Optimatelekom
Drugi i drugačiji.

Financial and Operational Restructuring Plan, 25 March 2013

Sadržaj

List of Abbreviations

[ ]	Potential non-quantified corrections
ARPU	Average Revenue Per User
BSA	Bitstream
CAGR	Compound Annual Growth Rate
CPS	Carrier preselect
Company	OT - Optima Telekom d.d.
EBITDA	Earnings Before Interest Taxation Depreciation and Amortization
EU	European Union
EUR	Euro
HAKOM	Croatian Agency for Post and Electronic Communications
IPTV	Internet Protocol Television
LLU	Local Loop Unbundling
m^2	Square meters
Mil, m	Million
NBV	Net book value
N/AVL	Not available
N/A	Not applicable
P	Projections
BP	Business Premises
P&L	Profit and Loss Account
SMP	Significant Market Power operator
FCF	Free chash flow
WLR	Wholesale line rental
ACT	Financial Operations and Pre-Bankruptcy Settlement Act

1. Descriptions of the facts and circumstances of the existence of conditons for initiation of pre-bankruptcy settlement procedure – business performances of the Company

Profit and Loss Account - Optima Telekom d.d.

in million HRK	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 decrease	**18,2**	**47,3**	**68,9**	**73,4**
EBITDA margin %	***4,0%***	***10,6%***	***14,3%***	***13,0%***
Value decrease	-	-	-	(40,6)
Amortization	(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”) is the alternative telecommunications operator providing telecommunications services within the Republic of Croatia. The Company employs 208 of employees, or 364 counting the employees of the affiliated company Optima Direct d.o.o.
- In spite of increase of income, the Company continuously realizes negative net results. As of its founding, the Company has realized over HRK 780 million of accumulated loss.
- Enhancement of EBITDA contribution during 2012 in absolute amounts is based on regulatory changes in the telecommunications market that occurred in late 2011 and changes in the business model which, in lack of investments into the own telecommunications network, relies on sales of services based on wholesale services of access SMP operator.
- In 2012 the Company decreased the value of its financial assets in the approximate amount of HRK 40,6 million (this refers to the total value of loans granted to the majority shareholder of the Company and OSN Inženjering).
- Operational losses i.e the inappropriate levels of contribution come as a result of:
  - Orientation towards provision of wholesale telecommunications services (BSA, WLR and CPS) bringing relatively lower margins, as compared to the direct provision of services to the users connected to the own infrastructure;
  - Due to the sub-investment that followed after 2009, the growth of a number of users connected to the own infrastructure has slowed down;
  - Delay in implementation of measures of operational restructuring;
  - Overindebtedness.
- Due to the aforementioned, the Company is insolvent and overindebted and in lack of consensus of creditors on the measures of debt restructuring and enhancement of profitability within the pre-bankruptcy settlement, the bankruptcy of the Company appears as a realistic option.

1. Descriptions of the facts and circumstances of the existence of conditons for initiation of pre-bankruptcy settlement – business performances of the Company (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)**
Direct costs as % of income	*62,4%*	*67,3%*
Indirect costs as % of income	*23,3%*	*19,7%*
Cost of sales as % of income	*6,0%*	*5,6%*
LLU lease (HRK per month)	*43,6*	*43,6*

Segment analysis of realized revenues

- The revenue structure reflects the business model of the Company that is focused on the residential and business users' sector.
- The growth in revenues in 2012 has been generated by sale of wholesale services with lower margins, which resulted in decrease of operational profitability of the Company from 14% in 2011 to approximately 13% in 2012.
- In 2012, the total revenues of the Company grew by about 17%, as compared to 2011 due to:
  - The effect of revenue increase, accompanied by increase in direct costs (primarly with regard to WLR prepaid and BSA service), based on the regulatory changes within the last quarter of 2011;
  - Growth in revenues generated by new services (BSA and IPTV).

Segment analysis of realized costs

- The significant increase of total direct costs in 2012, as compared to 2011 (by about HRK 75 million) has been generated by wholesale activities :
  - IC wholesale costs grew by about HRK 3,5 million;
  - WLR costs grew by about HRK 32 million;
  - BSA rental costs grew by about HRK 5,7 million.

1. Descriptions of the facts and circumstances of the existence of conditons for initiation of pre-bankruptcy settlement – financial position

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				
Stock	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)**
Share capital	*28,2*	*28,2*	*28,2*	*28,2*
Capital reserves	*194,4*	*194,4*	*194,4*	*194,4*
Loss carried forward	*(438,8)*	*(553,6)*	*(619,3)*	*(688,8)*
Loss for the period	*(114,8)*	*(65,7)*	*(69,5)*	*(96,4)*
Total capital and reserves	***(331,0)***	***(396,7)***	***(466,2)***	***(562,6)***

Overview

- The net assets of the Company at 31 December 2012 have been negative and amount to HRK 562,6 million. The total subscribed share capital and reserves of the Company amount to HRK 222,6 million approximately. Simultaneously, the accumulated loss of the pervious periods exceeds HRK 785 million.
- The total debt of the Company towards third parties as per 31 December 2012 amounts to HRK 1,1 billion approximately.
- Taking into account the existing level of EBITDA contribution (about HRK 73 million before the costs of decrease of value of loans in the amount of HRK 40,6 million), the Company is overindebted, non-liquid and insolvent.

Net working capital

- At 31 December 2012, the net working capital of the Company has been negative and amounted to HRK 135,4 million, approximately (about 24% of total revenues). Simultaneously, the total trade payables amount to HRK 181 million, out of which over HRK126 million became due for payment.

Fixed assets

- At 31 December 2012, the Company has been disposing with the equipment of about HRK 335,6 million and real estate properties worth approximately HRK 15 million.
- The majority of the fixed assets is pledged in favor of creditors.

Reasons for initiating pre-bankruptcy settlement

- Due to overindebtedness and lack of working capital, the Company is not capable to meet its obligations towards creditors without implementing comprehensive restructuring measures through pre-bankruptcy settlement procedure. In lack of agreement with creditors, the Company is likely to loose the existing deals, fail to conclude new deals, to face collection of guarantees and, eventually, bankruptcy.
- In the event of bankruptcy, the unsecured creditors would loose almost all of their claims, while the mortgage creditors would suffer significant losses and write-offs of value. These circumstances create a rational basis for the creditors to endeavor to carry out consensual restructuring within pre-bankruptcy settlement.

1. Descriptions of the facts and circumstances of the existence of conditons for initiation of pre-bankruptcy settlement – financial position (continued)

Tangible Assets		
NBV in million HRK	31 Dec 2011	31 Dec 2012
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		
In HRK million	31 Dec 2011	31 Dec 2012
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 are concentrated in telecommunications equipment. The purchase of equipment has been financed through credits and it is pledged in favor of creditors.
- The Company does not posses the real estate properties in significant material value. The real estate properties include business premises in Zagreb, Osijek and Rijeka with net book value of about HRK 15 million as at 31 December 2012 (out of which the value of HRK 14 million is pledged).

Financial Assets

- Financial assets of the company include short-term loans to affiliated persons and shares in the following companies:
  - *Optima Direct d.o.o. (100% owned subsidiary of the Company with net book value of HRK 19,2 million) –call center services and acquisition of users;*
  - *OT Slovenija (100% owned subsidiary of the Company, with net book value of HRK 66 thousand) – equipment lease services;*
  - *OT real estate management and consulting (100% owned subsidiary of the Company with net book value of HRK 20 thousand) – no business activities.*
- At 31 December 2012, the total claims based on loans extended to OSN Inženjering amounted to HRK 35,4 million approximately (out of which, HRK 13,1 million accounts for the interest accrued). The funds have been approved for the purpose of financing the development of IP CENTREX for the Company. Until 31 December 2012, OSN Inženjering has not delivered IP CENTREX to the Company. The significant part of the aforementioned claims become due for payment on 30 April 2013 when the Company plans to initiate legally available collection measures. According to the estimations of the Company, and given the unfavorable payment conditions, the collection of the claims is uncertain, due to which the Company made value adjustment in 2012.
- The total amount of loan to OT Slovenia of about HRK 5,7 million has been granted for the purchase of telecommunications equipment. OT Slovenia sets-off the obligation of repayment of the loan with the lease of equipment, for which reason the repayment of the loan has no practical effect on the Company's cashflow.

2. Cash Gap Calculation

Net working capital (lack of liquidity)			
In HRK million	**31 Dec 2011**	**31 Dec 2012**	***Due for payment***
Stock	2,6	2,4	
Receivables			
Trade Receivables	82,1	79,4	*29,9*
Other	1,6	1,4	-
Total receivables	**83,7**	**80,8**	***29,9***
Payables			
Total trade payables	(91,5)	(180,7)	*(126,1)*
Non-invoiced costs	(13,1)	(15,2)	-
Taxes and contributions	(6,9)	(5,3)	-
Other payables	(11,2)	(17,4)	-
Payables	**(122,8)**	**(218,6)**	***(126,1)***
Net working capital	**(36,5)**	**(135,4)**	***(96,2)***
as % of revenues	*(7,6%)*	*(24,0%)*	
Days of payment			
Receivables	*63*	*66*	
Trade payables	*93*	*134*	

"Cash gap"

- At 31 December 2012, the Company has had a negative working capital of HRK135,4 million.
- The Cash Gap per at 31 December 2012 has been estimated as difference between due trade receivables and due trade payables.
- Out of all receivables (about HRK 81 million), HRK 30 million has become due for payment; out of the total payables (HRK 218,6 million) , HRK 126 million has become due for payment.
- On the basis of the enclosed analysis, the cash gap amounts to HRK 96,2 million.
- The stated amount does not include the amounts due for interests and credits (HRK47,7 million of due interests) and coupon payments for the bonds (approximately HRK 20,9 million).
- The Company plans to close the "cash gap" through debt to equity swap and by long term reprogramming of the balance of the debt.

3. Description of financial restructuring measures – restructuring concept

The principal goal of the restructuring is to reduce the debt and to stabilize the operations of the Company in order to implement the measures of reduction in the costs of the Company in order to enhance the EBITDA contribution to the level that would enable the continuation of operations and timely servicing of the debt.

The proposed restructuring model includes change of the current ownership structure by creditors through debt to equity swap, reprograming of the credit repayment plan with grace period and reprograming of trade payables.

Finanacial restructuring

- Financial restructuring is based on significant reduction of debt through debt to equity swap and reprogramming of the remainder of the debt through a longer term with decrease of financing costs.

Conversion in regular capital:

- Change of ownership and management structure of the Company by creditors (takeover of control in the Company by creditors);
- The conversion is envisaged for all groups of creditors. The ratio of conversion of debt into the capital is envisaged for each specific groups of creditors.

Reprogramming of the debt to a longer term with decrease of financing costs

- The reprogramming of the credit obligations debt through a longer time period , with decrease of financing costs;
- The reprogramming of the existing trade payables;
- creditors to maintain the existing collaterals;
- Creditors to maintain the existing currency clauses;
- Detailed overview of measures of financial restructuring is given on pages 17 – 21.

Operative/ Corporative restructuring

- Immediate abandonment of all activities of the Companies which cannot achive positive EBITDA contribution in short term.
- The measures of operative restructuring are divided in two main groups:
  - Measures of operative restructuring of business processes directly linked to provision of telecommunications services;
  - Measures of operative restructuring of business processes of sales support, user support and utilities.
- Detailed overview of measures of operative restructuring is given on pages 10 and 11.

4. Overview of Measures of Operational Restructuring

Overview of assumptions of measures of operational restructuring of direct costs

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

- Price repositioning of basic service packages;
- Review of user benefits (introducing measures of supervision in assignment of benefits and controls);
- Growth in number of users , *up sell* and *cross sell* activities;
- Increase in efficiency of all employees and partners being in direct contacts with the users;
- Additional education of sales;
- Continuous analysis of profitability, focus on more profitable services.

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

- Analysis and reduction of costs of lines lease;
- Analysis and reduction of internet capacity costs;
- Development of new services within CAPEX limits.

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

- Increase in efficiency of field workers (own workers), by reorganization of internal processes;
- Introducing additional measures for optimization of external partners' work;
- Introducing on-line payment service with the view to reduce the costs of invoicing and invoice delivery.

4. Overview of Measures of Operational Restructuring Measures (continued)

Overview of assumptions of measures of operational restructuring of indirect costs

Staff expenses and related costs (estimated positive impact of about HRK 1,2 million):

- Staff expenses in the projected period make 8% of total revenues or approximately 35% of indirect costs;
- Continuity and quality in operations to be achieved by optimization of work force;
- The planned measures are aimed to provide conditions for more flexible engagement of work force within a month, depending of the business needs;
- Further implementation of measures and supervisions in optimization of vehicle fleet.

Costs of sales, marketing and other costs (estimated positive impact of about HRK 6,9 million):

- Decrease of costs of acquisition of new users;
- Analysis of property insurance costs with the purpose of achieving additional reduction in premiums;
- Decrease in marketing and business entertainment costs;
- By engagement of internal IT resources the conditions are created for increase of efficiency of all employees, automatization and automatization of processes in accordance with the current practices;
- Reduction of all business risks by implementation of the requirements of ISO27001 and ISO22301 standard.

5. Business Plan for the Period from 2013 to 2017 - revenues

Overview of projected revenues							
	Realized		Projections				
In HRK million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Residential users	269,0	302,8	295,3	326,4	352,6	374,2	395,0
Business users	81,5	85,8	87,4	89,2	91,6	94,5	97,9
Wholesale	96,9	140,6	102,2	78,6	81,8	90,6	96,7
Interconnection	16,0	15,4	12,2	12,7	12,0	11,2	10,4
Other	19,7	18,5	13,6	11,7	11,3	11,0	10,8
Total revenues	**483,1**	**563,1**	**510,6**	**518,6**	**549,3**	**581,6**	**610,9**

Overview

- The Business Plan implies increase of revenues by about HRK 50 million to HRK 611 million in 2017, with significant increase of revenues of residential users, which are compensating the decrease of wholesale revenues.
- The projected decrease of total revenues by about HRK 52 million in 2013 (as compared to 2012) comes mostly as a result of decrease of wholesale revenues (direct consequence of Croatia's entry into EU, which is reflected in projections in decrease of prices of roaming services). The decrease of wholesale revenues with parallel decrease of wholesale cost should not result with a more significant EBITDA contribution of the Company.
- The realization of the increase in revenues of residential users primarily depends of increase in number of users in 2013 and 2014 (the stagnation of revenues in 2013 is a consequence of anticipated fall of CPS revenues) and partly in increase of ARPU (IPTV, BSA).

5. Business Plan for the Period from 2013 to 2017 – costs

Overview of projected costs							
	Realized		Projections				
In HRK million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Direct costs							
IC Wholesale	(61,7)	(95,3)	(76,6)	(51,0)	(52,0)	(58,2)	(61,8)
IPTV Rights	(8,3)	(15,7)	(21,7)	(31,7)	(44,6)	(56,2)	(67,9)
LLU lease	(59,5)	(61,2)	(62,8)	(61,9)	(59,2)	(60,9)	(62,6)
Bitstream rental	(0,4)	(6,1)	(10,4)	(16,3)	(21,3)	(24,7)	(28,8)
Voice termination	(69,8)	(71,0)	(35,7)	(34,7)	(33,6)	(32,2)	(30,8)
Other direct costs	(101,7)	(129,7)	(111,5)	(100,7)	(99,8)	(96,9)	(96,9)
Total direct cost	**(301,4)**	**(379,0)**	**(318,6)**	**(296,3)**	**(310,5)**	**(329,2)**	**(348,8)**
Indirect costs							
Payroll costs	(38,4)	(38,4)	(39,2)	(41,6)	(43,6)	(45,8)	(48,0)
Costs of sales	(28,8)	(31,7)	(28,6)	(30,3)	(28,9)	(27,9)	(26,4)
Marketing	(7,4)	(6,7)	(3,5)	(7,2)	(11,4)	(12,1)	(12,7)
Other indirect costs	(38,2)	(33,9)	(33,9)	(32,1)	(33,5)	(34,8)	(36,0)
Total indirect costs	**(112,8)**	**(110,7)**	**(105,2)**	**(111,2)**	**(117,4)**	**(120,5)**	**(123,1)**
Total cost	**(414,2)**	**(489,7)**	**(423,8)**	**(407,5)**	**(427,9)**	**(449,7)**	**(471,9)**
Direct cost as % of revenues	*62,4%*	*67,3%*	*62,4%*	*57,1%*	*56,5%*	*56,6%*	*57,1%*
Indirect cost as % of revenues	*23,3%*	*19,7%*	*20,6%*	*21,5%*	*21,4%*	*20,7%*	*20,2%*
Payroll cost as % of revenues	*8,0%*	*6,8%*	*7,7%*	*8,0%*	*7,9%*	*7,9%*	*7,9%*
Cost of sales as % of revenues	*6,0%*	*5,6%*	*5,6%*	*5,9%*	*5,3%*	*4,8%*	*4,3%*
LLU lease (HRK per month)	*43,6*	*43,6*	*43,6*	*43,6*	*40,6*	*40,6*	*40,6*
Bitstream ADSL (HRK per month)	*70,1*	*45,4*	*38,7*	*38,7*	*36,8*	*33,1*	*31,4*
Bitstream IPTV (HRK per month)	*30,5*	*20,0*	*15,0*	*15,0*	*15,0*	*15,0*	*15,0*

Overview

- The projections of costs reflect the expected decrease of expenses of wholesale activities (partly because of Croatia's entry into the EU), increase of expenses related to the provision of services with higher ARPU (IPTV, BSA) and implementation of restructuring measures.
- The Plan assumes maintainting the existing regulatory framework by 2015 (regulatory decisions of HAKOM may significantly affect the decrease of Company's consts and, consequently, the profitability of business operations).

Direct costs

- The decrease of direct costs in the projected period is *inter alia* based on the following:
  - *Reduction of pair rental costs by about7% in 2015;*
  - *Reduction of BSA costs by about 5%in 2015; and*
  - *Reduction of IPTV costgs.*

Indirect costs

- The projected increase of number of employees due to the larger user base and consequential increase of costs by about HRK 10 million in 2017, as compared to 2012 (about 8% of total projected revenues).
- The projections assume increase of marketing costs with the view to realize the planned increase in the number of users.

5. Business Plan for the Period from 2013 to 2017 – projections of capital investments

Overview of projected capital investments

	Realized		Projections				
In HRK million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Access Network	(18,1)	(39,6)	(31,1)	(29,8)	(30,2)	(29,7)	(28,2)
CORE Network	(8,7)	(4,1)	(14,4)	(18,1)	(21,6)	(19,6)	(21,6)
Telecommunications center	(6,7)	(3,2)	(11,1)	(8,1)	(8,5)	(8,7)	(8,7)
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)**
As % of revenues	*7,1%*	*8,7%*	*11,3%*	*10,9%*	*11,1%*	*10,1%*	*9,6%*

Overview

- The capital investments in 2012 amounted to HRK 49 million, approximately, out of which HRK 40 million has been invested into development of access network and equipment for provision of services to residential and business users. The amount of about HRK 4,3 million has been invested into CORE network, which has been mainly used for extension to 10G technology and increase of capacity of subscribers' switchboard.
- In the period until 2017, the projections impy capital investment of about HRK 292 million. About a half of the funds is planned to be invested into user connection equipment and construction of access network.
- The planned investments into core network have been harmonized with the projected growth of the user base. The stated invstments are used so that the core of the network ensures quality services and satisfies the expected needs for increased throughput of dana services (primarily, Internet access and various forms of video services). Therefore, the main portion of intestment is planned into MetroEthernet and MPLS network elements which also make the basis for advanced services provided to business segment of the users-
- Investments into telecommunications center in 2013 are focusted on raising the Company's own IPTV solution which would enable new differentiation of the service. In the later years, they have invaluable support function in enhancement of interter services and processess (OSS/BSS).

5. Business Plan for the Period from 2013 to 2017 – projected business result

Overview of projected business results

In HRK million	Realized 2011	Realized 2012	Projections 2013	Projections 2014	Projections 2015	Projections 2016	Projections 2017
Revenues	483,1	563,1	510,6	518,6	549,3	581,6	610,9
Direct costs	(301,4)	(379,0)	(318,6)	(296,3)	(310,5)	(329,2)	(348,8)
Gross margin	**181,7**	**184,1**	**192,0**	**222,3**	**238,9**	**252,4**	**262,1**
Gross margin %	**37,6%**	**32,7%**	**37,6%**	**42,9%**	**43,5%**	**43,4%**	**42,9%**
Indirect costs	(112,8)	(110,7)	(105,2)	(111,2)	(117,4)	(120,5)	(123,1)
EBITDA	**68,9**	**73,4**	**86,8**	**111,1**	**121,5**	**131,9**	**138,9**
EBITDA margin	**14,3%**	**13,0%**	**17,0%**	**21,4%**	**22,1%**	**22,7%**	**22,7%**
One-time adjustments		(40,6)					
Amortization	(54,9)	(54,6)	(52,0)	(52,7)	(53,2)	(54,1)	(54,7)
EBIT	**14,0**	**(21,8)**	**34,8**	**58,4**	**68,3**	**77,7**	**84,3**
Net financial result	(83,5)	(74,5)	(9,4)	(18,6)	(18,5)	(18,5)	(16,8)
Result before taxation	**(69,5)**	**(96,3)**	**25,5**	**39,8**	**49,8**	**59,2**	**67,5**
Taxes	-	-	-	-	-	-	-
Net result	**(69,5)**	**(96,3)**	**25,5**	**39,8**	**49,8**	**59,2**	**67,5**

The projected enhancement of Gross margin and EBITDA margin depends of:

- *Successful completion on pre-bankruptcy settlement procedure;*
- *Successful implementation of operational and business restructuring plan;*
- *Ensuring funds required for capital investments;*
- *Implementation of planned regulatory measures.*

Overview

- In its projections, the Company projects increase in revenues for about HRK 50 million to HRK 611 million in 2017 and EBITDA margin of about 23%. This indicates relatively faster growth of EBITDA margin as compared to the increase of revenues based on the increase in number of users connected to the own infrastructure.
- Taking into account that the Company operates on a regulated market, certain important assumptions of the plan are directly affected by the applicable regulatory framework of the Croatia's telecommunications market. Therefore, the projections of the results and activities that the Company plans to undertake in order to enhance its market position, are based on the current best knowledge and anticipated changes of the regulatory framework.
- Under assumption of successful completion of pre-bankruptcy settlement, realization of the plan of operational and financial restructuring and anticipated regulatory changes, the Company projects a decrease of direct business costs from the level of about 67% of total revenues realized in 2012 to the approximate figure of 57% of total revenues in 2017.
- Together with a stable amount of annual amortization in the projected five-year period and with significant decrease of interest expenses accruing on the restructured debt, the Company realizes net operational profit after 2013 (without calculating the potential expenses of one-time write-offs or potential additional financing costs).
- The presented projections imply that the Company would start repaying the restructured debt to its creditors as of 30 June 2013 (after completion of pre-bankruptcy settlement), for which reason the amount of financial expenses in 2013 is relatively lower, as compared to other projected periods.
- At 31 December 2012, the Company registered about HRK 391,8 million of recognized tax losses for which reason, the Company would not use the entire tax loss in the projected period i.e. it would not be obliged to pay profit tax.

Optimatelekom Drugi i drugačiji.

6. Planned balance sheet at 31 December 2017

Illustrative projection of financial position	Realized		Projections				
In HRK million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Fixed Assets	**452,2**	**410,9**	**416,6**	**420,4**	**428,1**	**432,4**	**436,7**
Working capital							
Trade receivables and stocks	86,3	83,3	84,3	82,7	87,6	92,8	97,4
Trade payables	(122,8)	(218,6)	(44,6)	(40,6)	(39,4)	(37,9)	(39,8)
	(36,5)	**(135,4)**	**39,7**	**42,1**	**48,3**	**54,9**	**57,7**
Net debt							
Bond debt			*(62,5)*	*(62,5)*	*(62,5)*	*(53,3)*	*(43,6)*
Debt towards financial institutions			*(346,3)*	*(345,2)*	*(344,3)*	*(315,6)*	*(286,3)*
Debt to suppliers			*(95,6)*	*(68,3)*	*(41,0)*	*(13,7)*	*-*
Other			*(9,5)*	*(6,9)*	*(4,3)*	*(1,6)*	*(0,2)*
Debt for guarantees			*[ ]*	*[ ]*	*[ ]*	*[ ]*	*[ ]*
Total debt:	(930,0)	(871,0)	(513,8)	(482,9)	(452,0)	(384,2)	(330,2)
Cash	2,0	2,3	64,4	66,9	72,1	52,6	58,4
Net debt	**(928,0)**	**(868,6)**	**(449,5)**	**(415,9)**	**(379,9)**	**(331,6)**	**(271,8)**
Accruals and deferrals net	46,1	30,5	14,5	14,5	14,5	14,5	15,0
Net assets	**(466,2)**	**(562,6)**	**21,3**	**61,1**	**110,9**	**170,2**	**237,5**
Subscribed capital	*28,2*	*28,2*	*518,0*	*518,0*	*518,0*	*518,0*	*518,0*
Provisions	*194,4*	*194,4*	*194,4*	*194,4*	*194,4*	*194,4*	*194,4*
Accumulated (loss) / profit	*(688,8)*	*(785,1)*	*(691,0)*	*(651,2)*	*(601,5)*	*(542,3)*	*(474,8)*
Total capital and reserves	***(466,2)***	***(562,6)***	***21,3***	***61,1***	***110,8***	***170,1***	***237,5***

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

- Based on projections of business plan and cash flow in the five-year period and based on debt restructuring plan, the presentation contains abbreviated items of the Company's projected restructured balance sheet.
- The indicated projections based on financial restructuring plan and creditors' settlement plan, as outlined in further text, assume the following:
  - Write-off of interest in the approximate amount of HRK 68,6 million;
  - Conversion of HRK 490 million into capital;
  - Repayment of the restructured debt to the creditors in accordance with the settlement plan outlined in the following text;
  - Maintaining a stable level of working capital at approximately 8% of total sales in the monitored period.

Optimatelekom Drugi i drugačiji.

7. Proposal of pre-bankruptcy settlement – overview of debt structure

Overview of debt structure

In HRK million		Debt as at 31 Dec 2012
1	State and state-owned enterprises	22,1
2	Bond	270,9
3	Creditors secured by equipment pledge	535,2
4	Creditors secured by real estate mortgage	8,2
5	Creditors secured by guarantees	23,1
6	Unsecured loans	1,4
7	Vehicles leasing	0,4
8	Equipment leasing	2,3
9	Real estate leasing	3,7
10	Secured suppliers	16,0
11	Other suppliers	204,6
	Balance	**1.087,9**
12	Guarantees and warranties	[73,5]

The Company is regularly paying salaries and pertaining taxes and contributions to the employees within legal deadlines. The obligations towards the employees are at the level of one monthly salary for the preceding period. Therefore, the Company has no due debts towards the employees for which reason the Employees are not indicated as a separate category of creditors. Anyhow, the Company would pay all obligations to employees by 31 December 2012.

- At 31 December 2012, the total debt of the Company has amounted to HRK 1,1 billion, approximately, while off-balance obligations for guarantees and warranties amount to HRK 73,5 million.
- For the purpose of pre-bankruptcy settlement, the creditors are divided into the following groups:

1. Claims of the **Republic of Croatia** and public administration authorities based on legally prescribed charges ("State and state-owned enterprises");
2. Claims based on **corporate bonds** issued by the Debtor ("Bond");
3. Claims based on **credit arrangements secured by pledge on movable property and rights** ("Creditors secured by equipment pledge");
4. Claims based on **credit arrangements secured by mortgage on real estate properties** ("Creditors secured by real estate mortgage");
5. Claims based on **credit arrangements secured by guarantees of other credit institutions** ("Creditors secured by guarantees");
6. Claims based on **loan agreements, unsecured** ("Unsecured loans");
7. Claims of creditors based on **leasing contracts for objects of leasing possessed by the Company** ("Vehicles leasing");
8. Claims of creditors **with retention of ownership over equipment possessed by the Company** ("Equipment leasing");
9. Claims of creditors **based on leasing contracts for objects of leasing – real estate properties – possessed by the Company** ("Real estate leasing");
10. Claims based on contract for **purchase of goods or services secured by pledge on the equipment** ("Secured suppliers");
11. Claims based on contract for **purchase of goods or services with no security** ("Other suppliers");
12. Claims based on **warranties of the Company towards third persons and on the basis of guarantees** ("Guarantees and warranties").

7. Proposal of pre-bankruptcy settlement– terms and conditions per groups of creditors

Claims of the Republic of Croatia and public administration authorities based on legally prescribed charges ("State and state-owned enterprises")	■ The total debt towards the Republic of Croatia and public administration authorities amounts to (as at 31 December 2012) HRK22,1 million, approximately. The proposed restructuring concept implies: ➢ Write-off of 100% of interest. ➢ Conversion of at least 50% of the principal into the capital of the Company per parity of HRK 10 per share. ➢ Repayment of the remaining 50% of the principal through 4 years (8 semi-annual installments) with no interest.
Claims based on corporate bonds issued by the Debtor ("Bond")	■ Total amount of bond-based debt amounts to (as at 31December 2012) HRK 271 million approximately. The proposed restructuring concept implies: ➢ Write-off of 100% amount of coupon; ➢ Conversion of at least 75%of the principal of the bond into the capital of the Company per parity of HRK 10 per share. ➢ Repayment of the remaining 25% of the principal refinanced by restructuring of the existing bond according to the following terms and conditions: - *Maturity date: 9 years;* - *Grace period: 3 years;* - *Annual coupon: 4,75%;* - *Repayment of coupon and principal after grace period in semi-annual annuities.*
Claims based on credit arrangements secured by pledge on movable property and rights ("Creditors secured by equipment pledge")	■ The total amount of debt towards creditors secured by pledge of equipment amounts to (as at 31December 2012) about HRK 535,2million. The proposed restructuring concept implies: ➢ Write-off of 100% of interest and charges. ➢ Conversion of at least 35% of principal into the capital of the Company per parity of HRK 10 per share. ➢ Repayment of the remaining 65% of principal according to the following terms: - *Maturity date: 13 years;* - *Grace period: 3 years;* - *Annual interest rate: 4,5%;* - *Repayment of interest and principal after grace period in quarterly annuities.*

Optimatelekom
Drugi i drugačiji.

7. Proposal of pre-bankruptcy settlement– terms and conditions per groups of creditors (continued)

Claims based on credit arrangements secured by mortgage on real estate properties ("Creditors secured by real estate mortgage")

- The total debt towards creditors secured by real estate mortgage amounts to (as at 31 December 2012) HRK 8,2 million approximately. The proposed restructuring concept implies:
  - Write-off of 100% of interest and charges.
  - Conversion of at least 20% of principal into the capital of the Company per parity of HRK 10 per share.
  - Repayment of the remaining 80% of the principal according to the following terms:
    - *Maturity date: 13 years;*
    - *Grace period: 3 years;*
    - *Annual interest rate: 4,5%.*
    - *Repayment of interest and principal after grace period in quarterly annuities.*

Claims based on credit arrangements secured by guarantees of other credit institutions ("Creditors secured by guarantees")

- The total debt towards creditors secured by guarantees amounts to (as at 31 December 2012) HRK 23,1 million approximately. The proposed restructuring concept implies:
  - Write-off of 100% of interest and charges.
  - Conversion of at least 35% of principal into the capital of the Company per parity of HRK 10 per share.
  - Repayment of the remaining 65% of the principal according to the following terms:
    - *Maturity date: 9 years;*
    - *Grace period: 3 years;*
    - *Annual interest rate: 4,5%.*
    - *Repayment of interest and principal after grace period in quarterly annuities.*

Claims based on loan agreements, unsecured ("Unsecured loans")

- The total debt based on unsecured loans (as at 31 December 2012) amounts to HRK1,4 million approximately. The proposed restructuring concept implies:
  - Write-off of 100% of interest.
  - Conversion of at least 75% of principal into the capital of the Company per parity of HRK 10 per share.
  - Repayment of the remaining 25% of the principal according to the following terms:
    - *Grace period: 3 years;*
    - *Annual interest rate: 4,5%.*
    - *Repayment of interest and principal after grace period in quarterly annuities.*

7. Proposal of pre-bankruptcy settlement– terms and conditions per groups of creditors (continued)

Claims of creditors based on leasing contracts for objects of leasing possessed by the Company (“Vehicles leasing”)	▪ The total debt towards the creditors of vehicle leasing amounts to (as at 31 December 2012) HRK 0,4 million approximately. The proposed restructuring concept implies: ➢ Write-off of 100% of interest. ➢ Repayment of debt according to the following terms: - *Maturity date: 2 years;* - *Annual interest rate: 4,5%;* - *Repayment of interest and principal in monthly annuities.*
Claims of creditors with retention of ownership over equipment possessed by the Company (“Equipment leasing”)	▪ The total debt towards the creditors of equipment leasing amounts to (as at 31 December 2012) HRK 2,3 approximately. The proposed restructuring concept implies: ➢ Write-off of 100% of interest. ➢ Repayment of debt according to the following terms: - *Maturity date: 5 years;* - *Grace period: 1 year;* - *Annual interest rate: 4,5%;* - *Repayment of interest and principal in monthly annuities.*
Claims of creditors based on leasing contracts for objects of leasing – real estate properties – possessed by the Company (“Real estate leasing”)	▪ The total debt towards the creditors of real estate property leasing amounts to (as at 31 December 2012) HRK 3,7 million approximately. The proposed restructuring concept implies: ➢ Write-off of 100% of interest. ➢ Repayment of debt according to the following terms: - *Maturity date: 11 years;* - *Grace period: 1 year;* - *Annual interest rate: 4,5%;* - *Repayment of interest and principal in monthly annuities.*

7. Proposal of pre-bankruptcy settlement– terms and conditions per groups of creditors (continued)

Claims based on contract for purchase of goods or services secured by pledge on the equipment (“Secured suppliers“)	▪ The total debt towards secured suppliers amounts to (as at 31 December 2012) HRK 16 million approximately. The proposed restructuring concept implies: ▪ Write-off of 100% of interest ▪ Conversion of at least 50% of the principal into the capital of the Company per parity of HRK 10 per share. ▪ Repayment of the remaining 50% of the principal through 4 years (8 semi-annual installments) with no interest.
Claims based on contract for purchase of goods or services with no security (“Other suppliers”)	▪ The total debt towards other creditors amounts to (as at 31 December 2012) HRK 204,6 million approximately. The proposed restructuring concept implies: ▪ Write-off of 100% of interest ▪ Conversion of at least 50% of the principal into the capital of the Company per parity of HRK 10 per share. ▪ Repayment of the remaining 50% of the principal through 4 years (8 semi-annual installments) with no interests.
Claims based on warranties of the Company towards third persons and on the basis of guarantees (“Guarantees and warranties”)	▪ The total debt on the basis of co-debtorship and guarantees amounts to (as at 31 December 2012) HRK 73,5 million approximately. The proposed restructuring concept implies: ▪ Write-off of 100% of interest and charges ▪ In case of protest of obligations secured by guarantees, payment of the debt according to the following proposal: ▪ Conversion of at least 50% of the principal into the capital of the Company per parity of HRK 10 per share. ➢ Repayment of the remaining 50% of principal according to the following terms: - *Maturity date: 8 years;* - *Grace period: 1year;* - *Annual interest rate: 4,5%.* - *Repayment of interest and principal after the grace period in quarterly annuities.*
Other provisions	▪ The creditors are keeping the existing collaterals, unless stipulated otherwise. ▪ The creditors are keeping the existing currency clauses.

7. Proposal of pre-bankruptcy settlement – financial effects

Overview of effects of the restructuring

In HRK million		Debt at 31 Dec 2012	Interest and charges write-off	Debt after write-off of interest and charges	Conversion into capital 75%	Conversion into capital 50%	Conversion into capital 35%	Conversion into capital 20%	Total debt after conversion	Conver. Into capital	New shares issued
1	State and state-owned enterprises	22,1	(1,1)	20,9	-	(10,5)	-	-	**10,5**	**10,5**	**1.047.068**
2	Bond	270,9	(20,9)	250,0	(187,5)	-	-	-	**62,5**	**187,5**	**18.750.000**
3	Creditors secured by equipment pledge	535,2	(44,1)	491,1	-	-	(171,9)	-	**319,2**	**171,9**	**17.189.744**
4	Creditors secured by real estate mortgage	8,2	-	8,2	-	-	-	(1,6)	**6,6**	**1,6**	**164.276**
5	Creditors secured by guarantees	23,1	(0,3)	22,8	-	-	(8,0)	-	**14,8**	**8,0**	**796.631**
6	Unsecured loans	1,4	-	1,4	(1,1)	-	-	-	**0,4**	**1,1**	**107.222**
7	Vehicles leasing	0,4	(0,0)	0,4	-	-	-	-	**0,4**	**-**	**-**
8	Equipment leasing	2,3	(0,0)	2,3	-	-	-	-	**2,3**	**-**	**-**
9	Real estate leasing	3,7	(0,0)	3,7	-	-	-	-	**3,7**	**-**	**-**
10	Secured suppliers	16,0	(0,3)	15,7	-	(7,8)	-	-	**7,8**	**7,8**	**783.449**
11	Other suppliers	204,6	(1,8)	202,8	-	(101,4)	-	-	**101,4**	**101,4**	**10.137.650**
	Balance	**1.087,9**	**(68,6)**	**1.019,3**	**(188,6)**	**(119,7)**	**(179,9)**	**(1,6)**	**529,5**	**489,8**	**48.976.040**
12	Guarantees and warranties	[73,5]	[ ]	[73,5]	[ ]	[ ]	[ ]	[ ]	**[73,5]**	**[ ]**	**[ ]**

Overview

- By implementation of the proposed restructuring concept, the existing of debt amounting to approx. HRK1,1 billion, would be reduced to HRK 529,5 million, approximately.
- According to the proposed financial restructuring plan, the creditors would write-off all accrued and default interest towards the Company in the amount of HRK47,7 million, as at 31 December 2012, or about HRK 68,6 million, including coupon of the bond.
- The total amount of debt-to-equity swap would be at the range of HRK 490 million. The conversion would be implemented by issuance of the new shares of the Company with HRK 10 nominal value.
- The Company's debt remaining after conversion in the amount of HRK 529,5 million would be reprogrammed, per groups of creditors, in accordance with the previously presented repayment dynamics.

7. Proposal of pre-bankruptcy settlement – financial effects (continued)

Overview of share capital after conversion	
Price of share conversion in HRK	*10,0*
The current number of shares	2.820.070
New shares	
State and state-owned enterprises	*1.047.068*
Bond	*18.750.000*
Creditors secured by equipment pledge	*17.189.744*
Creditors secured by real estate mortgage	*164.276*
Creditors secured by guarantees	*796.631*
Unsecured loans	*107.222*
Vehicles leasing	-
Equipment leasing	-
Real estate leasing	-
Secured suppliers	*783.449*
Other suppliers	*10.137.650*
	48.976.040
Guarantees and warranties	**[ ]**
Total new shares	**51.796.110**

Illustrative overview of share capital after implementation of the proposed financial restructuring

- Debt –to-equity swap would be implemented by issuance of new ordinary shares of the Company (ticker at Zagreb Stock Exchange OPTE-R-A, ISIN: HROPTERA0001) with nominal value of HRK 10 (exchange of HRK 10 of claim for 1 share).
- After debt- to-equity swap, the indicative ownership structure of the Company would be as follows:

Illustrative overview of shareholders after restructuring	Number of shares	Portion %
ZAGREBAČKA BANKA D.D. (1/1)	20.032.009	38,7%
T-HT	3.546.508	6,8%
ZAGREBAČKA BANKA D.D./COLLECTIVE CUSTODY ACCOUNT ZAGREBAČKA BANKA D.D./DF	2.080.971	4,0%
MARTIĆ MATIJA (1/1)	1.859.569	3,6%
RAIFFEISENBANK AUSTRIA D.D. (1/1)	1.974.079	3,8%
Others	22.302.975	43,1%
Ukupno	**51.796.110**	**100,0%**

- The indicated shareholders structure has been made based on the status as at 31 December 2012 without off-balance items. The indicated structure is indicative given that a part of the owners have custody accounts.

7. Proposal of pre-bankruptcy settlement – financial effects (continued)

Illustrative overview of repayment schedule after restructuring

	Realized		Projections				
In HRK million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Revenues	483,1	563,1	510,6	518,6	549,3	581,6	610,9
EBITDA	**68,9**	**73,4**	**86,8**	**111,1**	**121,5**	**131,9**	**138,9**
EBITDA margin	***14,3%***	***13,0%***	***17,0%***	***21,4%***	***22,1%***	***22,7%***	***22,7%***
Capital investments	(34,4)	(49,2)	(57,6)	(56,6)	(60,8)	(58,5)	(58,9)
Working capital			(15,7)	(2,4)	(6,1)	(6,6)	(2,8)
SNT after capital investments			**13,4**	**52,1**	**54,5**	**66,8**	**77,2**
Collection of claims (status as at 31.12.2012.)			75,4	-	-	-	-
Available cashflow			**88,8**	**52,1**	**54,5**	**66,8**	**77,2**
Repayment of refinanced debt (including interest)							
Repayment of bond debt			(1,5)	(3,0)	(3,0)	(12,2)	(12,2)
Repayment of debt towards financial institutions			(8,0)	(16,6)	(16,4)	(44,2)	(44,2)
Repayment of debt towards suppliers			(13,7)	(27,3)	(27,3)	(27,3)	(13,7)
Other debt repayments			(1,3)	(2,6)	(2,6)	(2,7)	(1,4)
Repayment of debt based on guarantees and warranties			[ ]	[ ]	[ ]	[ ]	[ ]
Net cash flow			**64,4**	**2,5**	**5,2**	**(19,6)**	**5,8**

Overview

- The projections of cashflow include the estimated gradual repayment of restructured obligations towards creditors, according to the cashflow available from operations and according to the presented pre-bankruptcy settlement proposal.
- The presented indicative cashflow implies that the Company would start repaying the restructured debt as of 30 June 2013 (after execution of the pre-bankruptcy settlement).
- Within the projected period, according to the pre-bankruptcy settlement plan, the Company intends to pay approx. HRK 281 million of refinanced debt towards creditors.
- The projections imply settlement of the entire refinanced debt towards suppliers ending with 2017.
- The projections of working capital imply settlement of claims towards suppliers and collection of trade payables in accordance with Financial Operations Act.

Optimatelekom Drugi i drugačiji.

8. Calculation of restructuring costs

- The total restructuring costs, including costs of legal and business consultants and chartered auditors, amount to HRK 4 million, depending of the precise amount of resources engaged during restructuring process.
- The anticipated restructuring costs are estimated by the presented business plan for the period from 2013 to 2017.

9. Estimation of creditors settlement in bankruptcy (indicative)

	Debt structure overview		Pre-bankruptcy settlement		Bankruptcy					
	In HRK million	**Debt as at 31/12/2012**	**Settlement of debt in pre-banktuptcy settlement (debt reprogramming)**	***Additional settlement through debt- to- equity swap***	**Estimated settlement in bakruptcy: righs 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**
1	*State and state-owned enterprises*	22,1	*47,5%*	*0% - 47,5%*	-	22,1	*2,2%*	2,2	*10,2%*	*10,2%*
2	*Bond*	270,9	*23,1%*	*0% - 69,2%*	-	270,9	*27,3%*	27,5	*10,2%*	*10,2%*
3	*Creditors secured by equipment pledge*	535,2	*59,6%*	*0% - 32,1%*	*15,6%*	451,4	*45,4%*	45,9	*10,2%*	*25,8%*
4	*Creditors secured by real estate mortgage*	8,2	*80,0%*	*0% - 20,0%*	*47,1%*	4,3	*0,4%*	0,4	*10,2%*	*57,3%*
5	*Creditors secured by guarantees*	23,1	*64,0%*	*0% - 34,5%*	-	23,1	*2,3%*	2,4	*10,2%*	*10,2%*
6	*Unsecured loans*	1,4	*25,0%*	*0% - 75,0%*	-	1,4	*0,1%*	0,1	*10,2%*	*10,2%*
7	*Vehicles leasing*	0,4	*96,4%*	*0% -* -	*70,0%*	-	-	-	-	*70,0%*
8	*Equipment leasing*	2,3	*100,0%*	*0% -* -	*30,0%*	-	-	-	-	*30,0%*
9	*Real estate leasing*	3,7	*100,0%*	-	*70,0%*	-	-	-	-	*70,0%*
10	*Secured suppliers*	16,0	*49,0%*	*0% - 49,0%*	-	16,0	*1,6%*	1,6	*10,2%*	*10,2%*
11	*Other suppliers*	204,6	*49,5%*	*0% - 49,5%*	-	204,6	*20,6%*	20,8	*10,2%*	*10,2%*
	Balance	**1.087,9**	***48,7%***	***0% - 45,0%***	***8,4%***	**993,9**	***100,0%***	**101,1**	***10,2%***	***18,6%***
12	**Guarantees and warranties**	**[73,5]**	**[ ]**	**[ ] [ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**	**[ ]**

Estimation of the settlement of creditors

- The estimation of the creditors' settlement in bankruptcy is indicative based on the estimated value of the Company's assets available for sale in bankruptcy (liquidation value), reduced by the estimated bankruptcy costs (about 5% to 10%).
- The settlement of creditors in bankruptcy cannot be estimated precisely due to uncertainties of prices which could be achieved for the Company's assets and for additional amounts arising based on regress rights and additional non- booked obligations.
- The analysis indicates that all the creditors would achieve higher percentage of settlement based on proposal and implementation of pre-bankruptcy settlement than in the event of bankruptcy.

10. Valuation of the Company (indicative) before and after reduction of debt

Indicative valuation without restructuring			After restructuring	
In HRK million	**2011A**	**2012A**	**2013P**	**2017P**
Revenues	483,1	563,1	510,6	610,9
EBITDA	68,9	73,4	86,8	138,9
EBITDA margin %	*14,3%*	*13,0%*	*17,0%*	*22,7%*
Indicative debt (without guarantees)				
Bond based debt		(270,9)	(62,5)	(43,6)
Debt towards financial institutions		(572,9)	(346,3)	(286,3)
Debt to suppliers		(220,6)	(95,6)	-
Other obligations		(23,5)	(9,5)	(0,2)
Protest of debts secured by warranties and guarantees		[ ]	[ ]	[ ]
Cash and equivalents		2,3	64,4	58,4
		(1.085,5)	**(449,5)**	**(271,8)**
Debt restructuring				
Conversion into capital		489,8		
Write-off of interest and coupon		68,6		
		558,4		
Sale of assets		[ ]	[ ]	[ ]
Additional capital		[ ]	[ ]	[ ]
Total debt		**(527,2)**	**(449,5)**	**(271,8)**

Indicative indicators				
In HRK million		**2012A**	**2013P**	**2017P**
Operational value				
EBITDA x 5		367,0	434,0	694,7
EBITDA x 7		513,7	607,6	972,5
Indicative value of the capital before debt restructuring				
EBITDA x 5		(718,6)	n/a	n/a
EBITDA x 7		(571,8)	n/a	n/a
Indicative value of the capital after debt restructuring				
EBITDA x 5	-	-	(15,5)	422,9
EBITDA x 7	-	-	158,1	700,7

Present value (before restructuring)

- The value of the Company and the share principal has been approximated based on EBITDA multiplier derived from average and median multipliers which are realized by comparative companies quoted at the capital market (source: Bloomberg, Damodaran). This is a standard method of company valuation.
- Based on the analysis, the value of the share capital of the Company is, under present circumstances, negative. This comes as a result of overidebtedness of the Company with regard to the current level of operating profitability.
- As illustrated in the text before, the value of the share capital in the event of bankruptcy is negative

Indicative value after restructuring

- In case of agreement among creditors, finalization of pre-bankruptcy settlement and implementation of operational and financial restructuring measures, the Company could stabilize the financial position, increase profitability and realize increase of value accordingly.
- Based on the indicated projections of EBITDA for 2017, the value of the share capital (without discount value) would amount to HRK 700 million, approximately (with the assumption of EBITDA multiplier of 7x and EBITDA of HRK139 million).

11. Enclosure to the Financial and Operating Restructuring Plan

- The indicative wording of the pre-bankruptcy settlement is enclosed to this Plan. The final wording would be determined in the course of the procedure, after all claims are determined and the plan is accepted.