

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

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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 revenue amount to HRK **400,3** million a decrease of **8,1%**, with the simultaneous decrease of overall operating costs by **31,8** million, or **7,8%**, compared to the same period of the previous year,
- Achieved EBITDA in amount of HRK **55,6** million with increase of EBITDA margin of 1,0 percentage points to **13,9%** compared to the same period of the previous year.

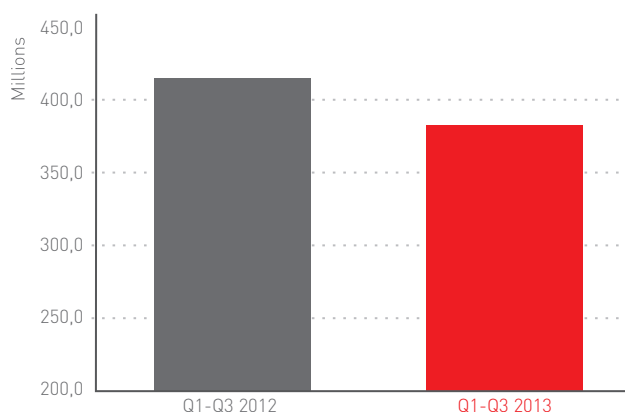
	Q1-Q3 2012	Q1-Q3 2013	Q1-Q3 2013 / Q1-Q3 2012	Q3 2012	Q3 2013	Q3 2013 / Q3 2012
Total operating income	435,400	400,260	[8.1%]	154,120	122,688	[20.4%]
EBITDA	56,148	55,627	[0.9%]	14,851	15,654	5.4%
EBT	[31,183]	[59,742]	91.6%	[11,983]	[32,713]	173.0%

	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

Unconsolidated revenue

The overall unconsolidated revenue at the end of the third quarter of 2013 amounts to HRK **400,3** million, which indicates a **8,1%** decrease compared to the results achieved in the same period of the previous year. The greatest impact on the decrease of overall unconsolidated 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

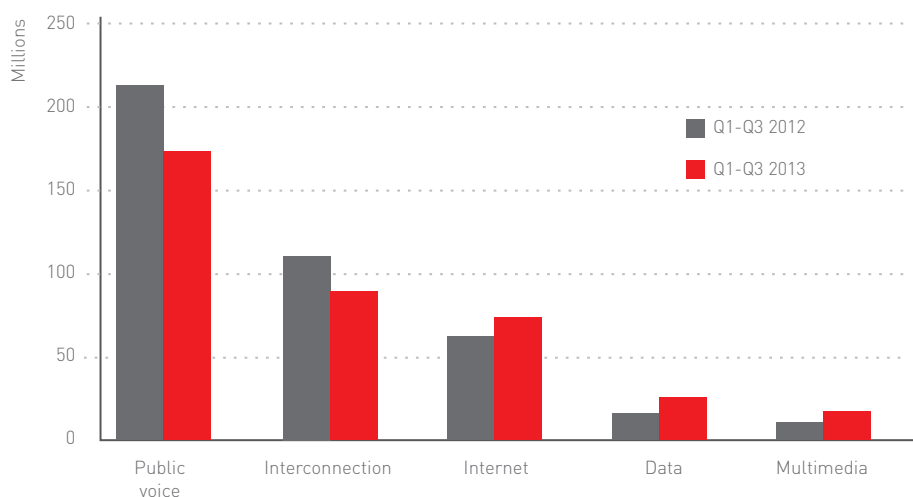
Revenue from Internet services that increased by **18.2%**, multimedia services with a **47.9%** increase, and data services with a realized increase of **61.5%** had a positive impact on the overall revenue in the third quarter.

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 173.7 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 **55,6** million, which represents a **0,9%** 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 **-59,7** million at the end of the third quarter of 2013, which is a worse result by HRK **28,6** million or **91,6%** compared to the same period of the previous year.

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

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.

**Financial Statements
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.hrCode and name for municipality/city: **133**Code and name for county: **21**Number of employees
(at the year's end) **207**Consolidated Report: **NO**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

Book-keeping firm:

Contact person: **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

Telephone: **01/5492 027**Telefaks: **01/5492 019**e-mail address: svetlana.kundovic@optima-telekom.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	425.445.870	148.291.145	394.126.140	126.396.928
1. Sales income	112	420.426.366	146.837.225	387.082.323	124.260.776
2. Other operating income	113	5.019.504	1.453.920	7.043.817	2.136.152
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	410.132.825	147.299.722	378.335.547	124.138.978
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	331.022.279	120.447.381	291.733.403	95.321.496
a) Costs of raw material and supplies	117	1.439.925	391.633	1.319.706	458.046
b) Costs of goods sold	118	2.787.417	0	1.381.337	555.672
c) Other external costs	119	326.824.937	120.055.748	289.032.360	94.307.778
3. Staff costs (121 do 123)	120	26.606.748	8.825.872	28.672.553	9.647.697
a) Net salaries and wages	121	14.291.535	4.782.367	15.615.672	5.251.253
b) Expenses of taxes and contributions from salaries	122	8.627.218	2.878.902	9.273.270	3.123.484
c) Contributions to salaries	123	3.687.995	1.164.603	3.783.611	1.272.960
4. Amortization	124	40.835.129	13.859.130	39.836.481	13.395.745
5. Other costs	125	7.691.566	2.340.943	11.752.130	4.377.156
6. Value adjustment (127+128)	126	3.977.103	1.826.396	6.340.980	1.396.884
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	4.489.780	1.181.418
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	9.954.412	5.829.037	6.133.935	-3.708.786
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	226.029	74.127	207.385	69.371
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	9.728.383	5.754.910	5.926.550	-3.778.157
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	56.450.860	18.803.505	81.666.426	31.262.299
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	56.450.860	18.803.505	81.666.426	31.262.299
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	435.400.282	154.120.182	400.260.075	122.688.142
X. TOTAL EXPENSES (114+137+143 + 145)	147	466.583.685	166.103.227	460.001.973	155.401.277
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-31.183.403	-11.983.045	-59.741.898	-32.713.135
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	31.183.403	11.983.045	59.741.898	32.713.135
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-31.183.403	-11.983.045	-59.741.898	-32.713.135
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	31.183.403	11.983.045	59.741.898	32.713.135
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	0	0		
2. Assigned to minority interest	156	0	0		
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS FOR THE PERIOD (= 152)	157	-31.183.403	-11.983.045	-59.741.898	-32.713.135
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences on translating foreign operations	159				
2. Changes in revaluation reserves of fixed and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Profit or loss on effective cash flow protection	162				
5. Profit or loss on effective hedge of a net foreign investment	163				
6. Share of other comprehensive income / loss of associated companies	164				
7. Actuarial income / loss on defined benefit plans	165				
III. COMPREHENSIVE INCOME TAX	166				
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	-31.183.403	-11.983.045	-59.741.898	-32.713.135
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				
2. Assigned to minority interest	170				

BALANCE SHEET
on 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	410.861.169	391.970.537
I. INTANGIBLE ASSETS (004 through 009)	003	20.868.771	19.222.215
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	20.868.771	19.222.215
3. Goodwill	006	0	0
4. Advances for procurement of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 through 019)	010	361.452.805	344.934.822
1. Land	011	23.269	23.269
2. Building objects	012	15.034.764	14.695.385
3. Facilities and equipment	013	335.646.028	318.781.926
4. Tools, production inventory and transport assets	014	921.349	1.468.932
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	692.995	589.477
III. FIXED FINANCIAL ASSETS (021 through 028)	020	28.539.593	27.813.500
1. Shares (stock) in affiliated entrepreneurs	021	19.302.400	19.302.978
2. Loans granted to affiliated entrepreneurs	022	5.708.908	5.017.743
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.493.285	3.457.779
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	85.611.337	136.085.502
I. INVENTORY (036 do 042)	035	2.438.088	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	2.438.088	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	80.837.192	99.313.366
1. Receivables from affiliated entrepreneurs	044	99.245	829.036
2. Receivables from buyers	045	79.295.564	89.282.966
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	304.987	60.399
6. Other receivables	049	1.098.386	9.100.688
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	1.747.858	34.039.699
D) PREPAYMENTS AND ACCRUED INCOME	059	50.117.196	43.500.779
E) TOTAL ASSETS (001+002+034+059)	060	546.589.702	571.556.818
F) OFF-BALANCE RECORDS	061	1.035.973.547	1.633.906.642

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-562.552.094	-622.293.992
I. BASE (registered) capital	063	28.200.700	28.200.700
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	0	0
1. Legal reserves	066	0	0
2. Own stock reserves	067	0	0
3. Own stocks and shares (deductable item)	068	0	0
4. Statutory reserves	069	0	0
5. Other reserves	070	0	0
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-688.761.522	-785.106.794
1. Retained earnings	073	0	0
2. Loss carried forward	074	688.761.522	785.106.794
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-96.345.272	-59.741.898
1. Profit of the year	076	0	0
2. Loss of the year	077	96.345.272	59.741.898
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	1.743.916	1.743.916
1. Provisions for pensions, severance payments amd similar obligations	080	1.743.916	1.743.916
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	538.294.528	13.931.575
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	24.398.086	13.931.575
3. Liabilities towards banks and other financial institutions	086	513.896.442	0
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	0
6. Liabilities as per securities	089	0	0
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	503.725.557	1.149.146.020
1. Liabilities towards affiliated entrepreneurs	094	7.897.392	0
2. Liabilities for loans, deposits and similar	095	7.083.573	2.902.951
3. Liabilities towards banks and other financial institutions	096	22.241.499	630.215.124
4. Liabilities for advances	097	7.452.575	0
5. Liabilities towards suppliers	098	182.265.259	217.419.076
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	1.860.118	1.868.052
9. Liabilities for taxes, contributions and similar levies	102	5.316.322	9.008.674
10. Liabilities as per share in results	103	0	0
11. Liabilities as per longterm assets intended for sale	104	0	0
12. Other current liabilities	105	195.069	113.080
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	65.377.795	29.029.299
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	546.589.702	571.556.818
G) OFF – BALANCE RECORDS	108	1.035.973.547	1.633.906.642
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	0	0
2. Assigned to minority interest	110	0	0

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

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	-31.183.403	-59.741.898
2. Depreciation	002	40.835.129	39.836.481
3. Increase of short-term liabilities	003	116.770.776	41.627.461
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005	0	618.036
6. Other increase of cash flow	006	19.241.953	7.342.509
I. Total increase of cash flow from operating activities (001 through 006)	007	145.664.455	29.682.589
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	18.625.274	18.476.174
3. Increase of inventories	010	265.766	0
4. Other decrease of cash flow	011	2.388.685	36.672.682
II. Total decrease of cash flow from operating activities (008 through 011)	012	21.279.725	55.148.856
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	124.384.730	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	25.466.267
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	42.323.314	21.671.942
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	42.323.314	21.671.942
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	42.323.314	21.671.942
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	79.430.050
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	0	79.430.050
1. Cash expenditure for the payment of loan principal and bonds	031	82.141.128	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	82.141.128	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	79.430.050
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	82.141.128	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	32.291.841
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	79.712	0
Cash and cash equivalents at the beginning of the period	041	1.372.426	1.747.858
Increase of cash and cash equivalents	042	0	32.291.841
Decrease of cash and cash equivalents	043	79.712	0
Cash and cash equivalents at the end of the period	044	1.292.714	34.039.699

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.13 to 30.9.13

Item	EDP	Previous period	Current period
1	2	3	4
1. Subscribed capital	001	28.200.700	28.200.700
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	0
4. Retained profit or loss carried forward	004	-688.761.522	-785.106.794
5. Profit or loss of the current year	005	-31.183.403	-59.741.898
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	-497.390.225	-622.293.992
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	0	0
17 b. Assigned to minority interest	019	0	0

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

Notes to the Financial Statements

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

As a result of indebtedness, insolvency and 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.

Staff

On 30 Sep 2013 the Company employed 207 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 Beriđ	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	173.656.348	212.651.208
Interconnection services	89.997.495	110.902.832
Internet services	74.292.171	62.847.313
Data services	26.299.725	16.283.321
Multimedia services	17.693.507	11.960.022
Lease and sale of equipment	3.538.865	2.612.744
Other services	1.604.212	3.168.926
	387.082.323	420.426.366

113. OTHER OPERATING INCOME

	30 Sep 2013	30 Sep 2012
Write off old trade payables and additional discounts	1.232.049	2.532.774
Income from collected penalties etc.	1.287.207	0
Income from rent - billing system	845.604	1.088.481
Income from in kind payments	276.944	287.378
Income from assets sale	2.113.152	0
Other income	1.288.861	1.110.871
	7.043.817	5.019.504

119. OTHER MATERIAL COSTS

	30 Sep 2013	30 Sep 2012
Costs of maintenance	12.794.172	13.102.318
Marketing services	1.385.717	4.431.973
Billing costs	4.135.227	5.711.350
Line lease costs	34.455.069	32.156.941
Intellectual and other services	3.434.699	1.417.026
Utilities	6.119.629	6.621.050
Customer attraction costs	14.544.747	17.260.656
Pair connection fees	46.236.013	45.870.582
Telecommunications costs	154.420.687	184.977.234
Residential sales services	10.132.600	13.886.650
Other costs	1.373.800	1.389.157
	289.032.360	326.824.937

120. STAFF EXPENSES

	30 Sep 2013	30 Sep 2012
Net salaries	15.615.672	14.291.535
Taxes and contributions from salaries	9.273.270	8.627.218
Taxes and contributions on salaries	3.783.611	3.687.995
	28.672.553	26.606.748

Number of employees on 30 Sep 2013	207	186
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2013	30 Sep 2012
Amortization of intangible assets	3.589.831	4.536.728
Amortization of fixed tangible assets	36.246.650	36.298.401
	39.836.481	40.835.129

125. OTHER OPERATING EXPENSES

	30 Sep 2013	30 Sep 2012
Compensations to employees	1.152.568	1.010.377
Representation	889.535	1.026.430
Insurance premiums	702.546	845.433
Bank charges	1.977.433	2.105.485
Taxes, contributions and membership fees	1.043.822	674.815
Costs of sold and written off assets	2.051.398	96.887
Gifts and sponsorships	448.516	548.470
Unpaid receivables write-offs	1.480.339	1.008
Other expenses	2.005.973	1.382.661
	11.752.130	7.691.566

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 from related companies	207.385	226.029
Interest income	5.337.388	4.253.156
Foreign exchange gains	589.162	5.475.227
	6.133.935	9.954.412

137. FINANCIAL EXPENSES

	30 Sep 2013	30 Sep 2012
Interest expenses	75.955.627	55.786.946
Fee	268.250	573.301
Foreign exchange losses	5.442.549	90.613
	81.666.426	56.450.860

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	80.544.157	0	88.731.847
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	82.487.432	0	90.675.122
VALUE ADJUSTMENT				
As at 01 Jan 2013	1.930.474	65.932.602	0	67.863.076
Amortization of the current year	204.488	3.385.343		3.589.831
Disposals and retirements				0
Amortization as at 30 Sep 2013	2.134.962	69.317.945	0	71.452.907
NET ACCOUNTING VALUE				
As at 30 Sep 2013	6.052.728	13.169.487	0	19.222.215

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
PURCHASE VALUE								
As at 01 Jan 2013	23.269	18.100.211	578.301.900	5.005.380	46.822	9.087.578	4.444.741	615.009.900
Additions			4.143.750	754.640		20.933.391	36.164	25.867.945
Transfer from assets in progress			20.620.758			-20.691.958	71.200	0
Disposals and retirements			-9.138.864					-9.138.864
As at 30 Sep 2013	23.269	18.100.211	593.927.544	5.760.020	46.822	9.329.011	4.552.105	631.738.982
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	3.065.446	242.655.872	4.084.031	0	0	3.751.746	253.557.095
Amortization of the current year		339.380	35.489.331	207.057			210.882	36.246.650
Disposals and retirements			-2.999.585					-2.999.585
Amortization as at 30 Sep 2013	0	3.404.826	275.145.618	4.291.088	0	0	3.962.628	286.804.160
NET ACCOUNTING VALUE								
As at 30 Sep 2013	23.269	14.695.385	318.781.926	1.468.932	46.822	9.329.011	589.477	344.934.822

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2013
Loans to majority shareholder	5.602.855
Loans to third party companies	36.881.670
Long term deposits	3.457.779
	45.942.304
Value adjustment	-42.484.525
	3.457.779
Loans to related companies	5.017.743
Loans and deposits	8.475.522
Shares in related companies	19.302.978
Participating interests (shares)	35.000
	27.813.500

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. 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	40.633.325
Write off during the year	0
Reserved during the year	1.851.200
Closing balance	42.484.525

021. SHARES IN RELATED COMPANIES

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

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

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

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

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

043. RECEIVABLES

	30 Sep 2013
Receivables from related companies	829.036
Trade receivables	89.282.966
Employee receivables	40.277
Receivables from the state and other institutions	60.399
Other receivables	9.100.688
	99.313.366

045. TRADE RECEIVABLES

	30 Sep 2013
Domestic trade receivables	106.298.946
Foreign trade receivables	11.373.898
Interests receivables	26.575
	117.699.419
Value adjustment	-28.416.453
	89.282.966

Movement of value adjustment for doubtful receivables:

	30 Sep 2013
1 January 2013	26.592.556
Write off during the year	-1.597.352
Collected during the year	-1.233.252
Reserved during the year	4.654.501
Closing balance	28.416.453

Aging of trade receivables of the Company without interests receivables:

	30 Sep 2013
Undue	58.906.644
Up to 120 days	24.780.767
120-360 days	9.439.983
over 360 days	24.545.451
	117.672.845

049. OTHER RECEIVABLES

	30 Sep 2013
Interest receivables	2.306.559
Advance payments receivables	6.794.129
Other receivables	
	9.100.688

058. CASH IN BANK AND REGISTER

	30 Sep 2013
Kuna accounts balance	27.740.372
Foreign currency accounts balance	6.274.269
Cash in register	25.058
	34.039.699

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	15.546.179
	43.500.779

063. SUBSCRIBED CAPITAL

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

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

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

Net result - loss	59.741.898
Number of shares	2.820.070
Loss per share	21,18

In the same period last year, loss per share amounted to HRK 11,06

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

093. SHORT-TERM LIABILITIES

	30 Sep 2013
Loan based liabilities	2.902.951
Liabilities towards credit institutions	541.370.320
Interest liabilities	88.844.804
Liabilities for bonds issued	287.619.063
Trade payables	217.419.076
Liabilities towards employees	1.868.052
Taxes, contributions and other levies	9.008.674
Other liabilities	113.080
	<u>1.149.146.020</u>

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

098. LIABILITIES TOWARDS SUPPLIERS

	30 Sep 2013
Domestic trade payables	212.325.506
Foreign trade payables	5.093.570
	<u>217.419.076</u>

099. BONDS ISSUED

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

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

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2013
VAT Liabilities	6.949.378
Taxes and contributions on and from salaries	1.472.567
Other taxes and contributions	586.729
	<u>9.008.674</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2013
Domestic payables for which invoices have not been received	8.108.499
Foreign payables for which invoices have not been received	4.372.531
Deferred income	12.750.000
Deferred Income due to uncertainty	3.798.269
	<u>29.029.299</u>

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Sep 2013 in 000 HRK	30 Sep 2012 in 000 HRK	30 Sep 2013 in 000 HRK	30 Sep 2012 in 000 HRK
EUR	665.501	596.305	-26.352	-33.675
USD	1.447	2.145	-109	-2
CHF				
GPB				
	666.948	598.450	-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 in 000 HRK	30 Sep 2012 in 000 HRK	30 Sep 2013 in 000 HRK	30 Sep 2012 in 000 HRK
EUR	66.550	59.631	-2.635	-3.368
USD	145	215	-11	0
CHF				
GPB				
	66.695	59.845	-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 339,00million, and therefore, the Company's exposure to the interest rate risk is significant.

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

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2013				
Non-interest bearing liabilities	219.400			219.400
Interest bearing liabilities	643.230	289.441	1.998	934.669
	862.630	289.441	1.998	1.154.069
30 Sep 2012				
Non-interest bearing liabilities	227.822			227.822
Interest bearing liabilities	93.827	727.138	1.962	822.927
	321.649	727.138	1.962	1.050.749

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 217.419 thousand for the period from January to March 2013 (HRK 182.265 on 31 december 2012).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2013				
Non-interest bearing liabilities	133.293			133.293
Interest bearing liabilities	912	8.476	0	9.388
	134.205	8.476	0	142.681
30 Sep 2012				
Non-interest bearing liabilities	103.152			103.152
Interest bearing liabilities	31.748	12.263	5.174	49.185
	134.900	12.263	5.174	152.337

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

