

Enclosure 1

Reporting period:

1 Jan 2012

to

30 Sep 2012

Quarterly Financial Report-TFI-PODTax Number (MB): **0820431**Registration Number (MBS): **040035070**Personal Identification
Number (OIB): **36004425025**Issuer: **OT-OPTIMA TELEKOM d.d.**Postal Code and Location: **10010****BUZIN**Street and number: **BANI 75A**e-mail address: info@optima.hrInternet address: www.optima.hrand name for municipality/city **133**Code and name for county **21**Number of employees **369**
(at the year's end)Consolidated Report **YES**Business activity code: **6110**

Entities in consolidation (according to IFRS)

Registered seat:

Tax number (MB):

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

Book-keeping firm

Contact person **Svetlana Kundović**

(unosi se samo prezime i ime osobe za kontakt)

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

(osoba ovlaštene za zastupanje)

Documents for publication

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

M.P.

(signature of authorized person)

PROFIT AND LOSS ACCOUNT
for the period from 01 Jan 2012 to 30 Sep 2012

Issuer: OT - Optima Telekom d.d.

Item	EDP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112+113)	111	362.001.478	127.547.101	437.584.847	151.517.025
1. Sales income	112	358.565.172	126.185.783	434.445.734	150.639.212
2. Other operating income	113	3.436.306	1.361.318	3.139.113	877.813
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	346.888.572	122.922.801	419.165.427	150.338.703
1. Changes in the value of inventories of ongoing production and finished goods	115	0	0	0	0
2. MATERIAL COSTS (117 do 119)	116	250.777.667	91.244.598	326.099.667	119.013.557
a) Costs of raw material and supplies	117	1.629.681	554.714	2.210.822	645.210
b) Costs of goods sold	118	10.687.019	3.819.192	13.525.339	3.736.264
c) Other external costs	119	238.460.967	86.870.692	310.363.506	114.632.083
3. Staff costs (121 do 123)	120	37.795.588	12.772.514	38.713.435	12.760.343
a) Net salaries and wages	121	21.184.794	7.129.610	21.641.092	7.183.681
b) Expenses of taxes and contributions from salaries	122	11.112.765	3.781.101	11.710.119	3.894.355
c) Contributions to salaries	123	5.498.029	1.861.803	5.362.224	1.682.307
4. Amortization	124	42.032.721	14.575.180	41.742.796	14.062.632
5. Other costs	125	8.290.291	2.642.725	8.632.426	2.675.775
6. Value adjustment (127+128)	126	7.992.305	1.687.784	3.977.103	1.826.396
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	7.992.305	1.687.784	3.977.103	1.826.396
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	5.665.695	1.474.801	10.093.615	5.913.102
1. Interests income, foreign exchange gains, dividends and other income related to affiliated undertakings	132	0	0	0	0
2. Interests income, foreign exchange gains, dividends and other income related to unaffiliated undertakings and other persons	133	5.665.695	1.474.801	10.093.615	5.913.102
3. Income from affiliated undertakings and participating interests	134	0	0	0	0
4. Unrealized income of the financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	68.058.084	30.397.498	57.172.388	19.035.902
1. Interest, foreign exchange differences and other expenses related to affiliated undertakings	138	0	0	0	0
2. Interest, foreign exchange differences and other expenses related to unaffiliated undertakings and other persons	139	68.058.084	30.397.498	57.172.388	19.035.902
3. Unrealized losses (expenses) of the financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. SHARE IN PROFIT OF AFFILIATED UNDERTAKINGS	142	0	0	0	0
VI. SHARE IN LOSS OF AFFILIATED UNDERTAKINGS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	367.667.173	129.021.902	447.678.462	157.430.127
X. TOTAL EXPENSES (114+137+143 + 145)	147	414.946.656	153.320.299	476.337.815	169.374.605
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	-47.279.483	-24.298.397	-28.659.353	-11.944.478
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	47.279.483	24.298.397	28.659.353	11.944.478
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	-47.279.483	-24.298.397	-28.659.353	-11.944.478
1. Profit of the period (149-151)	153	0	0	0	0
2. Loss of the period (151-148)	154	47.279.483	24.298.397	28.659.353	11.944.478
ANEX TO P&L (to be filled in by entrepreneur submitting consolidated financial report)					
XIV. PROFIT OR LOSS OF THE CURRENT PERIOD					
1. Assigned to the holders of parent company's capital	155	-47.279.483	-24.298.397	-28.659.353	-11.944.478
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjiva poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	-47.279.483	-24.298.397	-28.659.353	-11.944.478
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	0	0	0	0
1. Exchange differences on translating foreign operations	159	0	0	0	0
2. Changes in revalorization reserves of fixed and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Profit or loss on effective cash flow protection	162	0	0	0	0
5. profit or loss on effective hedge of a net foreign investment	163	0	0	0	0
6. Share of other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial income / loss on defined benefit plans	165	0	0	0	0
III. COMPREHENSIVE INCOME TAX	166	0	0	0	0
IV. OTHER COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (158-166)	167	0	0	0	0
V. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD (157+167)	168	-47.279.483	-24.298.397	-28.659.353	-11.944.478
ANEX to other comprehensive income statement (to be filled in by entrepreneur submitting consolidated financial report)					
VI. COMPREHENSIVE INCOME / LOSS FOR THE PERIOD					
1. Assigned to the holders of parent company's capital	169	-47.279.483	-24.298.397	-28.659.353	-11.944.478
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
as at 30 Sep 2012

Issuer: OT - Optima Telekom d.d.			
Item	EDP #	Previous period	Current period
1	2	3	4
ASSETS			
A) SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (003+010+020+029+033)	002	447.481.471	452.190.290
I. INTANGIBLE ASSETS (004 through 009)	003	25.143.187	21.763.543
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	25.143.187	21.763.543
3. Goodwill	006	0	0
4. Advances for procurement of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 through 019)	010	374.371.577	379.073.183
1. Land	011	23.269	23.269
2. Building objects	012	20.884.012	21.633.793
3. Facilities and equipment	013	347.294.765	348.064.505
4. Tools, production inventory and transport assets	014	375.206	1.024.125
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	5.228.626	7.643.209
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	518.877	637.460
III. FIXED FINANCIAL ASSETS (021 through 028)	020	47.966.707	51.353.564
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	0	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	47.966.707	51.318.564
7. Own stocks and shares	027	0	0
8. Other fixed financial assets	028	0	0
IV. RECEIVABLES (030 through 032)	029	0	0
1. Receivables from affiliated entrepreneurs	030	0	0
2. Receivables pertaining to sale on credit	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) CURRENT ASSETS (035+043+050+058)	034	88.110.611	107.621.743
I. INVENTORY (036 do 042)	035	2.238.822	2.851.637
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	2.238.822	2.851.637
5. Inventory advances	040	0	0
6. Assets intended for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 do 049)	043	83.816.293	102.777.302
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	82.171.332	100.420.228
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	42.138	40.572
5. Receivables from the state and other institution	048	328.456	844.079
6. Other receivables	049	1.274.367	1.472.423
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	660.962	608.999
1. Shares (stock) in affiliated entrepreneurs	051	0	0
2. Loans granted to affiliated entrepreneurs	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans given to entrepreneurs with participating interests	054	0	0
5. Securities investments	055	0	0
6. Granted loans, deposits and such	056	660.962	608.999
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	1.394.534	1.383.805
D) PREPAYMENTS AND ACCRUED INCOME	059	61.349.288	56.922.268
E) TOTAL ASSETS (001+002+034+059)	060	596.941.370	616.734.301
F) OFF-BALANCE RECORDS	061	1.107.721.790	1.045.770.299

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	-486.678.809	-514.498.562
I. BASE (registered) capital	063	28.200.700	28.200.700
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	0	0
1. Legal reserves	066	0	0
2. Own stock reserves	067	0	0
3. Own stocks and shares (deductable item)	068	0	0
4. Statutory reserves	069	0	0
5. Other reserves	070	0	0
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-641.764.148	-708.393.909
1. Retained earnings	073	0	0
2. Loss carried forward	074	641.764.148	708.393.909
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	-67.469.361	-28.659.353
1. Profit of the year	076	0	0
2. Loss of the year	077	67.469.361	28.659.353
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	2.548.088	2.548.088
1. Provisions for pensions, severance payments amd similar obligations	080	2.548.088	2.548.088
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	570.350.294	541.501.935
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	37.409.704	28.147.822
3. Liabilities towards banks and other financial institutions	086	532.940.590	513.354.113
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	0	0
6. Liabilities as per securities	089	0	0
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	0	0
D) CURENT LIABILITIES (094 do 105)	093	464.095.077	525.860.301
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	67.589.816	2.578.433
3. Liabilities towards banks and other financial institutions	096	12.263.547	22.530.187
4. Liabilities for advances	097	8.130.081	8.130.081
5. Liabilities towards suppliers	098	97.928.407	220.698.655
6. Liabilities as per securities	099	267.952.500	263.345.313
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	2.531.653	2.581.243
9. Liabilities for taxes, contributions and similar levies	102	7.611.953	5.952.799
10. Liabilities as per share in results	103	0	0
11. Liabilities as per longterm assets intended for sale	104	0	0
12. Other current liabilities	105	87.120	43.590
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	46.626.720	61.322.539
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	596.941.370	616.734.301
G) OFF – BALANCE RECORDS	108	1.107.721.790	1.045.770.299
ANNEX TO THE BALANCE SHEET (to be filled in by entrepreneur submitting consolidated financial report)			
A) CAPITAL AND RESERVES			
1. Assigned to the holders of parent company's capital	109	-486.678.809	-514.498.562
2. Assigned to minority interest	110	0	0

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

CASH FLOW STATEMENT - Indirect method
in the period from 01 Jan 2012 to 30 Sep 2012

Issuer: OT - Optima Telekom d.d.			
Item	EDP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxation	001	-47.279.483	-28.659.353
2. Depreciation	002	42.032.721	41.742.796
3. Increase of short-term liabilities	003	23.453.992	116.509.967
4. Decrease of short-term receivables	004	0	0
5. Decrease of inventories	005		0
6. Other increase of cash flow	006	19.863.524	19.174.802
I. Total increase of cash flow from operating activities (001 through 006)	007	38.070.754	148.768.212
1. Decrease of short-term liabilities	008	0	0
2. Increase of short-term receivables	009	6.643.399	18.961.009
3. Increase of inventories	010	240.633	612.815
4. Other decrease of cash flow	011	14.928.567	2.547.257
II. Total decrease of cash flow from operating activities (008 through 011)	012	21.812.599	22.121.081
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	16.258.155	126.647.131
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Cash receipt from sale of tangible and intangible assets	015	0	0
2. Cash receipt from sale of ownership and debt instruments	016	0	0
3. Cash receipt from interest rates	017	0	0
4. Cash receipt from dividends	018	0	0
5. Other cash receipts from investment activities	019	0	0
III. Total cash receipts from investment activities (015 through 019)	020	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	24.049.347	43.064.758
2. Cash expenditure for acquiring ownership and debt financial instruments	022	0	0
3. Other expenditures from investment activities	023	0	0
IV. Total cash expenditures from investment activities (021 through 023)	024	24.049.347	43.064.758
B1) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (024-020)	026	24.049.347	43.064.758
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	027	0	0
2. Cash receipt from loan principal, debentures, loans and other borrowing	028	15.625.164	0
3. Other receipt from financial activities	029	0	0
V. Total cash receipt from financial activities (027 through 029)	030	15.625.164	0
1. Cash expenditure for the payment of loan principal and bonds	031	6.764.652	83.593.102
2. Cash expenditure for the payment of dividend	032	0	0
3. Cash expenditure for financial lease	033	0	0
4. Cash expenditure for own shares buy-off	034	0	0
5. Other expenditures from financial activities	035	0	0
VI. Total cash expenditure from financial activities (031 through 035)	036	6.764.652	83.593.102
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	8.860.512	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	0	83.593.102
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	1.069.320	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	0	10.729
Cash and cash equivalents at the beginning of the period	041	1.215.915	1.394.534
Increase of cash and cash equivalents	042	1.069.320	0
Decrease of cash and cash equivalents	043	0	10.729
Cash and cash equivalents at the end of the period	044	2.285.235	1.383.805

CHANGE IN CAPITAL STATEMENT

for the period from 1.1.2012 to 30.9.2012

Item	EDP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	28.200.700	28.200.700
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	0	0
4. Retained profit or loss carried forward	004	-641.766.389	-708.393.909
5. Profit or loss of the current year	005	-47.279.483	-28.659.353
6. Revaluation of fixed tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial property available for sale	008	0	0
9. Other revaluation	009	0	0
10. Total capital and reserves (EDP 001 through 009)	010	-466.491.172	-514.498.562
11. Foreign exchange differences from net investments in foreign operations	011	0	0
12. Current and deferred taxes (part)	012	0	0
13. Cash flow protection	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant mistakes from the previous period	015	0	0
16. Other equity changes	016	0	0
17. Total increase or decrease of capital (EDP 011 through 016)	017	0	0
17 a. Assigned to holders of parent company's capital	018	-466.491.172	-514.498.562
17 b. Assigned to minority interest	019	0	0

Items that reduce capital entered with a negative sign

Data under EDP codes 001-009 to be input balance sheet as at date

Notes to the Financial Statements

According to HANFA's instructions items in balance sheet in the positions of the previous period are as at 31 December 2011

1. GENERAL INFORMATION

History and incorporation

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

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

Principal Business Activities

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

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

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

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

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

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

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

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

Investments in affiliated companies as on 30 Sep 2012:

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

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

Staff

On 30 Sep 2012, the Company employed 369 employees.

MANAGEMENT AND SUPERVISORY BOARD

Management Board of the Company in 2012:

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

Supervisory Board of the Company:

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

REVIEW OF BASIC ACCOUNTING POLICIES

Basis of Preparation

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

Reporting Currency

The Financial Statements of the Group are presented in Croatian kunas (HRK). The applicable exchange rate of the Croatian currency on 30 Sep 2012 was HRK 7,449746 for EUR 1 and HRK 5,757145 for USD 1.

112. SALES INCOME

	30 Sep 2012	30 Sep 2011
Public voice services	212.564.689	192.482.229
Interconnection services	110.902.832	73.716.328
Internet services	62.845.854	50.496.898
Data services	16.283.321	15.844.051
Multimedia services	11.959.437	7.425.093
Lease and sale of equipment	2.612.168	2.153.169
Sale of goods and products	11.395.806	7.890.695
Trade agency income	2.197.918	3.794.190
Other services	3.683.709	4.762.519
	434.445.734	358.565.172

113. OTHER OPERATING INCOME

	30 Sep 2012	30 Sep 2011
Write off old trade payables	2.532.774	2.727.832
Income from in kind payments	319.507	321.043
Other income	286.832	387.431
	3.139.113	3.436.306

119. MATERIAL COSTS

	30 Sep 2012	30 Sep 2011
Costs of maintenance	13.191.870	10.443.723
Marketing services	4.468.280	4.978.327
Billing costs	5.711.349	5.195.131
Line lease costs	31.353.974	32.558.641
Intellectual and other services	1.510.240	2.396.392
Utilities	6.948.154	7.182.006
Customer attraction costs	8.298.711	11.217.595
Pair connection fees	45.870.582	44.832.012
Telecommunications costs	184.992.160	114.262.786
Residential sales services	2.619.934	3.369.811
Other costs	5.398.252	2.024.543
	310.363.506	238.460.967

120. STAFF EXPENSES

	30 Sep 2012	30 Sep 2011
Net salaries	21.641.092	21.184.794
Taxes and contributions from salaries	11.710.119	11.112.765
Taxes and contributions on salaries	5.362.224	5.498.029
	38.713.435	37.795.588

Number of employees on 30 Sep 2012	369	382
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124. AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

	30 Sep 2012	30 Sep 2011
Amortization of intangible assets	4.836.183	7.606.570
Amortization of fixed tangible assets	36.906.613	34.426.151
	41.742.796	42.032.721

125. OTHER OPERATING EXPENSES

	30 Sep 2012	30 Sep 2011
Compensations to employees	1.703.823	1.717.659
Representation	1.083.367	662.182
Insurance premiums	984.681	1.313.204
Bank charges	2.129.350	2.515.066
Taxes, contributions and membership fees	712.163	805.214
Costs of sold and written off assets	100.723	15.460
Gifts and sponsorships	548.470	152.105
Other expenses	1.369.849	1.109.401
	8.632.426	8.290.291

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

126. VALUE ADJUSTMENT

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

131. FINANCIAL INCOME

	30 Sep 2012	30 Sep 2011
Interest income	4.523.841	4.488.568
Foreign exchange gains	5.569.774	1.177.127
	10.093.615	5.665.695

137. FINANCIAL EXPENSES

	30 Sep 2012	30 Sep 2011
Interest expenses	56.461.615	58.273.981
Fee	573.301	576.968
Foreign exchange losses	137.472	9.207.135
	57.172.388	68.058.084

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

003. INTANGIBLE ASSETS

	CONCESSIONS AND RIGHTS	SOFTWARE	ASSETS IN PROGRESS	TOTAL
PURCHASE VALUE				
As at 01 Jan 2012	8.187.690	80.599.075	0	88.786.765
Additions			1.456.539	1.456.539
Transfer from assets in progress		1.456.539	-1.456.539	0
Disposals and retirements			0	0
As at 30 Sep 2012	8.187.690	82.055.614	0	90.243.304
VALUE ADJUSTMENT				
As at 01 Jan 2012	1.657.824	61.985.754	0	63.643.578
Amortization of the current year	204.488	4.631.695		4.836.183
Disposals and retirements				0
Amortization as at 30 Sep 2012	1.862.312	66.617.449	0	68.479.761
NET ACCOUNTING VALUE				
As at 30 Sep 2012	6.325.378	15.438.165	0	21.763.543

010. FIXED ASSETS

	LAND	BUILDINGS	PLANT, EQUIPMENT, TOOLS AND PRODUCTION INVENTORY	VEHICLES	WORK OF ARTS	ASSETS IN PROGRESS	LEASEHOLD IMPROVEMENT S	TOTAL
PURCHASE VALUE								
As at 01 Jan 2012	23.269	25.892.462	544.873.166	5.542.803	46.822	5.228.626	4.040.546	585.647.694
Additions		678.756	7.285.416	948.455		32.636.212	59.381	41.608.220
Transfer from assets in progress		573.830	29.419.672			-30.221.629	228.127	0
Disposals and retirements		-23.976	-173.165	-51.418				-248.559
As at 30 Sep 2012	23.269	27.121.072	581.405.089	6.439.840	46.822	7.643.209	4.328.054	627.007.355
VALUE ADJUSTMENT								
As at 01 Jan 2012	0	5.008.450	197.578.401	5.167.597	0	0	3.521.669	211.276.117
Amortization of the current year		478.828	35.960.512	298.347			168.926	36.906.613
Disposals and retirements			-198.329	-50.229				-248.558
Amortization as at 30 Sep 2012	0	5.487.278	233.340.584	5.415.715	0	0	3.690.595	247.934.172
NET ACCOUNTING VALUE								
As at 30 Sep 2012	23.269	21.633.794	348.064.505	1.024.125	46.822	7.643.209	637.459	379.073.183

020. LONG-TERM FINANCIAL ASSETS

	30 Sep 2012
Loans to majority shareholder	13.483.598
Loans to third party companies	37.792.366
Long term deposits	3.484.759
	35.000
Value adjustment	54.795.723
	-3.442.159
	51.353.564

Loans to third party companies refer to the loans granted to company OSN INŽENJERING d.o.o. with interest rate of 11,5% and due dates 13 August 2014 (loan in the amount of HRK 3,26 million) and 30 April 2013 (loans in the amount of HRK 31,09 million)

Long term deposits comprise of two guarantee deposits with Zagrebačka banka d.d. for purchase and installation of telecommunications equipment and they come due on 16 February 2015 and 23 February 2015, respectively, as well as one deposit with BKS bank, coming due on 31 December 2013.

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

043. RECEIVABLES

	30 Sep 2012
Trade receivables	100.420.228
Employee receivables	40.572
Receivables from the state and other institutions	844.079
Other receivables	1.472.423
	102.777.302

045. TRADE RECEIVABLES

	30 Sep 2012
Domestic trade receivables	109.048.515
Foreign trade receivables	23.691.491
Interests receivables	2.381
	132.742.387
Value adjustment	-32.322.159
	100.420.228

Movement of value adjustment for doubtful receivables:

	30 Sep 2012
1 January 2012	30.315.722
Write off during the year	-315.911
Collected during the year	-1.654.755
Reserved during the year	3.977.103
Closing balance	32.322.159

Aging of trade receivables of the Company without interests receivables:

	30 Sep 2012
Undue	76.623.013
Up to 120 days	21.810.285
120-360 days	8.575.179
over 360 days	25.731.529
	<u>132.740.006</u>

049. OTHER RECEIVABLES

	30 Sep 2012
Interest receivables	397.031
Advance payments receivables	1.508.527
Other receivables	16.509
	<u>1.922.067</u>
Value adjustment	<u>-449.644</u>
	<u>1.472.423</u>

056. GRANTED LOANS AND DEPOSITS

	30 Sep 2012
Loans	113.530
Deposits	608.999
	<u>722.529</u>
Value adjustment	<u>-113.530</u>
	<u>608.999</u>

058. CASH IN BANK AND REGISTER

	30 Sep 2012
Kuna accounts balance	883.760
Foreign currency accounts balance	480.822
Cash in register	19.223
	<u>1.383.805</u>

059. PAID EXPENSES FOR FUTURE PERIOD AND UNDUE INCOME PAYMENT

	30 Sep 2012
Differed customer related expenses	37.244.981
Bond issuing expenses	875.918
Prepaid expenses	18.801.369
	<u>56.922.268</u>

063. SUBSCRIBED CAPITAL

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

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

At 30 Sep 2012, loss per share is as follows:

Net result - loss	28.659.353
Number of shares	2.820.070
Loss per share	10,16

In the same period last year, loss per share amounted to HRK 16,77.

Price of shares realized on the stock exchange within the current quarter varied from HRK 14,02 (the lowest price) to HRK 20,00 (the highest price). Market capitalization in thousands of HRK on 30 Sep 2012 amounted to HRK 42.527 thousand.

In the period from January to September 2012 the Company did not buy-out the issued shares i.e. it does not hold treasury shares.

Structure of 10 major shareholders as on 30 Sep 2012:

Shareholders	u 000 HRK	%
MARTIĆ MATIJA	18.596	65,94
	18.596	65,94
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZA UNICREDIT BANK AUSTRIA AG	1.605	5,69
ZAGREBAČKA BANKA D.D./ZBIRNI SKRBNIČKI RAČUN ZAGREBAČKA BANKA D.D./DF	1.385	4,91
RAIFFEISENBANK AUSTRIA D.D./R5	1.338	4,74
RAIFFEISENBANK AUSTRIA D.D./RBA	966	3,43
SOCIETE GENERALE-SPLITSKA BANKA D.D./ AZ OBVEZNI MIROVINSKI FOND (1/1)	766	2,72
ZAGREBAČKA BANKA D.D. (1/1)	428	1,52
ŽUVANIĆ ROLAND (1/1)	303	1,07
JOVIČIĆ GORAŃ (1/1)	202	0,72
HRVATSKA POŠTANSKA BANKA D.D./ZBIRNI RAČUN ZA KLIJENTE BANKE	144	0,51
	7.137	25,31
SMALL SHAREHOLDERS	2.469	8,75
	28.202	100,00

083. LONG-TERM LIABILITIES

	30 Sep 2012
Loan based liabilities	28.147.822
Liabilities towards credit institutions	513.354.113
	<u>541.501.935</u>

093. SHORT-TERM LIABILITIES

	30 Sep 2012
Loan based liabilities	2.578.433
Liabilities towards credit institutions	12.843.504
Interest liabilities	9.686.683
Liabilities for bonds issued	263.345.313
Liabilities for advances received	8.130.081
Trade payables	220.698.655
Liabilities towards employees	2.581.243
Taxes, contributions and other levies	5.952.799
Other liabilities	43.590
	<u>525.860.301</u>

098. LIABILITIES TOWARDS SUPPLIERS

	30 Sep 2012
Domestic trade payables	206.532.337
Foreign trade payables	11.056.247
Invoice accrual	3.110.071
	<u>220.698.655</u>

099. BONDS ISSUED

On 5 February 2007, the Company issued bonds (OPTE-O-124A) with nominal value of HRK 250 million. The bonds have been issued on Zagreb Stock Exchange with interest rate of 9,125% and maturity date on 1 February 2014. The bonds have been issued with the price of 99,496%. The interest rate is paid on annual basis on 27 January 2012

	30 Sep 2012
Nominal value	250.000.000
Compensations for issuance of bonds	-1.826.562
Liabilities based on calculated interest	15.171.875
	<u>263.345.313</u>

102. LIABILITIES FOR TAXES, CONTRIBUTIONS AND SIMILAR LEVIES

	30 Sep 2012
VAT Liabilities	3.594.222
Taxes and contributions on and from salaries	1.830.103
Other taxes and contributions	528.474
	<u>5.952.799</u>

106. DEFERRED PAYMENTS AND FUTURE INCOME

	30 Sep 2012
Domestic payables for which invoices have not been received	11.486.401
Foreign payables for which invoices have not been received	6.016.701
Accrued interests	26.717.200
Deferred income	13.750.000
Deferred income due to uncertainty	3.352.237
	61.322.539

Accrued interest refer to undue interest for loans reprogrammed in Zagrebačka banka in December 2010, which are attributable to principal payment

3. FINANCIAL INSTRUMENTS

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

Currency Risk Management

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

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

	Liabilities		Assets	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	598.623	585.876	33.675	-26.221
USD	2.145	3.143	2	0
CHF				
GPB				
	600.768	589.019	33.677	-26.221

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 10% decrease of Croatian Kuna exchange rate in 2012 against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the end of the period on the basis of percent change in foreign currency rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates decrease in profit and other equity where Croatian Kunas changes for above-mentioned percentage against the relevant currency. For a reverse proportional change of Croatian Kuna against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Liabilities		Assets	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	in 000 HRK	in 000 HRK	in 000 HRK	in 000 HRK
EUR	59.862	58.588	3.368	-2.622
USD	215	314	0	0
CHF				
GPB				
	60.077	58.902	3.368	-2.622

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

Interest Rate Risk

Long-term liabilities arising from credits and loans with variable interest rates amount to HRK 345,40 million, and therefore, the Company's exposure to the interest rate risk is significant.

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

Credit Risk

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

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

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

Liquidity Risk Management

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

Liquidity Risk and Interest Rate Risk Table Review

The following tables detail maturity of the Company's contractual liabilities indicated in the balance sheet at the end of the reporting period. Tables have been created on the basis of undiscounted cash flows of financial liabilities on their due date. The tables include both interest and principal cash flows.

in 000 HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2012				
Non-interest bearing liabilities	231.454			231.454
Interest bearing liabilities	99.035	728.959	1.962	829.956
	330.489	728.959	1.962	1.061.410
30 Sep 2011				
Non-interest bearing liabilities	166.839			166.839
Interest bearing liabilities	54.986	802.530	2.312	859.828
	221.825	802.530	2.312	1.026.667

The majority of non-interest bearing liabilities of the Company maturing within one year account for trade payables in the amount of HRK 220.699 thousand for the period from January to September 2012 (HRK 156.151 thousand for the same period last year).

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

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

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

in 000 HRK	Up to one year	From 1 to 5 years	Over 5 years	Total
30 Sep 2012				
Non-interest bearing liabilities	103.317			103.317
Interest bearing liabilities	31.784	14.970	5.174	51.928
	135.101	14.970	5.174	155.245
30 Sep 2011				
Non-interest bearing liabilities	86.397			86.397
Interest bearing liabilities	660	41.999	4.777	47.436
	87.057	41.999	4.777	133.833

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

Matija Martić

Jadranka Suručić