

**OT - Optima
Telekom d.d.
Consolidated Report
of the Group for
the First Half and
Second Quarter
of 2017.**

**20
17**

Optima
TELEKOM

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Corporate Governance and General Information

SUPERVISORY BOARD	Ariana Bazala-Mišetić — DEPUTY CHAIRMAN Marina Brajković — MEMBER Jasenka Anica Kreković — MEMBER Marko Makek — MEMBER Ana Hanžeković — MEMBER Rozana Grgorinić — MEMBER Maša Serdinšek — MEMBER Ivica Hunjek, Member — EMPLOYEE REPRESENTATIVE
BOARD OF DIRECTORS	Zoran Kežman — CHAIRMAN Irena Domjanović — MEMBER Mirela Šešerko — MEMBER Tomislav Tadić — MEMBER
IBAN	HR3023600001101848050 Zagrebačka banka d.d. Zagreb Commercial Court of Zagreb
OIB	36004425025
MBS	040035070
MB	0820431
SHARE CAPITAL	
AMOUNT	635.568.080,00 HRK
NUMBER OF SHARES	63.556.808, nominal value of HRK 10.00 each

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I. **Management Report**

Introduction

I.1

The process of merging OT – Optima telekom d.d. (hereinafter: “Optima”) with the electronic communications services operator, H1 TELEKOM d.d. Split, Dračevac 2/d, OIB: 88551335012, has continued in the observed period, or more precisely, in the second quarter of 2017.

On 14 June 2017 Optima received the decision rendered by the Croatian Competition Agency (hereinafter: AZTN), whereby the concentration created by the merger between H1 TELEKOM d.d. and the Company has been conditionally cleared.

As Optima already reported in 2016, the Company concluded a Merger Agreement with the electronic communications operator, H1 TELEKOM d.d. Split, Dračevac 2/d, OIB: 88551335012, dated 29 July 2016.

Pursuant to the above Agreement, after obtaining the required approvals and consents, H1 as the merged company will be merged with Optima as the acquiring company. Assets, rights and obligations of H1 will be transferred to Optima in their entirety, without the need to liquidate the merged company. In consideration for the transferred assets, rights and obligations of H1, Optima shall transfer the appropriate ratio of Optima shares to H1 shareholders. The purpose of the merger is to achieve positive synergies between the companies and to increase Optima’s value for its current and new shareholders (former H1 shareholders). The Company has decided that connecting business-wise, organisationally, legally and financially is in the mutual interest of Optima and H1, considering that the merger and achieving the envisaged synergies will increase business efficiency and decrease costs, which could accordingly have a positive impact on the value of Optima as the third respectable operator in the fixed telephony market.

Pursuant to the Competition Act, on 29 July 2016 Optima has filed a Notification of a Proposed Concentration between Optima and H1 with the Croatian Competition Agency, which then rendered the above mentioned positive decision for the Company on 9 June, 2017, Class: UP/I 034-03/2016/02/006.

Considering these circumstances, we would like to point out that on the motion on 29 June, 2017, filed by Hrvatski Telekom d.d.,

Zagreb, Roberta Frangeša Mihanovića 9, OIB: 81793146560 with AZTN, being the company that gained control over the management of the Company by virtue of AZTN decision Class: UP/I 034-03/2013-02/007 of 19 March 2014, to prolong temporary management until 2021, on 9 June, 2017 AZTN also rendered a positive decision prolonging temporary management of Optima for another three years, i.e. until 10 July, 2021.

In preparation for the merger process between H1 and Optima, and in light of AZTN’s decision on clearance of concentration, the Supervisory Board of H1 TELEKOM d.d. appointed Optima’s members of the Board of Directors, Mr. Zoran Kežman as the chairman of the Board of Directors of H1, and Mr. Tomislav Tadić as a member of the Board of Directors of H1.

Furthermore, both companies participating in the merger process filed applications with competent courts to register the merger, in accordance with the provisions of the Companies Act. After the competent court’s decision on the merger, Optima will become the universal legal successor of H1 TELEKOM d.d.

Consolidation of H1 TELEKOM d.d. results has been postponed for the next period.

Pursuant to relevant provisions of the Companies Act, as well as the Company’s Statute, on 2 June, 2017 Optima’s Board of Directors adopted a decision to convene the regular General Meeting of the Company for 11 July, 2017.

The former Chairman of Optima’s Supervisory Board, Mr. Siniša Đuranović, withdrew from membership and his position as the Chairman of the Supervisory Board as per 31 May, 2017, because he assumed the position of Chairman of the Board of Directors of Crnogorski Telekom AD. Pursuant to the decision on conditional clearance of concentration between Hrvatski Telekom d.d. and the Company, Mr. Đuranović’s new position represents an impediment for his membership in Optima’s Supervisory Board.

There were no changes in Optima’s Board of Directors in the observed period.

Just as in the period from the execution of the Settlement, the Company continues to duly perform all due obligations undertaken in the Pre-bankruptcy Settlement executed before the Commercial Court of Zagreb on 30 April 2014, case reference Stpn-354/13, and reports to the public regarding the said actions in accordance with the Financial Operations and Pre-bankruptcy Settlement Act via FINA's website, www.fina.hr.

Apart from publications on Fina's website regarding the issues related to the implementation of the Pre-bankruptcy Settlement, the Company is informing the public on the fulfilment of obligations in a timely and transparent fashion in accordance with the relevant laws and regulations in the field of capital markets.

I.2

Statement by the Chairman of the Board

Results at the end of the first half-year period are indicative of a continued stability in business operations. Owing to a significant increase in revenue from multimedia and Internet services, as well as an additional increase in business efficiency, we have been able to maintain a stable level of operative profit compared to the same period of last year, in spite of the reduced use of voice services which can be identified in the overall fixed telephony market.

What certainly marked the previous period is AZTN's positive decision on merging H1 Telekom.

After a series of successes and stabilizing our own business, we have identified the possibility of increasing the value of the Company through this merger in the long term. Our priority now is to carry out the merger and achieve all synergy potentials it entails. We believe this will result in increasing the value of the Company, but also in increasing efficiency and saving through a series of synergies. Additionally, the merger represents additional security for the business stability and repayment of debts to all creditors. All of this will make Optima a stronger and more relevant Company in the market.

We will exchange our best practices and knowledge with our colleagues from H1, we shall continue to invest in the customer, infrastructure, increase the network quality and achieve higher speeds, as well as in the development of new products. The customers can expect an even more advanced and attractive packages and services, guaranteeing them better value for their money.



Zoran Kežman,
Chairman of the Board

Market Overview

I.3

Fixed Telephony Market

The fixed telephony market in Croatia is still recording negative trends. The total outgoing traffic (in minutes) with all public communications network operators in the first quarter of 2017 has decreased by 1.2% compared to the previous quarter, while revenue has dropped by 3.1%.

Compared to the first quarter of 2016, the total outgoing traffic (in minutes) of all fixed public communications network operators in the first quarter of 2017 was 4.8% lower, while retail revenue has simultaneously dropped by 8.1% compared to the previous quarter.

This negative trend in the fixed telephony market has been present for a while now and is predicted to continue in the future.

Broadband Access Market

The broadband Internet access via fixed networks market has recorded an increase in the use of services and an increase in revenue in the first quarter of 2017 as well. Compared to the last quarter of 2016, in the first quarter of 2017 the number of connections for broad-

band Internet access via fixed networks increased by 1.4%, while revenue increased by 2.8% in the same period.

When the number of connections for broadband access via fixed networks is compared at the level of the first quarter of 2016 and the first quarter of 2017, one can see an increase of 6.2%. The increase is also detectable in revenue, which is 11.5% higher.

It is predicted that this market will continue to grow at a stable growth rate.

IPTV-a Market

The Internet protocol based television (IPTV) market also continues to grow. Compared to the fourth quarter of 2016, the total number of connections in the first quarter of 2017 is higher by 2.1%.

Comparison at an annual level also indicates an increase in the number of connections, by as much as 5.0%.

Future growth is predicted for this market as well.

Economic Environment

I.4

The Croatian GDP growth dynamic increased significantly during the previous year. After dropping for six years and a 1.6% increase in 2015, an actual growth of 2.9% has been achieved. However, it should be noted that the growth has been recorded with a series of favorable external factors, such as the increase of export of goods, a global decrease of prices of crude oil and other energy products, a decrease of a part of raw materials, low interest rate level in the global market, i.e. a low price of capital, etc. All of the aforementioned enabled the redistribution of consumption and caused a drop of the general price level. Also, the insecurity in certain tourist destina-

tions increased the number of tourists in the Adriatic.

Adding to all this are the changes in taxation, which enabled a more dynamic increase in net salaries and, accordingly, consumption, which also had an impact on GDP growth. During this year, the growth impacted by new changes in income taxation should be based on continued growth of personal consumption, a good tourist season is anticipated, i.e. further growth of export of services, the export of goods should continue to grow as well, and an improved business climate and greater use of EU funds should impact a more significant recovery of investments.

Because of enhanced seasonal employment in March, the employment rate has increased after decreasing for the past seven months. This is the start of the usual employment growth trend which extends for several months, until August or September, and ends at the end of the tourist season. It is a fact that the employment segment is recovering very slowly, pressured by economic emigration and bad demographic trends, i.e. in the context of the decrease in the number of work capable population.

The increase of salaries continued at the annual level, while in the last three months the net salary growth dynamic became significantly higher than gross salary growth, which is the result of changes in income taxation that impacted the increase of net salaries and, accordingly, the increase of available funds of the population. The increase of salaries is also characteristic for the European Union, which is trying to boost domestic demand through increasing salaries and decreasing the unemployment rate, and thereby support the acceleration of economic growth. The salary growth tendency with faster growing net salaries compared to gross salaries will continue during the rest of the year, which is anticipated to have a positive impact on the increase of consumption by enhancing purchasing power of the population, and thereby on the overall economic growth.

After a more noticeable strengthening of the Croatian Kuna towards the Euro in the first two months, this growth trend came to a halt in March and April. It is true that in March the Kuna value reached HRK 7.40 for one Euro twice, which is its highest value since September of 2012, but at the end of April the value of the Kuna towards the Euro was still 0.6%

lower than at the beginning of March. The financial market is characterized by a high HRK liquidity, which is causing the HRK supply and demand in the last years has a lesser impact on exchange rate trends, while the changes in exchange rates are primarily determined by foreign currency supply and demand. Positive trends in economy, significant foreign currency inflow from tourism and export of goods, and partly European funds, are all contributing to the strengthening of the domestic currency, but the temporary increased demand for foreign currencies, such as that from the second half of April leads to occasional decreases in HRK value.

At the end of March, there were 28,788 business entities with overdrawn bank accounts and HRK 17.4 billion of outstanding payment titles. Compared to the previous month, the number of entities with overdrawn accounts was lower (by 268), but the value of outstanding payment titles was HRK 858.9 billion higher. It should be emphasized that this is a rare and the biggest monthly increase since 2012, when the introduction of pre-bankruptcy settlement attempted to create a decreasing trend in outstanding liabilities. Given the fact that big financial problems in Agrokor were uncovered in March, and bills of exchange issued by some Agrokor suppliers became due and payable, which blocked the accounts of Agrokor and certain companies within the Agrokor Concern, which in turn caused the increase in the value of outstanding receivables of business entities. In the upcoming period, Agrokor's problems could disrupt the consistent dynamic of decreasing the liabilities of business entities, depending on the dynamic and results of resolving Agrokor's financial issues.

Regulatory Environment

I.5

During this reporting period there were no significant changes in the regulation of the electronic communications market in the form of new decisions by the Croatian Regulatory Authority for Network Industries (hereinafter: HAKOM) or changes in legislation or other regulations.

However, based on the final decisions rendered by HAKOM in the previous reporting period, new wholesale prices calculated by HAKOM based on its own cost model apply as of 1 January 2017. Compared to the previous prices, the new prices for the unbundled access to the local loop service (hereinafter: ULL) and the wholesale broadband access service when the end customer gains basic access to the network through the user operator (hereinafter: NBSA service) for speeds exceeding 30 Mbit/s are higher, while the price of the NBSA service for speeds up to 30 Mbit/s is lower. New wholesale price of the monthly charge for the wholesale broadband access service and the prices of monthly charges for the wholesale high quality access service also apply, and these new prices are lower than the ones applied in 2016. Given the fact that the above changes had a significant impact on the distribution of wholesale costs, the Company has adapted its market strategy and approach, in order to optimize the impact of these HAKOM decisions on its financial operation.

In the upcoming reporting period, i.e. starting from 1 July 2017, new prices will apply to interconnection services in public fixed communications network, while new prices for the wholesale service of leased customer lines will apply as of 1 January 2018.

Regardless of changes to wholesale prices, the Company is still required to implement HAKOM's Margin Squeeze Test for every retail price of regulated service (network access services, internet access services with the connected IPTV service), irrespective of whether this service is provided independently or as a part of a package including other electronic communications services. HAKOM has updated the Margin Squeeze Test model with new wholesale prices, but also with new retail costs and the new Margin Squeeze Test Methodology which applies as of 1 January 2017.

Additionally, as of 1 January 2017, in cases where reported and ascertained malfunctions last longer than 24 hours, the operator is always required to offer the customer a discount on the bill or another form of compensation, without the need to file an objection against the bill amount.

The aforementioned requirement also had an impact on the Company's business in this reporting period, but the Company has optimized its business in this case as well, by improving troubleshooting procedures.

Out of the more relevant changes to legislation in force, we would like to point out the entry into force of the new Public Procurement Act as of 1 January 2017. The key new features are the transparency and flexibilization of public procurement proceedings, simpler and more effective public procurement rules for commissioners, as well as bidders, reduced guarantee and appeal costs. As of 1 July 2017, the economically optimal bid will become the sole selection criterion, intended to ensure the best value for money in public procurement proceedings.

I.6 Business Indicators and Segments

Number of Customers	30.06.2017	31.03.2017	30.06.2017/ 31.03.2017	30.06.2016	30.06.2017/ 30.06.2016
Business					
PVS ¹	13.218	13.270	-0,4%	13.682	-3,4%
IPTV	1.115	1.115	0,0%	1.100	1,4%
Internet	11.907	11.821	0,7%	11.890	0,1%
Data	1.428	1.411	1,2%	1.401	1,9%
Residential					
PVS	130.699	133.061	-1,8%	139.717	-6,5%
IPTV	31.626	30.810	2,6%	28.785	9,9%
Internet	86.981	87.922	-1,1%	89.423	-2,7%

NOTE: 1

a. Residential Sales Segment

During the second quarter of 2017, Optima continues to invest in marketing and sales activities aimed at the decrease in outflow of existing customers and the increase of the inflow of new customers.

Owing primarily to the introduction of a new service portfolio and connected marketing activities, the residential segment has shown success in maintaining customer base stability.

Negative national trends in the segment of residential customers of the fixed public voice service have a great impact on the trends wi-

thin Optima Telekom. Therefore, compared to the previous year, Optima has concluded the first half of 2017 with a 6.5% drop, and a 10.5% decrease in revenue. The same trend appears when the comparison is made at the level of the second quarter of 2017, compared to the same period of the previous year.

The comparison between the first quarter of 2017 and the second quarter of 2017 shows a decrease in the number of residential customers for the public voice service of 1.8% and a 5.7% revenue decrease.

In the segment of broadband internet access, compared to the previous year, in the first

1

"Methodology change: Within the number of business PVS customers, major business customers using only Internet and data services have been factored in. Previous periods have been updated to obtain comparable data."

half of 2017 Optima has recorded a minimal, 2.7% drop, with a 5.0% increase in revenue. The same trend is present at the level of the second quarter compared to the same period of the previous year. The comparison between the second and first quarter of 2017 shows a slight 1.4% revenue drop, with an equally slight decrease in the number of users, by 1.1%.

In the segment of IPTV residential customers there was an increase in both the number of customers and revenue, equally so at the annual and quarterly level. At the annual level, there was a higher, 9.9% increase in the number of customers, with a significant revenue increase of 12.2%.

A 2.6% customer base growth has also been recorded in the second quarter of 2017, followed by a 2.7% revenue increase compared to the previous quarter of the same year.

b. Business Sales Segment

In business sales the key activities of all sales channels in the first half of 2017 were aimed at increasing the inflow of new connections, extending the contracts with the existing customer base and offering a wide portfolio of ICT solutions and services.

In the public voice service segment, compared to the same period of the previous year, we have recorded a 9.7% revenue drop and a 3.4% decrease in the number of connections. The decrease in revenue and the number of connections is a consequence of further migrations and optimization of the public voice service in large corporate customers by switching to more advanced IP solutions, thus decreasing the number of connections and the use of the service. Negative trends in the fixed public voice service business customers segment have been recorded at national level as well, which is the primary cause of the negative trend within Optima Telekom. The negative trends in the fixed public voice service segment at a national level are equally predicted in the future.

In the broadband Internet access segment there has been a slight 0.1% increase in the number of connections and a 4.2% increase in revenue compared to the same period of

the previous year, which is a result of intensified acquisition activities in the small business customers segment and the growing demand for higher Internet speeds.

In the data services segment, there has been a 1.9% increase in the number of connections and a 1.7% revenue drop compared to the same period of the previous year. This service segment is subject to intense pressure from the competition on service prices, particularly in the segment of mid-sized and large business customers.

During the first half of 2017, positive results have been achieved in the sales of ICT solutions and services, which is a result of largely focusing sales activities on this market segment in the previous periods and the increased number of sales opportunities which were used successfully. Revenues in the first half of 2017 amounted to HRK 1.5 million. In the upcoming period, we anticipate further expansion of internal organization and partner network, enabling us to respond to marked demands and to offer both existing and new customers a broad spectrum of innovative solutions, as well as an increase in revenue from this business segment.

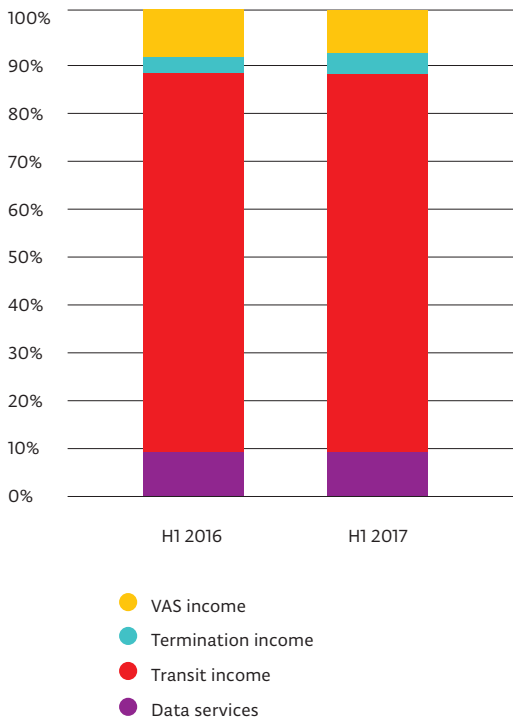
In the first half of 2017, revenues from wholesale data services are down by 16.9% compared to the same period of the previous year. Excluding the impact of the increase from the beginning of 2016, which was a result of the resolution of a regulatory dispute, data services revenue increased by 2% in the first half of 2017 compared to the same period of the previous year.

The revenues from termination into Optima's network in the first half of 2017 are at the same level as the revenues in the same period of the previous year.

International transit revenue went down by 17.4% compared to the first half of 2016, and was replaced by different, more profitable traffic flows almost entirely in the first half of 2017.

In the first half of 2017, VAS service revenue is 20.5% lower compared to the previous year, mostly due to market conditions influencing the decline in traffic.

Interconnection Income Structure



Data Source: Company's business records

c. Infrastructure, Optical Fiber Network and Internal Services Development

Voice Networks

During the first half of 2017, a new SBC-ACC (Session Border Controller – Access) system has been acquired. The system is used to separate the core of the voice network, i.e. telephone switchboards within the core, from user equipment in the access voice network. The new SBC device is to support the anticipated increase in the number of customers of the voice service through the VoIP technology and to ensure full redundancy of the SBC system for the access voice network. Voice traffic has been migrated from all telephone switchboards to an internally developed central system for intelligent call management.

Voice traffic has been migrated for four international operators using the IP/SIP IC connections to the SBC-IC (Session Border Controller – Interconnection) systems. A new UC (Unified Communications) softswitch system (a modern telephone switchboard)

has been obtained and will be used to implement unified communications services with business users.

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Data Networks

The modernization of the existing DWDM transfer system connecting Osijek, Rijeka and Zagreb to Vienna and Ljubljana has been completed around the middle of the first half-year period. This has set the foundations for further capacity enhancements to suit customer needs and the growth of data traffic and wholesale services.

In the second quarter of 2017, the VDSL technology for broadband internet access with speeds of up to 50 Mbit/s is available at a total of 225 locations, which makes up a total of 86% of the locations where OT-Optima Telekom is present. In this context, the number of ports has increased by 35% compared to the beginning of the half-year period.

The integration of the Facebook cash server into Optima's network has been completed, which enabled the reach of the frequently used Facebook content directly from Optima's network.

Network Infrastructure and Optical Fibre Network

Optical infrastructure development, i.e. the construction of the individual optical fiber network during the first half of 2017 consisted primarily of the construction of optical feeds to our new end wholesale and retail customers.

In numbers, we are talking about 42.3 km of new optical fiber network, consisting of the construction of 50 new optical feeds. Most feeds have been built in Northern Croatia (51 feeds), followed by the West (36 feeds), South (21 feeds) and East with 15 optical feeds.

Also, at the end of June 2017, the interlocal optical route between Jarmina and Ivankovo has been completed, which has the purpose of increasing IC capacities to Optima's location in Ivankovo. The additionally built optical route length amounts to 5.4 km.

Supervision (NOC)

During the first quarter of 2017 the supervision of telecommunications systems and services has been expanded. For that purpose, new systems were added to the supervision: SBC (Session Border Controller – Access) system, Huawei MA5605, Eaton SM45 DC, NetMan 204 UPS, ZTE 9806H mini-DSLAM, ZTE 9800 DSLAM, ZTE MSG 5200

Zabbix NMS has been updated in order to comply with the requirement to keep measurement data (period of 3 years).

The “PHP network weathermap” extension has been implemented into the Zabbix NMS, to enable a visual overview of the key connections’ status.

An application was engineered for a more precise calculation of the number of customers affected by the failure, tailored to meet the obligation arising from the Ordinance on the manner and conditions for provision of electronic communications networks and services, that in the event of reported and ascertained failures going on for over 24 hours, the operator is always to offer the customer a discount on the bill or another way of compensation without the need to object to the bill amount.

Internal Application Development

A new system for creating security copies has been acquired, providing a significantly larger capacity and faster and safer data storage.

The Company’s plans envisage the upgrading of the CRM system for the call center, which will significantly accelerate and simplify the processing of customer requests.

A new application has been implemented to accelerate the processing of customer complaints.

The SmartCare platform is currently being implemented to enable better tracking of habits of IPTV customers, channel ratings and make it easier to fix a failure of the IPTV service.

Infrastructure

The project of replacing batteries in collocations which started last year continued, with the aim to secure the system’s autonomy in the event of an electrical grid failure. During the first half, 236 batteries have been replaced at 33 locations and battery tests run at 155 out of 317 locations throughout Croatia.

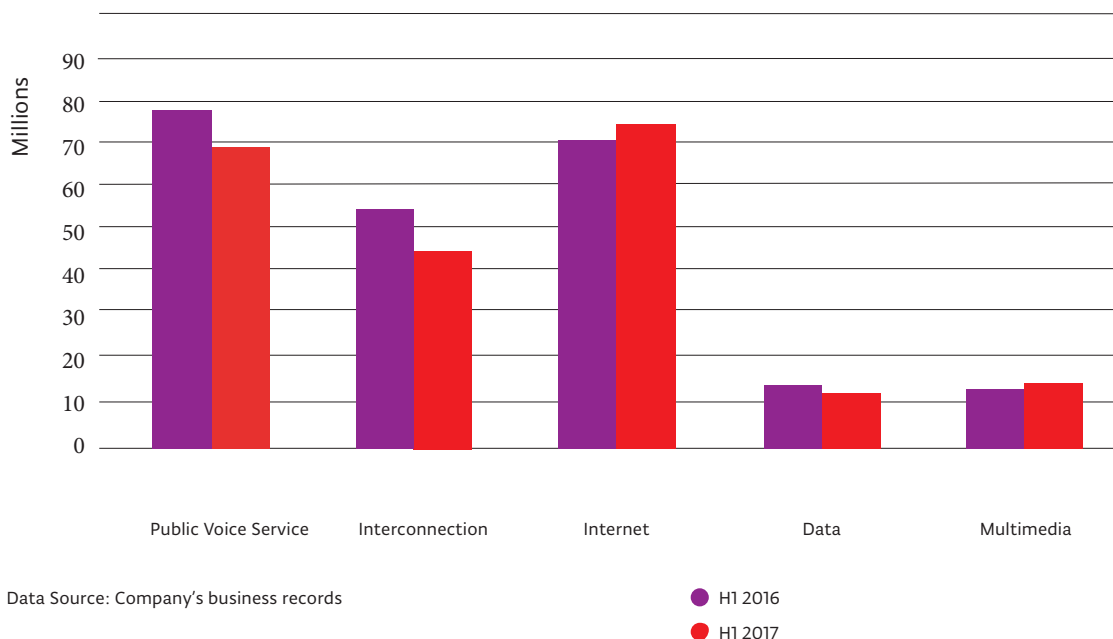
ICT Solutions

Through ICT solutions, a complete business solution has been offered to customers alongside Optima’s standard services, which creates added value to the same. Optima’s partner base is expanding constantly, which has resulted in enhancing the Company’s presence in the market, and the expansion of the ICT solutions portfolio.

I.7 Financial Results of the Group

Summary (in <i>tsd HRK</i>)	H1 2016	H1 2017	H1 2017 / H1 2016	Q2 2016	Q2 2017	Q2 2017 / Q2 2016
Total income	228.174	217.720	(4,6%)	116.125	106.639	(8,2%)
Total expenses	180.078	169.729	(5,7%)	91.169	82.208	(9,8%)
EBITDA	48.096	47.991	(0,2%)	24.956	24.432	(2,1%)
One times items	528	20	(96,3%)	301	20	(93,5%)
EBITDA before one times items	48.624	48.011	(1,3%)	25.257	24.451	(3,2%)
EBITDA margin (before one times items)	21,3%	22,1%	3,5%	21,7%	22,9%	5,4%
Depretiation	32.671	35.109	7,5%	16.624	17.477	5,1%
Financial result (net)	(9.114)	(7.223)	(20,7%)	(6.041)	(4.777)	(20,9%)
Net profit/(loss) before income taxes	6.312	5.660		2.290	2.178	
Net profit/(loss) before income taxes and one time item	6.839	5.679		2.591	2.198	

Telecommunication Services Revenue



a. Consolidated Revenue

Total telecommunications services revenue in the first half of 2017 is 4.6% lower compared to the same period of the previous year. The same trend appears at the level of the second quarter of 2017, when compared to the previous year and the first quarter of 2017. The revenue decrease compared to the previous year is mostly owed to the decrease in revenues from the public voice service by 10.3%, thus continuing the general downward trend in the use of the public voice service as a reflection of global trends.

The negative trend is additionally boosted by the 8.3% decrease in data revenue and the 16.7% decrease in interconnection revenue compared to the previous year. The negative trends are apparent both on the half-year and quarterly levels.

The data revenue decrease pertains mostly to the decrease in revenue from wholesale data services, which originates from a higher income in the first quarter of the previous year created by the resolution of a regulatory dispute. Interconnection revenue is lower because of the drop in revenue from the transit of voice services and as a consequence of re-

ducing the volume of low-profit international transit.

On the other hand, the above mentioned negative trends have been compensated by the 11.6% higher multimedia revenue and 4.8% higher internet revenue compared to the previous year, being the segments focused on by Optima's offer.

b. Earnings before Interest, Taxation and Depreciation – EBITDA

In the first half of 2017, the consolidated EBITDA is a mere 0.2% lower compared to the previous year, lower operating costs served to compensate the decrease of operating income.

The EBITDA before special items amounts to HRK 48.0 million, thus being HRK 0.6 million lower compared to the previous year.

The EBITDA margin before special items beats the previous year by 3.5%, which is an additional indicator that the revenue decrease has been successfully compensated by a reduction of operating costs. The positive spread of the EBITDA margin at the level of the second quarter of 2017 amounts to 5.4%.

	H1 2017 (in 000 kn)	share %
General Investments	638	2,5%
Capital Technical Investments	25.038	97,5%
ACCESS Network	17.230	67,1%
CORE Network	3.962	15,4%
Telecommunications Center	3.846	15,0%
TOTAL	25.676	100,0%

c. Net profit/(loss)

Taking into account the higher depreciation costs in the first half of 2017, the net result is HRK 0.7 million lower, which has been partly compensated by a better net financial result.

d. Capital Investments in 2017

Consolidated capital investments in the first half of 2017 amounted to HRK 25.7 million. Out of this, HRK 17.2 million has been invested in the development of access fiber optic network, expanding the collocations network, user equipment for providing the IPTV and Internet service for residential customers, as well as the equipment to connect new business customers. HRK 4.0 million has been invested into the core network, while HRK 3.8 million has been invested in expanding the range of customer services.

e. Risk Management

Currency Risk Management

The currency risk is the risk that the value of financial instruments will change due to exchange rate changes. The Company's highest exposure to currency risk arises out of long-term loans, denominated in foreign currencies and recalculated into HRK applying the relevant exchange rates as per the balance sheet date. Any exchange rate divergences shall be attributed to operating costs or recorded in the profit and loss account, but do not influence the cash flow.

Interest Risk

The Company's exposure to interest risk is not significant, given that the Company's liabilities have not been agreed subject to variable interest rates.

The remaining assets and liabilities, including issued bonds, are not exposed to interest risk.

Credit Risk

The credit risk is the risk that the other party will fail to meet its contractual obligations arising out of potential financial losses of the Group. The Group does not have a significant credit risk concentration with contractual parties possessing similar characteristics and has adopted procedures it applies in buyer transactions. The Group receives sufficient collaterals, if necessary, as a means to mitigate the risk of financial loss due to unfulfilled obligations and offers no guarantees for third party liabilities.

The Group sees its maximum exposure as reflecting in the amount of receivables from debtors, minus value depreciation reservations recognized at the financial position report date.

Apart from this, the Group is exposed to the risk of money deposits in banks. Management of this risk is focused on dealing with the most reputable banks, both domestic and international, and in both the domestic and international markets, and based on daily contact with the banks.

Liquidity Risk Management

The Board of Directors has the responsibility for liquidity risk management and sets the appropriate framework for liquidity risk management, with a view to manage short-term, mid-term and long-term financing and liquidity requirements. The Company manages

the liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and achieved cash flow and monitoring the receivables and liabilities due dates.

Purchase of Own Shares

I.8

During the first half of 2017 and the previous 2016 there were no purchases of the Company's own shares.

II. **Financial Reports of the Group**

Profit and Loss Account

II. 1

Position name	<i>In thousand HRK</i>	I - VI 2017.	I - VI 2016.
Sales		216.380	227.380
Other operating income		1.340	794
		217.720	228.174
Merchandise, material and energy expenses		(4.228)	(3.798)
Interconnection fee expenses		(71.270)	(83.648)
Rent of telecommunication equipment		(11.555)	(12.434)
Customer attraction expenses		(1.641)	(2.794)
Other service expenses		(34.105)	(31.491)
Staff costs		(25.250)	(25.620)
Own work capitalized		2.274	1.718
Depreciation, amortisation and impairment charges		(35.109)	(32.671)
Impairment charge on non-current and current receivables - net		(2.380)	(1.735)
Net loss on disposal of assets and equipment		(72)	(22)
Other operating expenses		(21.501)	(20.253)
		(204.837)	(212.748)
OPERATING PROFIT		12.883	15.426
Finance income		4.367	3.833
Finance costs		(11.590)	(12.947)
Finance costs - net		(7.223)	(9.114)
PROFIT/(LOSS) BEFORE TAXATION		5.660	6.312
Income tax expense		-	-
PROFIT/(LOSS) FOR THE YEAR		5.660	6.312
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		5.660	6.312

Data Source: Company's business records

II. 2

Balance Sheet

ASSETS	<i>In thousand HRK</i>	30.06.2017.	31.12.2016.
Intangible assets		33.231	42.110
Property, plant and equipment		289.937	290.632
Given loans		448	396
Deposits		3.493	3.563
Available-for-sale financial assets		35	35
Other non-current assets		8.000	8.500
Non-current assets		335.144	345.236
Inventories		110	119
Trade and other receivables		71.656	70.499
Given loans		10.767	10.772
Deposits		-	24
Prepaid expenses and accrued income		2.718	1.913
Cash and cash equivalents		5.764	9.670
Current assets		91.015	92.997
TOTAL ASSETS		426.159	438.233
EQUITY AND LIABILITIES			
Issued share capital		635.568	635.568
Capital gains		194.354	194.354
Other equity (MCL)		16.452	24.677
Accumulated losses		(805.176)	(808.729)
EQUITY		41.198	45.570
Long-term borrowings		182.587	200.216
Issued bonds		57.526	64.597
Trade payables		676	2.226
Provisions		58	58
Deferred income		18.387	19.595
Non-current liabilities		259.234	286.692
Short-term borrowings		17.503	8.674
Issued bonds		14.502	7.060
Trade payables		69.207	68.256
Provisions		109	109
Accrued expenses and deferred income		16.405	12.450
Other current liabilities		8.001	9.122
Current liabilities		125.727	105.671
TOTAL EQUITY AND LIABILITIES		426.159	438.233

Cash Flow

II. 3

Position name	<i>In thousand HRK</i>	I - VI 2017.	I - VI 2016.
Operating activities			
Total profit for the year		5.660	6.312
Depreciation and amortisation		35.109	32.671
Decrease/(increase) in inventories		9	(14)
Decrease/(increase) in trade and other receivables		(1.156)	(9.216)
Increase/(decrease) in trade payables and other liabilities		(170)	(3.839)
Other cash increase/(decrease)		2.487	1.971
Cash generated from operating activities		41.939	27.885
Cash flows from investing activities			
Payments for property, plant and equipment		(25.534)	(23.490)
Cash receipt from sale of ownership and debt instruments		-	-
Net cash used in investing activities		(25.534)	(23.490)
Cash flows from financing activities			
Other proceeds from financing activities		-	171
Repayment of finance lease liability and borrowings		(20.311)	(17.676)
Net cash used in financing activities		(20.311)	(17.505)
Net (decrease)/increase in cash and cash equivalents		(3.906)	(13.110)
Cash and cash equivalents at 1 January		9.670	20.418
Cash and cash equivalents at 30 June		5.764	7.308

Data Source: Company's business records

III.

Statement by Persons in Charge of Financial Reports

In accordance with Article 410 of the Capital Markets Act, the members of the Board of Directors, Mr. Zoran Kežman as Chairman of the Board, Ms. Mirela Šešerko, as Member of the Board, Ms. Irena Domjanović, as Member of the Board, and Mr. Tomislav Tadić, as Member of the Board jointly declare that, to the best of their knowledge, financial statements for the reporting period have been prepared in accordance with applicable financial reporting standards and that they contain an overall and true presentation of assets and liabilities, losses and profits, financial status and operation of the Company and other companies included in the consolidation.

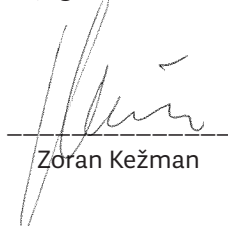
The financial report contains a true presentation of development, results and position of the Company and its subsidiaries, as well

as a description of the most significant risk factors and uncertainties which the group is exposed to.

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

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


(Signatures of Board members)



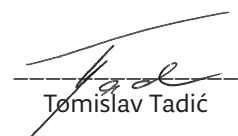
Zoran Kežman



Mirela Šešerko



Irena Domjanović



Tomislav Tadić

Optima
OT – OPTIMA TELEKOM D.D.
ZAGREB

Enclosure 1

Reporting period:

1 Jan 2017

to

30 Jun 2017

Quarterly Financial Report-TFI-POD

Tax 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.hr

Internet address: www.optima.hr

and name for municipality/city **133**

Code and name for county **21**

Number of employees
(at the year's end) **330**

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.hr

Surname and name **ZORAN KEŽMAN, MIRELA ŠEŠERKO, TOMISLAV TADIĆ, IRENA DOMJANOVIĆ**

(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 2017 to 30 Jun 2017

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	228.174.215	116.125.153	217.720.203	106.639.324
1. Sales income	112	227.323.102	115.706.179	216.380.410	105.963.184
2. Other operating income	113	851.113	418.974	1.339.793	676.140
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	212.748.992	107.793.598	204.837.676	99.684.284
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	129.483.260	66.921.330	119.789.286	58.403.574
a) Costs of raw material and supplies	117	2.966.351	1.510.546	2.817.753	1.406.445
b) Costs of goods sold	118	688.394	481.221	1.283.163	849.813
c) Other external costs	119	125.828.515	64.929.564	115.688.370	56.147.315
3. Staff costs (121 do 123)	120	24.907.004	12.633.119	24.323.460	12.130.576
a) Net salaries and wages	121	14.260.739	7.194.527	13.905.242	6.684.033
b) Expenses of taxes and contributions from salaries	122	7.111.948	3.644.930	6.856.607	3.602.919
c) Contributions to salaries	123	3.534.317	1.793.662	3.561.611	1.843.624
4. Amortization	124	32.670.804	16.624.373	35.108.817	17.476.543
5. Other costs	125	23.425.626	11.279.089	23.216.115	11.278.220
6. Value adjustment (127+128)	126	1.734.556	34.556	2.380.446	375.819
a) fixed assets (apart from financial assets)	127	0	0	0	0
b) current assets (apart from financial assets)	128	1.734.556	34.556	2.380.446	375.819
7. Provisions	129	527.741	301.130	19.552	19.552
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 through 136)	131	3.833.613	303.129	4.366.684	961.307
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	3.833.613	303.129	4.366.684	961.307
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	12.947.179	6.344.595	11.589.569	5.738.327
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	12.947.179	6.344.595	11.589.569	5.738.327
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	232.007.828	116.428.282	222.086.887	107.600.631
X. TOTAL EXPENSES (114+137+143 + 145)	147	225.696.171	114.138.193	216.427.245	105.422.611
XI. PROFIT / LOSS BEFORE TAXATION (146-147)	148	6.311.657	2.290.089	5.659.642	2.178.021
1. Profit before taxation (146-147)	149	6.311.657	2.290.089	5.659.642	2.178.021
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT / LOSS OF THE PERIOD (148-151)	152	6.311.657	2.290.089	5.659.642	2.178.021
1. Profit of the period (149-151)	153	6.311.657	2.290.089	5.659.642	2.178.021
2. Loss of the period (151-148)	154	0	0	0	0
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	6.311.657	2.290.089	5.659.642	2.178.021
2. Assigned to minority interest	156	0	0	0	0
OTHER COMPREHENSIVE INCOME STATEMENT (popunjava poduzetnik obveznik primjene MSFI-a)					
I. PROFIT / LOSS OF THE PERIOD (= 152)	157	6.311.657	2.290.089	5.659.642	2.178.021
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	6.311.657	2.290.089	5.659.642	2.178.021
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	6.311.657	2.290.089	5.659.642	2.178.021
2. Assigned to minority interest	170	0	0	0	0

BALANCE SHEET
as at 30 Jun 2017

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	336.736.062	327.144.388
I. INTANGIBLE ASSETS (004 through 009)	003	42.110.430	33.230.996
1. Development expenses	004	0	0
2. Concessions, patents, licences, goods and services trademarks, software and other rights	005	42.110.430	33.230.996
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	290.632.017	289.936.561
1. Land	011	23.269	23.269
2. Building objects	012	13.038.371	12.791.664
3. Facilities and equipment	013	272.055.881	265.020.988
4. Tools, production inventory and transport assets	014	803.660	749.221
5. Biological assets	015	0	0
6. Advances for tangible assets	016	0	0
7. Tangible assets in preparation	017	4.464.148	11.116.746
8. Other tangible assets	018	46.822	46.822
9. Real estate investments	019	199.866	187.851
III. FIXED FINANCIAL ASSETS (021 through 028)	020	3.993.615	3.976.831
1. Shares (stock) in affiliated entrepreneurs	021	0	0
2. Loans granted to affiliated entrepreneurs	022	0	0
3. Participating interests (shares)	023	35.000	35.000
4. Loans given to entrepreneurs with participating interests	024	0	0
5. Securities investments	025	0	0
6. Granted loans, deposits and such	026	3.958.615	3.941.831
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	91.083.607	88.296.167
I. INVENTORY (036 do 042)	035	118.664	109.628
1. Raw material and supplies	036	0	0
2. Ongoing production	037	0	0
3. Finished products	038	0	0
4. Trading goods	039	118.664	109.628
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	70.499.339	71.655.808
1. Receivables from affiliated entrepreneurs	044	0	0
2. Receivables from buyers	045	68.919.153	70.707.895
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and members of the entrepreneur	047	28.713	27.246
5. Receivables from the state and other institution	048	189.720	107.076
6. Other receivables	049	1.361.753	813.591
III. CURRENT FINANCIAL ASSETS (051 through 057)	050	10.795.139	10.766.832
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	10.795.139	10.766.832
7. Other financial assets	057	0	0
IV. CASH IN BANK AND REGISTER	058	9.670.465	5.763.899
D) PREPAYMENTS AND ACCRUED INCOME	059	10.412.975	10.718.490
E) TOTAL ASSETS (001+002+034+059)	060	438.232.644	426.159.045
F) OFF-BALANCE RECORDS	061	319.189.241	320.664.201

LIABILITIES			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	45.870.097	41.198.265
I. BASE (registered) capital	063	635.568.080	635.568.080
II. CAPITA RESERVES	064	194.354.000	194.354.000
III. PROFIT RESERVES (066+067-068+069+070)	065	24.677.448	16.451.632
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	24.677.448	16.451.632
IV. REVALORIZATION RESERVES	071	0	0
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-822.546.802	-810.835.089
1. Retained earnings	073	0	0
2. Loss carried forward	074	822.546.802	810.835.089
VI. PROFIT OR LOSS OF THE YEAR (076-077)	075	13.817.371	5.659.642
1. Profit of the year	076	13.817.371	5.659.642
2. Loss of the year	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 through 082)	079	166.832	166.832
1. Provisions for pensions, severance payments and similar obligations	080	166.832	166.832
2. Provisions for tax liabilities	081	0	0
3. Other provisions	082	0	0
C) FIXED LIABILITIES (084 through 092)	083	267.039.455	240.789.040
1. Liabilities towards affiliated entrepreneurs	084	0	0
2. Liabilities for loans, deposits and similar	085	0	0
3. Liabilities towards banks and other financial institutions	086	200.215.904	182.586.979
4. Liabilities for advances	087	0	0
5. Liabilities towards suppliers	088	2.226.404	676.330
6. Liabilities as per securities	089	64.597.147	57.525.731
7. Liabilities towards entrepreneur with participating interests	090	0	0
8. Other fixed liabilities	091	0	0
9. Deferred tax liabilities	092	0	0
D) CURRENT LIABILITIES (094 do 105)	093	93.111.947	109.212.460
1. Liabilities towards affiliated entrepreneurs	094	0	0
2. Liabilities for loans, deposits and similar	095	0	0
3. Liabilities towards banks and other financial institutions	096	8.673.864	17.502.630
4. Liabilities for advances	097	0	0
5. Liabilities towards suppliers	098	68.256.781	69.207.012
6. Liabilities as per securities	099	7.060.062	14.502.018
7. Liabilities towards entrepreneur with participating interests	100	0	0
8. Liabilities towards employees	101	3.306.646	2.517.398
9. Liabilities for taxes, contributions and similar levies	102	4.774.534	4.239.528
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	1.040.060	1.243.874
E) DEFERRED SETTLEMENT OF CHARGES AND INCOME OF FUTURE PERIOD	106	32.044.313	34.792.448
F) TOTAL – LIABILITIES (062+079+083+093+106)	107	438.232.644	426.159.045
G) OFF – BALANCE RECORDS	108	319.189.241	320.664.201
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	45.870.097	41.198.265
2. Assigned to minority interest	110	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 2017 to 30 Jun 2017

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	6.311.657	5.659.642
2. Depreciation	002	32.670.804	35.108.817
3. Increase of short-term liabilities	003		
4. Decrease of short-term receivables	004		
5. Decrease of inventories	005		9.036
6. Other increase of cash flow	006	1.972.560	2.487.502
I. Total increase of cash flow from operating activities (001 through 006)	007	40.955.021	43.264.998
1. Decrease of short-term liabilities	008	3.839.262	170.209
2. Increase of short-term receivables	009	9.216.312	1.156.469
3. Increase of inventories	010	14.196	
4. Other decrease of cash flow	011		
II. Total decrease of cash flow from operating activities (008 through 011)	012	13.069.770	1.326.678
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	27.885.251	41.938.319
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		
2. Cash receipt from sale of ownership and debt instruments	016	0	0
3. Cash receipt from interest rates	017		
4. Cash receipt from dividends	018		
5. Other cash receipts from investment activities	019		
III. Total cash receipts from investment activities (015 through 019)	020	0	0
1. Cash expenditure for buying tangible and intangible fixed assets	021	23.489.833	25.533.927
2. Cash expenditure for acquiring ownership and debt financial instruments	022		
3. Other expenditures from investment activities	023		
IV. Total cash expenditures from investment activities (021 through 023)	024	23.489.833	25.533.927
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	23.489.833	25.533.927
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash receipt from issuing of ownership and debt financial instruments	027	0	0
2. Cash receipt from loan principal, debentures, loans and other borrowing	028	0	0
3. Other receipt from financial activities	029	171.178	0
V. Total cash receipt from financial activities (027 through 029)	030	171.178	0
1. Cash expenditure for the payment of loan principal and bonds	031	17.676.622	20.310.958
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	17.676.622	20.310.958
C1) NET INCREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	17.505.444	20.310.958
Total increase of cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease of cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	13.110.026	3.906.566
Cash and cash equivalents at the beginning of the period	041	20.418.032	9.670.465
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	13.110.026	3.906.566
Cash and cash equivalents at the end of the period	044	7.308.006	5.763.899

CHANGE IN CAPITAL STATEMENT
for the period from **01.01.2017** to **30.06.2017**

Item 1	EDP 2	Previous year 3	Current year 4
1. Subscribed capital	001	635.568.080	635.568.080
2. Capital reserves	002	194.354.000	194.354.000
3. Profit reserves	003	19.699.590	16.451.632
4. Retained profit or loss carried forward	004	-817.568.944	-810.835.089
5. Profit or loss of the current year	005	6.311.657	5.659.642
6. Revaluation of fixed tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial property available for sale	008		
9. Other revaluation	009		
10. Total capital and reserves (EDP 001 through 009)	010	38.364.384	41.198.265
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	38.364.384	41.198.265
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