

OT – Optima Telekom d.d
Management Interim Report
for the First Quarter of 2014
unconsolidated

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Main Features

Due to overindebtedness, lack of liquidity and insolvency, pursuant to the Financial Operations and Pre-bankruptcy Settlement Act (the Official Gazette 108/2012, 144/2012, 81/2013, 112/13), OT-Optima Telekom d.d. (hereinafter: Optima) has initiated pre-bankruptcy proceedings by filing a motion to initiate the said proceedings in February of 2013, with a view to restructure its business both financially and operatively.

Through the implementation of the financial and operative restructuring plan, Optima should become liquid and solvent in the upcoming period. On April 11, 2013 Optima obtained the decision on initiation of pre-bankruptcy settlement proceedings, while on November 5, 2013 the hearing for voting on the financial and operative restructuring plan was held, where a majority of 94.6% of all creditors voted in favor of the plan. The hearing for the execution of the pre-bankruptcy settlement has been scheduled for April 30, 2014 at the Commercial Court of Zagreb.

The Company is aware of the fact that the Croatian Competition Agency rendered and on April 7, 2014 published a decree deeming the concentration of Croatian Telecom and Optima, based on the Financial Restructuring Plan within the pre-bankruptcy settlement proceedings, conditionally permitted along with imposing measures for eliminating the negative impacts of the concentration.

All the information regarding the course of pre-bankruptcy settlement proceedings are published pursuant to the Financial Operations and Pre-bankruptcy Settlement Act on the Financial Agency's website, at www.fina.hr. The Company is reporting to the public on the course of the proceedings in a timely and transparent fashion, and in line with the regulations from the field of capital markets.

Business indicators

Optima concluded the first quarter with:

- total revenue has been achieved in the amount of HRK 118.0 million, which represents a 14.0% decrease, with a simultaneous decrease of total liabilities by HRK 27.8 million or 18.7% compared to the same period of the previous year
- the achieved EBITDA of the core business in the amount of HRK 20.5 million with a decrease of the EBITDA margin by 1.3 points to 17,6% compared to the same period of the previous year.

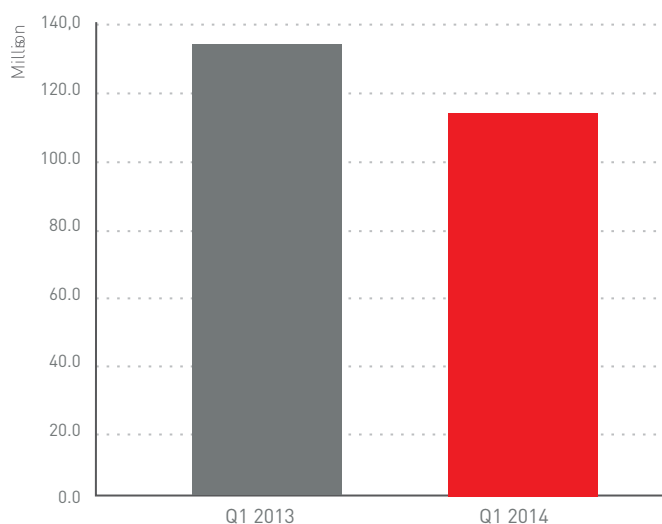
	Q1 2013	Q1 2014	Q1 2013/ Q1 2014
Total operating income	137,264	118,004	(14.0%)
EBITDA	25,632	20,468	(20.1%)
EBT	(11,447)	(2,915)	(74.5%)

	31/03/2013	31.03.2014/ 31.03.2013	31/12/2013	31.03.2014/ 31.12.2013	31/03/2014
Total number of OT users					
Number of voice channels	229.500	-8,2%	218.482	-3,6%	210.619
Number of users in own LLU network	117.294	-6,1%	112.896	-2,5%	110.089
Number of OptiDSL users in own LLU network	77.652	-1,4%	76.968	-0,5%	76.568
Number of OptiTV users in own LLU network	22.500	14,9%	25.500	1,4%	25.850
Number of collocations installed					
	276	2.5%	282	0.4%	283
North	92	2,2%	94	0.0%	94
West	46	6,5%	48	2,1%	49
East	55	0,0%	55	0.0%	55
South	83	2.4%	85	0.0%	85

Revenue

The total revenue at the end of the first quarter of 2014 amount to HRK **118.0** million which indicates a **14.0%** decrease compared to the results achieved in the same period of the previous year. Revenue from the wholesale segment, i.e. the interconnection revenue had the greatest impact on the decrease of total revenue. As of July 1, 2013 a regulatory decision significantly decreased the prices of international call termination in fixed networks (from HRK 1.28/min to HRK 0.45/min, or 64%), which resulted in a decrease of interconnection revenue in the observed period. Public voice service shows a decreasing tendency at a global level and the quantity of minutes realized in the voice service is showing a continued drop, which is presented through the decrease of revenue from the public voice service.

Telecommunications revenue



TELECOmmUNICATIONS SERVICE INCOMe

Source: Optima's internal data

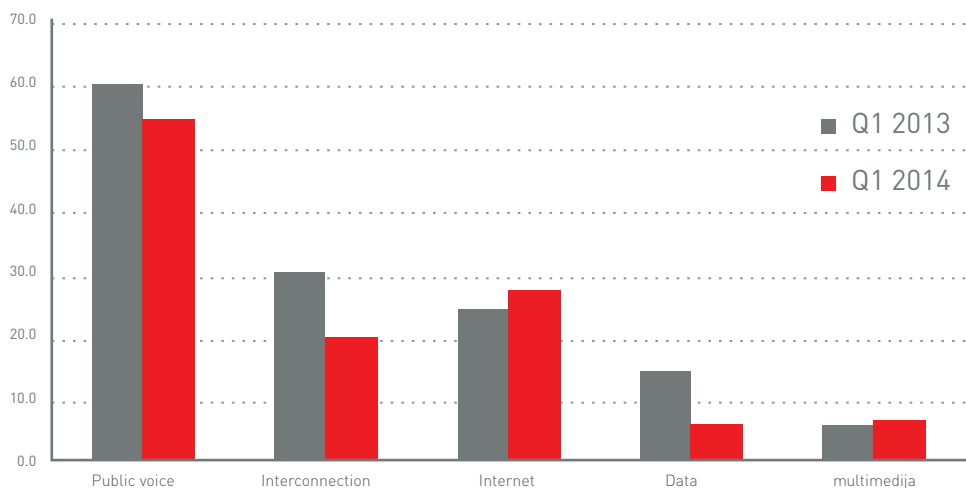
Internet services revenue that increased by **13.6%** and multimedia services with a **12.9%** increase has a positive impact on the overall revenue in the first quarter. A positive trend has been achieved thanks to sales activities in both the corporate and residential segment, with emphasis on the increase of 2-play and 3-play services.

Data services revenue decreased by **59%**. This big a difference in revenue was primarily influenced by the one-time sales revenue according to the IRU15 model that had a significant impact on revenue increase in the first quarter of 2013.

Public voice service revenue amounts to HRK **53.9** million, which is **9.5%** less compared to the same period of the previous year with the simultaneous drop in the quantity of minutes realized in the amount of **17.7%** compared to the same period of the previous year, which shows the decreasing trend in the quantity of minutes realized in the national landline network.

Interconnection revenue amounts to HRK **19.4** million and are **35%** lower due to fewer minutes and price adjustments.

TELECOmmUNICATIONS SERVICE REVENUE



Earnings before interest, taxation and depreciation – EBITDA

The EBITDA of the core business amounts to HRK **20.5** million at the end of the first quarter, which represents a **20.1%** decrease compared to the same period of the previous year.

Earnings before taxation – EBT

At the end of the first quarter of 2014, EBT amounts to HRK – **2.9** million, which is a better result by HRK **8.5** million or **74.5%** compared to the same period of the previous year.

Infrastructural development

The total number of active collocations by the end of the first quarter of 2014 is **283**.

Along with the erection of new collocations, infrastructural development necessarily requires the construction of one's own optical network. During the first quarter of 2014, apart from regular construction of optical feeds to end users, the construction of optical network also included the realization of a significant inter-city line between Šibenik and Trogir.

In numbers, we are talking about 95.9 km of new optical network, or 66 new feeds and the previously mentioned Šibenik-Trogir line. Comparing overall lengths, this is an increase of optical network of 3.5% compared to the construction level at the end of 2013 (2,914 km compared to 2,814 km realized by the end of the fourth quarter of 2013).

Compared to the same period of 2013 (first quarter), the overall length of constructed optical feeds and lines has multiplied, considering that we also realized an inter-city line in this period, along with the regular optical feeds. The highest quantity of feeds and lines has been realized in region South (78.2 km), followed by region North (14.9 km) and regions West (1.4 km) and East (1.4 km).

Significant events in the first quarter of 2014 and expectations for future development

Significant events in the first quarter of 2014

and expectations for future development

Macroeconomic and market trends ¹

Currency exchange rate trends at the beginning of February have been characterized by an intervention of the Croatian National Bank at the very end of January, through which EUR 240.2 million have been sold to commercial banks and EUR 1.15 billion of state bonds have been issued in the domestic market. The intervention increased foreign currency liquidity, while the issuance of bonds influenced bank positioning (they were supposed to ensure a sufficient quantity of national currency), so due to high HRK liquidity and little activity in the foreign currency market in the first part of the month there were no significant oscillations of the exchange rate. In the second part of the month there was a somewhat higher demand for foreign currencies, so a slight HRK depreciation was recorded again, so that the HRK was worth 0.1% more at the end of the month than at its beginning.

The GDP drop is being recorded for five years in a row. According to the first estimates of the Croatian Bureau of Statistics, in the fourth quarter of last year the GDP was actually decreased by 1.2% at an annual level. Such a relatively high drop was expected after slightly smaller drops in the second and third quarter positively influenced by a good tourist season. With such accomplishments in the final quarter, the actual GDP decrease amounted to 1.0%, which meant slowing down the drop compared to the previous year (-1.9%), but the base decrease, hence a further decline at the low level of economic activity has to be considered.

In January the annual inflation rate (0.1%) a step away from deflation – the lowest annual increase of the general consumer prices level since the beginning of 1995. Namely, the more visible inflationary pressures disappeared from the offer side (energy and feedstock price decrease in the world market; base effect disappearance due to the increase of administrative prices of monopolistic services related to housing from 2012), and on the demand side there have been no impulses for a long time now (decrease of available income with a deterioration in the labor market).

The highest unemployment rate since the beginning of the economic crisis has been registered in January of this year (22.4%). 38,213 persons have been entered into the unemployment records, which is 5% more at an annual level. In December, the Government issued an ordinance determining the minimum wage for 2014 in the gross amount of HRK 3,017.61 (compared to the previous amount, this is an increase by

¹ Data Source: Croatian Bureau of Statistics (DZS), Croatian Chamber of Economy (HGK)

approximately HRK 30.00). A slight increase of the minimum wage is a result of a long and deep recession, while the purchasing power of the citizens has decreased so much more and the increase of the VAT interim rate from 10% to 13% (from January 2014) will exert additional pressure on the purchasing power.

The decreasing trend of outstanding payment titles is slowing down, with a simultaneous large quantity of new overdrawals. At the end of January, the value of outstanding payment titles amounted to HRK 33.45 billion, which is only 249 thousand less than a month earlier. This confirms further mitigation of the decreasing trend which has been visible for some time now.

Regulatory environment

The Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) has continued to regulate the electronic communications market in this reporting period as well and, for the purpose of adjusting wholesale offers of Hrvatski Telekom d.d. (hereinafter: HT) to the regulatory obligations imposed upon HT in the second round of relevant market analyses, pursuant to Art. 58, para. 3 of the Electronic Communications Act it carried out amendment procedure of HT's Standard offer for the wholesale broadband access service and HT's Standard offer for the singled out local loop access service. Out of the amendments expected to have a significant impact on the Company's business, we would like to point out sending of the request for wholesale services via the B2B interface without the need to enclose a copy of the unified request, shortening the deadline for performance of services to the new end user, defining obligations that HT has to fulfill in the realization of wholesale services (realization confirmation, providing pair cabling technical parameters, etc.), abolishing the differences between the narrowband and broadband pair cabling, the correction of the pair cabling technical parameters as well as test profile parameters, a significantly improved repair procedure, the possibility of migration between wholesale services. In order to equalize wholesale conditions, insofar as the same is allowed by the market itself, HAKOM also amended the HT's Standard offer for user line rental service, whereby it regulated, amongst other things, the payment of a charge for untimely realization of the complex request for the user line rental service and certain other HT's wholesale services.

Within the regular market analyses HAKOM started the process of market analysis in the relevant market of access to the public communications network at a fixed location for private and corporate users, as well as in the market of publicly available telephone service in the local and/or inter-city traffic, being provided at a fixed location for private users and the market of publicly available telephone service in the local and/or inter-city traffic, being provided at a fixed location for corporate users. Also, in this reporting period, based on its own cost model, HAKOM has completed the process of calculating

the one-time charge for singled out local loop access service that will, along with the introduction of two new charges – the one for request withdrawal and the one for administrative processing of the request – have a significant impact on the Company's financial operations in the upcoming period.

The completion of the process of determining charges for the rented electronic communication lines and the charge for the wholesale broadband access service is anticipated during the following reporting period. Namely, HAKOM initiated an additional round of public discussions in the said processes because an additional check of cost allocation in the cost model for the core network showed that the allocated amount of costs connected with the rented line wholesale service has been underestimated. Given that the same network elements of HT's core network are used for providing both the wholesale broadband access service and the line rental service, HAKOM made the necessary adjustments to the cost model, so Final decisions in this processes are anticipated during the upcoming reporting period and they are expected to have a significant impact on the Company's financial operations. In light of the above, the regulatory body is expected to continue its activities in market analyses as well as in defining wholesale conditions by applying the principle of price cost-orientation and cost models, which should be of influence to the Company's business in the periods to come.

Out of the more relevant amendments to regulations in force in the field of electronic communications, we would like to point out the entry into force of the amended and supplemented Regulation on the manner and conditions for electronic communications network activities and services, regulating the procedure for changing the public communications services carrier in the landline electronic communications network. Out of the obligations that are expected to have a significant impact on the Company's financial operations in the upcoming periods, we would like to point out the obligation to pay compensation to the end user for delays in service realization beyond the proscribed deadline and the obligation to pay another carrier compensation for delays in non-performance of obligations in the carrier change process.

In this reporting period, the Ministry of Maritime Affairs, Transport and Infrastructure initiated a public debate concerning the new draft Act amending the Electronic Communications Act. This time, the purpose of the changes is the merger of the Railroad Services Market Regulation Agency (ARTZU) with HAKOM, in order to establish a unified national regulatory body to regulate the electronic communications market, the postal services market and the railroad services market – the Croatian Network Activities Regulation Agency. As far as the financing of the new regulator is concerned, it has been proposed that its funding be ensured out of the fee for the regulatory body's services to be paid by the participants of the railroad services market as well, according to the same principle as carriers, or postal service providers – as a percentage of the overall annual gross revenue achieved in the previous year). Concerning any surplus of the funds

accumulated from the fees, it is proposed that HAKOM should, as a rule, transfer any surplus into the following year, and as an exception, it may decide to transfer this surplus into the newly established Network Activity Development Fund which should aid solely the development of electronic communications networks and services. The adoption and passing of this Act amending the Electronic Communications Act is anticipated within the upcoming reporting period.

Changes to the Company's governing bodies

There were no changes to the Company's governing 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 Chairperson 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 Optima. The financial report contains a true presentation of development, business 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
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OT-Optima Telekom d.d.
ZAGREB

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

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

Optima Telekom d.d.

**Financial Statements
as of 31 March 2013**

Enclosure 1

Reporting period:

1 Jan 2014

to

31 Mar 2014

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hrand name for municipality/city **133**Code and name for county **21**Number of employees **210**

(at the year's end)

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 2014 to 31 Mar 2014

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	135.524.938	135.524.938	115.983.276	115.983.276
1. Sales income	112	134.154.338	134.154.338	113.759.401	113.759.401
2. Other operating income	113	1.370.600	1.370.600	2.223.875	2.223.875
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	123.112.961	123.112.961	114.360.902	114.360.902
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	95.477.228	95.477.228	78.604.943	78.604.943
a) Costs of raw material and supplies	117	404.717	404.717	523.616	523.616
b) Costs of goods sold	118	324.250	324.250	266.197	266.197
c) Other external costs	119	94.748.261	94.748.261	77.815.130	77.815.130
3. Staff costs (121 do 123)	120	9.553.102	9.553.102	10.809.615	10.809.615
a) Net salaries and wages	121	5.206.356	5.206.356	5.769.867	5.769.867
b) Expenses of taxes and contributions from salaries	122	3.086.123	3.086.123	3.613.307	3.613.307
c) Contributions to salaries	123	1.260.623	1.260.623	1.426.441	1.426.441
4. Amortization	124	13.219.985	13.219.985	18.845.591	18.845.591
5. Other costs	125	2.793.456	2.793.456	5.369.126	5.369.126
6. Value adjustment (127+128)	126	2.069.190	2.069.190	731.627	731.627
a) fixed assets (apart from financial assets)	127	1.116.830	1.116.830	0	0
b) current assets (apart from financial assets)	128	952.360	952.360	731.627	731.627
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	1.739.368	1.739.368	2.021.156	2.021.156
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	69.365	69.365	67.931	67.931
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	1.670.003	1.670.003	1.953.225	1.953.225
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	25.598.626	25.598.626	5.175.451	5.175.451
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	25.598.626	25.598.626	5.175.451	5.175.451
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	1.383.012	1.383.012
IX. TOTAL INCOME (111+131+142 + 144)	146	137.264.306	137.264.306	118.004.432	118.004.432
X. TOTAL EXPENSES (114+137+143 + 145)	147	148.711.587	148.711.587	120.919.365	120.919.365
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-11.447.281	-11.447.281	-2.914.933	-2.914.933
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	11.447.281	11.447.281	2.914.933	2.914.933
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS FOR THE PERIOD (148-151)	152	-11.447.281	-11.447.281	-2.914.933	-2.914.933
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	11.447.281	11.447.281	2.914.933	2.914.933
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	0	0	0	0
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS FOR THE PERIOD (= 152)	157	-11.447.281	-11.447.281	-2.914.933	-2.914.933
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	-11.447.281	-11.447.281	-2.914.933	-2.914.933
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	0	0	0	0
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
on 31 Mar 2014

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	416.850.256	406.137.001
I. INTANGIBLE ASSETS (004 through 009)	003	51.431.880	45.154.991
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	51.431.880	45.154.991
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	342.120.557	337.944.594
1. Land	011	23.269	23.269
2. Building objects	012	14.582.259	14.537.830
3. Facilities and equipment	013	316.751.221	313.690.798
4. Tools, production inventory and transport assets	014	1.437.653	1.657.747
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	8.640.361	7.394.808
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	638.972	593.320
III. FIXED FINANCIAL ASSETS (021 through 028)	020	23.297.819	23.037.416
1. Shares (stock) in affiliated entrepreneurs	021	15.025.790	15.025.790
2. Loans granted to affiliated entrepreneurs	022	4.753.183	4.483.315
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	3.483.846	3.493.311
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	162.208.577	168.282.057
I. INVENTORY (036 do 042)	035	1.343.689	1.664.246
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	1.343.689	1.664.246
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	91.743.345	94.744.363
1. Receivables from affiliated entrepreneurs	044	624.005	205.740
2. Receivables from buyers	045	84.568.706	82.358.442
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	40.629	49.307
5. Receivables from the state and other institution	048	126.907	509.722
6. Other receivables	049	6.383.098	11.621.152
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	1.248.271	1.207.613
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	1.248.271	1.207.613
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	67.873.272	70.665.835
D) PREPAYMENTS AND ACCRUED INCOME	059	38.049.824	37.427.823
E) TOTAL ASSETS (001+002+034+059)	060	617.108.657	611.846.881
F) OFF-BALANCE RECORDS	061	1.724.426.417	1.703.705.985

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-602.675.992	-605.590.926
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	-785.106.794	-825.230.693
1. Retained earnings	073	0	0
2. Loss carried forward	074	785.106.794	825.230.693
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-40.123.898	-2.914.933
1. Profit of the year	076	0	0
2. Loss of the year	077	40.123.898	2.914.933
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	1.783.513	1.783.513
1. Provisions for pensions, severance payments and similar obligations	080	1.783.513	1.783.513
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	13.664.931	13.589.388
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	13.664.931	13.589.388
3. Liabilities towards banks and other financial institutions	086	0	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	1.177.376.312	1.177.208.830
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	2.902.951	2.902.951
3. Liabilities towards banks and other financial institutions	096	596.164.277	598.740.161
4. Liabilities for advances	097	0	0
5. Liabilities towards suppliers	098	270.716.744	268.390.808
6. Liabilities as per securities	099	293.687.500	295.588.542
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	1.887.355	1.939.684
9. Liabilities for taxes, contributions and similar levies	102	11.946.893	9.589.736
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	70.592	56.948
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	26.959.893	24.856.076
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	617.108.657	611.846.881
G) OFF – BALANCE RECORDS	108	1.724.426.417	1.703.705.985
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.: 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 2014 to 31 Mar 2014

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	-11.447.281	-2.914.933
2. Depreciation	002	13.219.985	18.845.591
3. Increase of short-term liabilities	003	0	0
4. Decrease of short-term receivables	004	631.918	0
5. Decrease of inventories	005	218.310	0
6. Other increase of cash flow	006	2.171.192	923.061
I. Total increase of cash flow from operating activities (001 through 006)	007	4.794.124	16.853.719
1. Decrease of short-term liabilities	008	7.127.431	2.743.366
2. Increase of short-term receivables	009	0	3.001.018
3. Increase of inventories	010	0	320.557
4. Other decrease of cash flow	011	28.851.354	2.103.817
II. Total decrease of cash flow from operating activities (008 through 011)	012	35.978.785	8.168.758
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	8.684.961
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	31.184.661	0
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	437.264	8.392.739
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	437.264	8.392.739
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	437.264	8.392.739
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	31.223.636	2.500.341
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	31.223.636	2.500.341
1. Cash expenditure for the payment of loan principal and bonds	031	0	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	0	0
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	31.223.636	2.500.341
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	0
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	2.792.563
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	398.289	0
Cash and cash equivalents at the beginning of the period	041	1.747.858	67.873.272
Increase of cash and cash equivalents	042	0	2.792.563
Decrease of cash and cash equivalents	043	398.289	0
Cash and cash equivalents at the end of the period	044	1.349.569	70.665.835

CHANGE IN CAPITAL STATEMENT

for the period from **1.1.2014** to **31.3.2014**

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	-785.106.794	-825.230.693
5. Profit or loss of the current year	005	-11.447.281	-2.914.933
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	-573.999.375	-605.590.926
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 2013

Due to overindebtedness, lack of liquidity and insolvency, pursuant to the Financial Operations and Pre-bankruptcy Settlement Act (the Official Gazette 108/2012, 144/2012, 81/2013, 112/13), OT-Optima Telekom d.d. (hereinafter: Optima) has initiated pre-bankruptcy proceedings by filing a motion to initiate the said proceedings in February of 2013, with a view to restructure its business both financially and operatively. Through the implementation of the financial and operative restructuring plan, Optima should become liquid and solvent in the upcoming period. On April 11, 2013 Optima obtained the decision on initiation of pre-bankruptcy settlement proceedings, while on November 5, 2013 the hearing for voting on the financial and operative restructuring plan was held, where a majority of 94.6% of all creditors voted in favor of the plan. The hearing for the execution of the pre-bankruptcy settlement has been scheduled for April 30, 2014 at the Commercial Court of Zagreb. The Company is aware of the fact that the Croatian Competition Agency rendered and on April 7, 2014 published a decree deeming the concentration of Croatian Telecom and Optima, based on the Financial Restructuring Plan within the pre-bankruptcy settlement proceedings, conditionally permitted along with imposing measures for eliminating the negative impacts of the concentration. All the information regarding the course of pre-bankruptcy settlement proceedings are published pursuant to the Financial Operations and Pre-bankruptcy Settlement Act on the Financial Agency's website, at www.fina.hr. The Company is reporting to the public on the course of the proceedings in a timely and transparent fashion, and in line with the regulations from the field of capital markets.

1. GENERAL INFORMATION

History and incorporation

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

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

Principal Business Activities

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

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

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

Staff

On 31 Mar 2014 the Company employed 210 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2014:

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

Supervisory Board of the Company:

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

REVIEW OF BASIC ACCOUNTING POLICIES

Basis of Preparation

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

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 31 Mar 2014 was HRK 7,658394 for EUR 1 and HRK 5,575824 for USD 1.

112. SALES INCOME

	31 Mar 2014	31 Mar 2013
Public voice services	53.873.071	59.502.760
Interconnection services	19.364.639	29.787.568
Internet services	26.932.821	23.698.071
Data services	5.841.498	14.259.129
Multimedia services	6.373.504	5.643.882
Lease and sale of equipment	875.329	817.173
Other services	498.539	445.755
	113.759.401	134.154.338

113. OTHER OPERATING INCOME

	31 Mar 2014	31 Mar 2013
Write off old trade payables and additional discounts	246.152	362.655
Income from collected penalties etc.	518.303	88.777
Income from rent - billing system	260.048	333.175
Income from in kind payments	119.075	90.494
Income from assets sale	324.955	0
Other income	755.342	495.499
	2.223.875	1.370.600

119. OTHER MATERIAL COSTS

	31 Mar 2014	31 Mar 2013
Costs of maintenance	4.362.227	2.852.231
Marketing services	471.247	448.367
Billing costs	1.328.556	1.610.959
Line lease costs	10.590.243	11.950.270
Intellectual and other services	201.901	1.237.695
Utilities	2.123.493	1.944.113
Customer attraction costs	4.778.959	4.199.374
Pair connection fees	14.794.328	15.539.716
Telecommunications costs	35.492.042	50.937.137
Residential sales services	3.233.500	3.625.000
Other costs	438.634	403.399
	77.815.130	94.748.261

120. STAFF EXPENSES

	31 Mar 2014	31 Mar 2013
Net salaries	5.769.867	5.206.356
Taxes and contributions from salaries	3.613.307	3.086.123
Taxes and contributions on salaries	1.426.441	1.260.623
	10.809.615	9.553.102

Number of employees on 31 Mar 2014	210	202
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	31 Mar 2014	31 Mar 2013
Amortization of intangible assets	6.342.148	1.277.285
Amortization of fixed tangible assets	12.503.443	11.942.700
	18.845.591	13.219.985

125. OTHER OPERATING EXPENSES

	31 Mar 2014	31 Mar 2013
Compensations to employees	403.902	406.170
Representation	301.676	199.933
Insurance premiums	289.818	279.099
Bank charges	132.622	632.335
Taxes, contributions and membership fees	254.423	459.444
Costs of sold and written off assets	248.388	128.571
Gifts and sponsorships	331.853	131.550
Unpaid receivables write-offs	2.806.952	0
Other expenses	599.492	556.354
	5.369.126	2.793.456

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

	31 Mar 2014	31 Mar 2013
Value adjustment long term assets	0	1.116.830
Value adjustment current assets	731.627	952.360
	731.627	2.069.190

131. FINANCIAL INCOME

	31 Mar 2014	31 Mar 2013
Interest income from related companies	67.931	69.365
Interest income	1.895.895	1.569.080
Foreign exchange gains	57.330	100.923
	2.021.156	1.739.368

137. FINANCIAL EXPENSES

	31 Mar 2014	31 Mar 2013
Interest expenses	4.041.357	22.161.486
Fee	3.500	134.688
Foreign exchange losses	1.130.594	3.302.452
	5.175.451	25.598.626

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

145. OTHER EXPENSES

Other expenses refer to restructuring costs due to pre-bankruptcy agreement and other expenses not related to core business

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2014	62.364.332	82.680.180	0	145.044.512
Additions			65.259	65.259
Transfer from assets in progress		65.259	-65.259	0
Disposals and retirements				0
As at 31 Mar 2014	62.364.332	82.745.439	0	145.109.771
VALUE ADJUSTMENT				
As at 01 Jan 2014	23.258.343	70.354.289	0	93.612.632
Amortization of the current year	5.331.967	1.010.181		6.342.148
Disposals and retirements				0
Amortization as at 31 Mar 2014	28.590.310	71.364.470	0	99.954.780
NET ACCOUNTING VALUE				
As at 31 Mar 2014	33.774.022	11.380.969	0	45.154.991

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 2014	23.269	18.100.210	604.001.690	5.821.046	46.822	8.640.361	4.642.720	615.009.900
Additions		68.985	951.010	227.160		7.328.708		8.575.863
Transfer from assets in progress			8.475.952	98.309		-8.574.261		0
Disposals and retirements			-294.046	-9.826				-303.872
As at 31 Mar 2014	23.269	18.169.195	613.134.606	6.136.689	46.822	7.394.808	4.642.720	649.548.109
VALUE ADJUSTMENT								
As at 01 Jan 2014	0	3.517.951	287.250.469	4.383.393	0	0	4.003.748	299.155.561
Amortization of the current year		113.414	12.193.339	151.038			45.652	12.503.443
Disposals and retirements				-55.489				-55.489
Amortization as at 31 Mar 2014	0	3.631.365	299.443.808	4.478.942	0	0	4.049.400	311.603.515
NET ACCOUNTING VALUE								
As at 31 Mar 2014	23.269	14.537.830	313.690.798	1.657.747	46.822	7.394.808	593.320	337.944.594

020. LONG-TERM FINANCIAL ASSETS

	31 Mar 2014
Loans to majority shareholder	5.830.102
Loans to third party companies	37.096.450
Long term deposits	3.493.311
	46.419.863
Value adjustment	-42.926.552
	3.493.311
Loans to related companies	4.483.315
Loans and deposits	7.976.626
Shares in related companies	15.025.790
Participating interests (shares)	35.000
	23.037.416

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

Movement of value adjustment of long term assets

	31 Mar 2014
1 January 2014	42.705.297
Write off during the year	0
Reserved during the year	221.255
Closing balance	42.926.552

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 31 Mar 2014:

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

	31 Mar 2014
Receivables from related companies	205.740
Trade receivables	82.358.442
Employee receivables	49.307
Receivables from the state and other institutions	509.722
Other receivables	11.621.152
	94.744.363

045. TRADE RECEIVABLES

	31 Mar 2014
Domestic trade receivables	101.387.587
Foreign trade receivables	8.097.970
Interests receivables	6.017
	109.491.574
Value adjustment	-27.133.132
	82.358.442

Movement of value adjustment for doubtful receivables:

	31 Mar 2014
1 January 2014	26.610.666
Write off during the year	0
Collected during the year	-209.161
Reserved during the year	731.627
Closing balance	27.133.132

Aging of trade receivables of the Company without interests receivables:

	31 Mar 2014
Undue	48.389.824
Up to 120 days	26.667.797
120-360 days	8.094.233
over 360 days	26.333.703
	109.485.557

049. OTHER RECEIVABLES

	31 Mar 2014
Interest receivables	4.384.789
Advance payments receivables	9.023.610
Other receivables	2.298.974
	15.707.373
Value adjustment	-4.086.221
	11.621.152

058. CASH IN BANK AND REGISTER

	31 Mar 2014
Kuna accounts balance	67.976.681
Foreign currency accounts balance	2.660.203
Cash in register	28.951
	70.665.835

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	31 Mar 2014
Differed customer related expenses	22.562.145
Prepaid expenses	14.865.678
	37.427.823

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 Mar 2014, loss per share is as follows:

Net result - loss	2.914.933
Number of shares	2.820.070
Loss per share	1,03

In the same period last year, loss per share amounted to HRK 4,06

Price of shares realized on the stock exchange within the current quarter (1 Jan - 30 Dec 2013) varied from HRK 5,36 (the lowest price) to HRK 8,24 (the highest price). Market capitalization in thousands of HRK on 31 Mar 2013 amounted to HRK 16920 thousand.

In the period from January to March 2014 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of 10 major shareholders as on 31 Mar 2014:

Shareholders	u 000 HRK	%
MARTIĆ MATIJA	18.596	65,94
	18.596	65,94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT	1.605	5,69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA SOCIETE GENERALE-SPLITSKA	1.355	4,80
BANKA D.D./ AZ OBVEZNI	766	2,72
ZAGREBAČKA BANKA D.D. (1/1)	428	1,52
KONEČNY ZORAN (1/1)	412	1,46
ŽUVANIĆ ROLAND (1/1)	303	1,07
ČERNOŠEK KRUNOSLAV (1/1)	228	0,81
JOVIČIĆ GORAN (1/1)	202	0,72
MARIĆ-BANJE JAKOV (1/1)	200	0,71
	5.499	19,50
MALI DIONIČARI	4.106	14,56
	28.201	100,00

093. SHORT-TERM LIABILITIES

	31 Mar 2014
Loan based liabilities	2.902.951
Liabilities towards credit institutions	544.561.080
Interest liabilities	54.179.081
Liabilities for bonds issued	295.588.542
Trade payables	268.390.808
Liabilities towards employees	1.939.684
Taxes, contributions and other levies	9.589.736
Other liabilities	56.948
	1.177.208.830

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

098. LIABILITIES TOWARDS SUPPLIERS

	31 Mar 2014
Domestic trade payables	231.108.513
Foreign trade payables	8.018.979
Invoice accrual	29.263.316
	<u>268.390.808</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.

	31 Mar 2014
Nominal value	250.000.000
Compensations for issuance of bonds	0
Liabilities based on calculated interest	45.588.542
	<u>295.588.542</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	31 Mar 2014
VAT Liabilities	7.586.765
Taxes and contributions on and from salaries	1.522.604
Other taxes and contributions	480.367
	<u>9.589.736</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	31 Mar 2014
Domestic payables for which invoices have not been received	8.177.746
Foreign payables for which invoices have not been received	714.920
Deferred income	12.250.000
Deferred Income due to uncertainty	3.713.410
	<u>24.856.076</u>

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	610.077	595.259	-19.100	-21.286
USD	1.322	1.367	0	0
CHF				
GPB				
	<u>611.399</u>	<u>596.626</u>	<u>-19.100</u>	<u>-21.286</u>

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 2014 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	61.008	59.526	-1.910	-2.129
USD	132	137	0	0
CHF				
GPB				
	61.140	59.663	-1.910	-2.129

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 341,35 million, and therefore, the Company's exposure to the interest rate risk is significant.

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

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

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

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

in 000 HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
31 Mar 2014				
Non-interest bearing liabilities	270.387			270.387
Interest bearing liabilities	907.533	1.870	1.418	910.821
	1.177.920	1.870	1.418	1.181.208
31 Mar 2013				
Non-interest bearing liabilities	177.626			177.626
Interest bearing liabilities	592.834	279.680	1.811	874.325
	770.460	279.680	1.811	1.051.951

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 268.391 thousand for the period from January to March 2014 (HRK 182.265 on 31 December 2013).

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

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

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

in 000 HRK

	Up to one year	From 1 to 5 years	Over 5 years	Total
31 Mar 2014				
Non-interest bearing liabilities	164.900			164.900
Interest bearing liabilities	4.701	4.483	0	9.184
	169.601	4.483	0	174.084
31 Mar 2013				
Non-interest bearing liabilities	91.275			91.275
Interest bearing liabilities	5.702	37.044	4.972	47.718
	96.977	37.044	4.972	138.993

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

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Jadranka Suručić

