



Financial and Operative Restructuring Plan, June 2013

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Glossary

[]	Possible unquantified items/corrections	MCL	Mandatory Convertible Loan
ARPU	Average Revenue Per User	Mil, m	Million
AZTN	Croatian Competition Agency	NBV	Net book value
BSA	Bitstream (wholesale broadband access)	n/avl	Not available
CAGR	Compound Annual Growth Rate	n/a	Not applicable
CPS	Carrier preselect	P	Projections
Company	OT - Optima Telekom d.d.	BP	Business premises
DT	Deutsche Telekom AG	PBS	Pre-bankruptcy settlement
EBITDA	Earnings before interest, taxation and depreciation	PLA	Profit and Loss Account
EU	European Union	RH	Republic of Croatia
EUR	Euro	SMP	Significant Market Power carrier
HAKOM	Croatian Post and Electronic Communications Agency	FCF	Free cash flow
IPTV	Internet Protocol Television	WLR	Wholesale line rental
LLU	Local Loop Unbundling	ACT	Financial Transactions and Pre-bankruptcy Settlement Act
m2	Square meters		

. Description of the facts and circumstances demonstrating the existence of preconditions for initiation of pre-bankruptcy proceedings – Company's business performance

Profit and Loss Account - Optima Telekom d.d.				
in HRK million	2009	2010	2011	2012
Income				
Sales Income	442,5	440,7	474,9	550,6
Other income	6,1	6,1	8,2	12,4
Total income	448,6	446,7	483,1	563,0
Expenses				
Material Expenses	(378,3)	(336,9)	(358,1)	(435,3)
Staff Expenses	(36,0)	(35,7)	(36,5)	(36,1)
Value Adjustments	(5,1)	(16,0)	(9,1)	(5,6)
Provisions	(1,2)	(1,5)	(0,2)	(1,7)
Other expenses	(9,9)	(9,4)	(10,3)	(10,9)
Total expenses	(430,4)	(399,4)	(414,2)	(489,6)
EBITDA before value adjustment	18,2	47,3	68,9	73,4
EBITDA margin %	4,0%	10,6%	14,3%	13,0%
Value adjustment	-	-	-	(40,6)
Depreciation	(51,8)	(50,9)	(54,9)	(54,6)
EBIT	(33,7)	(3,6)	14,0	(21,8)
Financial result				
Financial income	9,8	7,8	8,1	7,0
Financial expenses	(90,9)	(69,9)	(91,6)	(81,4)
Net financial result	(81,1)	(62,1)	(83,5)	(74,5)
Loss before taxation	(114,8)	(65,7)	(69,5)	(96,3)
Profit tax	-	-	-	-
Net operating loss	(114,8)	(65,7)	(69,5)	(96,3)

Overview

- OT - Optima telekom d.d. (the "Company", "Optima") is an alternative telecom carrier that provides telecommunications services in the territory of Croatia. The Company has 208 employees, or 364 employees, including the affiliate, Optima Direct d.o.o.
- In spite of the increase of revenue, the Company continues to have negative net results. Since its incorporation, the Company has accrued over HRK 780 million of accumulated loss.
- The EBITDA contribution improvement in absolute amounts is owed to the regulatory changes to the telecommunications market of late 2011 and a business model adjustment which, in lack of investments into own telecommunications network, relied on the sale of services based on access SMP carrier wholesale services.
- In 2012, the Company decreased the value of financial assets by HRK 40.6 million (representing the overall amount of loans granted to the Company's majority shareholder and OSN Inženjering).
- Operative losses, i.e. the inadequate contribution level derive from the following:
 - Orientation towards providing wholesale telecom services (BSA, WLR and CPS) that bring in a relatively lower margin compared to direct service provision to users connected to the own infrastructure;
 - Due to the under-investing since after 2009, the increase in the number of users connected to the own infrastructure has slowed down;
 - Delay in the implementation of operative restructuring measures;
 - Overindebtedness.
- In light of the above, the Company not being liquid and being overindebted, without an agreement between the creditors on debt restructuring measures and improving profitability within the pre-bankruptcy settlement, the Company's bankruptcy is a realistic option.

1. Description of the facts and circumstances demonstrating the existence of preconditions for initiation of pre-bankruptcy proceedings – Company's business performance (continued)

Overview of realized revenues		
In million HRK	2011	2012
Residential users	269,0	302,8
Business users	81,5	85,8
Wholesale	96,9	140,6
Interconnection	16,0	15,4
VAS	4,0	0,3
Other	15,7	18,2
Total	483,1	563,1

Overview of realized expenses		
In million HRK	2011	2012
IC Wholesale	(61,7)	(95,3)
Voice termination	(69,8)	(71,0)
LLU lease	(59,5)	(61,2)
Staff expenses	(38,4)	(38,4)
Sales expenses	(28,8)	(31,7)
Other expenses	(156,0)	(192,1)
Total	(414,2)	(489,7)
<i>Direct costs as % of income</i>	62,4%	67,3%
<i>Indirect costs as % of income</i>	23,3%	19,7%
<i>Cost of sales as % of income</i>	6,0%	5,6%
<i>LLU lease (HRK per month)</i>	43,6	43,6

Segment analysis of accrued revenue

- Revenue structure reflects the Company's business model, focused on the residential and corporate users sector.
- The revenue increase in 2012 was generated through the provision of wholesale services with lower margins, which lead to the decrease of the Company's operative profitability from 14% in 2011 to approximately 13% in 2012.
- In 2012 the Company's overall revenue increased by 17% compared to 2011, as a result of:
 - Revenue increase effect, but also direct costs (primarily in WLR prepayment and BSA services), based on the regulatory changes from the last quarter of 2011;
 - New services revenue increase (BSA and IPTV).

Segment analysis of costs

- A significant increase of overall direct costs in 2012 compared to 2011 (approximately HRK 75 million) was generated through wholesale activities:
 - IC wholesale costs increased by approximately HRK 33.5 million;
 - WLR costs increased by approximately HRK 32 million;
 - BSA rental costs increased by approximately HRK 5.7 million

1. Description of the facts and circumstances demonstrating the existence of preconditions for initiation of pre-bankruptcy proceedings – financial standing

Balance Sheet of the Company				
In HRK million	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012
Fixed Assets				
Tangible Assets	389,6	375,6	361,9	361,5
Fixed financial assets	52,8	73,4	65,5	28,5
Intangible assets	40,4	31,6	24,7	20,9
Total infrastructure	482,7	480,6	452,2	410,9
Net working capital				
Inventory	8,4	3,7	2,6	2,4
Trade receivables	74,2	76,0	82,1	79,4
Other receivables	3,8	3,0	1,6	1,4
Trade payables	(117,8)	(131,9)	(91,5)	(180,7)
Other	(11,5)	(11,3)	(31,3)	(37,9)
Total working capital	(42,9)	(60,6)	(36,5)	(135,4)
Net debt towards financial institutions				
Cash and equivalents	32,7	1,7	2,0	2,3
Total credits, leasing and loans	(571,7)	(583,5)	(641,7)	(567,6)
Bonds nominal	(250,0)	(250,0)	(250,0)	(250,0)
Other	(16,4)	(19,3)	(38,3)	(53,3)
Total	(805,3)	(851,1)	(928,0)	(868,6)
Non-current accruals and deferrals net	34,5	34,4	46,1	30,5
Net assets	(331,0)	(396,7)	(466,2)	(562,6)
<i>Share capital</i>	28,2	28,2	28,2	28,2
<i>Capital reserves</i>	194,4	194,4	194,4	194,4
<i>Loss carried forward</i>	(438,8)	(553,6)	(619,3)	(688,8)
<i>Loss for the period</i>	(114,8)	(65,7)	(69,5)	(96,4)
Total capital and reserves	(331,0)	(396,7)	(466,2)	(562,6)

Overview

- As per 31 December 2012 the Company's net assets are negative and amount to HRK 562.6 million. The company's total subscribed capital and reserves amount to approximately HRK 222.6 million. At the same time, the accumulated loss from previous periods exceeds HRK 785 million.
- The Company's overall debt towards third parties as per 31 December 2012 amounts to approximately HRK 1.1 billion.
- Given the existing EBITDA contribution level (approximately HRK 73 million before loan value reduction costs of HRK 40.6 million), the Company is overindebted, non-liquid and insolvent.

Net working capital

- As per 31 December 2012, the Company's net working capital was negative and amounted to approximately HRK 135.4 million (being approximately 24% of overall revenue). At the same time, the overall debt towards suppliers amounts to HRK 181 million, out of which over 126 million is matured.

Fixed assets

- As per 31 December 2012, the Company had at its disposal approximately HRK 335.6 million worth of equipment and approximately HRK 15 million in real estate.
- The majority of fixed assets is pledged in favor of creditors.

Reasons for initiating pre-bankruptcy settlement proceedings

- Given the overindebtedness and working capital deficit, the Company is unable to finance its liabilities towards creditors without implementing comprehensive restructuring measures within the framework of pre-bankruptcy settlement proceedings. Without an agreement with the creditors, the Company is facing the loss of existing and the inability of getting new contracts, collection of guarantees and finally, bankruptcy.
- In the event of bankruptcy, creditors that hold no collateral would lose almost all of their claims, while mortgage creditors would face significant losses and write-offs, which creates a rational basis for creditors to attempt to implement consensual restructuring within the pre-bankruptcy settlement proceedings.

1. Description of the facts and circumstances demonstrating the existence of preconditions for initiation of pre-bankruptcy proceedings – financial standing (continued)

Tangible Assets		
	31 Dec 2011	31 Dec 2012
NBV in million HRK		
Equipment	341,6	335,6
Real estate properties	14,2	15,0
Assets in preparation	5,2	9,1
Investment into real estate properties	0,5	0,7
Other	0,4	1,0
Total	361,9	361,5

Financial Assets		
	31 Dec 2011	31 Dec 2012
In HRK million		
Loan to OSN Inženjering	33,1	35,4
Shares in affiliated companies	19,3	19,3
Loan to OT Slovenia	6,3	5,7
Loans granted to shareholder	4,9	5,3
Long term deposits	3,5	3,5
Participating interests	-	0,0
Value adjustment	(1,6)	(40,6)
Total	65,5	28,5

Tangible assets

- The majority of the Company's assets consists in telecommunications equipment. The purchase of the equipment was financed by loans, so the equipment is pledged in favor of creditors.
- The company does not own real estate of any significant material value. The real estate include business premises in Zagreb, Osijek, Rijeka, and has overall net book value of approximately HRK 15 million as per 31 December 2012 (out of which HRK 14 million is pledged).

Financial assets

- Financial assets include short-term loans to affiliated persons and shares in the following companies:
 - *Optima Direct d.o.o. (a company wholly owned by the Company, book value of HRK 19.2 million) – call center services and signing up users;*
 - *OT Slovenija (a company wholly owned by the Company, book value HRK 66 thousand) – equipment rental services;*
 - *OT za upravljanje nekretninama i savjetovanje (a company wholly owned by the Company, book value of HRK 20 thousand) – no business activities.*
- As per 31 December 2012, the overall receivables for the loan granted to OSN Inženjering amounted to approximately HRK 35.4 million (out of which HRK 13.1 million is accrued interest). The funds were granted in order to finance the development of IP CENTREX for the Company. Up to 31 December 2012, OSN Inženjering had not delivered IP CENTREX to the Company. The greater part of the aforementioned receivables falls due on 30 April 2013, at which time the Company intends to undertake all legally available collection measures. As estimated by the Company, given the complicated collection conditions, the collection of the claims is uncertain, and thus a value adjustment was carried out in 2012.
- The total loan granted to OT Slovenija, amounting to approximately HRK 5.7 million, was granted for the purpose of purchasing telecommunications equipment. OT Slovenija is compensating its obligation to repay the loan to the Company with the equipment rental, which is why the loan repayment has no influence on the Company's cash flow.

2. Cash gap calculation

Net working capital (lack of liquidity)				
In HRK million	31 Dec 2011	31 Dec 2012	31 Mar 2013	Due for payment
Inventory	2,6	2,4	2,2	
Receivables				
Trade Receivables	82,1	79,4	78,8	26,4
Other	1,6	1,4	1,4	-
Total receivables	83,7	80,8	80,2	26,4
Payables				
Total trade payables	(91,5)	(180,7)	(168,2)	(129,8)
Non-invoiced costs	(13,1)	(15,2)	(19,9)	-
Taxes and contributions	(6,9)	(5,3)	(14,2)	-
Other payables	(11,2)	(17,4)	(9,5)	-
Payables	(122,8)	(218,6)	(211,7)	(129,8)
Net working capital	(36,5)	(135,4)	(129,3)	(103,4)
as % of revenues	(7,6%)	(24,0%)	n/a	
Days of payment				
Receivables	63	66	53	
Trade payables	93	134	157	

“Cash gap”

- As per 31 March 2013, the company has a negative working capital of HRK 129.3 million.
- The cash gap as per 31 March 2012 has been estimated as the spread between due receivables from buyers and due liabilities towards suppliers.
- Out of overall receivables (approximately HRK 80 million), HRK 26.4 million is matured, and out of overall liabilities (approximately HRK 211.7 million), HRK 129.8 million is matured.
- Based on the analysis enclosed, the cash gap amounts to approximately HRK 103.4 million.
- The stated amount does not include matured liabilities for interest and loans or coupon bonds.
- The Company intends to fill the cash gap by converting debt into capital and a long-term reprogram of the remaining debt.

3. Description of financial restructuring measures – the restructuring concept

The principal aim of the restructuring process is to reduce debt and stabilize the Company's business performance, in order to implement Company's costs reduction measures, aiming to improve the EBITDA contribution to a level that would enable business sustainability, or regular debt financing.

The proposed restructuring model includes a change of the current ownership structure by creditors, through the conversion of debt into capital, reprogramming loan repayment schedules with a grace period and reprogramming liabilities towards suppliers.

Financial restructuring

- Financial restructuring is based on a significant debt reduction through the conversion of existing debt into capital and reprogramming the remaining debt for a longer period with the reduction of financing costs.

Conversion into share capital:

- A change of the ownership and management structure of the Company by creditors (creditors assuming control of the company);
- The conversion is intended for all creditor groups with a differentiated conversion of debt into capital ratio intended for certain creditor groups.

Conversion into hybrid securities (MCL):

- Creating hybrid securities with the right of conversion into share capital that are subordinated to other creditors' claims;
- The obligation to convert the hybrid security into regular shares of the Company with a HRK 10 per share conversion ratio. The Company is entitled to MCL cash payments.

Debt reprogramming for a longer period with a reduction of financing costs

- Reprogramming the loan debt for a longer period of time with a reduction of financing costs;
- Reprogramming the existing debt towards suppliers;
- The creditors keep the existing collaterals;
- The creditors keep the existing foreign currency clauses;
- A detailed overview of financial restructuring measures is given on pages 17 – 21.

Operative/ Corporate restructuring / Strategic partnership proposal

- The Company/Debtor proposes that the Company's largest creditors, Zagrebačka banka d.d. ("ZABA") and Hrvatski Telekom d.d. ("HT") secure a strategic partnership between HT and the Company, in which HT would assume management of the Company, which would ensure the achievement of the goals of restructuring.
- Immediate abandonment of all the Company's activities that cannot achieve a positive EBITDA contribution in the short term perspective.
- Operative restructuring measures are divided into two basic groups:
 - Operative restructuring measures for business processes directly connected with the provision of telecommunications services;
 - Operative restructuring measures for business processes of sales support, customer support and operating costs.
- A detailed overview of operative restructuring measures is given on pages 10-13.

4. Description of operative restructuring measures

Strategic partnership OT-Optima telekom d.d. – Hrvatski Telekom d.d.

- In the conditions of non-liquidity and insolvency, in pre-bankruptcy proceedings, the Company considered the possibility of entering into a strategic partnership, for a limited period of time, no less than five years, in order to undergo financial and operative restructuring and become permanently capable to settle its liabilities, to renew its financial stability and ensure business continuity in the best interest of all the Company's creditors and employees, as well as all other interested parties (users, shareholders, etc.).
- Among the more substantial creditors, the Company has identified HT as the only reasonably relevant possible strategic partner in the existing circumstances. Considering HT's technological and business basis, expertise and experience in telecommunications, the Company anticipates that a strategic partnership could bring significant benefits from the synergy achieved in such a relationship. A strategic partnership of this kind could allow the Company to achieve significant synergies in the cost segment and the generation of necessary amounts of cash, which would enable debt repayment, sustainment and development of the Company in the integrated telecommunications services market in Croatia.
- Considering the share HT can acquire by converting its claims into Company's share capital, the Company proposes the forming of a strategic partnership which entails that ZABA (as the biggest creditor and as proposed, the biggest future shareholder) will hand over its management rights to HT. Thereby, HT would have a prevalent influence and control in the Company.
- The Company considers the above to be the only reasonably feasible solution in the present circumstances, given that:
 - a) If a strategic partnership is not formed, there is a great likelihood that the Company will undergo bankruptcy proceedings in the near future;
 - b) There is no other available strategic partnership for the Company that would provide a quick and effective solution for keeping the Company afloat and its restructuring;
 - c) Within a strategic partnership, the Company can keep its resources and use them in the best possible way.
- Considering the position of ZABA and HT as the biggest creditors of the Company, the Company firmly believes that ZABA, HT, as well as all other creditors of the Company, will support this strategic partnership proposal, as the only reliable framework for the successful recovery and restructuring of the Company.
- The premise of the proposed restructuring plan is the conclusion and existence of an agreement between ZABA and HT, which would enable the strategic partnership between the Company and HT, that is subject to AZTN approval.

4. Description of operative restructuring measures (continued)

Preconditions for direct costs operative restructuring measures overview

Effects of the strategic partnership between the Company and HT:

- In the event of entering into a strategic partnership, significant synergies of the Company's dealings with HT are anticipated, in line with the regulatory framework and competition rules.

Sales (estimated positive impact of approximately HRK 3 million):

- Price repositioning of basic service packages;
- Review of user benefits (implementation of measures for supervising awarding and control);
- Increase in the number of users and implementation of up sell i cross sell activities;
- Increasing effectiveness of all employees and partners in direct contact with the users;
- Additional education of sales;
- Continuous implementation of profitability analysis, focus on more profitable services.

Technology (estimated positive impact of approximately HRK 2 million):

- Analysis and reduction of line rental costs;
- Analysis and reduction of internet capacity costs;
- Developing new services in line with CAPEX limitations.

Other (estimated positive impact of approximately HRK 2 million):

- Raising the field workers' effectiveness level (own human resources), reorganizing internal processes;
- Implementation of additional measures for optimization of outsourced work;
- Implementation of the option of on-line payment of bills, aiming to reduce overall billing and mailing costs.

4. Description of operative restructuring measures (continued)

Preconditions for indirect costs operative restructuring measures overview

Personnel costs and related costs (estimated positive impact of approximately HRK 1.2 million):

- Personnel costs in the projected period make up about 8% of overall revenue, i.e. almost 35% of indirect costs;
- The business continuity and quality will be achieved through human resources optimization;
- The implementation of measures intended to ensure the conditions for more flexible engagement of human resources within the same month, depending on operative needs, is planned;
- Further implementation of measures and supervision of vehicle fleet optimization.

Sales, marketing and other costs (estimated positive impact of approximately HRK 6.9 million):

- Reduction of user acquisition costs;
- Analysis of property insurance costs, aiming at further reductions of insurance premiums;
- Marketing and representation costs reduction;
- The engagement of internal IT resources creates the preconditions for raising the effectiveness level of all employees, process automatization and semi-automatization in line with current practice;
- Reduction of all operating risks by implementing obligations from the ISO27001 and ISO22301.

5. Business plan for the period from 2013 to 2017 – revenue

Revenue projections									
In HRK million	Realized		Projections						
	2011	2012	1Q2013	3Q2013	FY2013	2014	2015	2016	2017
Residential users	269,0	302,8	70,0	220,8	290,8	322,4	349,4	374,2	402,1
Business users	81,5	85,8	21,0	64,1	85,1	86,7	89,8	93,7	98,5
Wholesale	96,9	140,6	38,6	72,2	110,8	88,6	81,8	86,6	90,0
Interconnection	16,0	15,4	3,0	9,2	12,2	12,7	12,0	11,2	10,3
Other	19,7	18,5	2,9	9,0	11,9	11,7	11,3	11,1	11,0
Total revenues	483,1	563,1	135,5	375,3	510,9	522,1	544,3	576,9	611,9

Overview

- The business plan entails the increase of revenue by approximately HRK 50 million to about HRK 611 million in 2017, with a significant revenue increase in the residential users segment which will compensate the decrease of wholesale revenue
- The projected decrease of overall revenue of approximately HRK 52 million in 2013 (compared to 2012), is mostly a consequence of wholesale revenue reduction (a direct consequence of Croatia entering the EU, which is projected to have an impact on *roaming* service price reduction). The reduction of wholesale revenue, with a parallel reduction of wholesale direct costs should not result in a more substantial change of the Company's EBITDA contribution.
- Achieving the revenue increase in the residential users segment depends primarily on the increase of the number of users in 2013 and 2014 (the revenue stagnation in 2013 is a consequence of the anticipated CPS revenue decrease), and in part also on the increase of ARPU (IPTV, BSA).

5. Business plan for the period from 2013 to 2017 - costs

Cost projections									
In HRK million	Realized		Projections						
	2011	2012	1Q201	3Q201	FY201	2014	2015	2016	2017
			3	3	3				
Direct									
Variable									
IC cost	(144,6)	(177,0)	(35,1)	(82,6)	(117,8)	(97,2)	(89,8)	(95,2)	(98,8)
Direct costs	(103,3)	(146,8)	(36,0)	(110,4)	(146,4)	(156,4)	(166,2)	(177,2)	(188,9)
	(247,9)	(323,8)	(71,1)	(193,1)	(264,2)	(253,7)	(256,0)	(272,3)	(287,7)
Fixed									
Interconnection	(29,5)	(27,4)	(6,8)	(19,7)	(26,5)	(26,1)	(24,5)	(24,2)	(24,1)
Network and maintenance	(24,1)	(27,8)	(5,4)	(19,7)	(25,1)	(23,9)	(25,2)	(26,3)	(27,0)
	(53,6)	(55,2)	(12,2)	(39,3)	(51,6)	(50,1)	(49,6)	(50,5)	(51,2)
Total direct cost	(301,4)	(379,0)	(83,4)	(232,4)	(315,8)	(303,7)	(305,6)	(322,8)	(338,9)
Indirect costs									
Payroll costs	(38,4)	(38,4)	(9,9)	(29,5)	(39,4)	(41,6)	(43,6)	(44,7)	(46,7)
Costs of sales	(28,8)	(31,6)	(6,5)	(17,1)	(23,6)	(25,3)	(28,8)	(28,2)	(27,5)
Marketing costs	(7,4)	(6,7)	(0,5)	(3,0)	(3,5)	(7,1)	(11,3)	(12,0)	(12,6)
Other costs	(38,2)	(33,9)	(9,6)	(18,5)	(28,2)	(28,5)	(32,4)	(35,5)	(37,7)
Total indirect costs	(112,8)	(110,7)	(26,5)	(68,2)	(94,8)	(102,5)	(116,2)	(120,4)	(124,6)
Total cost	(414,2)	(489,7)	(109,9)	(300,6)	(410,5)	(406,2)	(421,8)	(443,2)	(463,5)

Overview

- Cost projections reflect the anticipated wholesale activities cost reduction (partially due to Croatia's accession to the EU), the increase of costs related to providing services with a higher ARPU (IPTV, BSA) and the implementation of restructuring measures.

Direct costs

- In the event of entering into a strategic partnership with HT, a direct cost reduction is anticipated due to the synergy effects of the Company's inclusion into the global DT Group, that HT is a part of.

Indirect costs

- The increase of the number of employees is projected due to a larger user base, and consequently the increase of costs by approximately HRK 10 million in 2017 compared to 2012 (approximately 8% of overall projected revenue)
- The projections entail the increase of marketing costs, with a view to achieve the planned increase of the number of users.

5. Business plan for the period from 2013 to 2017 – projections for capital investments

Projected CAPEX									
In HRK million	Realized		Projections						
	2011	2012	Q2013	3Q2013	2013	2014	2015	2016	2017
General investments	(0,9)	(2,3)	(1,0)			(0,5)	(0,5)	(0,5)	(0,5)
Total CAPEX	(34,4)	(49,2)	(57,6)			(56,6)	(60,8)	(58,5)	(58,9)
<i>As % of revenues</i>	7,1%	8,7%	11,3%			10,9%	11,1%	10,1%	9,6%

Overview

- In 2013, capital investments amounted to approximately HRK 49 million, out of which about 40 million has been invested in the access network development and service provision to residential and corporate users. Approximately HRK 4.3 million has been invested into the network core, which was mostly used to expand to the 10G technology and to expand the subscriber operator capacities.
- The projections entail capital investments of approximately HRK 220 million in the period until 2017.
- The planned investments have been coordinated with the projected user base expansion. The aforementioned investments will be used in a way for the network core to ensure quality service provision and satisfy the anticipated need for an ever larger flow of data services (primarily internet access and access to various forms of video services). In view of all said, the majority of investments is planned in the field of MetroEthernet and MPLS network elements, which are also the basis for advanced services for the corporate segment.

5. Business plan for the period from 2013 to 2017 – projected business results

Overview of projected business results									
In HRK million	Realized			Projections					
	2011	2012	1Q2013	3Q2013	FY2013	2014	2015	2016	2017
Revenues	483,1	563,1	135,5	375,3	510,9	522,1	544,3	576,9	611,9
Direct costs	(301,4)	(379,0)	(83,4)	(232,4)	(315,8)	(303,7)	(305,6)	(322,8)	(338,9)
Gross margin	181,7	184,1	52,2	142,9	195,1	218,4	238,7	254,0	273,0
Gross margin %	37,6%	32,7%	38,5%	38,1%	38,2%	41,8%	43,8%	44,0%	44,6%
Indirect costs	(112,8)	(110,7)	(26,5)	(68,2)	(94,8)	(102,5)	(116,2)	(120,4)	(124,6)
EBITDA	68,9	73,4	25,6	74,7	100,3	115,8	122,5	133,6	148,4
EBITDA margin	14,3%	13,0%	18,9%	19,9%	19,6%	22,2%	22,5%	23,2%	24,3%
One-time adjustments	-	(40,6)	-	-	-	-	-	-	-
Amortization	(54,9)	(54,6)	(13,2)	(39,2)	(52,4)	(53,1)	(51,2)	(49,6)	(50,0)
EBIT	14,0	(21,8)	12,4	35,5	47,9	62,8	71,3	84,0	98,5
Net financial result	(83,5)	(74,5)	(23,9)	(10,7)	(34,6)	(17,8)	(17,1)	(16,5)	(13,9)
Result before taxation	(69,5)	(96,3)	(11,4)	24,7	13,3	45,0	54,2	67,5	84,6
Taxes	-	-	-	-	-	-	-	-	-
Net result	(69,5)	(96,3)	(11,4)	24,7	13,3	45,0	54,2	67,5	84,6

The projected improvement of the Gross margin and the EBITDA margin depends on:

- *The successful completion of the pre-bankruptcy settlement process;*
- *Successful implementation of the operative and financial restructuring plan;*
- *Ensuring of funds necessary for capital investments;*
- *Implementation of foreseen regulatory measures;*

Overview

- In its projections, the Company anticipates a revenue increase of approximately HRK 50 million, to HRK 612 million in 2017, and the EBITDA margin of 24%. The above indicates a relatively faster growth of the EBITDA margin compared to the revenue increase based on the expansion of the user base connected to the own infrastructure.
- The projected improvement of the Gross and EBITDA margin is connected with the achievement of synergy effects.
- Taking into account that the Company is operating in a regulated market, certain relevant premises of the plan are directly influenced by the relevant regulatory framework of the telecommunications market in Croatia. In light of all said, the projections of results and activities the Company intends to undertake in order to improve its market position are based on the best available information and anticipated changes to the regulatory framework.
- Provided that the pre-bankruptcy settlement, financial and operative restructuring plan, and envisaged regulatory changes are carried out successfully, the Company anticipates a decrease of direct operating costs from a level of approximately 67% of overall revenue achieved in 2012 to approximately 55% of revenue in 2017.
- With a stable annual depreciation amount in the projected five year period, as well as with a decrease of interest costs for restructured debts, the Company has a net profit from its business (not including costs of one-time write-off positions or possible additional financing costs).
- The presented projections entail that the repayment of refinanced debts towards creditors will start from 30 June 2013 (after the completion of pre-bankruptcy settlement) due to what the amount of financial expenditures in 2013 is relatively lower compared to the other projected periods.
- As per 31 December 2013 the company has approximately HRK 391.8 million of tax deductible losses, due to which the Company will not use the entire tax loss in the presented period, i.e. It will not be obligated to pay profit tax.

6. Projected balance sheet as per 31 December 2017

Illustrative projection of financial position	Realized			Projections				31 Dec 2017
	31 Dec 2011	31 Dec 2012	31 Mar 2013	31 Dec 2013	31 Dec 2014	31 Dec 2015	31 Dec 2016	
In HRK million								
Fixed Assets	452,2	410,9	397,9	402,2	389,2	378,0	380,4	374,4
Working capital								
Trade receivables and inventories	86,3	83,3	82,4	89,3	91,4	93,6	96,1	99,5
Trade payables	(122,8)	(218,6)	(211,7)	(83,2)	(81,2)	(82,1)	(82,6)	(82,5)
	(36,5)	(135,4)	(129,3)	6,0	10,1	11,6	13,6	16,9
Debt								
Bond and financial institutions								
Bond debt	(270,9)	(270,9)	(270,9)	(75,0)	(75,0)	(75,0)	(61,5)	(47,3)
Debt towards financial institutions	(659,1)	(600,1)	(604,4)	(248,3)	(247,5)	(246,8)	(220,1)	(192,3)
	(930,0)	(871,0)	(875,3)	(323,3)	(322,5)	(321,8)	(281,6)	(239,6)
Suppliers and the Government								
Debt to suppliers	-	-	-	(67,3)	(40,4)	(13,5)	-	(0,0)
The State and State-owned companies	-	-	-	(9,4)	(5,7)	(1,9)	-	0,0
Debt for guarantees	-	-	-	[]	[]	[]	[]	[]
	-	-	-	(76,7)	(46,0)	(15,3)	-	(0,0)
Total debt:	(930,0)	(871,0)	(875,3)	(400,0)	(368,6)	(337,1)	(281,6)	(239,6)
Cash	2,0	2,3	1,9	60,0	75,2	99,7	99,7	134,6
Net debt	(928,0)	(868,6)	(873,4)	(340,1)	(293,4)	(237,5)	(182,0)	(105,0)
Hybrid securities (MCL)								
Initial MCL amount	n/a	n/a	n/a	(110,0)	(110,0)	(110,0)	(110,0)	(110,0)
Converted into capital	n/a	n/a	n/a	70,0	70,0	70,0	70,0	70,0
Repaid capital	n/a	n/a	n/a	6,8	14,2	22,1	29,7	40,0
Total MCL	n/a	n/a	n/a	(33,2)	(25,8)	(17,9)	(10,3)	(0,0)
Accrued items net	46,1	30,5	30,8	30,8	30,8	30,8	30,8	30,8
Net assets	(466,2)	(562,6)	(574,0)	65,8	110,8	165,0	232,4	317,1
Subscribed capital	28,2	28,2	28,2	643,1	643,1	643,1	643,1	643,1
Provisions	194,4	194,4	194,4	194,4	194,4	194,4	194,4	194,4
Accumulated (loss) / profit	(688,8)	(785,1)	(796,5)	(771,8)	(726,7)	(672,6)	(605,0)	(520,5)

Indicational projections of the restructured balance sheet at the end of the period

- Based on the business plan and cash flow projections in the five year period, based on the debt restructuring proposal, the summarized positions of the Company's restructured balance sheet are displayed.
- The stated projections based on the financial restructuring plan and creditors settlement plan, given below, entail:
 - Conversion of due interest, default interest, coupon bonds for 2012 and the calculated coupon for 2013 up to 11 April 2013 in the amount of approximately HRK 89 million;
 - The conversion of 456 million of debt into capital;
 - Initial conversion into hybrid securities in the amount of HRK 110 million and the trade into capital according to the proposed plan;
 - Repayment of restructured debt towards creditors according to the settlement plan presented below;
 - Maintaining a positive working capital in the observed period.

7. Pre-bankruptcy settlement proposal – debt structure overview

Debt structure overview			
In HRK million		Debt as per 11 Apr 2013	Interest 11 Apr 2013
1	State and state-owned enterprises	25,9	3,3
2	Bond	296,2	46,2
3	Creditors secured by equipment pledge	586,0	52,7
4	Creditors secured by real estate mortgage	7,8	0,0
5	Unsecured loans	0,3	-
6	Vehicles leasing	0,1	-
7	Equipment leasing	1,6	-
8	Real estate leasing	3,7	-
9	Other suppliers	167,3	5,8
Balance		1.088,9	108,0
12	Guarantees and co-debtorships	[596,6]	

The Company is duly paying salaries and related taxes and contributions to employees within the proscribed deadlines. Liabilities towards employees are at the level of one monthly salary for the previous period. Therefore, the company has no liabilities due to employees, which is why the employees are not presented as a separate category of creditors. In any event, on 11 April 2013 the Company will pay its liabilities to employees in full.

- The Company's overall debt amounts to approximately HRK 1.1 billion (out of which about 108 million represents interest), while off-balance sheet liabilities for guarantees amount to approximately HRK 597 million, making up a total of HRK 1.7 billion of established creditors' claims as per 11 April 2013.
- For the purposes of pre-bankruptcy settlement proceedings, the creditors have been divided into the following groups:
 1. The claims of the **Republic of Croatia** and government bodies for proscribed levies (the "State and State-owned Companies");
 2. The claims based on **corporate bonds** issued by the Debtor ("Bond");
 3. Claims arising out of **loans secured by a pledge on movable property and rights** ("Creditors holding a pledge on the equipment");
 4. Claims arising out of **loans secured by mortgage on real estate** ("Creditors holding a mortgage on real estate");
 5. Claims based on **loan agreements that are unsecured** ("Unsecured loans");
 6. Creditors' claims based on **leasing agreements in which vehicles in possession of the Company are the object of financing** ("Leasing of vehicles");
 7. Creditors' claims with a **retention of ownership of equipment in the Company's possession** ("Leasing of equipment");
 8. Creditors' claims based on **leasing agreements where real estate in possession of the Company are the object of financing** ("Leasing of real estate");
 9. Claims based on agreements for the **purchase of goods or services, unsecured** ("Other suppliers");
 10. Claims based on **guarantees and co-debtorship for the Debtor's liabilities towards third parties** ("Guarantees and Co-debtorships").

7. Pre-bankruptcy settlement proposals – terms for creditor groups

Claims of the Republic of Croatia and Government bodies for proscribed levies (the “State and State-owned Companies”)

- The overall debt towards RH and government bodies as per 11 April 2013 amounts to approximately HRK 25.9 million. The proposed restructuring concept entails:
 - Converting 100% of interest into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Converting 50% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining 50% of the principal in 3 years (6 half-year installments) without interest.

Claims based on corporate bonds issued by the Debtor (“Bond”)

- The overall debt for bond issued as per 11 April 2013 amounts to approximately HRK 296 million. The proposed restructuring concept entails:
 - Converting 100% of coupon bond amount (with accompanying default interest for the unpaid coupon from 2012 and the accompanying calculated coupon for 2013 up to 11 April 2011) into the Company’s share capital at a HRK 10 per share conversion ratio.
 - The remaining coupon, after 11 April 2013 up to 11 February 2013 is to be written-off.
 - Converting 70% of the bond’s principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying of the remaining 30% of the principal refinanced by the restructuring of the existent bond under the following terms:
 - *Maturity: 8 years;*
 - *Grace period: 3 years (interest is calculated and charged during the grace period);*
 - *Annual coupon: 5.25%;*
 - *Repayment of the coupon and principal after the grace period in half-year installments*

7. Pre-bankruptcy settlement proposal – terms for creditor groups (continued)

Claims arising out of loans secured by a pledge on movable property and rights (“Creditors holding a pledge on the equipment”)

- The overall debt towards creditors holding a pledge on the equipment as per 11 April 2013 amounts to approximately HRK 586 million. The proposed restructuring concept entails:
 - Converting 100% of interest and fees into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Converting 35% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining principal, after the MCL amount deduction, under the following terms:
 - *Maturity: 11 years;*
 - *Grace period: 3 years (interest is calculated and charged during the grace period);*
 - *Annual interest rate: 4.5%;*
 - *Repaying the interest and principal after the grace period in quarterly installements.*
- Additional debt conversion (over the initial 35%) into a hybrid security (Mandatory Convertible Loan “MCL”) in a fixed amount of HRK 110 million. The hybrid security is subordinated to all other creditors’ claims and the Company has no obligation, but only the right to settle the MCL in cash.
- The MCL terms are:
 - *Maturity: 5 years;*
 - *Interest rate: 8%.*
- The MCL can be settled in one of the following ways:
 1. By conversion into the Company’s share capital (in part or in full, at once or on more occasions) at a HRK 10 per share conversion ratio.
 2. The Company is authorized to settle the MCL in cash:
 - *The annual MCL installment falls due on 31 December for the current business year;*
 - *The MCL installment is payable up to the available cash flow amount for the previous year, so that the cash flow available for MCL is based on the operative cash flow minus the senior debt liabilities, meaning that its repayment depends on cash flow availability after the senior debt repayment, due liabilities towards suppliers, the Tax Administration, etc., or planned capital investments from the business plan;*
 - *Cash flow availability is based on a calculation prepared by the Company on the basis of audited financial statements for the previous business year, no later than March 1st;*

7. Pre-bankruptcy settlement proposal – terms for creditor groups (continued)

Claims arising out of loans secured by a mortgage on real estate (“Creditors holding a mortgage on real estate”)

- The overall debt towards creditors holding a mortgage on real estate as per 11 April 2013 amounts to approximately HRK 7.8 million. The proposed restructuring concept entails:
 - Converting 100% of interest into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Converting 20% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining 80% of the principal under the following terms:
 - *Maturity: 11 years;*
 - *Grace period: 3 years (interest is calculated and charged during the grace period);*
 - *Annual interest rate: 4.5%.*
 - *Repayment of interest and principal after the grace period in quarterly installments.*

Claims based on loan agreements that are unsecured (“Unsecured loans”)

- The overall debt for unsecured loans as per 11 April 2013 amounts to approximately HRK 0.3 million. The proposed restructuring concept entails:
 - Converting 100% of interest into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Converting 50% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining 50% of the principal in 3 years (6 half-year installments) without interest.

Creditors’ claims based on leasing agreements where vehicles in the Company’s possession are the objects of financing (“Leasing of vehicles”)

- The overall debt towards creditors for leasing of vehicles as per 11 April 2013 amounts to approximately HRK 0.1 million. The proposed restructuring concept entails:
 - Debt repayment under the following terms:
 - *Maturity: 2 years;*
 - *Annual interest rate: 4.5%;*
 - *Repayment of interest and principal in monthly installments.*

7. Pre-bankruptcy settlement proposal – terms for creditor groups (continued)

Creditors' claims with a retention of ownership of equipment in the Company's possession ("Leasing of equipment")

- The overall debt towards creditors for leasing of equipment as per 11 April 2013 amounts to approximately HRK 1.6 million. The proposed restructuring concept entails:
 - Debt repayment under the following terms:
 - *Maturity: 4 years;*
 - *Grace period: 1 year (interest is calculated and charged during the grace period);*
 - *Annual interest rate: 4.5%;*
 - *Repayment of interest and principal in monthly installments.*

Creditors' claims based on leasing agreements in which real estate in the Company's possession are the object of financing ("Leasing of real estate")

- The overall debt towards creditors for leasing of real estate as per 11 April 2013 amounts to approximately HRK 3.7 million. The proposed restructuring concept entails:
 - Debt repayment under the following terms:
 - *Maturity: 10 years;*
 - *Grace period: 1 year (interest is calculated and charged during the grace period);*
 - *Annual interest rate: 4.5%;*
 - *Repayment of interest and principal in monthly installments.*

7. Pre-bankruptcy settlement proposal – terms for creditor groups (continued)

Claims based on agreement for the purchase of goods or services, unsecured (“Other suppliers”)

- The overall debt towards other suppliers as per 11 April 2013 amounts to approximately HRK 167.3 million. The proposed restructuring concept entails:
 - Converting 100% of interest into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Converting 50% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining 50% of the principal in 3 years (6 half-year payments), without interest.

Claims based on guarantees and co-debtors for the Debtor’s liabilities towards third parties (“Guarantees and co-debtors”).

- The overall debt based on co-debtors and guarantees as per 11 April 2013 amounts to approximately HRK 597 million. The proposed restructuring concept entails:
 - Converting 100% of interest into the Company’s share capital at a HRK 10 per share conversion ratio.
 - In the event of protest of guarantee obligations, debt repayment according to the following proposal:
 - Converting 50% of the principal into the Company’s share capital at a HRK 10 per share conversion ratio.
 - Repaying the remaining 50% of the principal under the following terms:
 - *Maturity: 8 years;*
 - *Grace period: 1 year (interest is calculated and charged during the grace period);*
 - *Annual interest rate: 4.5%.*
 - *Repayment of interest and principal after the grace period in quarterly installments.*

Other provisions

- The creditors retain the existing collaterals unless otherwise agreed.
- The creditors retain the existing foreign currency clauses.

7. Pre-bankruptcy settlement proposal – financial effects

Overview of effects of the restructuring															
In HRK million	Debt as per 11 Apr 2013	Coupon write-off after 11/04/13	Conversion of debt into capital					MCL 100%	Debt after conversion	Remain ing MCL amount	Conversion into capital			New shares issued	
			Interest 100%	70%	50%	35%	20%				MCL	Interest and debt	Convers ion total		
1	State and state-owned companies	25,9	-	(3,3)	-	(11,3)	-	-	-	11,3	-	14,6	14,6	1.463.918	
2	Bond	296,2	(18,5)	(27,7)	(175,0)	-	-	-	75,0	-	202,7	202,7	20.273.576		
3	Creditors secured by equipment pledge	586,0	-	(52,7)	-	-	(186,7)	(110,0)	236,7	40,0	70,0	239,3	309,3	30.934.513	
4	Creditors secured by real estate mortgage	7,8	-	(0,0)	-	-	-	(1,5)	6,2	-	1,6	1,6	1,6	155.554	
5	Unsecured loans	0,3	-	-	-	(0,1)	-	-	0,1	-	0,1	0,1	0,1	12.623	
6	Vehicles leasing	0,1	-	-	-	-	-	-	0,1	-	-	-	-	-	
7	Equipment leasing	1,6	-	-	-	-	-	-	1,6	-	-	-	-	-	
8	Real estate leasing	3,7	-	-	-	-	-	-	3,7	-	-	-	-	-	
9	Other suppliers	167,3	-	(5,8)	-	(80,7)	-	-	80,7	-	86,5	86,5	86,5	8.650.631	
	Balance	1.088,9	(18,5)	(89,5)	(175,0)	(92,2)	(186,7)	(1,5)	(110,0)	415,5	40,0	70,0	544,9	614,9	61.490.815
10	Guarantees and co-debtors	[596,6]	[]	[]	[]	[]	[]	[]	[]	[596,6]	[]	[]	[]	[]	

Overview

- By implementing the proposed restructuring concept, the existing debt that amounts to approximately HRK 1.1 billion would be reduced to a level of approximately HRK 415 million, out of which approximately HRK 324 million represents liabilities towards the bond and financial institutions (HRK 385 million counting the hybrid security after the initial conversion).
- According to the proposed financial restructuring plan, the creditors should convert all due and default interest towards the Company that amount to HRK 89 million as per 11 April 2013 (including coupon bonds) into capital.
- The total amount of debt converted into capital would be approximately HRK 545 million. The conversion would be carried out through the issuance of new shares of the Company of HRK 10 nominal value;
- Aside from the above, after the implementation of the PBS, approximately HRK 70 million of MCL will be converted into share capital, while the remaining amount will be filed/repaid over a five year period under the aforementioned terms.
- The Company's remaining debt after the conversion of approximately HRK 416 million would be reprogrammed for each creditor group, in accordance with the repayment dynamics presented above.

7. Pre-bankruptcy settlement proposal – financial effects (continued)

Overview of share capital after PBS implementation	
Price of share conversion in HRK	10,0
The current number of shares	2.820.070
New shares	
State and state-owned companies	1.463.918
Bond	20.273.576
Creditors secured by equipment pledge	23.934.513
Creditors secured by real estate mortgage	155.554
Unsecured loans	12.623
Vehicles leasing	-
Equipment leasing	-
Real estate leasing	-
Other suppliers	8.650.631
Initial MCL conversion	7.000.000
	61.490.815
Remaining MCL amount	[]
Total new shares	64.310.885

An illustrative overview of the share capital after carrying out the proposed financial restructuring.

- Conversion of debt into capital would be carried out by the issuance of new regular shares in the Company (ticker on the Zagreb Stock Exchange OPTE-R-A, ISIN: HROPTERA0001) in the nominal value of HRK 10 (by trading HRK 10 of a claim for 1 share).
- Conversion of the hybrid security by the issuance of new regular shares of the Company (ticker on the Zagreb Stock Exchange OPTE-R-A, ISIN: HROPTERA0001) in the nominal value of HRK 10.
- The ownership structure would be as follows:

Illustrative overview of shareholders after the PBS		
	Number of shares	Share %
ZABA	27.326.897	42,5%
MCL*	7.000.000	10,9%
THT	5.203.098	8,1%
ZABA (trustee)	2.683.563	4,2%
RBA	2.260.336	3,5%
Matija Martić	1.859.569	2,9%
Others	17.977.421	28,0%
Total	64.310.885	100,0%

** The obligation to convert MCL into Optima's shares would be assumed by ZABA, directly and HT, indirectly in the pre-bankruptcy settlement, as a part of their proposed agreement on combined activity in the acquisition of the Company's shares. The number of shares to be acquired through MCL conversion is based on the proposition that the Company will pay out the non-converted part in cash. The final number of shares to be acquired through the conversion of MCL into the Company's shares will depend on the extent to which the Company will exercise its right to pay the MCL in cash.*

- The aforesaid shareholder structure includes the balance as per 11 April 2013 without off-balance sheet positions and it is indicative, considering that a part of the owners is in trustee accounts.

7. Pre-bankruptcy settlement proposal – financial effects (continued)

Combined activities

- The Joint Stock Companies Takeover Act (JSCT) and the Financial Transactions and Pre-bankruptcy Settlement Act both provide that the persons obtaining the Debtor's shares in pre-bankruptcy proceedings are exempt from the obligation of publishing intent to take over a company.
- Considering that the JSCT identifies the acquisition of shares with the execution of legal grounds thereof, regardless of future actual and legal transfer of shares, it should be emphasized that in all future acquisitions of Optima shares by its creditors, by converting their claims into Optima's share capital, in line with its financial and operative restructuring plan, the legal grounds consist in the executed pre-bankruptcy settlement, regardless of which General Assembly and/or other body decision will grant the issuance and subscription of said shares.
- The aforementioned equally applies to any Optima General Assembly decision on the increase of share capital, to be passed in line with Optima's obligations arising out of the pre-bankruptcy settlement, including those Optima will pass in line with its settlement-assumed obligations, for the purpose of mandatory MCL conversion into its share capital by ZABA and/or HT, or to General Assembly decision regarding the settlement regulated amendments to the Articles of Association of Optima, in order to authorize the Board of Directors in the context of approved share capital and respective decisions of Optima's Board of Directors.
- As a precaution, all decisions on increasing Optima's share capital, including the decision authorizing the Board of Directors to issue shares in the context of approved share capital, to be passed in fulfilling its obligations arising out of the pre-bankruptcy settlement, will contain the approval of said acquisition, without the obligation of publishing a public offer for the takeover of Optima.
- In order to make the strategic partnership between HT and Optima possible, but considering the share percentage HT would acquire by converting its claims into Optima's share capital, HT and ZABA (as Optima's biggest creditor that will have a part of its claims converted into Optima's share capital) would establish a combined activity in the acquisition of Optima's shares based on the pre-bankruptcy settlement, pursuant to JSCT.
- Therefore, with respect to all future acquisitions of Optima's shares by ZABA and/or HT, based on the executed pre-bankruptcy settlement, i.e. to all of Optima's future share capital increases to follow in fulfilling the obligations assumed in the pre-bankruptcy settlement, and equally to future MCL transfers from ZABA to HR as well as to future transfers of any number of shares between ZABA and HT, within their total number acquired through their combined activity based on the duly executed pre-bankruptcy settlement, according to the best of Optima's understanding, there will be no obligation to publish a public offer for Optima's takeover.

7. Pre-bankruptcy settlement proposal – financial effects (continued)

Illustrative overview of repayment schedule after restructuring								
In HRK million	Realized			Projections				
	2011	2012	1Q2013	3Q2013	2014	2015	2016	2017
Revenues	483,1	563,1	135,5	375,3	522,1	544,3	576,9	611,9
EBITDA	68,9	73,4	25,6	74,7	115,8	122,5	133,6	148,4
<i>EBITDA margin</i>	<i>14,3%</i>	<i>13,0%</i>	<i>18,9%</i>	<i>19,9%</i>	<i>22,2%</i>	<i>22,5%</i>	<i>23,2%</i>	<i>24,3%</i>
Capital investments	(34,4)	(49,2)	(1,5)	(43,5)	(40,0)	(40,0)	(52,0)	(44,0)
Working capital				(4,3)	(4,1)	(1,4)	(2,0)	(3,4)
FCF after capital investments				26,9	71,8	81,1	79,6	101,1
Collection of claims (as per 11/04/2013)				53,5				
Cash balance				1,1				
Available cashflow				81,4	71,8	81,1	79,6	101,1
Repayment of refinanced debt (including interest)								
Repayment of bond debt				(2,0)	(3,9)	(3,9)	(17,4)	(17,4)
Repayment of debt towards financial institutions				(5,6)	(12,0)	(11,9)	(37,7)	(37,7)
Repayment of debt towards suppliers				(13,5)	(26,9)	(26,9)	(13,5)	-
State and State-owned Companies				(1,9)	(3,8)	(3,8)	(1,9)	-
Repayment of debt based on guarantees and warranties				[]	[]	[]	[]	[]
Net cash flow in the period				58,5	25,2	34,5	9,1	45,9
MCL Repayment				(10,0)	(10,0)	(10,0)	(9,1)	(10,9)
Net cash flow after MCL repayment				48,4	15,2	24,5	-	35,0

Overview

- Cash flow projections include the foreseen gradual repayment of restructured obligations towards creditors, according to available cash flow from operations, all according to the presented settlement proposal.
- The presented indicative cash flow entails that the repayment of the refinanced debt towards creditors should commence in the second half of 2013 (after the completion of pre-bankruptcy settlement proceedings).
- The projections entail the settlement of the overall refinanced debt towards suppliers by the end of 2016.
- The Company's projected cash flow indicates that the foreseen MCL installment would not be entirely paid in 2016. The projections entail that (i) the MCL owner will not exercise its conversion right for the said year and (ii) that the unsettled amount will be paid before MCL maturity date, i.e. 15 March 2018.
- Working capital projections entail the settlement of obligations towards suppliers and the collection of claims from customers in line with the Financial Transactions Act.

8. Calculation of restructuring costs

- The overall restructuring costs, including the services of legal and business consultants and the costs of licensed auditors, amount to approximately HRK 4 million, depending on the exact resource capacity engaged during the implementation of the restructuring process.
- Anticipated restructuring costs are foreseen in the presented Business Plan for the period from 2013 to 2017.

9. Estimated settlement of creditors' claims in bankruptcy (indication)

Debt structure overview			Pre-bankruptcy settlement			Bankruptcy					
			Settlement of debt in pre-bankruptcy settlement (debt reprogramming)	Additional settlement through debt-to-equity swap		Estimated settlement in bankruptcy: rights of separate recovery and secured rights	Remaining debt in bankruptcy after rights of separate recovery and secured rights	Participation of the remaining debt in bankruptcy estate	Estimation of additional collection from bankruptcy estate	Estimation of additional settlement of the remaining debt from the bankruptcy estate	Total estimated settlement in bankruptcy
In HRK million		Debt as per 11/04/2013									
1	State and state-owned companies	25,9	43,6%	0% - 56,4%	-	25,9	2,6%	2,6	10,2%	10,2%	
2	Bond	296,2	25,3%	0% - 68,4%	-	296,2	29,7%	30,1	10,2%	10,2%	
3	Creditors secured by equipment pledge	586,0	40,4%	0% - 52,8%	14,3%	502,3	50,4%	51,0	10,2%	24,4%	
4	Creditors secured by real estate mortgage	7,8	79,9%	0% - 20,1%	49,9%	3,9	0,4%	0,4	10,2%	60,0%	
5	Unsecured loans	0,3	50%	0% - 50,0%	-	0,3	0,0%	0,0	10,2%	10,2%	
6	Vehicles leasing	0,1	100,0%	0% -	202,6%	-	-	-	-	202,6%	
7	Equipment leasing	1,6	100,0%	0% -	30,0%	-	-	-	-	30,0%	
8	Real estate leasing	3,7	100,0%	0% -	71,1%	-	-	-	-	71,1%	
9	Other suppliers	167,3	48,3%	0% - 51,7%	-	167,3	16,8%	17,0	10,2%	10,2%	
	Balance	1.088,9	38,2%	0% - 45,0%		995,8	100,0%	101,1	10,2%	18,6%	
10	Guarantees and warranties	[596,6]	[]	[]	[]	[]	[]	[]	[]	[]	

Estimated settlement of creditors

- The estimated settlement of creditors in bankruptcy is an indication based on the possible value of the Company's assets available for sale in bankruptcy proceedings (liquidation value), reduced by estimated bankruptcy costs (approximately 5% to 10%).
- It is not entirely possible to estimate the settlement of creditors in bankruptcy due to the uncertainty of prices that would be achieved for the Company's assets, as well as due to additional amounts based on reimbursement rights and additional off-record liabilities.
- Based on the analysis, it is obvious that all the creditors would have a significantly higher percentage of settlement based on the proposal and implementation of the pre-bankruptcy settlement, than in the event of bankruptcy.

10. Evaluation of the Company (indication) before and after debt reduction

Indicative valuation without restructuring		
In HRK million	2011A	2012A
Revenues	483,1	563,1
EBITDA	68,9	73,4
EBITDA margin %	14,3%	13,0%
Indicative debt (without guarantees)		
Bond based debt		(270,9)
Debt towards financial institutions		(572,9)
Debt to suppliers		(220,6)
Other obligations		(23,5)
Protest of debts secured by warranties and guarantees	[]	[]
Cash and equivalents		2,3
		(1.085,5)
Debt restructuring		
Conversion into capital		614,9
MCL conversion		[]
Total debt		(470,6)

Indicative indicators	
In HRK million	2012A
Operational value	
EBITDA x 5	367,0
EBITDA x 7	513,8
Indicative value of the capital before debt restructuring	
EBITDA x 5	(718,5)
EBITDA x 7	(571,7)
Indicative value of the capital after debt restructuring	
EBITDA x 5	-
EBITDA x 7	-

After restructuring	
2013P	2017P
510,9	611,9
100,3	148,4
19,6%	24,3%
(75,0)	(47,3)
(248,3)	(192,3)
(67,3)	(0,0)
(9,4)	0,0
[]	[]
60,0	134,6
(340,1)	(105,0)

2013P	2017P
501,7	742,1
702,4	1.039,0
n/a	n/a
n/a	n/a
161,6	637,1
362,3	934,0

Current value (prior to restructuring)

The value of the Company and the share principal is approximated based on the EBITDA multiplier derived from average and median multipliers achieved by comparable companies that are rated in the capital market (source: Bloomberg, Damodaran). The aforesaid is a standard company evaluation method.

Based on the conducted analysis, the value of the Company's share capital is negative in the present circumstances. The aforesaid derives from the Company's overindebtedness compared to the current operative productivity level.

As illustrated previously in the report, the share capital value in the event of bankruptcy is negative.

Indicative post-restructuring value

In the event of the creditors' agreement, finalization of the pre-bankruptcy settlement and implementation of operative and financial restructuring measures, the Company has a chance of stabilizing its financial standing, increasing its profitability and consequently achieve a value increase.

Therefore, based on EBITDA projections for 2017, the share capital value (without discount effects) would amount to approximately HRK 93.4 million (provided the EBITDA multiplier x 7 and the EBITDA of HRK 148 million).

11. Appendix to the Financial and Operative Restructuring Plan

- Enclosed with this Plan is an indicational draft of the pre-bankruptcy settlement which will be finally defined during the proceedings, upon establishing all claims and accepting the plan.