220	31.531.560
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	57.172.388	19.035.902	82.376.220	31.531.560
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	447.678.462	157.430.127	399.477.824	122.423.885
X. TOTAL EXPENSES (114+137+143 + 145)	147	476.337.815	169.374.605	458.197.291	154.303.038
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-28.659.353	-11.944.478	-58.719.467	-31.879.153
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	28.659.353	11.944.478	58.719.467	31.879.153
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-28.659.353	-11.944.478	-58.719.467	-31.879.153
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	28.659.353	11.944.478	58.719.467	31.879.153
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS OF THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	-28.659.353	-11.944.478	-58.719.467	-31.879.153
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-28.659.353	-11.944.478	-58.719.467	-31.879.153
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	-28.659.353	-11.944.478	-58.719.467	-31.879.153
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	-28.659.353	-11.944.478	-58.719.467	-31.879.153
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
as at 30 Sep 2013

Issuer: OT - Optima Telekom d.d.			
Item	EDP #	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+029+033)	002	397.633.543	379.477.515
I. INTANGIBLE ASSETS (004 through 009)	003	20.876.030	19.222.216
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	20.876.030	19.222.216
3. Goodwill	006	0	0
4. Advances for procurement of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 through 019)	010	373.193.013	356.726.306
1. Land	011	23.269	23.269
2. Building objects	012	21.478.201	20.979.507
3. Facilities and equipment	013	340.766.940	324.057.410
4. Tools, production inventory and transport assets	014	1.052.514	1.601.799
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	9.087.578	9.329.011
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	737.689	688.488
III. FIXED FINANCIAL ASSETS (021 through 028)	020	3.564.500	3.528.993
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.529.500	3.493.993
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	85.467.994	131.908.295
I. INVENTORY (036 do 042)	035	1.283.214	1.820.052
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.283.214	1.820.052
5. Inventory advances	040	0	0
6. Assets intended for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	81.776.725	94.521.477
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	79.809.127	89.456.057
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	39.010	40.277
5. Receivables from the state and other institution	048	828.515	464.021
6. Other receivables	049	1.100.073	4.561.122
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	588.199	912.385
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	912.385
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.819.856	34.654.381
D) PREPAYMENTS AND ACCRUED INCOME	059	50.495.031	43.721.213
E) TOTAL ASSETS (001+002+034+059)	060	533.596.568	555.107.023
F) OFF-BALANCE RECORDS	061	1.035.973.548	1.633.906.641

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-591.569.657	-648.582.114
I. BASE (registered) capital	063	28.200.700	28.200.700
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	0	0
1. Legal reserves	066	0	0
2. Own stock reserves	067	0	0
3. Own stocks and shares (deductable item)	068	0	0
4. Statutory reserves	069	0	0
5. Other reserves	070	0	0
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-709.231.838	-812.417.347
1. Retained earnings	073	0	0
2. Loss carried forward	074	709.231.838	812.417.347
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-104.892.519	-58.719.467
1. Profit of the year	076	0	0
2. Loss of the year	077	104.892.519	58.719.467
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.300.170	2.300.170
1. Provisions for pensions, severance payments and similar obligations	080	2.300.170	2.300.170
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	541.604.388	15.020.136
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	24.398.088	13.931.575
3. Liabilities towards banks and other financial institutions	086	515.740.929	0
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	0
6. Liabilities as per securities	089	0	0
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	1.465.371	1.088.561
D) CURRENT LIABILITIES (094 do 105)	093	515.812.521	1.157.317.745
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	7.083.572	2.902.951
3. Liabilities towards banks and other financial institutions	096	27.011.275	633.466.611
4. Liabilities for advances	097	7.452.575	0
5. Liabilities towards suppliers	098	195.123.259	219.498.482
6. Liabilities as per securities	099	269.413.750	287.619.063
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.539.882	2.700.967
9. Liabilities for taxes, contributions and similar levies	102	6.947.494	11.016.084
10. Liabilities as per share in results	103	0	0
11. Liabilities as per longterm assets intended for sale	104	0	0
12. Other current liabilities	105	240.714	113.587
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	65.449.146	29.051.086
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	533.596.568	555.107.023
G) OFF – BALANCE RECORDS	108	1.035.973.548	1.633.906.641
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	-591.569.657	-648.582.114
2. Assigned to minority interest	110	0	

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 30 Sep 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	-28.659.353	-58.719.467
2. Depreciation	002	41.742.796	40.576.475
3. Increase of short-term liabilities	003	116.509.967	39.230.508
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005	0	0
6. Other increase of cash flow	006	19.174.802	6.809.325
I. Total increase of cash flow from operating activities (001 through 006)	007	148.768.212	27.896.841
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	18.961.009	12.744.752
3. Increase of inventories	010	612.815	536.838
4. Other decrease of cash flow	011	2.547.257	35.015.235
II. Total decrease of cash flow from operating activities (008 through 011)	012	22.121.081	48.296.825
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	126.647.131	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	20.399.984
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	43.064.758	22.455.954
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	43.064.758	22.455.954
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	43.064.758	22.455.954
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	75.690.463
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	0	75.690.463
1. Cash expenditure for the payment of loan principal and bonds	031	83.593.102	0
2. Cash expenditure for the payment of dividend	032	0	0
3. Cash expenditure for financial lease	033	0	0
4. Cash expenditure for own shares buy-off	034	0	0
5. Other expenditures from financial activities	035	0	0
VI. Total cash expenditure from financial activities (031 through 035)	036	83.593.102	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	75.690.463
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	83.593.102	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	32.834.525
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	10.729	0
Cash and cash equivalents at the beginning of the period	041	1.394.534	1.819.856
Increase of cash and cash equivalents	042	0	32.834.525
Decrease of cash and cash equivalents	043	10.729	0
Cash and cash equivalents at the end of the period	044	1.383.805	34.654.381

CHANGE IN CAPITAL STATEMENT

for the period from **1.1.13** to **30.9.13**

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	28.200.700	28.200.700
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	0
4. Retained profit or loss carried forward	004	-708.393.909	-812.417.347
5. Profit or loss of the current year	005	-28.659.353	-58.719.467
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	-514.498.562	-648.582.114
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	-514.498.562	-648.582.114
17 b. Assigned to minority interest	019	0	0

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

Notes to the Financial Statements

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

As a result of indebtedness, insolvency and 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. On 11 Apr 2013 Optima received the decision of opening of the prebankruptcy settlement and first (questioning) session was on 21 Jun 2013. The following hearing for voting on the Financial and Operative Restructuring Plan from June of 2013 is scheduled for 5 November 2013. All information regarding the proceedings of prebankruptcy settlement are made public in accordance with the financial business and pre-bankruptcy settlement on the website of Fina. www.fina.hr

1. GENERAL INFORMATION

History and incorporation

The company Optima Telekom d.d. (hereinafter: the Company) was established in 1994 as Syskey d.o.o., while its principal operating activity and company name was changed to Optima Telekom d.o.o. on 22 April 2004.

The Company changed its legal status from a limited liability company to a joint stock company in July 2007. The Council of the Croatian Telecommunications Agency issued a licence for public voice service in fixed networks for the company on 19 November 2004, for a period of 30 years.

Principal Business Activities

The Company's principal business activity is the provision of telecommunications services to private and business users in the Croatian market. The Company began to provide its telecommunications services in May of 2005.

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

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

On 6 July 2006 OT-Optima Telekom d.d. acquired 100% of interest in Optima Grupa Holding d.o.o., which changed its name to Optima Direct d.o.o., on 23 September 2008.

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

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

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

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

Investments in affiliated companies as on 30 Sep 2013

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

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

Staff

On 30. Jun 2013 the Company employed 414 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2013:

Matija Martić	Chairman of the Company
Goran Jovičić	Member
Jadranka Suručić	Member

Supervisory Board of the Company:

Nada Martić	Chairman
Ivan Martić	Member and Deputy Chairman
Zrinka Vuković Berić	Member
Duško Grabovac	Member

REVIEW OF BASIC ACCOUNTING POLICIES**Basis of Preparation**

The Financial Statements of the Company have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Financial Statements have been prepared under the historical cost convention, except for the valuation of certain financial instruments.

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 30 Sep 2013 was HRK 7,611593 for EUR 1 and HRK 5,642397 for USD 1.

112. SALES INCOME

	30 Sep 2013	30 Sep 2012
Public voice services	173.576.759	212.564.689
Interconnection services	89.997.497	110.902.832
Internet services	74.291.194	62.845.854
Data services	26.299.726	16.283.321
Multimedia services	17.691.311	11.959.437
Lease and sale of equipment	3.538.864	2.612.168
Sale of goods and products	0	11.395.806
Trade agency income	85.060	2.197.918
Other services	2.007.374	3.683.709
	387.487.785	434.445.734

113. OTHER OPERATING INCOME

	30 Sep 2013	30 Sep 2012
Write off old trade payables	1.232.049	2.532.774
Income from rent - billing system	75.546	0
Income from collected penalties etc.	1.287.207	0
Income from in kind payments	297.179	319.507
Income from assets sale	2.111.052	0
Other income	623.738	286.832
	5.626.771	3.139.113

119. OTHER MATERIAL COSTS

	30 Sep 2013	30 Sep 2012
Costs of maintenance	12.851.766	13.191.870
Marketing services	1.388.577	4.468.280
Billing costs	4.135.227	5.711.349
Line lease costs	33.560.495	31.353.974
Intellectual and other services	3.477.558	1.510.240
Utilities	6.422.388	6.948.154
Customer attraction costs	4.078.609	8.298.711
Pair connection fees	46.236.013	45.870.582
Telecommunications costs	154.422.143	184.992.160
Residential sales services	2.772.086	2.619.934
Other costs	4.428.756	5.398.252
	273.773.618	310.363.506

120. STAFF EXPENSES

	30 Sep 2013	30 Sep 2012
Net salaries	21.930.438	21.641.092
Taxes and contributions from salaries	11.846.727	11.710.119
Taxes and contributions on salaries	5.129.595	5.362.224
	38.906.760	38.713.435

Number of employees on 30 Sep 2013 414 369

124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2013	30 Sep 2012
Amortization of intangible assets	3.597.089	4.836.183
Amortization of fixed tangible assets	36.979.386	36.906.613
	40.576.475	41.742.796

125. OTHER OPERATING EXPENSES

	30 Sep 2013	30 Sep 2012
Compensations to employees	1.716.532	1.703.823
Representation	971.870	1.083.367
Insurance premiums	787.903	984.681
Bank charges	1.998.312	2.129.350
Taxes, contributions and membership fees	1.073.734	712.163
Costs of sold and written off assets	2.052.211	100.723
Gifts and sponsorships	448.516	548.470
Unpaid receivables write-offs	1.480.339	1.008
Other expenses	2.034.213	1.368.841
	12.563.630	8.632.426

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

126. VALUE ADJUSTMENT

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

131. FINANCIAL INCOME

	30 Sep 2013	30 Sep 2012
Interest income	5.683.255	4.523.841
Foreign exchange gains	680.013	5.569.774
	6.363.268	10.093.615

137. FINANCIAL EXPENSES

	30 Sep 2013	30 Sep 2012
Interest expenses	76.465.830	56.461.615
Fee	268.250	573.301
Foreign exchange losses	5.642.140	137.472
	82.376.220	57.172.388

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

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

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2013	8.187.690	82.540.525	0	90.728.215
Additions			1.943.275	1.943.275
Transfer from assets in progress		1.943.275	-1.943.275	0
Disposals and retirements				0
As at 30 Sep 2013	8.187.690	84.483.800	0	92.671.490
VALUE ADJUSTMENT				
As at 01 Jan 2013	1.930.474	67.921.711	0	69.852.185
Amortization of the current year	204.488	3.392.601		3.597.089
Disposals and retirements				0
Amortization as at 30 Sep 2013	2.134.962	71.314.312	0	73.449.274
NET ACCOUNTING VALUE				
As at 30 Sep 2013	6.052.728	13.169.488	0	19.222.216

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
PURCHASE VALUE								
As at 01 Jan 2012	23.269	27.157.396	586.564.547	6.539.345	46.822	9.087.578	4.502.060	633.921.017
Additions		19.606	4.801.141	791.169		20.933.391	107.463	26.652.770
Transfer from assets in progress			20.620.758			-20.691.958	71.200	0
Disposals and retirements			-9.191.244	-8.442				-9.199.686
As at 30 Sep 2013	23.269	27.177.002	602.795.202	7.322.072	46.822	9.329.011	4.680.723	651.374.101
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	5.679.195	245.797.607	5.486.831	0	0	3.764.371	260.728.004
Amortization of the current year		518.300	35.992.002	241.220			227.864	36.979.386
Disposals and retirements			-3.051.817	-7.778				-3.059.595
Amortization as at 30 Sep 2013	0	6.197.495	278.737.792	5.720.273	0	0	3.992.235	294.647.795
NET ACCOUNTING VALUE								
As at 30 Sep 2013	23.269	20.979.507	324.057.410	1.601.799	46.822	9.329.011	688.488	356.726.306

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2013
Loans to majority shareholder	14.273.675
Loans to third party companies	36.881.670
Long term deposits	3.493.993
Participating interests (shares)	35.000
	54.684.338
Value adjustment	-51.155.345
	3.528.993

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

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

Movement of value adjustment of long term assets

	30 Sep 2013
1 January 2013	49.033.884
Write off during the year	0
Reserved during the year	2.121.461
Closing balance	51.155.345

043. RECEIVABLES

	30 Sep 2013
Trade receivables	89.456.057
Employee receivables	40.277
Receivables from the state and other institutions	464.021
Other receivables	4.561.122
	<u>94.521.477</u>

045. TRADE RECEIVABLES

	30 Sep 2013
Domestic trade receivables	107.651.550
Foreign trade receivables	11.373.898
Interests receivables	26.575
	<u>119.052.023</u>
Value adjustment	<u>-29.595.966</u>
	<u>89.456.057</u>

Movement of value adjustment for doubtful receivables:

	30 Sep 2013
1 January 2013	27.559.545
Write off during the year	-1.597.352
Collected during the year	-1.233.252
Reserved during the year	4.867.025
Closing balance	<u>29.595.966</u>

Aging of trade receivables of the Company without interests receivables:

	30 Sep 2013
Undue	58.970.870
Up to 120 days	24.863.962
120-360 days	9.465.652
over 360 days	25.724.964
	<u>119.025.448</u>

049. OTHER RECEIVABLES

	30 Sep 2013
Interest receivables	2.379.761
Advance payments receivables	2.181.361
Other receivables	13.636
	<u>4.574.758</u>
Value adjustment	<u>-13.636</u>
	<u>4.561.122</u>

058. CASH IN BANK AND REGISTER

	30 Sep 2013
Kuna accounts balance	28.353.308
Foreign currency accounts balance	6.276.015
Cash in register	25.058
	<u>34.654.381</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Sep 2013
Differed customer related expenses	27.394.577
Bond issuing expenses	560.023
Prepaid expenses	15.766.613
	<u>43.721.213</u>

063. SUBSCRIBED CAPITAL

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

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

At 30 Sep 2013, loss per share is as follows:

Net result - loss	58.719.467
Number of shares	2.820.070
Loss per share	20,82

In the same period last year, loss per share amounted to HRK 10,16

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Sep 2013) varied from HRK 6,00 (the lowest price) to HRK 8,38 (the highest price). Market capitalization in thousands of HRK on 30 Sep 2013 amounted to HRK 17.597 thousand.

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

Structure of 10 major shareholders as on 30 Sep 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	1.355	4,80
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2,72
KONEČNY ZORAN (1/1)	482	1,71
ZAGREBAČKA BANKA D.D. (1/1)	428	1,52
ŽUVANIĆ ROLAND (1/1)	303	1,07
ČERNOŠEK KRUNOSLAV (1/1)	207	0,73
JOVIČIĆ GORAN (1/1)	202	0,72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE BANKE	174	0,62
	5.522	19,58
MALI DIONIČARI	4.083	14,48
	28.201	100,00

083. LONG-TERM LIABILITIES

	30 Sep 2013
Loan based liabilities	13.931.575
Liabilities for taxes	1.088.561
	15.020.136

093. SHORT-TERM LIABILITIES

	30 Sep 2013
Loan based liabilities	2.902.951
Liabilities towards credit institutions	544.621.807
Interest liabilities	88.844.804
Liabilities for bonds issued	287.619.063
Trade payables	219.498.482
Liabilities towards employees	2.700.967
Taxes, contributions and other levies	11.016.084
Other liabilities	113.587
	1.157.317.745

098. LIABILITIES TOWARDS SUPPLIERS

	30 Sep 2013
Domestic trade payables	213.155.034
Foreign trade payables	6.343.448
	219.498.482

099. BONDS ISSUED

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

	30 Sep 2013
Nominal value	250.000.000
Compensations for issuance of bonds	-365.312
Liabilities based on calculated interest	37.984.375
	287.619.063

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2013
VAT Liabilities	8.501.186
Taxes and contributions on and from salaries	1.926.462
Other taxes and contributions	588.436
	11.016.084

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2013
Domestic payables for which invoices have not been received	8.108.498
Foreign payables for which invoices have not been received	4.372.531
Accrued interests	3.268
Deferred income	12.768.520
Deferred income due to uncertainty	3.798.269
	29.051.086

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	665.839	598.623	-26.352	-33.675
USD	1.447	2.145	-109	-2
CHF				
GPB				
	667.286	600.768	-26.461	-33.677

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 2013 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	66.584	5.862	-2.635	-3.368
USD	145	215	-11	0
CHF				
GPB				
	66.729	6.077	-2.646	-3.368

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

Interest Rate Risk

Liabilities arising from credits and loans with variable interest rates amount to HRK 339,34 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
30 Sep 2013				
Non-interest bearing liabilities	222.313			222.313
Interest bearing liabilities	646.482	289.441	1.998	937.920
	868.795	289.441	1.998	1.160.233
30 Sep 2012				
Non-interest bearing liabilities	231.454			231.454
Interest bearing liabilities	99.035	728.959	1.962	829.956
	330.489	728.959	1.962	1.061.410

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 219.499 thousand for the period from January to September 2013 (HRK 193.602 on 31 december 2012).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2013				
Non-interest bearing liabilities	128.712			128.712
Interest bearing liabilities	949	3.458	0	4.406
	129.660	3.458	0	133.118
30 Sep 2012				
Non-interest bearing liabilities	103.317			103.317
Interest bearing liabilities	31.784	14.970	5.174	51.928
	135.101	14.970	5.174	155.245

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

