ENERGOPROJEKT ENTEL AD, BELGRADE

Consolidated Financial Statements for the
Year Ended 31 December 2018
and
Independent Auditor's Report

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions. The original language version of our report takes precedence over this translation

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MOORE STEPHENS
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Privredno društvo za reviziju računovodstvo i konsalting
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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions. The original language version of our report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENERGOPROJEKT ENTEL AD, BELGRADE

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated annual financial statements of parent company Energoprojekt Entel a.d. Belgrade (hereinafter: Parent Company) and its consolidated subsidiaries (hereinafter: Group) which comprise the consolidated balance sheet as of 31 December 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the current accounting regulations in effect in the Republic of Serbia and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENERGOPROJEKT ENTEL AD, BELGRADE

Report on the Consolidated Financial Statements – *Continued*

Opinion

In our opinion, the consolidated financial statements, in all material respects, give a true and fair view of the financial position of the parent company Energoprojekt Entel a.d. Belgrade and its subsidiaries as at 31 December 2018, and its financial performances and its cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the consolidated financial statements.

Belgrade, 15 April 2019

„MOORE STEPHENS
Revizija i Računovodstvo" d.o.o. Beograd

Bogoljub Aleksić
Managing Partner

Privredno društvo za reviziju, računovodstvo i konsalting „MOORE STEPHENS Revizija i Računovodstvo" d.o.o. Beograd II

Completed by a legal entity - entrepreneur		
Identification number:	Business code:	TIN:
07470975	7112	100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED	
Seat :	Bulevar Mihaila Pupina 12, BELGRADE	

BALANCE SHEET

As at 31 December 2018

-in RSD thousand-

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
	ASSETS					
00	A. UNPAID SUBSCRIBED CAPITAL	0001				
	B. NON CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		2,471,229	2,150,123	2,102,859
01	I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	0003	23	5,293	6,827	10,667
010 and part of 019	1. Investment in development	0004				
011,012 and part of 019	2. Concessions, patents, licenses, trade and service marks, software and other rights	0005	23	5,293	6,827	10,667
013 and part of 019	3. Goodwill	0006				
014 and part of 019	4. Other intangible assets	0007				
015 and part of 019	5. Intangible assets under construction	0008				
016 and part of 019	6. Advances for intangible assets	0009				
02, 021 and part of 029	II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018)	0010		1,040,721	1,061,501	1,158,069
020, 021 and part of 029	1. Land	0011				
022 and part of 029	2. Buildings	0012	24.1	815,967	820,626	902,465
023 and part of 029	3. Plant and equipment	0013	24.1	190,416	204,613	219,342
024 and part of 029	4. Investment property	0014	24.1		1,924	1,924
025 and part of 029	5. Other property, plant and equipment	0015				
026 and part of 029	6. Property, plant and equipment under construction	0016	24.1	34,338	34,338	34,338
027 and part of 029	7. Leasehold improvements	0017				
028 and part of 029	8. Advances for property, plant and equipment	0018				
03	III. BIOLOGICAL ASSETS (020+021+022+023)	0019				
030, 031 and part of 039	1. Forests and plantations	0020				
032 and part of 039	2. Livestock	0021				
037 and part of 039	3. Biological assets under construction	0022				
038 and part of 039	4. Advances for biological assets	0023				
04 except 047	IV. LONG-TERM FINANCIAL INVESTMENTS (025+026+027+028+029+030+031+032+033)	0024	25	227,559	164,527	158,115
040 and part of 049	1. Equity investments in subsidiaries	0025				
041 and part of 049	2. Equity investments in associates and joint ventures	0026	25	98,454	98,680	93,057
042 and part of 049	3. Equity investments in other legal entities and other securities available for sale	0027				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
043 and part of 049	4. Long-term placements to parent companies, subsidiaries and other related parties in the country	0028				
044 and part of 049	5. Long-term placements to parent companies, subsidiaries and other related parties in the country abroad	0029				
045 and part of 049	6. Long-term placements domestic	0030				
045 and part of 049	7. Long-term placements foreign	0031				
046 and part of 049	8. Securities held to maturity	0032				
048 and part of 049	9. Other long-term financial placements	0033	25	129,105	65,847	65,058
05	V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034	26	1,197,656	917,268	776,008
050 and part of 059	1. Receivables from parent companies and subsidiaries	0035				
051 and part of 059	2. Receivables for other related parties	0036				
052 and part of 059	3. Receivables from commodity loans	0037				
053 and part of 059	4. Receivables from finance lease agreements	0038				
054 and part of 059	5. Receivables based on guarantees	0039				
055 and part of 059	6. Bad and doubtful receivables	0040				
056 and part of 059	7. Other long-term receivables	0041	26	1,197,656	917,268	776,008
288	C. DEFERED TAX ASSETS	0042				
	D. CURRENT ASSETS (0044+0051+0059+0060+ 0061+0062+0068+0069+0070)	0043		3,829,454	3,866,607	4,445,426
Class 1	E. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044	27	10,216	28,101	7,645
10	1. Material, spare parts, tools and small inventory	0045				
11	2. Work in progress and services in progress	0046				
12	3. Finished products	0047				
13	4. Goods	0048				
14	5. Non-current assets held for sale	0049				
15	6. Advances paid for inventories and services	0050	27	10,216	28,101	7,645
20	II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	0051	28	1,402,325	1,577,740	2,300,672
200 and part of 209	1. Domestic - parent companies and subsidiaries	0052			17	
201 and part of 209	2. Foreign - parent companies and subsidiaries	0053				
202 and part of 209	3. Domestic- other related parties	0054	28		192	404
203 and part of 209	4. Foreign - other related parties	0055				
204 and part of 209	5. Domestic receivables	0056	28	149,533	200,869	69,101
205 and part of 209	6. Foreign receivables	0057	28	1,252,792	1,376,662	2,231,167
206 and part of 209	7. Other trade receivables	0058				
21	III. Receivables from specific operations	0059		55,605	209	
22	IV. Other receivables	0060	29	114,903	72,754	745
236	V. Financial asset at fair value through profit and loss	0061				
(23 except 236)- 237	VI. Short-term financial placements (0063+0064+0065+0066+0067)	0062	30	1,189,127	1,174,832	953,137
230 and part of 239	1. Short-term loans and placements - parent companies and subsidiaries	0063				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
231 and part of 239	2. Short-term loans and placements - other related parties	0064				
232 and part of 239	3. Short-term domestic credits and loans	0065				
233 and part of 239	4. Short-term foreign credits and loans	0066				
234,235,238 and part of 239	5. Other short-term financial placements	0067	30	1,189,127	1,174,832	953,137
24	VII. CASH AND CASH EQUIVALENTS	0068	31	399,785	892,890	939,750
27	VIII. VALUE ADDED TAX	0069		136		
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	32.2	657,357	120,081	243,477
	F. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		6,300,683	6,016,730	6,548,285
88	G. OFF BALANCE SHEET ASSETS	0072		2,810,464	2,429,615	2,179,947
	EQUITY AND LIABILITIES					
	A. EQUITY (0402+0411 -0412+0413+0414+0415-0416+0417+ 0420-0421) >= 0 = (0071-0424-0441-0442)	0401	33	3,610,058	3,514,128	3,755,194
30	I. CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402	33	173,223	173,223	173,223
300	1. Share capital	0403	33.1	173,223	173,223	173,223
301	2. Stakes in limited liability companies	0404				
302	3. Stakes	0405				
303	4. State owned capital	0406				
304	5. Socially owned capital	0407				
305	6. Stakes in cooperatives	0408				
306	7. Share premium	0409				
309	8. Other capital	0410				
31	II. SUBSCRIBED UNPAID EQUITY	0411				
047 and 237	III. REPURCHASED TREASURY SHARES	0412				
32	IV. RESERVES	0413	33.2	23,931	23,882	24,089
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	0414	33.3	357,600	356,866	359,655
33 except 330	VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (credit balances of the accounts of group 33 except 330)	0415	33.4	49,944		49,611
33 except 330	VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (credit balances of the accounts of group 33 except 330)	0416			62,962	
34	VIII. RETAINED EARNINGS (0418+0419)	0417	33.5	3,005,360	3,023,119	3,148,616
340	1. Retained earnings from prior years	0418	33.5	2,540,368	2,423,358	2,489,151
341	2. Retained earnings from current year	0419	33.5	464,992	599,761	659,465
	IX. SHARE WITHOUT THE RIGHT TO CONTROL	0420				
35	B. LOSS (0422+0423)	0421				
350	1. Accumulated losses	0422				
351	2. Current year loss	0423				
	C. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	0424	34	708,946	728,613	587,684
40	I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425	34	707,195	724,186	580,001
400	1. Provisions for costs during the warranty period	0426	34	487,888	531,362	378,318
401	2. Provisions for recovery of natural resources	0427				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
403	3. Provisions for restructuring costs	0428				
404	4. Provisions for compensations and employee benefits	0429	34	219,307	192,824	201,683
405	5. Provisions for costs of legal proceedings	0430				
402 and 409	6. Other long-term provisions	0431				
41	I. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	0432	35	1,751	4,427	7,683
410	1. Liabilities which can be converted into capital	0433				
411	2. Liabilities to parents and subsidiaries	0434				
412	3. Liabilities to other related parties	0435				
413	4. Liabilities on issued securities in the period exceeding one year	0436				
414	5. Long-term domestic loans and borrowings	0437				
415	6. Long-term foreign loans and borrowings	0438				
416	7. Finance lease liabilities	0439	35	1,370	3,285	5,346
419	8. Other long-term liabilities	0440	35	381	1,142	2,337
498	C. DEFERRED TAX LIABILITIES	0441	41	60,547	61,120	61,243
42 to 49 (except 498)	D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		1,921,132	1,712,869	2,144,164
42	E. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443	36	2,816	4,288	9,868
420	1. Short-term borrowings from parent companies and subsidiaries	0444				
421	2. Short-term borrowings from other related parties	0445				
422	3. Short-term domestic loans and borrowings	0446				
423	4. Short-term foreign loans and borrowings	0447	36			6,314
427	5. Liabilities for non-current assets and discontinued operations held for sale	0448				
424,425, 426 i429	6. Other short-term financial liabilities	0449	36	2,816	4,288	3,554
430	II. ADVANCES, DEPOSITS AND RETAINERS RECEIVED	0450	37	95,855	21,432	4,151
43 except 430	III. ACCOUNTS PAYABLE (0452+0453+0454+0455+0456+0457+0458)	0451	38	680,135	628,497	733,296
431	1. Trade payables - parent companies and subsidiaries	0452	38	686	30,512	20,209
432	2. Trade payables - parent companies and subsidiaries foreign	0453				
433	3. Trade payables - other related party domestic	0454	38	16,922	9,335	1,516
434	4. Trade payables - other related parties foreign	0455				
435	5. Domestic trade payables	0456	38	72,077	18,860	7,170
436	6. Foreign trade payables	0457	38	589,638	569,790	704,401
439	7. Other trade payables	0458		742		
44,45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	39	436,940	402,208	622,579
47	V. VALUE ADDED TAX PAYABLE	0460	40	17,051	15,138	2,458
48	VI. OTHER TAX LIABILITIES, CONTRIBUTIONS AND OTHER DUTIES	0461	40.1	616,965	582,719	691,126
49 except 498	VI. ACCRUALS AND DEFERRED INCOME	0462	40.2	71,370	58,587	80,686
	OSS IN EXCESS OF NET ASSETS (0412+0416+0421 -0420-0417-0415-0414-0413- 0411 -0402) => 0 = (0441 +0424+0442-0071) => 0	0463				
	G. TOTAL EQUITY AND LIABILITIES (0424+0442+0441+0401-0463) >= 0	0464		6,300,683	6,016,730	6,548,285

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing balance	Opening balance
1	2	3	4	5	6	7
89	H. OFF BALANCE SHEET LIABILITIES	0465		2,810,464	2,429,615	2,179,947

Legal representative

In Belgrade ______________ L.S.

On 06 March 2019

Identification number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 1003089086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED	
Seat :	Bulevar Mihaila Pupina 12, BELGRADE	

INCOME STATEMENT

for the period from 01 January to 31 December 2018

- In RSD thousand -

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
	A. OPERATING INCOME AND EXPENSES				
60 to 65, except 62 and 63	I. OPERATING INCOME (1002+1009+1016+1017)	1001	10	5,178,567	6,056,200
60	II. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	1002			
600	1. Income from the sale of goods to parent companies and subsidiaries on domestic market	1003			
601	2. Income from the sale of goods to parent companies and subsidiaries on foreign market	1004			
602	3. Income from the sale of goods to other related parties on domestic market	1005			
603	4. Income from the sale of goods to other related parties on foreign market	1006			
604	5. Income from the sale of goods on domestic market	1007			
605	6. Income from the sale of goods on foreign market	1008			
61	III. INCOME FROM THE SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015)	1009	10.1	5,178,567	6,056,200
610	1. Income from the sale of finished goods and services to parent companies and subsidiaries on domestic market	1010	10.1	170	184
611	2. Income from the sale of finished goods and services to parent companies and subsidiaries on foreign market	1011			
612	3. Income from the sale of finished goods and services to other related parties on domestic market	1012	10.1	1,904	2,429
613	4. Income from the sale of finished goods and services to other related parties on foreign market	1013			
614	5. Income from the sale of finished goods and services on domestic market	1014	10.1	666,046	439,667
615	6. Income from the sale of finished goods and services on foreign market	1015	10.1	4,510,447	5,613,920
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016			
65	IV. OTHER OPERATING INCOME	1017	10.2		
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019-1020-1021 +1022+1023+1024+1025+1026+1027+ 1028+1029) >= 0	1018		4,748,709	5,512,014
50	I. COSTS OF GOODS SOLD	1019	11		
62	II. OWN-WORK AND GOODS CAPITALISED	1020			
630	III. INCREASE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS	1021			
631	IV. DECREASE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS	1022			
51 except 513	V. COSTS OF MATERIAL	1023	12	41,506	41,325
513	VI. OIL AND ENERGY	1024	12	99,608	97,535

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
52	VII. WAGES, SALARIES AND OTHER PERSONNEL EXPENSES	1025	13	3,089,834	3,475,259
53	VIII. COSTS OF PRODUCTIVE SERVICES	1026	14	818,656	789,549
540	IX. COSTS OF DEPRECIATION AND AMORTISATION	1027	15	64,392	69,035
541 to 549	X. LONG-TERM PROVISIONS	1028	15	49,714	274,339
55	XI. NON-MATERIAL COSTS	1029	16	584,999	764,975
	C. OPERATING INCOME (1001 -1018) >= 0	1030		429,858	544,186
	D. OPERATING LOSS (1018-1001) >= 0	1031			
66	E. FINANCE INCOME (1033+1038+1039)	1032	17.1	93,558	96,382
66 except 662, 663 i664	F. FINANCE INCOME FROM RELATED PARTIES AND OTHER FINANCE INCOME (1034+1035+1036+1037)	1033		60,801	68,854
660	1. Finance income from parent company and subsidiaries	1034		143	32
661	2. Finance income from other related parties	1035		9	37
665	3. Gains from associates and joint ventures profit sharing	1036		6,974	6,853
669	4. Other finance income	1037		53,675	61,932
662	II. INTEREST INCOME (FROM THIRD PARTIES)	1038		29,127	22,518
663 and 664	III. FOREIGN EXCHANGE GAINS AND POSITIVE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039		3,630	5,010
56	G. FINANCE EXPENSES (1041+1046+1047)	1040	17.2	4,457	7,016
56 except 562, 563 and 564	H. FINANCE EXPENSES FROM RELATED PARTIES AND OTHER FINANCE EXPENSES (1042+1043+1044+1045)	1041		83	88
560	1. Finance expenses from parent company and subsidiaries	1042		76	79
561	2. Finance expenses from other related parties	1043		7	9
565	3. Losses from associates and joint ventures loss sharing	1044			
566 and 569	4. Other finance expenses	1045			
562	II. INTEREST EXPENSES (TO THIRD PARTIES)	1046		1,125	1,359
563 i564	II. FOREIGN EXCHANGE LOSSES AND NEGATIVE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047		3,249	5,569
	E. FINANCE INCOME (1032-1040)	1048		89,101	89,366
	F. FINANCE LOSS (1040-1032)	1049			
683 i685	G. INCOME FROM FAIR VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1050			
583 and 585	H. EXPENSES FROM FAIR VALUE ADJUSTMENTS OF OTHER ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	1051			
67 and 68, except 683 and 685	I. OTHER INCOME	1052	18.1	63,388	31,863
57 and 58, except 583 and 585	J. OTHER EXPENSES	1053	18.2	43,535	31,300
	K. OPERATING PROFIT BEFORE TAX (1030-1031 +1048-1049+1050-1051 +1052-1053)	1054	20	538,812	634,115
	L. OPERATING LOSS BEFORE TAX (1031 -1030+1049-1048+1051 -1050+1053-1052)	1055			
69 - 59	M. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND PRIOR YEARS' ERROR ADJUSTMENT	1056		657	
59 - 69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND PRIOR YEARS' ERROR ADJUSTMENT	1057			53
	O. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	20	539,469	634,062
	P. LOSS BEFORE TAX (1055-1054+1057-1056)	1059			
	R. INCOME TAXES				
721	I. TAX EXPENSE OF THE PERIOD	1060		47,390	34,423

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
part of 722	II. DEFERRED TAX EXPENSES OF THE PERIOD	1061		27,954	
part of 722	III. DEFERRED TAX INCOME OF THE PERIOD	1062			122
723	S. BENEFITS PAID TO EMPLOYER	1063			
	T. NET PROFIT (1058-1059-1060-1061 + 1062-1063)	1064		464,125	599,761
	U. NET LOSS (1059-1058+1060+1061-1062+1063)	1065			
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	1066			
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INTEREST	1067		464,125	599,761
	III. NET LOSS ATTRIBUTABLE TO MINORITY INTEREST	1068			
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INTEREST	1069			
	V. EARNINGS PER SHARE				
	1. Basic earnings per share	1070		1,099	1,420
	2. Diluted earnings per share	1071			

Legal representative

In Belgrade L.S.

On 06 March 2019

Identlfi'cati'on number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED	
Seat :	Bulevar Mihaila Pupina 12, BELGRADE	

STATEMENT OF OTHER COMPREHENSIVE INCOME

In the period from 01 January to 31 December 2018

- In RSD thousand -

Code of account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A: NET OPERATING RESULT				
	I. NET PROFIT (EDP 1064)	2001		464,125	599,761
	II. NET LOSS (EDP 1065)	2002			
	B. OTHER COMPREHENSIVE INCOME OR LOSS				
	a) Items that will not be reclassified in Income Statement in future periods				
330	1. Changes of revaluation of intangible assets, property, plant and equipment				
	a) increase of revaluation reserves	2003		949	
	b) decrease of revaluation reserves	2004			13,291
331	2. Actuarial gains or losses on defined benefits plans				
	a) Gains	2005			
	b) Losses	2006			
332	3. Gains or losses on investment in equity instruments				
	a) Gains	2007			
	b) Losses	2008			
333	4. Gains or losses on the share in other comprehensive income or loss of associated companies				
	a) Gains	2009			
	b) Losses	2010			
	b) Items that may be reclassified subsequently in the Income Statement in future periods				
334	1. Gains or losses on translation of financial statements of foreign operation				
	a) Gains	2011		112,906	
	b) Losses	2012			23,039
335	2. Gains or losses on hedging instruments of net investments in foreign operations				
	a) Gains	2013			
	b) Losses	2014			
336	3. Gains or losses on cash flow hedging instruments				
	a) Gains	2015			
	b) Losses	2016			
337	4. Gains or losses on securities available for sale				
	a) Gains	2017			

Code of account	ITEM	EDP	Note no.	Amount	
				Current year	Previous year
1	2	3	4	5	6
	b) Losses	2018			
	I. OTHER GROSS COMPREHENSIVE INCOME (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018)) >= 0	2019		113,855	
	II. OTHER GROSS COMPREHENSIVE LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) >= 0	2020			36,330
	III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS OF THE PERIOD	2021			
	IV. NET OTHER COMPREHENSIVE INCOME (2019-2020-2021) >= 0	2022		113,855	
	V. NET OTHER COMPREHENSIVE LOSS (2020-2019+2021) >= 0	2023			36,330
	V. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
	I. TOTAL NET COMPREHENSIVE INCOME (2001-2002+2022-2023) >= 0	2024		577,980	563,431
	II. TOTAL NET COMPREHENSIVE LOSS (2002-2001 +2023-2022) >= 0	2025			
	G. TOTAL NET COMPREHENSIVE INCOME OR LOSS (2027+2028) = 2027+2028) =EDP 2024 > 0 or EDP 2025 > 0	2026			
	1. Attributed to majority shareholders	2027			
	2. Attributed to non-controlling shareholders	2028			

Legal representative

In Belgrade _ __________ L.S.

On 06 March 2019

Identlfi'cati'on number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED	
Seat :	Bulevar Mihaila Pupina 12, BELGRADE	

CASH FLOW STATEMENT

In the period from 01 January to 31 December 2018

- In RSD thousand -

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES I. Cash inflows from operating activities (1 to 3)	3001	5,299,483	6,182,501
1. Sales and advances received	3002	5,240,296	6,057,785
2. Interest received from operating activities	3003	30,033	92,078
3. Other cash inflows from operating activities	3004	29,154	32,638
II. Cash outflows from operating activities (1 to 5)	3005	5,210,320	5,746,010
1. Payments to suppliers and advances paid	3006	1,764,657	2,294,987
2. Wages, salaries and other personnel expenses	3007	3,206,463	3,321,132
3. Interest paid	3008	3,266	3,058
4. Income tax	3009	67,387	58,252
5. Cash outflows for other taxes payable	3010	168,547	68,581
III. Net cash inflow from operating activities (I - II)	3011	89,163	436,491
IV. Net outflow for operating activities (II - I)	3012		
B. CASH FLOWS FROM INVESTING ACTIVITIES I. Cash inflows from investing activities (1 to 5)	3013	8,419	24,036
1. Sale of shares and stakes (net inflows)	3014		
2. Sale of intangible assets, property, plant, equipment and biological assets	3015	1,219	7,088
3. Other financial placements (net inflows)	3016		15,718
4. Interest received from investing activities	3017		
5. Dividends received	3018	7,200	1,230
II. Other cash outflows from investing activities (1 to 3)	3019	54,591	67,606
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, property, plant, equipment and biological assets	3021	27,395	67,606
3. Other financial placements (net outflows)	3022	27,195	
III. Net cash inflow from investing activities (I - II)	3023		
IV. Net cash outflow for investing activities (II - I)	3024	46,172	43,570
C. CASH FLOWS FROM FINANCING ACTIVITIES I. Cash inflows from financing activities (1 to 5)	3025		
1. Increase of share capital	3026		
2. Long-term borrowings (net inflows)	3027		
3. Short-term borrowings (net inflows)	3028		

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (1 to 6)	3031	504,416	312,646
1. Acquisition of own shares and stakes	3032		
2. Long-term borrowings (net outflows)	3033		
3. Short-term borrowings (net outflows)	3034		
4. Other liabilities (net outflows)	3035		
5. Finance lease	3036	3,759	
6. Dividends paid	3037	500,657	312,646
III. Net cash inflow from financing activities (I - II)	3038		
IV. Net cash outflow from financing activities (II - I)	3039	504,416	312,646
D. TOTAL CASH INFLOW (3001+3013+3025)	3040	5,307,902	6,206,537
E. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	5,769,327	6,126,262
F. NET CASH INFLOW (3040-3041)	3042		80,275
G. NET CASH OUTFLOW (3041-3040)	3043	461,425	
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3044	892,890	939,750
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3045	12,897	9,654
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3046	44,577	136,789
K. CASH AT THE END OF ACCOUNTING PERIOD (3042-3043+3044+3045-3046)	3047	399,785	892,890

Legal representative

In Belgrade L.S.

On 06 March 2019

Identification number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE CONSOLIDATED	
Seat :	Bulevar Mihaila Pupina 12, BELGRADE	

STATEMENT OF CHANGES IN EQUITY

In the period from 01 January to 31 December 2018

- In RSD thousand -

No.	DESCRIPTION	Components of capital										Components of other result			
		EDP	30 Equity	EDP	31 Registered and unpaid capital	EDP	32 Reserves	EDP	35 Loss	EDP	47 and 237 Repurchase d own shares	EDP	34 Retained earnings	EDP	330 Revaluation reserves
1	2		3		4		5		6		7		8		9
1.	Opening balance as of 1 January 2017														
	a) debit balance	4001		4019		4037		4055		4073		4091		4109	
	b) credit balance	4002	173,223	4020		4038	24,089	4056		4074		4092	3,148,616	4110	359,655
2.	Adjustment of material errors and change in accounting policy														
	a) adjustment to the debit side of the account	4003		4021		4039		4057		4075		4093		4111	
	b) adjustment to the credit side of the account	4004		4022		4040		4058		4076		4094		4112	
3.	Restated opening balance as of 1 January 2017														
	a) Adjusted debit of the account (1a + 2a - 2b) > 0	4005		4023		4041		4059		4077		4095		4113	
	b) Adjusted credit side of the account(1b - 2a +2b) > 0	4006	173,223	4024		4042	24,089	4056		4074		4092	3,148,616	4110	359,655
4.	Balance as of the end of the previous year 2017														
	a) Turnover on the debit side of the account	4007		4025		4043	207	4061		4079		4097	725,268	4115	2,789
	b) Turnover on the credit side of the account	4008		4026		4044		4062		4080		4098	599,761	4116	
5.	Balance as of the end of the previous year 31 December 2017														
	a) debit balance (3a + 4a - 4b) >= 0	4009		4027		4045		4063		4081		4099		4117	
	b) credit balance (3b - 4a + 4b) >= 0	4010	173,223	4028		4046	23,882	4064		4082		4100	3,023,119	4118	356,866

No.	DESCRIPTION	Components of capital										Components of other result			
		EDP	30 Equity	EDP	31 Registered and unpaid capital	EDP	32 Reserves	EDP	35 Loss	EDP	47 and 237 Repurchase d own shares	EDP	34 Retained earnings	EDP	330 Revaluation reserves
1	2		3		4		5		6		7		8		9
6.	Adjustment of material errors and change in accounting policy														
	a) Adjustments on the debit side of the account	4011		4029		4047		4065		4083		4101		4119	
	b) Adjustments on the credit side of the account	4012		4030		4048		4066		4084		4102		4120	
7.	Restated opening balance of the current year as of 1 January 2018														
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4013		4031		4049		4067		4085		4103		4121	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0	4014	173,223	4032		4050	23,882	4068		4086		4104	3,023,119	4122	356,866
8.	Changes in the current year 2018														
	a) Turnover on the debit side of the account	4015		4033		4051		4069		4087		4105	513,672	4123	
	b) Turnover on the credit side of the account	4016		4034		4052	49	4070		4088		4106	495,913	4124	734
9.	Balance at the end of the current year as of 31 December 2018														
	a) debit balance of the account (7a + 8a - 8b) >= 0	4017		4035		4053		4071		4089		4107		4125	
	b) credit balance of the account (7b - 8a + 8b) >= 0	4018	173,223	4036		4054	23,931	4072		4090		4108	3,005,360	4126	357,600

No.	DESCRIPTION	Components of capital											
		EDP	331 Actuarial gains or losses	EDP	332 Gains or losses from investments in equity instruments	EDP	333 Gains or losses from share in other gains or losses of associated companies	EDP	334 and 335 Gains or losses from foreign operations and translation of financial statements	EDP	336 Gains or losses from cash flow hedges	EDP	337 Gains or losses from securities available for sale
1	2		10		11		12		13		14		15
1.	Opening balance as of 1 January 2017												
	a) debit balance	4127		4145		4163		4181		4199		4217	
	b) credit balance	4128		4146		4164		4182	49,611	4200		4218	
2.	Adjustment of material errors and change in accounting policy												
	a) adjustment to the debit side of the account	4129		4147		4165		4183		4201		4219	
	b) adjustment to the credit side of the account	4130		4158		4166		4184		4202		4220	
3.	Restated opening balance as of 1 January 2017												
	a) Adjusted debit of the account (1a + 2a - 2b) > 0	4131		4149		4167		4185		4203		4221	
	b) Adjusted credit side of the account(1b - 2a +2b) > 0	4132		4150		4168		4186	49,611	4204		4222	
4.	Balance as of the end of the previous year 2017												
	a) Turnover on the debit side of the account	4133		4151		4169		4187	112,573	4205		4223	
	b) Turnover on the credit side of the account	4134		4152		4170		4188		4206		4224	
5.	Balance as of the end of the previous year 31 December 2017												
	a) debit balance (3a + 4a - 4b) >= 0	4135		4153		4171		4189	62,962	4207		4225	
	b) credit balance (3b - 4a + 4b) >= 0	4136		4154		4172		4190		4208		4226	
6.	Adjustment of material errors and change in accounting policy												
	a) Adjustments on the debit side of the account	4137		4155		4173		4191		4209		4227	
	b) Adjustments on the credit side of the account	4138		4156		4174		4192		4210		4228	
7.	Restated opening balance of the current year as of 1 January 2018												
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4139		4157		4175		4193	62,962	4211		4229	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0	4140		4158		4176		4194		4212		4230	

No.	DESCRIPTION	Components of capital											
		EDP	331 Actuarial gains or losses	EDP	332 Gains or losses from investments in equity instruments	EDP	333 Gains or losses from share in other gains or losses of associated companies	EDP	334 and 335 Gains or losses from foreign operations and translation of financial statements	EDP	336 Gains or losses from cash flow hedges	EDP	337 Gains or losses from securities available for sale
1	2		10		11		12		13		14		15
8.	Changes in the current year 2018												
	a) Turnover on the debit side of the account	4141		4159		4177		4195		4213		4231	
	b) Turnover on the credit side of the account	4142		4160		4178		4196	112,906	4214		4232	
9.	Balance at the end of the current year as of 31 December												
	a) debit balance of the account (7a + 8a - 8b) >= 0	4143		4161		4179		4197		4215		4233	
	b) credit balance of the account (7b - 8a + 8b) >= 0	4144		4162		4180		4198	49,944	4216		4234	

No.	DESCRIPTION	EDP	Total capital [I(row 1b col. 3 to col.15) - I(row 1a col. 3 to col.15)] > 0	AOP	Loss in excess of net assets [I(row 1a col. 3 to col.15) - I(row 1b col. 3 to col.15)] > 0
1	2		16		17
1.	Opening balance as of 1 January 2017				
	a) debit balance				
	b) credit balance	4235	3,755,194	4244	
2.	Adjustment of material errors and change in accounting policy				
	a) adjustment to the debit side of the account				
	b) adjustment to the credit side of the account	4236		4245	
3.	Restated opening balance as of 1 January 2017				
	a) Adjusted debit of the account (1a + 2a - 2b) > 0				
	b) Adjusted credit side of the account(1b - 2a +2b) > 0	4237	3,755,194	4246	
4.	Balance as of the end of the previous year 2017				
	a) Turnover on the debit side of the account				
	b) Turnover on the credit side of the account	4238		4247	
5.	Balance as of the end of the previous year 31 December 2017				
	a) debit balance (3a + 4a - 4b) >= 0				
	b) credit balance (3b - 4a + 4b) >= 0	4239	3,514,128	4248	
6.	Adjustment of material errors and change in accounting policy				
	a) Adjustments on the debit side of the account				
	b) Adjustments on the credit side of the account	4240		4249	
7.	Restated opening balance of the current year as of 1 January 2018				
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0				
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0	4241	3,514,128	4250	
8.	Changes in the current year 2018				
	a) Turnover on the debit side of the account				
	b) Turnover on the credit side of the account	4242		4251	
9.	Balance at the end of the current year as of 31 December 2018				
	a) debit balance of the account (7a + 8a - 8b) >= 0				
	b) credit balance of the account (7b - 8a + 8b) >= 0	4243	3,610,058	4252	

Legal representative

In Belgrade L.S.

On 06 March 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Belgrade, 2019

1. CORPORATE INFORMATION

Seat	Belgrade, 12, Bulevar Mihaila Pupina
Identification number	07470975
Industrial code and name	7112
Tax identification number	100389086

Relevant legal facts related to the history of the Parent Company are as follows:

The Parent Company was established in 1990, as a separate legal entity, registered with the register of the Commercial Court in Belgrade, on the registry insert no. 1-4706-00, pursuant to the decision Fi- 425/90 dated 12 January 1990 and inscribed as the Joint Stock Company for Design, Consulting and Engineering of thermal power, nuclear power, electro-energetic and telecommunications facilities and systems “ENERGOPROJEKT ENTEL” with unlimited liability, Beograd. In accordance with the Decision of issue of internal shares and the Decision on the status change dated 13 June 1991, the Company operated as a joint-stock company. In accordance with the Decision IV.Fi.12129/02 dated 28 November 2002, the Parent Company operates as a joint-stock company.

The Company is registered with the Commercial Court in Belgrade, registry insert no. 1-4703-00. In addition, the Company is registered with the Business Registers Agency, in the Company Register under no. BD 8049 from 29 March 2005.

Privatisation of the Parent Company was initiated in accordance with the previously valid laws applicable at the time of SFRY, and based on the concluded Agreement on Changes in the System of Energoprojekt, when joint-stock companies were organised. In 1991, in accordance with the Law on amendments and supplement to the Law on Trade and Use of Socially-Owned Capital, the decision on the issuance of internal shares was passed, subsequent to which the company was registered with the appropriate register as a Parent mixed joint-stock company.

Subsequent privatization of the company was initiated at the end of 2000 and completed in 2001 in accordance with the Law on Ownership Transformation - acquisition of shares based on subscription of shares - the first round.

The Ministry of Economics and Privatisation in the process of legality and privatization, in accordance with the Law on Privatisation, verified the process of privatization performed, and, subsequent to the receipt of the Decision, in accordance with the Law on Companies, the Company was registered with the relevant register as a joint stock company, while a portion of the capital expressed in shares was transferred to the Pension and Disability Fund and a remaining portion was transferred to the Share Fund. EP Holding was the majority shareholder with 51% interest.

By the end of 2006, the procedure of conversion had been finished. A number of shareholders (physical persons, Pension and Disability Fund and Share Fund) replaced their shares with the shares of EP Holding. Consequently, EP Holding acquired the ownership over 86.26% interest based on the conversion performed.

According to the registration with the Business Registers Agency, the core activity of the Parent Company is designing, consulting and engineering of the thermal power, nuclear power, electro-energetic and telecommunication facilities and systems.

According to the registration with the Business Registers Agency, the core activity of the Parent Company is ENGINEERING ACTIVITIES AND TECHNICAL CONSULTING

Subsidiaries of the Parent Company abroad are as follows:

- company ENERGOPROJEKT QATAR
- company ENERGOPROJEKT ENTEL OMAN L.L.C
- company ENERGO CONSULT UAE
- company ENERGOPROJEKT BAHRAIN

The above mentioned companies make the group:

• Energoprojekt Entel

The percentage of ownership of the Parent Company in the above mentioned subsidiaries is presented in the table below.

Equity investments in subsidiaries	
Name	*% of ownership*
ENERGOPROJEKT QATAR	**100**
ENERGOPROJEKT ENTEL OMAN L.L.C	**100**
ENERGO CONSULT UAE	**100**
ENERGOPLAST DOO	**20**
ENERGOPROJEKT BAHRAIN	**100**

In accordance with the criteria stipulated by the Law on Accounting and Audit, the Parent Company was classified as a middle-sized legal entity.

Shares of Energoprojekt Entel a.d. are listed and traded on the regulated market, on the "Open market" of the Belgrade Stock Exchange.

The annual consolidated financial statements which are the subject of these Notes are the consolidated financial statements of the Parent Company and were authorised by the BOARD OF DIRECTORS OF ENERGOPROJEKT ENTEL on 20 March 2019. The authorised financial statements may be subsequently amended, in accordance with the applicable regulations.

The Parent Company’s average number of employees, according to the balance at the end of each month, amounted to:

- 2018: 214 and
- 2017: 200 employees

2. MANAGEMENT STRUCTURES

Key management personnel of the Parent Company in 2018 included the following persons:

MLADEN SIMOVIĆ	Director
GORDANA LISOV	Executive Manager for Finance and Accounting
JAROSLAV UROŠEVIĆ	Executive Project Manager,
JELICA JERKOVIĆ	Planning, Analysis and General Affairs Manager

3. OWNERSHIP STRUCTURE

According to the Records of the Central Securities Registry, the registered ownership of shares of Energoprojekt Holding a.d. as of 31 December 2018 is presented in Note 32a.

4. BASIS FOR PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Law on Accounting ("Official Gazette of RS", no. 62/2013 and 30/2018 - hereinafter: the Law).

In accordance with the Law, for recognition, valuation, presentation and disclosure of items in the financial statements, large legal entities, entities which have the obligation to prepare consolidated financial statements (parent companies), public companies or companies preparing to become public, irrespective of their size, apply International Financial Reporting Standards (hereinafter: IFRS). IFRS, for the purposes of the Law, are as follows:

- The Framework for the Preparation and Presentation of Financial Statements,
- International Accounting Standards - IAS,
- Interpretations adopted by the International Financial Reporting Interpretations Committee, subsequent amendments to these standards and related interpretations, approved by the International Accounting Standards Board, the translation of which was determined and published by the ministry responsible for finance.

The content and form of financial statements and the content of the positions in forms is prescribed by the Guidelines on the Content and Form of Financial Statements for Companies, Cooperatives and Entrepreneurs ("Official Gazette of RS", no. 95/2014 and 144/2014). These Guidelines, among other things, prescribe the form and content of items in the balance sheet, income statement, statement of other comprehensive income, cash flow statement, statement of changes in equity and notes to financial statements. According to the Guidelines, the amounts are entered into forms in thousands of dinars.

The form and content of the Statistical statement for companies, cooperatives and entrepreneurs set by the Guidelines on the form and content of the Statistical statements for companies, cooperatives and entrepreneurs ("Off. Gazette of RS", no. 95/2014).

In the preparation of the consolidated financial statements of the Parent Company, *inter alia*, the following laws and by-laws were applied:

- Law on Corporate Income Tax (RS Official Gazette, No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 - other law, 142/2014, 91/2015 - authentic interpretation, 112/2015, 113/2017 and 95/2018);
- Law on Added Value Tax (RS Official Gazette, No. 84/2004, 86/2014 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 83/2015,108/2016, 113/2017 and 30/2018);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax (RS Official Gazette, No. 20/2014, 41/2015 and 101/2016 - other Rules);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax (RS Official Gazette, No. 30/2015 and 101/2016);
- Rules on Method of Classification of Non-Current Assets and on Method of Calculation of Depreciation for Taxing Purposes (RS Official Gazette, No. 116/2004 and 99/2010);
- Rules on Transfer Pricing and Methods Applied in compliance with the “arm’s length” principle in determining the price of transactions among related parties (RS Official Gazette, No. 61/2013 and 8/2014) and others.

When legal acts that constitute the internal regulations of the Parent Company are in question, upon preparation of the consolidated financial statements, the current Rule Book on Accounting and Accounting Policies of the Parent company was used, which was adopted on 27 November 2015 by the Board of Directors of ENERGOPROJEKT ENTEL AD.

In addition, other internal acts of the Parent Company, such as the Collective Agreement of the Parent Company in the country and Rule Book on the work abroad of the employees with ENERGOPROJEKT HOLDING.

The principal accounting policies applied in the preparation of these financial statements are set out in Note 7.

The Law on Capital Market ("RS Official Gazette", No. 31/2011, 112/2015 and 108/2016) set down mandatory data to be included in the annual, six monthly and quarterly statements of public companies with securities listed in the regulated markets.

It should be noted here that in certain cases, not all the relevant provisions of the IFRS or of the Interpretations thereof were taken into account in preparation of the Parent Company consolidated financial statements.

The accounting regulations prevailing in the Republic of Serbia, and, accordingly, the presented consolidated financial statements of the Parent Company, depart from IFRS in the following:

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018) , the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 - “Presentation of Financial Statements“; and
- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

In addition, departures arise as the result of the timing difference between the publication of the Standards and Interpretations, which are subject to permanent modifications, and the date when those Standards and Interpretations become effective in the Republic of Serbia. For example, departures from the professional regulations arise as a consequence of the fact that the published effective Standards and Interpretations, have not been officially translated and adopted in the Republic of Serbia; the result thereof is that the published Standards and Interpretations have not entered into force; or as a consequence of other reasons over which the Parent Company has no influence.

The new Standards, Interpretations and/or amendments to the existing Standards in force in the current period that have not yet been officially translated or adopted in the Republic of Serbia

On the day of publication of these financial statements, below stated standards as well as the amendments thereto were issued by the International Accounting Standards Board, and the following interpretations were published by the International Financial Reporting Standards’ Interpretations Committee, but have not yet been officially adopted in the Republic of Serbia:

- Amendments to IAS 32 “Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting (effective for the annual periods beginning on or after 1 January 2014);

- IFRIC 21 “Levies” (effective for the annual periods beginning on or after 1 January 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) and interpretations to standards are part of the IASB’s annual improvements project “Cycle 2010-2012”, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July 2014);
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) and interpretations to standards are part of the IASB’s annual improvements project “Cycle 2011-2013” published by IASB in December 2013, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July 2014);
- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January 2016);
- IFRS 14 "Accounts regulatory prepayments" - effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January 2017);
- Amendments to various standards (IAS 28, IAS 40 and IFRS 2) will enter into force on 1 January 2018;
- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, relating to the classification and measurement of financial assets. Standard eliminates the existing categories of IAS 39 – Assets held to maturity, available for sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

  In accordance with IFRS 9, financial assets will be classified into one of two categories listed at initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset will be recognized at amortized cost if the following two criteria are met: assets related to the business model, which aims to apply the agreed cash flows and contractual terms provide a basis for payment on certain dates the cash flows that are solely the collection of principal and interest on the principal outstanding. All other assets will be valued at fair value. Gains and losses on valuation of financial assets at fair value will be recognized in the income statement, except for investments in equity instruments with non trading, where IFRS 9 permits, at initial recognition, the selection of unchangeable later that all changes in fair value recognized in within other gains and losses in the statement of comprehensive income. The amount thus be recognized within the statement of comprehensive income will not be able later to be recognized in the income statement;

- IFRS 15 “Revenue from contracts with customers”, which defines the framework for the recognition of revenue. IFRS 15 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts”, IFRIC13 “Customer Loyalty Programmes”, IFRIC15 “Agreements for the Construction of Real Estate” and IFRIC18 “Transfers of assets from customers”. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted; and
- IFRIC 22 – interpretation refers to foreign exchange transactions when entity recognizes non-monetary asset or liability from payment or received of advance before the entity recognizes the asset, cost or income, after which that non-monetary asset or liability is recognized again. The interpretation shall enter into force on or after 1 January 2018, but an earlier application is permitted.

Published Standards and Interpretations that have not yet come into force

On the day of publication of these financial statements, the following standards, their amendments and interpretations were published, but have not yet entered into force:

- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after 1 January 2019. An earlier application is possible with conditioned application of IFRS 15. The standards will replace current IAS 17;
- IFRS 3 "Business Combinations" - a supplement relating to clarifications when one party acquires control in a previous joint venture. The change shall enter into force for business combinations whose date of purchase is on or after the first annual reporting period beginning on or after 1 January 2019. It may be contrary to amendments to IFRS 11;
- Amendments to IFRS 4 relate to IFRS 9, applied before applying IFRS 17 that will replace IFRS 4;
- Amendments to IFRS 7 relate to IFRS 9;
- Clarification of IFRS 11 relating to transactions in which an entity obtains joint control at or after the commencement of the first annual reporting period beginning on or after 1 January 2019. This may be in conflict with IFRS 3;
- IFRS 17 replaces IFRS 4 - application to Financial Statements beginning 1 January 2021. Early application is conditioned by adoption of IFRS 9 and IFRS 15;
- IFRIC 23 - interpretation relating to IAS 12. Interpretation shall enter into force on or after 1 January 2019, but an earlier application is permitted; and
- Amendments to various standards (IAS 19, IAS 12, IAS 23 and IFRS 2) will enter into force on 1 January 2019.

5. CONSOLIDATION

The consolidated financial statements are the financial statements of a group that reports presented as a single economic entity statements.

The consolidated financial statements shall be prepared using uniform accounting policies for similar transactions and events in similar circumstances. In the event that a member of the group, which is constituted by the parent company with all its subsidiaries, uses accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, appropriate adjustments shall be made in its financial statements (in accordance with the provisions of the Rule Book on accounting and accounting policies of the Company) in the preparation of the consolidated financial statements.

Subsidiaries

Subsidiary shall mean the company controlled by the Company (parent company).

The Company controls the company in which it invested, if and only if it has the following:

- power over the company in which it invested (has the current ability to direct the relevant activities, i.e., activities that significantly affect the yields of the company in which it invested);
- exposure, or rights to variable returns on the basis of its share in the company in which it invested and
- the ability to use its power over the company in which it invested in order to influence the amount of yield for investors.

The applied method of consolidation for these companies in accordance with IFRS 10 - Consolidated Financial Statements is the method of full consolidation. All internal relations and intra-group transactions are eliminated in the process of consolidation. Non-controlling stakes are listed separately.

Associates

Associated company is a company over which the Group has a significant influence but not control, or possession of any property and voting rights between 20% and 50%.
The applied method of consolidation of associates in accordance with IAS 28 - Investments in Associates and Joint Ventures was equity method. By applying these method equity investments are adjusted by the realized gain or loss for the year so as to reflect the share of the parent company in the net assets of associates. In the event that the cumulative loss exceeds the capital, the share in the capital is reduced to zero, and only exceptionally, if any irrevocable contractual obligations to cover losses exist, the difference of a higher loss in comparison with capital is recognized as an expense in the parent company.

Overview of subsidiaries and associates comprising, together with the parent company, Energoprojekt Entel a.d. the group for consolidation, is presented in Note 1.

6. ACCOUNTING PRINCIPLES

Upon preparation of the consolidated financial statements, the Parent Company applied the following principles:

- The going concern principle;
- The consistency principle,
- The prudence principle,
- The substance over form principle,
- The accrual principle and
- The item by item assessment principle.

Considering the **going concern principle**, the consolidated financial statements are prepared under the assumption that the proprietary position, financial position and business results of the Parent Company, as well as the economic policy of the country and of the environment, enable the Parent Company to operate for an unlimited period („Going Concern” principle).

The consistency principle means that assets and changes in assets, liabilities, capital, income, expenses and business results are evaluated in the same manner over a longer period. If, for example changes are implemented, due to compliance with the legislation and professional regulations, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The prudence principle means applying a certain level of caution when preparing financial statements of the Parent Company so that the property and income are not overstated and obligations and expenses are not understated. The Prudence principle should not imply conscious, unrealistic decrease in income and capital of the Parent Company or conscious, unrealistic increase of expenses and liabilities of the Parent Company.

Namely, the framework for the preparation and presentation of financial statements clearly states that the prudence principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of income, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **substance over form principle** means that, when recording the Parent Company's transactions, and consequently in preparing the financial statements, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

Considering the **accrual principle**, recognition of effects of transactions and other events in the Parent Company is not related to the point in time when cash or cash equivalents are received or paid based on these transactions or events, but to the point in time when they occurred. This approach provides that the users of financial statements are informed not only about past transactions of the Parent Company that resulted in payments or reception of cash, but also about liabilities of the Parent Company to pay cash in the future and resources that represent cash to be received by the Parent Company in the future.

In other words, the **accrual principle provides** information on past transactions and other events in the manner most useful to users for reaching commercial decisions.

The **item by item assessment principle** means that possible group valuations of various balance items (for example, property or liabilities) for the purpose of rationalization derive from separate valuation of items.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Significant accounting policies applied to the financial statements that are the subject of these Notes, discussed below, are primarily based on the Rule Book on Accounting and Accounting Policies of the Parent Company. If certain accounting aspects have not been clearly specified by the Rule Book, the accounting policies based on the current legal, professional and internal regulations have been applied.

Regarding general data, please note that, in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates, **the functional currency and the presentation currency in the consolidated financial statements is Dinar.**

In the preparation of the consolidated financial statements the relevant provisions of IAS 10 have been followed, which relate to events occurring from the balance sheet date to the date when the consolidated financial statements were authorised for publishing.

Specifically, **for the effects of events underlying the consequences that existed as of the balance sheet date**, the amounts already recognised in the consolidated financial statements of the Parent Company were adjusted, in order to reflect the adjusting events subsequent to the balance sheet date; and for the effects of the events that reflect the circumstances occurring subsequent to the balance sheet date**,** no adjustments to the recognised amounts were made. If there were any, these Notes would disclose the nature of events and the valuation of their financial effects.

7.1 Estimates

The preparation and presentation of the consolidated financial statements in accordance with both the requirements of the professional regulations and the requirements of current legal regulations prevailing in the Republic of Serbia, requires the Parent Company management to use the best possible estimates and reasonable assumptions. Although, understandably, the actual future events may differ, estimates and assumptions are based on information available as of the balance sheet date.

The most significant estimates relate to the determination of impairment of financial and non-financial assets, recognition of deferred tax assets and liabilities, determination of provisions for guarantees and defining the actuarial assumptions for the calculation of long-term retirement benefits.

In the context of the assessment, the Parent Company's business policy is to disclose, if the fair value is materially different that the carrying value, the information on **fair value** of assets and liabilities. In the Republic of Serbia, there is a common problem with the realisable estimate of fair value of assets and liabilities due to an underdeveloped financial market, the lack of stability and liquidity at the sale or purchase of, for example, financial assets and liabilities, and due to the fact that the market information are not always available. That said, these issues have not been neglected by the Parent Company, the management makes continuous assessments, taking into account the risks, and, when it estimates that the recoverable (fair value or value in use) value of the assets in the Parent Company's books of account is overstated, the allowance for impairment is established.

7.2 Effects of the foreign exchange rates

Transactions in foreign currency, at initial recognition, are recorded in the RSD counter value, by application of the official median exchange rate prevailing as of the date of transaction.

In accordance with the provisions of IAS 21 - The Effects of Changes in Foreign Exchange Rates, at each balance sheet date the monetary items in foreign currency (foreign currency assets, receivables and payables) are translated using the prevailing foreign exchange rate, i.e., the official median exchange rate as of the balance sheet date.

Foreign currency gains/losses arising from the transactions in foreign currency (except for the foreign currency gains/losses arising from monetary items that are a part of net investments of the Parent Company into foreign operations, which are accounted for in accordance with the requirements of IAS 21) are recognised as income or expenses of the Parent Company in the period they arise.

The official median exchange rates of the National Bank of Serbia as of the balance sheet date, for the foreign currencies used for the translation of the monetary items of foreign currencies into the RSD counter value, are presented in the table below.

Official median exchange rates of the National Bank of Serbia

Currency	*31 December 2018*	*31 December 2017*
	RSD amount	
1 EUR	118.1946	118.4727
1 USD	103.3893	99.1155
1 QAR	28.4036	27.2295
1 OMR	268.5290	257.5928
1 AED	28.1473	26.9852
1 BHD	274.9715	263.6050

7.3 Income

In accordance with IAS 18**,** Income - Income pertains to inflows of economic benefits during a given period, resulting in an increase in capital, other than increases relating to contributions from owners of capital; and are measured at fair value of fees received or receivable.

Income includes: operating revenues, financial revenues and other revenues (including the income from property value reconciliation) and profit from discontinued operations, effect of the change in the accounting policy and prior period errors.

Within **operating income,** the most significant is income from the sale of goods, products and services, and other income may also include: own goods and services capitalised, increase in inventories of unfinished and finished products and services (if during the year there was a decrease in the above mentioned inventories, by the amount of the decrease the total income is reduced), income from premiums, subsidies, grants, donations, etc.; and other operating income.

For financial reporting purposes, under operating income in the income statement revenues from own goods and services capitalised are not presented, as well as income from the change in value of inventories of finished and unfinished products and services (increase or decrease in inventories of finished and unfinished products and unfinished services), but operating expenses in the income statement are adjusted by these amounts.

Sales of goods are recognized when the following conditions are cumulatively satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of products and goods;
- the Company does not reserve participation in the management of the products and goods sold to the extent that is normally associated with ownership, retains control over the products and goods sold;
- the amount of revenue can be reliably measured;
- the inflow of economic benefits to the Company associated with the transaction is likely and
- the costs incurred or to be incurred in a given transaction can be measured reliably.

The income from rendering of services, in accordance with the relevant provisions of IAS 18 - Revenue, *income related to a certain transaction is recognized in accordance with the percentage-of- completion of these transactions as of the balance sheet date.* The result of the transaction can be reliably measured: when the amount of income can be reliably measured, when the inflow of economic benefits associated with that transaction into the Parent Company is probable, when the percentage-of- completion of that transaction as of the balance sheet date can be reliably measured and when the costs incurred in the given transaction and the costs of completing that transaction can be reliably measured.

Financial income includes financial income from subsidiaries and other associates, foreign exchange gains, interest income and other types of financial income.

Dividend income is recognized when it is right to receive payment is established.

Within **other income** (including the income from the fair value adjustment of other assets measured at fair value through profit and loss), in addition to other revenues, gains which may, but need not arise from the ordinary activities of the Parent Company are recorded. Gains represent increases in economic benefits of the Parent Company and, as such, by nature, are no different from other income. Gains include, for example, gains on the sale of property, plant and equipment; at a value exceeding the book value at the time of the sale.

As part of the **gain from discontinued operations, the effects of changes in accounting policies, previous periods error adjustments and the transfer of revenue**, gains are recorded according to the account titles of this group and the transfer of total revenues at the end of the period, which, for the purposes of financial reporting are presented in the net effect after deducting the relevant expenses.

7.4 Expenses

Expenses represent the outflow of economic benefits during the relevant period which results in a decrease of the Parent Company's capital, except for the decreases related to the allocation of profit to owners or decreases as a consequence of withdrawal of capital from the business by the owner. Expenses are reflected through the outflow of assets, decrease in the value of assets or increase of liabilities.

Expenses include operating expenses, financial expenses, other expenses (including expenses on impairment of other assets, which are measured at fair value through profit and loss) and a loss from discontinued operations, the effects of changes in accounting policies, prior periods error adjustments and the transfer of expenses.

Within **operating expenses** the following are stated**:** cost of goods sold, costs of material, salaries, costs of productive services, non-material costs, costs of depreciation and amortization, provisions, etc.

For financial reporting purposes, an adjustment to operating expenses in the income statement by the amounts of income from own goods and services capitalised and income from the changes in the value of inventories of finished goods and unfinished services and goods (increase or decrease in inventories of finished and unfinished products and services).

Financial expenses include financial expenses of related parties, foreign currency losses, interest expenses and other financial expenses.

Within **other expenses** (which include expenditures on impairment of other assets, measured at fair value through profit or loss), in addition to other expenses, losses that may, or may not, arise from the ordinary activities of the Parent Company are recorded. Losses (for example, shortages or losses on disposals of assets at the lower than the carrying value) represent a decrease in economic benefits and, as such, by their nature, are not different from other expenses.

As part of the losses from discontinued operations, the effects of changes in accounting policies and previous periods error adjustments expenses according to the account titles of this group and the transfer of total revenues at the end of the period, which, for the purposes of financial reporting are presented in the net effect after deducting the relevant expenses, are recorded.

7.5 Income taxes

Income taxes are accounted for as the sum of:

- Current tax and
- Deferred tax.

Current tax is the amount of the liability for the payable (recoverable) tax relating to the taxable profit (tax loss) for the period. In other words, the current tax is the income tax payable determined in the tax return for the income tax in accordance with the tax regulations.

Deferred tax is manifested in the form of:

- Deferred tax assets or
- Deferred tax liabilities.

Deferred tax is accounted for based on the relevant provisions of IAS 12 - Income Taxes, which, *inter alia,* specify that *deferred tax assets and deferred tax liabilities are not discounted.*

Deferred tax assets are the amounts of income tax recoverable in the future periods which relate to:

- Deductible temporary differences;
- Unutilized tax losses carried forward to the future period and
- Unutilised tax credit carried forward to the future period.

Deductible temporary difference arises when in the balances of the Parent Company, under certain conditions, expense is already presented, which will be recognised, from the tax aspect, in the future periods. Typical cases arise when the deductible temporary difference are as follows: tax value of assets subject to depreciation exceeds the carrying value of assets; from the tax aspect certain provisions are not recognised (IAS 19, issued guarantees and warranties), impairment of assets (goods, materials, etc.) and impairment of investment properties; from the tax aspect expenses on unpaid public revenues not depending on the result of operations are not recognised and losses arising when securities are measured at fair value through profit and loss.

For assets subject to depreciation, deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets subject to depreciation and their tax base (the value assigned to those assets for tax purposes). The deductible temporary difference exists when the carrying value of the asset is less than its tax base. In that case deferred tax assets are recognized, provided that it is estimated that in the future periods taxable profit will exist against which the Parent Company will be able to utilise the deferred tax ass. The amount of the deferred tax assets is determined by applying the prescribed (or announced) rate on the income tax of the Parent Company to the amount of the deductible temporary difference which was determined as of the balance sheet date.

If at the end of last year, the deductible temporary difference is deductible, based on which deferred tax assets are recognised, and, at the end of the current year, based on the same assets, temporary difference is taxable, the reversal of the previously established deferred tax assets as a whole is performed, while recognizing deferred tax liabilities in the amount determined at the balance sheet date.

Deferred tax assets arising from **the unutilised tax losses** are recognised only if the management estimates that in the future period the Parent Company will generate taxable profit, which it will be able to reduce based on the unused tax losses.

Deferred tax asset arising from the unutilised tax credit for investments into fixed assets is recognized only to the extent for which it is probable that in the future period taxable profit shall be realized in the tax balance, i.e., the calculated income tax against which the unutilized tax credit may be used.

Deferred tax assets may be recognised under other bases for which the Parent Company determines that the amounts of income tax shall be recoverable in future periods (for example, for provisions for the undue retirement benefits, which are determined in accordance with the relevant provisions of IAS 19- Employee benefits).

Deferred tax liabilities include income tax payable in future periods in against the taxable temporary differences.

Taxable temporary difference arises in cases when a certain expense is recognised from the tax aspect, while it will be recognised from the accounting aspect in the books of account of the Parent Company in the future periods.

In terms of assets subject to depreciation, deferred tax liabilities are recognised whenever there is a taxable temporary difference between the carrying value of assets subject to amortization and their tax base.

The taxable temporary difference arises in the cases when the carrying value of assets exceeds their taxable base.

Taxable temporary difference is determined as of the balance sheet date and is determined by applying the prescribed (or expected) income tax rate of the Parent Company on the amount of temporary taxable differences.

At each balance sheet date, the deferred tax liabilities are reduced to the amount determined based on temporary differences at that date. If at the end of last year, temporary differences were taxable, based on which the deferred tax liabilities are recognised, and at the end of the current year, based on the same assets, temporary difference is deductible, reversal of the previously established deferred tax liabilities as a whole is performed, while recognizing deferred tax assets of the Parent Company in the amount determined at the balance sheet date.

Deferred tax liabilities can be recognised on other grounds for which the Parent Company determines that the amounts of income taxes will be payable in the future periods against the taxable temporary differences.

7.6 Intangible assets

Intangible assets are assets without physical substance, which can be identified, such as: licenses, concessions, patents, licence, investments in development, trademarks, etc.

Assets meet the criteria of the possibility of identification when they are: separable, i.e., when they can be separated from the Parent Company and sold, transfer, license, rent or exchange, whether individually or together with the binding agreement, property or liability; or it occurs based on the contractual or other legal rights, regardless of whether these rights are transferable or separable from the Parent Company or from other legal rights or obligations.

In order to recognize an intangible asset, it is necessary for the requirements prescribed under IAS 38 - Intangible Assets to be met, i.e.:

- That it is certain that the future economic benefits, associated with the assets, shall flow into the Parent Company;
- That the Parent Company has the control over such assets and
- The cost can be reliably measured.

If one of the requirements is not met, expenditures for intangible assets are recognized against expenses in the period in which the expenditure was incurred.

Accounting recognition of internally generated intangible assets is determined by an assessment of whether the resultant is:

- A research phase or
- A development phase.

Intangible assets resulting from *research, or the internal research project,* are not recognized as intangible assets. Expenses arising from research or expenses arising in the research phase of an internal project are recognized as an expense in the period in which they arise.

The cost of internally generated intangible assets arising from *development* (or the development phase of an internal project) includes all the directly attributable costs necessary to create, produce and prepare the assets for functioning in the manner provided for by the Parent Company management.

The initial measurement of an intangible asset is carried out at cost.

The subsequent measurement of an intangible asset, subsequent to the initial measurement is performed at cost less accumulated amortization and impairment losses (in accordance with the relevant provisions of IAS 36 - Impairment of Assets).

7.7 Property, plant and equipment

P**roperty, plant and equipment** are tangible assets: used in production, for the delivery of goods, for providing services, for leasing to others or for administrative purposes; expected to be used for more than one accounting period.

The above mentioned general principle for the recognition of property, plant and equipment shall not apply only upon recognition of assets with lower value (for example, spare parts and servicing equipment), carried on inventories. The total value of an asset is transferred to current expenses when the item is first put in service.

Properties, plant and equipment are recognized as an asset: if it is probable that the future economic benefits associated with this asset will flow into the Parent Company and if its cost can be reliably measured.

Initial measurement of property, plant and equipment is carried out at cost, which includes: cost and all attributable costs of acquisition, i.e., all directly attributable costs of bringing the asset into the condition for its intended use.

Property, plant and equipment are divided into the following group:

a) land;
b) buildings;
c) plant and equipment; and
d) other.

Subsequent measurement of the group "Buildings" is carried at fair (fair) value, which implies market value, or the most likely value that can realistically be obtained at the market at the balance sheet date. The fair value is determined by an appraisal, carried out by a qualified appraiser, based on market evidence. When there is no evidence of fair value in the market, due to the specific nature of the asset and because such items are rarely sold, except as part of a continuing business, it may be necessary that the Company estimate fair value using the income approach or a depreciated replacement cost approach. Change in the fair value of buildings is recognized in total equity, within revaluation reserves.

The subsequent measurement of property, plant and equipment, except for the buildings**,** is carried out at cost less accumulated depreciation and accumulated impairment losses (according to IAS 36).

Measurement of subsequent expenditure on property, plant and equipment is carried out when:

- they are investments that extend the useful life of assets;
- they increase capacity;
- they improve the asset, whereby the quality of products is improved or
- they reduce production costs in comparison with the costs before the investment.

Costs of servicing, technical maintenance, minor repairs, etc., do not increase the value of assets but represent expenses of the period.

Leasehold improvements are stated and recognised on a special account, if it is probable that future economic benefits associated with the asset will flow into the Company. Depreciation on leasehold improvements is performed based on the useful life of these assets, which can be equal or shorter than the lease agreement term.

7.8 Amortisation and depreciation of intangible assets, property, plant and equipment

By **amortization and depreciation,** the amount of assets (intangible assets, property, plant and equipment) which is amortised/depreciated is allocated over their estimated useful lives.

The useful life is determined in the Company by applying the time method, so that the useful life of assets can be understood as a time period over which it is expected that the asset will be available to the Company for its use.

The amount to be amortised/depreciated, i.e., cost or another amount substituting that amount in the financial statements of the Parent Company, decreased by the residual value is systematically allocated over the estimated useful life of assets.

Residual value is the estimated amount that the Company would receive today if it sold the asset, after deducting the estimated costs of disposal and assuming that the asset at the end of useful life and in the condition expected at the end of useful life.

Residual value of intangible assets is always assumed to be zero, except in the cases:
- When there is a third party's obligation to buy intangible assets at the end of their useful life or
- When there is an active market for intangible assets, assuming that such a market will exist at the end of the life of the asset, when the residual value can be determined by reference to that market.

The residual value and useful life of assets are reviewed at each financial year by the competent appraiser. If the new estimates differ from previous estimates, the change is treated as the change in accounting estimates and is accounted for on the basis of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Residual value as a result of the assessment of the asset may increase to an amount equal to the carrying value of the asset or greater. In this case, the depreciation charge will, in the remaining useful life of the asset amount to zero, unless, as a result of subsequent appraisals, the residual value is reduced to an amount lower than the carrying value.

Depreciation is carried out using the **straight-line method** (proportional method), and the depreciation commences **when an assets becomes available** for use, i.e., when the asset is at the location and in the condition ready for use in the manner provided for by the Company.

Amortisation of intangible assets is conditioned by the assessment if their useful lives are definite or indefinite. Intangible assets not subject to depreciation if it is estimated that they have an indefinite useful life, that is, if, based on an analysis of all relevant factors the end of the period when it is expected that the intangible assets will generate an inflow of net cash flows to the Company can be predicted.

Depreciation is not calculated for assets which do not lose their value over time (e.g., the artwork) of assets that have an indefinite useful life (e.g., land).

For an asset acquired through financial leasing, depreciation is calculated as for other assets, except when it is not known whether the Company will acquire ownership of the asset, the asset is fully depreciated over the shorter of the lease term or the useful life.

The calculation of depreciation ceases when the asset is derecognised (ceases to be recognized as an asset) and reclassified as a non-current asset held for sale or as part of discontinued operations. Therefore, the depreciation is calculated when the asset is not in use, or when not in active use, if the asset is not reclassified as a non-current asset held for sale or as part of discontinued operations.

For the purposes of the tax balance, i.e., tax purposes, depreciation of assets is carried out in accordance with the applicable tax regulations.

Assets which, according to IFRS 5 - Non-current assets held for sale and discontinued operations are classified as held for sale at the balance sheet date are classified as current assets and valued at the lower of the carrying value and fair value (fair) value less costs to sell.

7.9 Impairment of intangible assets, property, plant and equipment

At each balance sheet date competent persons from or outside the Parent Company, review assets to determine whether there is an indication that the carrying value of an asset (intangible assets, property, plant and equipment) is impaired, i.e., to determine whether the carrying amount exceeds the recoverable amount of that asset.

If there are indications that the assets have been impaired, in accordance with the provisions of IAS 36, the assessment of the recoverable amount of such assets is performed.

The recoverable amount is the higher of**:**
- the fair value less costs to sell; and
- the value in use.

Fair value less costs to sell is the expected net realisable price of that asset, i.e., the amount that can be acquired by selling an asset in an arm's length transaction between knowledgeable, willing parties, less costs to sell.

The value in use is the present value of the estimated future cash flows that are expected to arise from the continued use of assets through their useful life, and their sale at the end of the useful life. The discount rate used at determining the present value reflects the future market value of money, as well as risks inherent to that asset.

The recoverable amount is estimated for each separate asset or, failing that, for the cash generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets which generates cash inflows that are independent to the greatest extent from the cash inflows of other assets or groups of assets.

If it is determined that the value of assets was impaired, the carrying value is reduced to its recoverable amount. Impairment loss is accounted for as follows:
- in case that previously for that asset revaluation reserve has been established, by reducing the revaluation reserves; and
- in case that previously for that asset the revaluation reserve has not been established, as an expense of the period.

7.10 Investment properties

Investment property is the property held by the owner or lessee in the financial lease in the aim of generating income from lease, or an increase in capital or both, and not for:

- the use in production, at acquiring goods and services, or for administrative purposes; or
- the sale within the course of regular operations.

Investment property is, in accordance with the provisions of IAS 40 - Investment Property, recognized as an asset: if it is probable that the future economic benefits associated with investment property will flow to the Group; and if its cost can be reliably measured.

The initial measurement of investment property at acquisition (purchase) is performed at cost, whereat the acquisition costs are included in cost.

Subsequent expenditure relating to the already recognized investment property is attributed to the carrying account of investment property if it meets the requirements to be recognized as a fixed asset, i.e., if the useful life of the expenditure exceeds an accounting period, if it is probable that the future economic benefits associated with that expenditure shall flow into the Company and if the cost of that expenditure can be reliably measured.

After the initial measurement**,** the **subsequent measurement of the investment property** is carried at fair value. Fair value implies its market value, i.e., the most probable value which can be realistically achieved on the market, as of the balance sheet date.

The change in fair value of investment property a specific period is included in the result of the period in which the increase/decrease has occurred.

Investment property ***is not subject to depreciation and impairment reviews.***

Investment property is derecognized on disposal or when it is no longer used and no future benefits from its disposal are expected. Gains or losses on the sale or disposal of investment property are recognized in the income statement in the year when the asset is sold or disposed.

7.11 Non-current assets held for sale

The Parent Company recognizes and presents the non-current assets (or the available group of assets) as **assets held for sale** in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, if their carrying value can be primarily recovered through a sale transaction, not through further use. In order to consider this requirement met:

- an asset (or a group for sale) has to be available for immediate sale in its present condition, exclusively under the conditions customary for the sale of such assets (or the group held for sale); and
- the sale of such assets has to be highly likely.

A non-current asset recognised as an asset held for sale is **measured** (stated) at the lower of:

- the carrying value and
- fair value less costs to sell.

The carrying value is the present value stated in the Parent Company's books of account. *Fair value* is the amount at which the asset may be exchanged between knowledgeable and willing parties in an arm's length transaction, i.e., market value as of the date of sale.

Costs to sell are costs directly attributable to the sale of assets.

Non-current assets held for sale are not depreciated. Written-off assets, as well as assets whose carrying value is insignificant, shall not be recognized as assets held for sale.

7.12 Financial instruments

Financial instruments include financial assets and liabilities which are recorded in the Parent Company's balance sheet on the date upon which the Parent Company becomes counterparty to the contractual provisions of a specific financial instrument, until the Parent Company loses control of the contractual rights governing such instruments (by realization, expiry, ceding, etc.), i.e., until the Parent Company settles or cancels the financial liability or when it expires.

Financial assets and financial liabilities, according to the provisions of IAS 32, can have a large number of manifestations, such as: cash, equity instrument of another entity, contractual right to receive cash, other financial assets or an exchange of financial assets and liabilities with another entity which are potentially favourable for the Parent Company; the contractual obligation to give cash or another financial asset to another entity, or the right to exchange a financial asset or financial liability with another entity at potentially unfavourable conditions for the Parent Company, etc.

Recognition and accounting for financial instruments is subject to their classification which is, according to the characteristics of a financial instrument, performed by the Parent Company's management.

Upon classification of each individual financial instrument, the Parent Company management may classify it in one of the four possible types of financial instruments specified by the provisions of IAS 39, such as:

- the financial asset or financial liability at fair value through profit or loss,
- investments held to maturity,
- loans and receivables and
- financial assets available for sale.

A financial asset or liability **at fair value through profit or loss** includes financial assets and liabilities whose changes in fair value are credited or debited as appropriate to the income statement.

Financial asset or liability classified into this category should meet any of the following conditions:

- to be classified as an asset or liability held for trading or
- subsequent to the initial recognition it is indicated that in the Parent Company it is classified and recognized as a financial asset (liability) through profit or loss.

Financial asset or financial liability is classified as held for trading if: it was acquired or created primarily for sale or repurchase in the near future, a part of portfolio of identified financial instruments managed jointly and for which there is evidence on the recent model of short-term realization of profit, or a derivative (except for the derivatives which are hedging instruments).

The Company may indicate that the instrument shall be recorded through profit or loss only when it results in more relevant information, as it eliminates or substantially removes the measurement or recognition inconsistencies that would arise otherwise due to the measurement of assets or liabilities, or recognition of gains or losses on different grounds; or a group of financial assets, financial liabilities or both, is managed and their performances are evaluated based on fair value in accordance with the documented risk management or investment strategy, and the information of the group is internally prepared accordingly and presented for the key management of the Parent Company.

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities the Parent Company definitively intends to hold until maturity, except for those the Company recognizes at fair value through profit or loss subsequent to the initial recognition, or as available for sale and those that meets the definition of loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed on an active market, except for:

- assets which the Company intends to sell immediately or within a short-period that would then be classified as assets held for trading;
- assets the Company records subsequent to the initial measurement at fair value through profit or loss;
- assets indicated as available for sale by the Company subsequent to the initial measurement, or
- assets for which the holder cannot to a significant extent recover its total initial investment, which will be classified as available for sale.

Financial assets available for sale are non-derivative financial assets recognized as available for sale and have not been classified into the above mentioned types of financial instruments.

At initial measurement of a financial instrument, the Company performs the measurement at fair value increased by transaction costs which can be directly attributed to acquisition or issuance of the financial asset or liability, in case the financial instrument is not designated for measurement at fair value with the changes of fair value through profit or loss.

Subsequent measurement of the financial instrument is carried out at fair value, without deduction of transaction costs which may arise from sales or other disposals, except for the following financial assets:

- loans and receivables, which are measured at amortised cost using the effective interest method;
- investments held to maturity, which are measured at amortised cost using the effective interest method; and
- investments into equity instruments that do not have a quoted market price in an active market whose fair value cannot be reliably measured, which are measured at cost.

Fair value of assets is the amount at which the asset can be exchanged or the liability can be settled by knowledgeable, willing parties in an arm’s length transaction. If there is an active market for the financial instrument, its fair value is determined in accordance with the information available from that market; and if there is no active market for such instrument, fair value is determined by valuation techniques specified by the relevant provisions of IAS 39. Positive (negative) effects of changes in fair value for financial instruments stated at fair value through profit or loss, are stated as gains (losses) in the period the change has occurred; and when financial instruments available for sale are in question, they are stated within unrealized gains/losses arising with respect to securities available for sale until the moment of sales, when the effects are transferred to profit (loss). The exception to the foregoing are the costs of permanent impairment and foreign exchange gains (losses) which are recognized in profit (loss) immediately for the financial instruments classified as available for sale.

Amortised cost is the present value of all the expected future cash payments or receipts during the expected useful life of a financial instrument. Upon the calculation of amortised cost of a financial instrument, the discount method applying the effective interest rate is used. Positive (negative) effects of the changes in amortised cost of an instrument are recognized at the moment of derecognition of a financial instrument, except in the case when the value of an instrument has been impaired, when the loss is recognized immediately.

7.13 Cash and cash equivalents

The most liquid forms of the financial asset of the Parent Company are **cash and cash equivalents**, which are measured at nominal, i.e., fair value. Within cash and cash equivalents of the Parent Company, the following are presented: securities, cash on hand in RSD and foreign currency, cash and cash equivalents on RSD and foreign currency accounts with banks, allocated cash for the open letters of credit in the country, foreign currency letters of credit, short-term highly liquid placements which can readily converted into cash without a significant risk of a decrease in their value, cash shoes use is restricted or value diminished, etc.

The criteria by which the assets of the Parent Company are classified as part of cash and cash equivalents are specified under the relevant provisions of IAS 7 - Cash Flow Statement, by which:

- Cash includes cash and demand deposits, and
- Cash equivalents are short-term, highly liquid investments that can be quickly converted to known amounts of cash and are not subject to significant risk of changes in value, including investments that have a short maturity (three months or less).

7.14 Short-term receivables

Short-term receivables include receivables from the sale of products, goods and services to related companies and other legal entities and individuals at home and abroad as well as receivables on other grounds (interest and dividends receivable, receivables from employees, receivables from state bodies and organizations, receivables for overpaid taxes and contributions, etc.), which are expected to be realised within the period of 12 months after the balance sheet date.

Short-term trade receivables are measured at the original invoice amount and subsequently at invoiced value net of allowance for impairment of uncollectible receivables. If the amount in the invoice is stated in a foreign currency, translation into the functional currency is performed at the median exchange rate prevailing as of the date of transaction. Changes in the foreign exchange rate from the date of transaction to the date of collection of receivables are stated as foreign exchange gains or losses and credited/debited as appropriate, to income and expenses.

Receivables denominated in foreign currency as of the balance sheet date are translated at the prevailing median exchange rate, and foreign currency gains/losses are recognized as income or expenses of the period.

In the Company, as of the balance sheet date, each individual receivable is estimated in terms of reality, as well as the probability of collection, i.e., each individual receivable is reviewed for impairment.

On **assessment of impairment of receivables**, it is considered that the Parent Company suffered impairment losses if there is objective evidence (for example, major financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) of impairment as a result of an event after the initial recognition of assets and that loss has an impact on the future cash flows from the financial asset or a

Company of financial assets which can be reliably measured. If there is no objective evidence, the assessors shall use their experience and judgement to assess the collectability of receivables.

If it is estimated that the short-term receivables have been impaired, the:

- allowance for impairment; or
- direct write-off.

Allowance for impairment against the expenses of the Parent Company is carried out through the allowance account. The Decision on the allowance for impairment through the allowance account is passed by the Parent Company's Board of Directors subsequent to the deliberation and the proposal of the Commission for the inventory count of payables and receivables within the regular inventory count, or on the proposal of professional services during the year.

Allowance for impairment is carried out based on the Parent Company management's estimate if the uncollectability is almost entirely certain (in case of receivables obsoleteness, bankruptcy of the debtor, etc.). The Decision on direct write-off is passed by the Parent Company's Board of Directors subsequent to the deliberation and the proposal of the Commission for the inventory count of payables and receivables within the regular inventory count, or on the proposal of professional services during the year.

Allowance for impairment and direct write-off is performed only based on relevant circumstances and balances as of the balance sheet date.

Losses expected as a result of future events, i.e., events after the balance sheet date, regardless of their probability, are not recognized, but disclosed in the Notes to the financial statements.

7.15 Financial placements

Short-term financial placements include loans, securities and other short-term financial placements with the maturity date of one year after the balance sheet date.

Within short-term financial placements a portion of long-term loans of the Parent Company is presented, whose collection is expected within a year after the balance sheet date.

As for the other assets that are classified as short-term, securities of the Parent Company whose realization (payment) is expected in the period of one year from the balance sheet date are stated within short-term financial placements. Thus, for example, securities classified as securities held to maturity - portion due within a year are stated as short-term financial placements.

Different types of investments are stated within **long-term financial placements,** such as: equity investments and other securities available for sale, long-term loans, and long-term securities held to maturity, repurchased treasury shares and other long-term financial placements.

Equity investments in subsidiaries and other related parties, based on relevant statutory provisions of IAS 27 - Consolidated and Separate Financial Statements, are accounted for by the Company according to the cost method. However, if it is, as required under IAS 36 - Impairment of Assets, determined that the recoverable value of the equity investment is lower than cost, the Company reduces the value of the investment to its recoverable amount, and the reduction of the investment (impairment) is stated as an expense of the period the impairment was established.

When subsequent measurement of long-term financial placements is concerned, the classification the Parent Company performs in accordance with the character of the financial instrument (financial asset or liability at fair value through profit or loss, investment held to maturity, loans and receivables and financial assets available for sale is relevant).

7.16 Liabilities

A liability is the result of past transactions or events, whose settlement usually implies the waiver of economic benefits (resources) of the Parent Company in order to satisfy the claim of another party.

In the **valuation of liabilities** pursuant to the Framework for the preparation and presentation of financial statements, the liability is stated in the balance sheet:

- if there is a probability that an outflow of resources embodying economic benefits will result in the settlement of present liabilities and
- the settlement amount may be reliably measured.

In addition, the *prudence principle* is applied. This means applying caution in the valuation to prevent overstatement of the property and income and understatement of liabilities and expenses. The prudence principle should not result in establishing substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), the financial statements to become impartial and therefore unreliable.

Liabilities include: long-term liabilities (payables to related parties; long-term loans and loans in the country and abroad, liabilities from long-term securities, liabilities arising from finance lease and other long-term liabilities), short-term financial liabilities (short-term borrowings and loans from related parties, short-term borrowings and loans in the country and abroad, a portion of long-term loans and borrowings, as well as other liabilities due within one year and other short-term financial liabilities), short-term accounts payable (trade and other payables) and other short term liabilities.

Short-term liabilities se include liabilities expected to be settled within a year after the balance sheet date, including portions of long-term liabilities that meet the above mentioned requirements, while *long-term liabilities* include liabilities expected to be settled over a longer period of time.

For liabilities denominated in foreign currencies, as well as liabilities tied to the foreign currency clause translation into the functional currency at exchange rates prevailing at the dates of the transactions is performed. Exchange rate fluctuations until the date of settlement are recorded as foreign exchange gains (losses). Liabilities in foreign currency on the balance sheet date are translated according to the current exchange rate, and foreign exchange differences are recognized as income or expense.

Decrease of liabilities under court decisions, out of court settlements, etc.; is established by direct write-off.

7.17 Provisions, contingent liabilities and contingent assets

A provision, in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, represents a liability with an uncertain maturity period or amount.

The Company recognizes a provision if the following three conditions are met:

- when a Parent Company has a present obligation (legal or constructive) as a result of past events,
- when it is probable that the outflow of resources embodying economic benefits shall be required to settle the liability and
- when the amount of the liability can be reliably estimated.

Substantially, provisions are established only for liabilities which are the result of past events, which exist independently of the future Parent Company's activities. Therefore, provisions are not recognized for future operating losses.

For the purpose of recognizing provisions, it is deemed that it is probable that the required settlement of the Parent Company's liabilities shall cause the outflow of resources embodying economic benefits, when it is more probable than not, that the outflow of resources shall occur, i.e., that the likelihood of settling these liabilities of the Parent Company shall cause the outflow or resources is higher than the likelihood that it will not.

Provisions can be established on different grounds, such as: for costs of the warranty period, for costs of recovery of natural resources, for retained deposits and retainers, for restructuring costs, for employee benefits and other employee benefits and on other grounds.

Upon measurement of provisions, the amount recognized as provision is the best estimate of the expenses of the Parent Company required to settle the present liability as of the balance sheet date. In other words, that is the amount the Parent Company would pay on the balance sheet date to settle the liability or to transfer that liability to the third party.

Provisions for expenses and risks are monitored by type, reviewed at each balance sheet date and adjusted to reflect the best possible present estimate. When the outflow of the economic benefits is no longer probable, provisions are derecognised. Derecognition is credited to income.

When the effect of the time value of money is significant, the amount of provision is the present value of the outflows required to settle the liabilities. Upon calculation of the present value discount rates are used, i.e., pre-tax discount rates which reflect the current market estimates of the time value of money and risks inherent to the liability.

A contingent liability is:

- possible liability arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Parent Company; or

- a present liability that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits of the Parent Company will be required to settle the liability or the amount of the liability cannot be reliably estimated.

A contingent liability is constantly re-evaluated (at least on the balance sheet date). When the outflow of economic benefits for contingent liabilities becomes probable, provisions and expenses are recognized in the financial statements of the Parent Company during the period in which the change in probability occurs (except in the rare circumstances where no reliable estimate can be made).

Contingent assets are possible assets arising from past events whose existence shall be confirmed only by the occurrence or the lack of occurrence of one or more uncertain future events which are not entirely under the Parent Company's control.

Contingent assets are not recognized in the financial statements of the Parent Company, but, in the event that an inflow of economic benefits is probable, it is disclosed.

Contingent assets are continuously reviewed (at least as of the balance sheet date) in order to ensure that the financial statements reflect appropriately the development of the underlying event. If it becomes certain that the inflow of economic benefits arising from contingent assets will occur, assets and income associated with them are recognized in the consolidated financial statements of the Parent Company in the period in which the change has occurred.

7.18 Employee benefits

From the **standpoint of taxes and mandatory taxes and contributions** for mandatory social insurance, in accordance with the regulations prevailing in the Republic of Serbia, the Parent Company has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and the employer, in an amount calculated by applying the legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds.

These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise. The Company, subsequent to the retirement of employees, is not obliged to pay any post-employment benefits.

For the assessment of provisions arising from employee benefits and other employee benefits, the relevant provisions of IAS 19 - Employee Benefits are used. Provisions for employee benefits and other employee benefits include, for example: provisions for outstanding retirement benefits and provisions paid as the result of the Parent Company's decision to terminate an employee's employment before the normal retirement date or the decision of the employee to voluntarily accept that he/she is redundant in exchange for a severance pay. Upon making estimates of the liabilities upon the termination of employment, based on the relevant provisions of IAS 19, the discount rate used is generally determined in accordance with the market yields as of the balance sheet date for the high-quality corporate bonds. Alternatively, as specified under IAS 19, until such time when in the Republic of Serbia there is a developed market for corporate bonds, for the evaluation of the Parent Company's liabilities upon termination of employments market yields (as of the balance sheet date) of government bonds shall be used.

The currency and the maturity period of corporate or government bonds should be in accordance with the currency and the estimated maturity period for post-employment benefits. If the Parent Company uses for the assessment of liabilities upon termination of employment, due to the underdeveloped market of government bonds, as a benchmark it uses the yield of government bonds whose maturity period is shorter than the estimated maturity date of payments based on the underlying benefits, the discount rate is determined by estimating the yield on the benchmark securities on long-term basis.

Retirement benefits are payable in the Parent Company in accordance with the new provisions of the Collective Bargaining.

7.19 Information on business segments

An operating segment is a part of the assets and business operations that provide products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment provides products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

8. FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT IN THE PARENT COMPANY

Uncertainty regarding the future events is one of the main specifics of operation under the conditions of market-oriented commercial environment, which is reflected in several possible, i.e., potential outcomes. Due to the uncertainty about which of the potential events will actually take place, legal entities are exposed to various risks in their operations, which may affect their future market position.

From the standpoint of the Parent Company, there is a large number of potential risks which can have an adverse impact on the Parent Company's results and operations with different intensity. Some (specific) risks are caused by internal factors, such as, for example: *concentration risk,* which in the case of the Parent Company may be manifested by exposure to an individual or a smaller group of customers and suppliers; *operational risk,* which is manifested in the possibility of the occurrence of adverse effects due to unintended and deliberate oversights in the work of employees, inadequate internal procedures and processes, inadequate management of information systems in the Parent Company, etc.; *reputational risk,* which comprises the possibility of deterioration of the Parent Company's position due to the loss of confidence or creating a negative image in the public (state institutions, suppliers, customers, etc.) regarding the Parent Company's operations; *legal risk,* which is manifested in the possibility of the occurrence of adverse effects due to penalties and sanctions arising from legal actions due to the failure to meet contractual or legal obligations, etc.

As most of these, as well as certain other unmentioned risks, are the subject of other parts of these Notes or other internal acts of the Parent Company (for example, mitigation of the operational risk, through the adopted procedures and work instructions, *inter alia,* are the subject the Rule Book on Accounting and Accounting Policies of the Parent Company), the emphases in the further text shall be on the consideration of the financial risk, which, primarily, includes:

- credit risk,
- market risk and
- liquidity risk.

Financial risks are significantly conditioned by the (external) factors which are not directly controlled by the Parent Company. Therefore, the amount of financial risk is significantly affected by the Parent Company's environment, which is not determined only by the development of the economic environment, but also by legal, financial and other relevant aspects which determine the amount of system risks.
In general, as compared to the markets of developed economies, the markets on which the Parent Company operates, both underdeveloped in terms of economic development and macroeconomic stability and high illiquidity, such as the Republic of Serbia, are significantly exposed to financial risks. In addition, insufficient development of the financial market prevents the use of a wide range of hedging instruments which are characteristic for developed markets. For example, the Parent Company operating in the Republic of Serbia does not have the ability to use a larger number of derivative financial instruments in financial risks management, due to the fact that such instruments are not widely used and there is no organized continuous market of financial instruments.

Financial risk management is a comprehensive and reliable system of governance geared towards minimizing the potential negative impact on the financial condition and operations of the Parent Company, in terms of the unpredictability of financial markets.

Recognising the limitations in the financial risks management specific to the operations on the Serbian market, the need to approach these matters adequately is clear, which is recognized by the Parent Company management. Essentially, the Parent Company's financial management should ensure that the risk profile of the Parent Company should always be in compliance with the Parent Company's propensity to risks, i.e., in accordance with the acceptable structure and levels of risk the Parent Company intends to take in order to achieve its business strategy and objectives.

The analysis of the Parent Company's operations in the prior period, as well as the structure of the balance sheet and income statement items, it can be concluded that the Parent Company is significantly exposed to different types of risks.
We shall present below:

- the Parent Company's financial risk profile, i.e., the assessment of the structure and the level of financial risk the Parent Company is exposed to in its operations;
- measures for the identified Parent Company's financial risks management and
- capital risk management, which, although it does not belong to any of the individual types of financial risk, affects the amount of each of the deliberated types of risk significantly.

8.1 Credit risk

Credit risk is the risk of the possibility of the occurrence of adverse effects to the financial result and the capital of the Parent Company due to the debtor's failure to settle, in the specified deadlines, its liabilities to the Parent Company.

The credit risk does not only include the debtor-creditor relations arising from the sales of the Parent Company's products, but also those credit risks arising from other financial instruments, such as, for example, the Parent Company's receivables arising from long-term and short-term financial placements.

The Parent Company has significant concentrations of credit risk of the collection of receivables from customers, which have a very long credit period extended by the Parent Company due their lack of liquidity. The tables below present:

- the structure of short-term receivables which have not been impaired,
- the ageing structure of short-term receivables which have not been impaired,
- the structure of short-term receivables which have not been impaired.

The structure of short-term receivables which have not been impaired	*in RSD 000*	
	2018	*2017*
Trade receivables:		
DOMESTIC RECEIVABLES		
RECEIVABLES FROM RELATED PARTIES	-	209
EPS	129,430	171,797
TEPSCO	15,098	53,370
Other SERBIA	5,005	17,682
FOREIGN RECEIVABLES SERBIA	27,062	11,390
FOREIGN RECEIVABLES		
Buyers OMAN		
OETC	66,185	108,643
PAEW	76,123	64,697
OWSC	14,758	12,494
Other	13,058	18,873
Buyers QATAR		
KAHRAMAA QATAR	360,855	635,515
QP QATAR	-	40,926
OTHER QATAR	208,651	231,462
Buyers EMIRATES		
DUBAI		
DEWA Contracts DUBAI	181,089	54,689
MERAAS DUBAI	41,848	35,064
OTHER DUBAI	220,254	106,248
ABU DHABI		
TRANSCO ABU DHABI	24,391	12,592
ADDC ABU DHABI	9,752	2,088
OTHER ABU DHABI	8,767	
Total	***1,402,325***	***1,577,740***
Receivables from specific operations and other receivables:	170,508	72,963

The Parent Company has no collaterals issued.

The ageing structure of short-term receivables which have not been impaired	*in RSD 000*	
	2018	*2017*
Related parties:		
a) Current	-	209
b) Up to 30 days	***-***	***209***
Total		
Domestic receivables:	87,703	177,167
a) Current	6,936	12,074
b) Up to 30 days	-	-
c) 30 - 60 days	4,000	-
d) 60 - 90 days	-	-
e) 90 - 365 days	50,894	11,628
f) Over 365 days	***149,533***	***200,869***
Total		
a) Current	862,612	630,090
b) Up to 30 days	73,125	270,929
c) 30 - 60 days	36,413	169,582
d) 60 - 90 days	7,505	45,634
e) 90 - 365 days	167,221	157,463
f) Over 365 days	105,916	102,964
Total	*1,252,792*	*1,376,662*
TOTAL	***1,402,325***	***1,577,740***

8.2 Market risk

Market risk is the risk of adverse effects on the financial result and the capital of the Parent Company due to losses within the balance sheet positions, arising as the result of negative market price movements and other relevant financial parameters.
Market risk includes three types of risks:

- foreign currency risk,
- interest rate risk and
- price risk

8.3 Currency risk

The currency risk, also called foreign exchange risk or exchange rate risk, is a risk of fair value fluctuation or the fluctuation of future financial instruments cash flows due to the change in exchange rates. The currency risk arises from consolidated financial instruments in foreign currency or the currency other than the currency (functional) in which the consolidated financial instruments are measured in financial statements.

The Group operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, primarily in US Dollar.

The sensitivity analysis, presented in the following text, indicates that negative variations in the exchange rate will affect significantly variations in financial results of the Group. **Therefore, we may conclude that the**

Group is significantly exposed to the currency risk.

The following table, based on information from the exchange sub-balance, shows carrying value of monetary assets and liabilities.

Assets in USD		***Liabilities in USD***	
2017	**2018**	**2017**	**2018**
3,186,390	3,255,016	2,230,717	2,318,053

Assets in USD include all receivables and cash equivalents (related to convertible currency) which Group includes in its consolidated financial statement.

Liabilities in USD include all outstanding (related to convertible currency), which Group includes in its consolidated statement

Given reported differences in foreign currencies sub-balances, the following table shows sensitive analysis of the Group on nominal growth rate RSD of 10% in relation to the foreign currency. The sensitivity rate of 10% is a reasonable estimate of expected changes in foreign exchange rates. Sensitivity analysis includes only cash assets, outstanding payment and accounts payable expressed in foreign currency and harmonizes their translation at the end of period for potential depreciation or appreciation of functional currency against foreign currencies.

Although, embodiments of the group, the currency risk includes many type of different currencies (analysis of exchange sub-balance group, it can be stated that the group is most sensitive to the change of USD, and of other currencies a significant effect can be a change of Euros), the sensitivity analysis is performed in a manner that means identical fluctuation of all currencies relevant to the group.

Along with other variables unchanged. appreciation of the national currency would cause a positive impact on the result of the current period due to the positive effects of net foreign exchange gains from foreign currency assets and liabilities. Along outlined, with other variables unchanged, the depreciation of the national currency would cause a negative impact on the result of the current period due to the negative effects of net foreign exchange gains from foreign currency assets and liabilities.

Sensitivity analysis of results in the case of depreciation of the national currency by 10%	*in RSD 000*	
	2018	*2017*
THE NET IMPACT ON RESULT FOR CURRENT PERIOD	11,548	9,472

Note: Net effect on the result of current period is calculated as follows: (FX assets in USD - FX liabilities in USD) x 10% x middle exchange rate placed on the balance sheet date.

8.4 Interest rate risk

Interest rate is the risk of adverse effects to the Parent Company's result and capital due to negative fluctuations of interest rates. The Parent Company is exposed to this kind of risk across the positions of borrowings taken with the potentially variable interest rates (Belibor, Euribor), as well as due to the measurement of penalty interest due to delinquency in payments.

The major suppliers, according to the balance of payables as of the balance sheet date are presented in the table below.

The structure of trade payables	*in RSD 000*	
	2018	*2017*
Domestic trade payables (related and other legal entities):		
ENERGOPROJEKT HOLDING	686	30,512
ENERGOPROJEKT ENERGODATA	3,173	549
ENERGOPROJEKT HIDROINZENJERING	12,255	
OTHER RELATED PARTIES	1,564	8,786
TEHNICKI CENTAR - INSPEKT DOO	13,492	-
GRADJEVINSKI FAKULTET	10,708	
MASINSKI FAKULTET	21,637	
BET BALKAN ENERGY TEAM	9,673	
Other domestic	16,567	18,860
Total	**89,755**	**58,707**
Foreign trade payables (related and other parties):		
DOMESTIC		
FICHTNER I AF CONSALTING	16,216	-
QATAR		
AGENT RES. OPTIMUM	162,061	161,642
SPONSOR QATAR	126,551	95,597
RENTS QATAR	25,962	46,581
COOPERATION WMR CONTRACT - LAHMEYER GKW	17,984	37,455
CONSULTANT	82,233	113,997
QATAR OTHER	49,708	15,688
OMAN		
SPONSOR OMAN	28,310	45,152
OMAN RENTS	3,499	5,595
OMAN OTHER	24,976	16,241
EMIRATES		
EMIRATES RENTS	17,275	10,391
CONSULTANTS EMIRATES	18,003	14,944
OTHER EMIRATI	16,860	6,507
SPONSOR EMIRATI	-	-
Total	**589,638**	**569,790**
Other payables	742	
TOTAL:	**680,135**	**628,497**

The Parent Company does not place any collaterals for securing payments.

The structure of trade payables	*in RSD 000*	
	2018	*2017*
Related parties:		
a) Current	15,233	39,448
b) up to 30 days	1,290	399
c) 30 - 60 days	1,155	
Total	**17,678**	**39,847**
Domestic payables:		
a) Current	72,077	18,860
Total	**72,077**	**18,860**
Foreign payables:		
a) Current	589,638	429,736
b) up to 30 days	-	135,907
c) 30 - 60 days	-	3,146
d) 60 - 90 days	-	1,001
Total	**589,638**	**569,790**
TOTAL	***679,393***	***628,497***

8.5 Price risk

The price risk is the risk that the fair value or future cash flows of a financial instrument shall fluctuate due to changes in market prices (other than those arising due to interest rate or foreign currency risk), whether due to factors specific to individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

8.6 Liquidity risk

Liquidity risk is the risk that the Parent Company will have difficulties in settling liabilities when they fall due, while maintaining an adequate amount and structure of current assets and preserving good credited worthiness.

The most significant liquidity ratios of the Parent Company are presented in the table below, as follows:

- current liquidity ratio (ratio of current assets and current liabilities), indicating the amount of RSD of current assets covering each RSD of current liabilities;
- quick liquidity ratio (ratio of liquid assets, including total current assets minus inventories and prepayments and accrued income; and current liabilities), which indicates the amount of liquid assets in RSD covering each RSD of current liabilities;
- cash liquidity ratio (ratio of cash increased by cash equivalents and current liabilities), which indicates the amount of cash assets in RSD covering each RSD of current liabilities; and
- net current assets (the difference in value between current assets and current liabilities).

Drawing conclusion on the liquidity ratios, derived based on the ratio analysis, inter alia, includes their comparison with the satisfactory general standards, which are also presented in the table below.

Liquidity ratios	**Satisfactory general**	***2018***	***2017***
Current liquidity ratio	2 : 1	1.99 : 1	2.26 : 1
Quick liquidity ratio	1 : 1	1.65 : 1	2.24 : 1
Cash liquidity ratio		0.21 : 1	0.52 : 1
Net current assets (in RSD thousand)		**1,908,322**	**2,153,738**

8.7 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital and to provide returns for shareholders.

Although there are various criteria by which conclusions on the viability of the assumption on the Parent Company's long-term existence can be drawn, it is certain that profitable operations, as well as the satisfactory financial structure, are among the fundamental criteria.

The best representation of **profitability** is the return rate on average own capital, which indicates the return on one RSD of deployed average own resources. Upon calculation of this profitability ratio, the average own capital is defined as the arithmetic mean value of capital at the beginning and end of year.

Profitability indicators	*in RSD 000*	
	2018	*2017*
Net profit/loss	464,125	599,761
Average capital:		
a) Capital - beginning of the year	3,514,128	3,755,194
b) Capital - end of year	3,610,058	3,514,128
Total	*3,562,093*	*3,634,661*
Yield rate - end of the year	***13.03%***	***16.50%***

The adequacy of financial structure is reflected in the amount and character of the indebtedness.

The following tables present the most important indicators of the Parent Company's financial structure, as follows:

- the share of borrowings in the total sources of funds, which indicates the amount by which one RSD of the Parent Company's assets is financed from the borrowed sources; and
- the share of long-term sources of assets in the total sources of assets, which indicates the amount by which one RSD of the Parent Company's assets is financed from the long-term sources.

Financial structure indicators	*in RSD 000*	
	2018	*2017*
Liabilities	1,922,883	1,717,296
Total assets	6,300,683	6,016,730
Share of borrowing in total sources of assets	*0.31*	*0.29*
Long-term assets:		
a) Capital	3,610,058	3,514,128
b) Long-term provisions and long-term liabilities	708,946	728,613
Total	*4,319,004*	*4,242,741*
Total assets	6,300,683	6,016,730
Share of long-term in total sources of assets	**0.69 : 1**	**0.71 : 1**

Net debt ratio indicates the amount by which each RSD of net debt of the Parent Company is covered by the Parent Company's equity.

Net indebtedness shall mean the difference between:

- total (long and short-term) financial liabilities of the Parent Company (total liabilities minus capital, long-term provisions and deferred tax assets of the Parent Company); and
- cash and cash equivalents.

The parameters for calculating the net debt ratio to total capital	*in RSD 000*	
	2018	*2017*
Net debt:		
a) Liabilities	1,922,883	1,717,296
b) Cash and cash equivalents	399,785	892,890
Total	*1,523,098*	*824,406*
Capital	3,610,058	3,514,128
Net debt to total capital ratio	**1 : 4,22**	**1 : 2.35**

9. PRIOR PERIOD ERRORS, ERROR MATERIALITY AND OPENING BALANCE ADJUSTMENT

Prior period errors are omitted or misstated data from the consolidated financial statements of the Parent Company for one or more periods resulting from disuse or misuse of reliable information available when the consolidated financial statements were authorised for publishing and for which it was reasonable to expect to be obtained and taken into consideration in the preparation and presentation of these consolidated financial statements.

Material error detected in the current period, which refers to the prior period is an error that has a significant impact on the financial statements of one or more prior periods and due to which the consolidated financial statements can no longer be considered reliable.

The Parent Company performs a retrospective adjustment of *material errors* in the first set of the consolidated financial statements authorised for publishing subsequent to the detection of such errors, by restating the comparative figures for the presented prior years' period(s) in which the errors occurred; or, in case the error had occurred prior to the earliest prior period presented, or by restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

If it is impracticable to determine the effect of the prior years' error to the comparative figures for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which the retrospective adjustment of data is practicable (this may be the current period).

Subsequently *established errors that are not materially significant are adjusted against expenses,* i.e., credited to the income of the period in which errors have been identified.

Error materiality is estimated in accordance with the relevant provisions set forth in the Framework for preparation and presentation of the consolidated financial statements, pursuant to which materiality implies that omission or incorrect accounting records of business transactions may influence the economic decisions of the users taken on the basis of the consolidated financial statements.

In the Parent Company the materiality shall be determined in accordance with the amount of error in comparison with the total revenue. An error which, in the individual amount or in a cumulative amount with other errors **exceeds 1.5% of the realised total revenue of the Parent Company in the prior year shall be considered a material error**.

INCOME STATEMENT

10. OPERATING INCOME

Sales of goods and services

Breakdown of income from the sale of products and services	*in RSD 000*	
	2018	*2017*
Income from the sale of products and services to parents and subsidiaries on domestic market	170	184
Income from the sale of products and services to other related parties on domestic markets	1,904	2,429
Income from the sale of products and services on domestic market	666,046	439,667
Income from the sale of products and services on foreign market	4,510,447	5,613,920
TOTAL	**5,178,567**	**6,056,200**

Schedule of realized income by companies is provided in the following table:

Name	Income from service rendered
SERBIA	
Related parties	2,074
EPS	362,445
Other	177,608
CNIM	125,993
Foreign buyers Serbia	38,013
TOTAL SERBIA	**706,133**
QATAR	
Kahrama	1,645,535
Other	649,780
OMAN	
OETC	375,092
PAEW	223,226
OWSC	38,146
Ostali	31,878
EMIRATES	
DEWA	339,906
MERRAS	29,289
FEWA	203,211
Other	783,084
ADDC	12,832
TRANSCO	125,612
Other	14,843
ABROAD	**4,472,434**
TOTAL:	**5,178,567**

11. COSTS OF MATERIAL, FUEL AND ENERGY

Structure of costs of material, fuel and energy	*in RSD 000*	
	2018.	**2017.**
b) Other material (overhead)	40,590	40,310
d) Costs of one-off write-down of tools and inventory	916	1,015
Total	***41,506***	***41,325***
Fuel and energy:		
a) Fuel	70,419	64,961
b) Electric and thermal energy	29,189	32,574
Total	***99,608***	***97,535***
TOTAL	**141,114**	**138,860**

Costs allocated by the companies are as followed:

BAHREIN	**188**
EMIRATES	**35.773**
ENTEL	**20.866**
QATAR	**58.474**
OMAN	**25.812**
	141.114

12. SALARIES, COMPENSATION AND OTHER PERSONAL EXPENSES

Structure of salaries, compensation and other personal expenses	*in RSD 000*	
	2018	*2017*
Gross salaries	2.949.930	3.342.665
Payroll taxes and contributions payable by the employer	63.968	55.095
Autorship agreements	4.475	6.297
Occasional and periodical job contracts	1.861	1.894
Remunerations to the Board of Directors and Supervisory Board members	2.835	2.724
Other personnel expenses and remunerations	66.765	63.860
TOTAL	**3.089.834**	**3.475.259**

Costs allocated by the companies are as follows:

BAHRAIN	**24**
EMIRATES	**1.019.685**
ENTEL	**414.068**
QATAR	**1.242.295**
OMAN	**413.761**
	3.089.834

Other personal expenses amounting to RSD 63,860 thousand relate to:
Other personal expenses amounting to RSD 66,765 thousand relate to:

costs of transportation to work	5.272
Business trips – transport costs air tickets	6
Business trips – accommodation costs	362
Business trips – per-diems	6.024
Business trips – other costs	10
Use private cars for business	146
Accommodation and food costs on the fieldworks	565
Per diems abroad	2.163
Accommodation costs abroad (hotels)	9.269
Transportation costs abroad	201
Food allowance	40.090
Scholarships and loans to pupils and students	176
Solidarity assistance for child birth, new mothers	1.514
Other, gifts for 08 March, birth of a child ...	967

13. COSTS OF PRODUCTIVE SERVICES

Own-work and goods capitalised pertain to subcontractors engaged in jobs for which we do not have our own staff or for specialized works performed by certain companies.

Breakdown of the costs of productive services	*in RSD 000*	
	2018	*2017*
Own-work and goods capitalised	252.539	133.830
Transportation costs	234.704	250.815
Maintenance	22.653	23.607
Rental expenses	281.542	340.889
Fairs	1.506	13.617
Advertising and marketing	7.565	6.920
Other services	18.147	19.868
TOTAL	**818.656**	**789.546**

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**32.762**
ENTEL	**136.718**
QATAR	**61.337**
OMAN	**21.723**
	252.539

Travel costs incurred by the companies are as follows:

BAHRAIN	**17**
EMIRATES	**66,930**
ENTEL	**15,557**
QATAR	**126,908**

OMAN	**25,292**
	234,704

Maintenance costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**1,337**
ENTEL	**1,005**
QATAR	**15,191**
OMAN	**5,120**
	22,653

Rental costs primarily related to the lease of apartments in our foreign companies and allocated by the companies are as follows:

BAHRAIN	**1,336**
EMIRATES	**67,915**
ENTEL	**0**
QATAR	**192,0544**
OMAN	**19,747**
	281,542

Fair costs in the amount of RSD 1,506 related to costs of the company in Emirates, where the company participated in the global energy fair in Duabiu called VETEX.

Advertising and marketing mostly relate to: promotion costs, advertising costs, including the cost of market research, as well as the cost of making brochures and publications.

Advertising costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**922**
ENTEL	**5,757**
QATAR	**253**
OMAN	**634**
	7,566

As part of the cost of other services, the most important part related to: cost of procurement tenders and the cost of copying and licenses.

Other costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**1,166**
ENTEL	**13,293**
QATAR	**665**
OMAN	**3,023**
	18,147

14. DEPRECIATION, AMORTISATION AND PROVISIONS

Breakdown of depreciation/amortisation	*in RSD 000*	
	2018	*2017*
Depreciation of intangible assets	4.448	4.463
Depreciation of property, plant and equipment	59.944	64.572
Total	64.392	69.035
Provision costs:		
Provisions for compensations and other employee benefits	49.714	49.270
Other provision	-	225.069
Total	49.714	274.339
TOTAL	**114.106**	**343.374**

Before appraisal of property, an annual depreciation was booked. As of 31 December 2018, the estimate of the residual value of the remaining useful life of property and equipment with the significant carrying value was performed.

Depreciation costs of intangible assets by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**351**
ENTEL	**2,498**
QATAR	**470**
OMAN	**1,129**

Depreciation costs of PPE by the companies are as follows:

BAHRAIN	**12**
EMIRATES	**4,222**
ENTEL	**17,372**
QATAR	**13,080**
OMAN	**25,258**
	59,944

Within the item provisions for fees and other employee benefits, the amount has been provisioned in accordance with the legal regulations of the countries in which we have companies.

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**0**
ENTEL	**4,855**
QATAR	**31,436**
OMAN	**13,423**
	49,714

15. NON-MATERIAL COSTS

Breakdown of non-material costs	*in RSD 000*	
	2018	*2017*
Costs of non-productive services	382.234	434.214
Entertainment	18.052	16.666
Insurance premium costs	51.455	67.790
Bank charges	26.878	72.003
Membership fees	1.855	1.823
Taxes	14.418	52.958
Other non-material costs	90.107	119.521
TOTAL	**584.999**	**764.975**

In costs of **non-productive services** the following costs are presented: professional education of employees, health care services, lawyers' fees, consulting fees, audit of financial statements, etc.

Costs incurred by the companies are as follows:

BAHRAIN	**337**
EMIRATES	**84,647**
ENTEL	**12,993**
QATAR	**265,203**
OMAN	**19,053**
	382,234

Entertainment costs relate to catering, gifts to business partners, costs of promotional samples, etc.

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**2,556**
ENTEL	**10,610**
QATAR	**3,065**
OMAN	**1,822**
	18,052

The major portion of **insurance premium costs** relates to the costs of property and personal insurance.

Costs incurred by the companies are as follows:

BAHRAIN	**280**
EMIRATES	**36,519**
ENTEL	**2,013**
QATAR	**7,160**
OMAN	**5,483**
	51,455

Out of the total presented bank **charges and bank services**: the amount of RSD 9,185 relates to payment operations in 2018, and the amount of RSD 9,185 relates to costs of bank services (costs of issuing bank guarantees) in 2018 RSD 17,693 thousand.

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**8,494**
ENTEL	**4,883**
QATAR	**13,223**
OMAN	**278**
	26,878

Membership fees in RSD 1,855 thousand almost entirely relate to the various membership fees necessary for working abroad.

Within **taxes**, the following costs are presented: property taxes, city development land fee, etc. The major portion of these costs relates to the property tax and city development land amounting in 2018 to RSD 2,309 thousand. Within the companies abroad tax duties are paid in accordance with local legal regulations.

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**14**
ENTEL	**2,696**
QATAR	**11,708**
OMAN	**0**
	14,418

Other non-material costs relate to: taxes (administrative, court, etc.), costs of professional literature, advertisements costs, tenders, etc. and Holding costs.

Costs incurred by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**19,789**
ENTEL	**46,676**
QATAR	**18,239**
OMAN	**5,403**
	90,107

16. FINANCIAL INCOME AND EXPENSES

16.1 Financial income

Breakdown of financial income	*in RSD 000*	
	2018	*2017*
Financial income from parents and subsidiaries	143	32
Financial income from other related parties	9	37
Income from profit share of associated legal entities and joint ventures	6.974	6.853
Other financial income:		
b) Other financial income	53.675	61.932
Interest income (from third parties)	29.127	22.518
Foreign exchange differences and income arising from the effects of foreign currency clause	3.630	5.010
TOTAL	**93.558**	**96.382**

The major part of interest income on other grounds is the consequence of bank interests for funds on accounts and deposits.

Income from participation in subsidiaries' profit in 2018 in the amount of RSD 6,974 thousand is the income from the attributable dividend for 2018 for the purchased 20% of share of ENERGOPLAST DOO.

Other financial income in 2018 amounting to RSD 53,675 thousand represent 20% of profit of the company "Perl garden", which rents villas for the account and on behalf of the owners.

16.2 Financial expenses

Breakdown of financial expenses	*in RSD 000*	
	2018	*2017*
Financial expenses from transactions with parents and subsidiaries	76	79
Financial expenses from transactions with other related parties	7	9
Expenses from participation in loss of associate and joint ventures	-	1.359
Other financial expenses	-	
Interest expense (to third parties)	1.125	-
Foreign exchange losses and expenses arising from effects of foreign exchange clause (to third parties)	3.249	5.569
TOTAL	**4.457**	**7.016**

Expenses arising from the effect of the foreign currency clause mostly relate to negative effects with respect to invoices issued to foreign customers and with the foreign currency clause.

17. OTHER INCOME AND EXPENSES

17.1 Other income

Breakdown of other income	in RSD 000	
	2018	2017
Gains on sales of intangible assets and PPE	44	-
Gains from abolition of long term and short term provision	62.107	-
Other sundry income	1.237	984
Income from reduction of liabilities	-	30.490
Income from value adjustment of property, plant and equipment	-	389
TOTAL	**63.388**	**31.863**

The greater figure within the item other income in the amount of RSD 62,107 thousands refers to the abolition of provisions in Qatar for a project completed in 2018.

Other sundry income in the amount of RSD 1,237 thousand relates to figure arose from collection of legal actions.

17.2 Other expenses

Breakdown of other expenses	in RSD 000	
	2018	2017
Losses on the sale and disposal of intangible assets, property, plant and equipment	3.389	6.207
Direct write-off of receivables	15.139	-
Other sundry expenses	25.007	25.093
TOTAL	**43.535**	**31.300**

Loss on sales occurred in Oman and Qatar due to sold vehicles as follows: Oman RSD 882 thousand and Qatar RSD 572 thousand. Loss on sale incurred in the country arose from disposal of barracks free of charges in the amount of RSD 1,935 thousand.

Expenses from direct write-off of receivables in the amount of RSD 12,140 thousand relate to Qatar Company and arose from 2013 from companies that were from the UAE and which due to sanctions in Qatar had to shut down their companies and leave Qatar. Remaining amount of RSD 2,999,000 was created in the company in Emirates.

The greatest figure within the item other sundry expenses refers to grants for humanitarian, cultural and health issues and in 2018 amounted to RSD 22.236 thousand, for donations RSD 2.722 thousand.

18. NET GAIN/ LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ERROR ADJUSTMENTS

Net gain from discontinued operations	*in RSD 000*	
	2018	*2017*
Net gain of discontinued operations	657	-
Net (loss) of discontinued operations	-	53
TOTAL	**657**	**53**

19. PROFIT BEFORE TAX

Breakdown of gross result	*in RSD 000*	
	2018	*2017*
Operating income	5.178.567	6.056.200
Operating expenses	4.748.709	5.512.014
Operating result	**429.858**	**544.186**
Financial income	93.558	96.382
Financial expenses	4.457	7.016
Financial result	**89.101**	**89.366**
Other income	63.388	31.863
Other expenses	43.535	31.300
Result of other income and expenses	**19.853**	**563**
Net gain from discontinued operations, changes in accounting policies and prior period error adjustments	657	0
Net loss from discontinued operations, changes in accounting policies and prior period error adjustments	0	53
TOTAL INCOME	**5.336.170**	**6.184.445**
TOTAL EXPENSES	**4.796.701**	**5.550.383**
GAIN/LOSSES BEFORE TAX	**539.469**	**634.062**

20. INCOME TAX AND NET PROFIT

Breakdown of income tax and net profit	*in RSD 000*	
	2018	*2017*
Profit/(loss) before tax	539.469	634.062
Adjustment and correction of income/(expenses) in the tax balance	12.866	39.288
Taxable profit/ (loss)	**552.335**	**673.350**
Remaining portion of taxable profit	**552.335**	**673.350**
Tax base	**552.335**	**673.350**
Calculated tax (15% of the tax base)	82.850	101.003
Total decrease of the calculated tax	-	30.868
Tax after deduction	**82.850**	**70.135**
Profit/loss before tax	539.469	634.062
Tax expense of the period	47.390	34.423
Deferred tax expense/income of the period	-27.954	122
Net profit/(loss)	**464.125**	**599.761**

21. EARNINGS PER SHARE

Indicator	*in RSD 000*	
	2018	*2017*
Net profit	464.125	599.761
Average number of shares during the year	422.495	422.495
Earning per share (in RSD)	**1.099**	**1.420**

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares for 2018 amounts to 422,495, so that the earnings per share amount to RSD 1,099.

BALANCE SHEET

22. INTANGIBLE ASSETS

	Concessions, patents, licenses, software and other rights	Goodwill	Advances for intangible assets
Cost			
Opening balance	54.809	-	-
Additions	2.780		
Exchange differences	1.707		
As of 31 December 2018	**59.296**	**-**	**-**
Accumulated depreciation			
Opening balance	47.982	-	-
Charges in the year	4.448		
Exchange differences	1.573		
As of 31 December 2018	**54.003**	**-**	**-**
Net book value	**5.293**	**-**	**-**

New acquisitions in the amount of RSD 2,780 thousand relate to new programs necessary for work, in Serbia RSD 2,444 thousand and in Oman RSD 336 thousand.

23. PROPERTY, PLANT AND EQUIPMENT

23.1 Property, plant and equipment, without investment property

	Buildings	Plant and equipment	PPE under construction	Total PPE
Cost				
Opening balance	869.870	367.387	34.338	1.271.595
Additions		24.615	24.615	49.230
Transfer to non-current assets held for sale			(24.615)	(24.615)
Disposals		(17.244)		(17.244)
Exchange differences	15.858	11.948		27.806
Other increase / (decrease)	(7.462)			(7.462)
Total:	**878.266**	**386.706**	**34.338**	**1.299.310**
Accumulated depreciation				
Opening balance	49.245	162.775	-	212.020
Charges in the year	11.151	48.793		59.944
Disposals		(13.686)		(13.686)
Exchange differences	1.903	(1.592)		311
Total:	**62.299**	**196.290**	**-**	**258.589**
As of 31 December 2018	**815.967**	**190.416**	**34.338**	**1.040.721**

As of 31 December 2018, the assessment of the residual value and the remaining useful life of property and equipment with significant carrying values. From the standpoint of depreciation charges, in comparison with the prior year, there were no relevant changes in 2018 on the depreciation of building due to change in residual value.

The fair value of buildings is usually determined by an assessment carried out by independent qualified appraisers based on market evidence. The fair value of buildings is usually their market value, which is determined by evaluation.

The Parent Company has in its books of account the following “buildings” stated at revalued amount a of the appraisal date:

Office building Energoprojekt

Office building Energoprojekt is stated at revalued amount as of 31 December 2018, in the amount of RSD 488.898 thousand, in accordance with the evaluation performed by the external independent qualified appraiser.

In 2018, depreciation costs were recorded. The useful life of the above mentioned “building” is 100 years (the remaining useful life is 63 years).

New acquisitions in the amount of RSD 24,615 thousand relate to procurement in the country:
cars in RSD 3,180 thousand,
furniture in RSD 3,762 thousand,
computers in RSD 10,439 thousand, and
other assets in the country in RSD 1,651 thousand.
and procurement in companies:
in Qatar - computer in RSD 283 thousand,
in Oman - vehicles in RSD 3,167 thousand and computers in RSD 97 thousand,
in Emirates – computers in RSD 1,912 thousand,
other assets in the country in RSD 124 thousand.

Disposal of plant and equipment in the amount of RSD 17,244 refers to the figures in the country:
furniture in RSD 147 thousand,
in Qatar - computer in RSD 2,414 thousand and vehicle in RSD 3,437 thousand,
in Oman – vehicle in RSD 11,246 thousand.

23.2 Investment property

Investment property	*in RSD 000*	
	2018	*2017*
Balance as of 1 January	-	1.924
Balance as of 31 December	**-**	**1.924**

Pursuant to the Decision made by the Board of Directors on 39th Session dated 27 April 2018, the figure related to barracks in Block 11A was removed from books.

24. LONG-TERM FINANCIAL PLACEMENTS

Breakdown of long-term financial placements	in RSD 000	
	2018	2017
Equity investments into associate and joint ventures	98.454	98.680
Long-term placements abroad	129.105	65.847
TOTAL	**227.559**	**164.527**

Equity investments

Equity investments in subsidiaries, associated companies and joint ventures are valued according to the historical cost method. Parent Company recognizes revenue only to the extent to which the Company is entitled to receive its share from the distribution of the undistributed net income of the investee, which is obtained after the date on which the Parent Company has acquired it.

The Parent Company has a 20% stake in Energoplast doo, amounting to 98,454 thousand RSD.

Other long-term financial placements

Other long-term placements abroad relate to:
- deposits for guarantees,
- deposits for workers' visas, and
- deposits for rented apartments.

Allocated by the companies:

BAHRAIN	**0**
EMIRATES	**103.271**
ENTEL	**0**
QATAR	**25.224**
OMAN	**610**
	129.105

Deposits for bank guarantees in the amount of RSD 109,394 thousand relate to Qatar company in RSD 22,864 thousand and to Energoconsult L.L.C., Abu Dhabi, UAE in RSD 86,530 thousand.

Other long-term financial placements relate to deposits for rented apartments in companies and for workers' visas abroad. The amount of RSD 6,029 thousand refers to deposits for rented apartments, by companies: in Qatar in RSD 2,360 thousand, Energoconsult L.L.C., Abu Dhabi, UAE in RSD 3,058 thousand and in Oman RSD 611 thousand.

The amount of RSD 13,682 thousand refers to deposits for workers' visas in the company Energoconsult L.L.C., Abu Dhabi, UAE.

25. LONG-TERM RECEIVABLES

Structure of long-term receivables	*In RSD 000*	
	2018	*2017*
Other long-term receivables	1,197,656	917,268
TOTAL	**1,197,656**	**917,268**

When long-term receivables for retention are concerned, the stated trade receivables for retention mostly amount to 10% of the invoiced value. It cannot be collected prior to the end of all works on the project it relates to.
The breakdown of receivables for retention as of 31 December 2018, by company, is as follows:

- Company ENERGOPROJEKT ENTEL Qatar RSD 948,859 thousand – projects KAHRAMA;
- Company ENERGOPROJEKT ENTEL OMAN L.L.C RSD 108,309 thousand.

By buyers:

OETC	54.289
PAEW	26.577
OWSC	25.344
Other	2.099

- Company ENERGOCONSULT EMIRATI L.L.C RSD 140,488 thousand.

By buyers:

Other	89.908
TRANSCO	1.984
MERAS	14.571
DEWA	34.026

26. INVENTORIES

Structure of inventories	*In RSD 000*	
	2018	*2017*
e) Advances paid for services	10.216	28.101
TOTAL	**10.216**	**28.101**

27. TRADE RECEIVABLES

Breakdown of trade receivables	*In RSD 000*	
	2018	*2017*
Domestic - parent and subsidiaries	-	17
Domestic - other related parties	-	192
Domestic trade receivables	149.533	200.869
Foreign trade receivables	1.252.792	1.376.662
TOTAL	**1.402.325**	**1.577.740**

The carrying value of receivables from sales classified as loans and receivables, approximates their fair value. The Parent Company has no collateral arising from sales.

Accounts receivable by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**486.100**
ENTEL	**176.595**
QATAR	**569.510**
OMAN	**170.122**
	1.402.325

The company Energoconsult L.L.C., Abu Dhabi, UAE in RSD 486,100 thousand and the most important customers are:

ADDC	**9.752**
TRANSCO	**24.391**
OTHER	**8.767**
DEWA Contracts	**181.089**
MERASS	**41.848**
Developers	**220.253**
	486.100

The company Energoprojekt Entel L.L.C., Muscat, Sultanat Oman in RSD 170,122 thousand and the most important customers are:

OETC	**66.184**
PAEW	**76.123**
OWSC	**14.757**
OSTALI	**13.058**
	170.122

The company Energoprojekt Entel L.L.C., Doha, Qatar in RSD 569,510 thousand and the most important customers are:

PHASE 11	**46.284**
PHASE 12	**176.182**
PHASE 13	**69.631**
MEGA TANKS	**68.761**
OTHER	**208.652**
	569.510

In the country - MINISTRY OF FINANCE SECTOR FOR CONTRACTING AND FINANCING OF PROGRAMS FROM EUROPEAN UNION - amount RSD 27,062 thousand.

RECEIVABLES FROM SPECIFIC OPERATIONS

Receivables from specific operations	*In RSD 000*	
	2018	*2017*
Other receivables from other legal parties	55.605	209
TOTAL	***55.605***	***209***

Within the item there is the amount related to receivables for unpaid obligation to Perl Garden in the amount of RSD 55,605 thousand.

28. OTHER RECEIVABLES

Breakdown of other receivables	*In RSD 000*	
	2018	*2017*
c) Receivables for contracted and default interest from other legal entities	12	98
Total	**12**	**98**
Receivables from employees	113.108	70.989
Receivables for refundable salary compensations	1.783	1.667
TOTAL	**114.903**	**72.754**

Within the item receivables from employees in the amount of RSD 113,108 thousand, severance pay is paid in advance to free-lancer workers in Qatar in accordance with local regulations.

29. SHORT-TERM FINANCIAL PLACEMENTS

Breakdown of short-term financial placements	*In RSD 000*	
	2018	*2017*
Other short-term financial placements:	1.189.127	1.174.832
TOTAL	**1.189.127**	**1.174.832**

Other short-term placements include deposited funds with commercial banks and it is not possible to terminate contractual agreement at any time. They amounted to RSD 1,189,127 thousand, based on deposited funds with foreign commercial banks, in companies Energoprojekt Entel Qatar: RSD 996,168 thousand, at interest rates from 1.25% to 1.75% per annum, in Energo Consult LLC Abu Dhabi, UAE : RSD 192,959 thousand, at interest rates from 0.80% to 1.35% per annum.

30. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents	*In RSD 000*	
	2018	*2017*
In RSD:		
Current account	3.128	26.198
Cash on hand	607	150
Total	**3.735**	**26.348**
In FC:		
Foreign currency account	393.280	866.032
Cash on hand in foreign currency	2.770	468
Other	-	42
Total	396.050	866.542
TOTAL	**399.785**	**892.890**

Within **the current RSD and foreign currency accounts** of the Parent Company, the following funds are present:

- held with commercial banks in the country (Raiffaisen bank, Direktna Banka, NLB Bank and Erste Bank); and
- foreign currency accounts (Doha Bank, ADCB Bank Dubai and Abu Dhabi, Bank Oman and Ahli United Bank, Bahrain).

The amounts allocated by the companies are as follows:

BAHRAIN	**6.843**
EMIRATES	**170.816**
ENTEL	**10.829**
QATAR	**159.388**
OMAN	**51.908**
	399.785

31. VALUE ADDED TAX, PREPAYMENTS AND ACCRUED INCOME

Value added tax	*In RSD 000*	
	2018	*2017*
Value added tax	136	-
TOTAL	**136**	**-**

32. PREPAYMENTS AND ACCRUED INCOME

Structure of prepayments and accrued income	*In RSD 000*	
	2018	*2017*
Prepaid expenses:		
Parent company and subsidiaries	164	166
Other related parties	-	2.220
Pre-paid subscription to professional publications	70	2.071
Prepaid rental expenses	71.553	89.244
Prepaid insurance premiums	25.477	6.360
Other prepaid expenses	47.082	140
Total	144.346	100.201
Other accruals	-	19.880
Total	0	19.880
Receivables for uninvoiced income	513.011	-
TOTAL	**657.357**	**120.081**

The amount relate to prepayments of rent are included in this account and they refer to rental of office space and housing for our workers. Lease agreements are multi-annual with lease payments one year in advance and they are generally payable on a quarterly basis. In Qatar and Emirates there are payments for rented business premises while in Oman not.

The amounts allocated by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**30.826**
ENTEL	**0**
QATAR	**36.117**
OMAN	**4.610**
	71.553

Other pre-paid expenses relate to pre-paid expenses for rent-a-cars, rental of licenses.

BAHRAIN	**0**
EMIRATES	**841**
ENTEL	**144**
QATAR	**41.791**
OMAN	**2.060**
	44.836

Other accruals in the amount of RSD 2,246 relate to pre-paid scholarships at Qatar in RSD 1,624 thousand and in Oman RSD 622 thousand.

Receivables for uninvoiced income are invoiced in 2019 and works related to 2018 in accordance with IFRS 15.

The amounts allocated by the companies are as follows:

BAHRAIN	**0**
EMIRATES	**42.200**
ENTEL	**119.818**
QATAR	**350.993**
OMAN	**0**
	513.011

BALANCE SHEET

33. EQUITY

ITEM	Core capital	Reserves	Revalued reserves	Unrealised gains / loss on AFS securities	Retained earnings	Total
Opening balance as of 01 January 2017	*173.223*	*24.089*	*359.655*	*49.611*	*3.148.616*	*3.755.194*
Net profit for year					599.761	599.761
Total comprehensive result for 2017	173.223	24.089	359.655	49.611	3.748.377	4.354.955
Adjustments		(207)	(2.789)	(112.573)	(412.612)	(528.181)
Profit distribution					(312.646)	(312.646)
As of 31 December 2017	***173.223***	***23.882***	***356.866***	***(62.962)***	***3.023.119***	***3.514.128***
Net profit for year					463.859	463.859
c) other					867	867
Total – total comprehensive income					867	867
Total comprehensive result for 2018	173.223	23.882	356.866	(62.962)	3.487.845	3.978.854
Adjustments		49	734	112.906	18.172	131.861
Profit distribution					(500.657)	(500.657)
As of 31 December 2018	***173.223***	***23.931***	***357.600***	***49.944***	***3.005.360***	***3.610.058***

a) Core capital

The registered amount of share capital of the Parent Company at the Business Registers Agency (the registration number 8049/2005 from 30 March 2005) amounts to RSD 173,223 thousand.

According to the records of the Central Securities Depository ISIN RSEPEN 41315, the registered balance of ownership of shares of ENERGOPROJEKT ENTEL AD as of 31 December 2018 is presented in the following tables:

Breakdown of core capital	*In RSD 000*	
	2018	*2017*
Share capital:	173.223	173.223
a) parent company, subsidiaries and other related parties ENERGOPROJEKT HOLDING 86,26	149.426	149.426
b) Share capital - external OTHER SHAREHOLDERS	23.797	23.797
Total	*173.223*	*173.223*
TOTAL	***173.223***	***173.223***

Share capital consists of 422,495 ordinary shares with a nominal value of RSD 173,223 thousand), i.e., individual net book value of RSD 410.00.

Share capital - ordinary shares include the founding and shares with voting rights issued during operations, with the right to a share in the profit of the parent company and in the portion of the bankruptcy estate in accordance with the founding act or the decision on issue of shares.

Shares of the parent company are traded on the regulated market on the "Open Market" of the Belgrade Stock Exchange.

b) Reserves

Breakdown of reserves	*In RSD 000*	
	2018	*2017*
Legal reserves	22,744	22,744
Statutory and other reserves	1,187	1,138
TOTAL	**23,882**	**24,089**

Legal reserves are mandatorily formed by 2004, by allowing each year from the profit at least 5% of the reserves reach at least 10% of the share capital and subsequently are formed on basis of the general acts of the Company.

Other reserves are formed in the company Oman on the basis of domicile regulations.

c) Revaluation reserves arising from revaluation of intangible assets, property, plant and equipment

Breakdown in revluation reserves arising from revaluation of intangible assets, PPE	*In RSD 000*	
	2018	*2017*
a) Revaluation reserves from revaluation of property - Energoprojekt building	333.126	332.177
b) Revaluation reserves from revaluation of other property	15.989	15.337
Total	349.115	347.514
Revaluation reserves from revaluation of investment property	-	867
Other	8.485	8.485
TOTAL	**357.600**	**356.866**

d) Unrealised gains from securities available for sale and other components of other comprehensive result (debit accounts of account 33 except 330)

Breakdown of non-revaluated gains from securities and other components of other comprehensive income (debit accounts of account 33 except 330)	*In RSD 000*	
	2018	*2017*
Gains or losses from translation of financial statements from foreign operations	49.944	-62.962
TOTAL	**49.944**	**-62.962**

Gains or losses on translation of financial statements appear as exchange rate differences due to application of different exchange rates in the companies in the income statement (average) and balance sheet (closing rate) as well as outbreak of mutual relations of the parent company.

e) Retained earnings

Breakdown of retained earnings	*In RSD 000*	
	2018	*2017*
Retained earnings from prior years:		
a) balance as of 1 January	3,023,119	3,148,616
b) adjustments of profit for income tax	0	-7,516
c) other adjustments (IAS 12, etc.)	0	-983
d) foreign exchange differences	-19,269	-434,435
Energoplast	37,175	30,322
e) distribution of profit	-500,657	-312,646
Total	2,540,368	2,423,358
Retained earnings of the current year	464,992	599,761
TOTAL	**3,005,360**	**3,023,119**

34. LONG-TERM PROVISIONS

Breakdown of long-term provisions	Warranty period expenses	Cost of retention payments and deposits	Compensations and other employee benefits	TOTAL
Balance as of 1 January 2017	**378.318**		**201.683**	**580.001**
Additional charge	225.069		49.270	**274.339**
Exchange differences	-72.025		-30.089	**-102.114**
Utilised during the year			-28.040	**-28.040**
Balance as of 31 December 2017	**531.362**	**-**	**192.824**	**724.186**
Additional charge	-		49.714	**49.714**
Exchange differences	18.633		9.428	**28.061**
Utilised during the year	-		-32.659	**-32.659**
Reversal of unused amounts	-62.107			**-62.107**
Balance as of 31 December 2018	**487.888**	**-**	**219.307**	**707.195**

34.1 Provisions for employee benefits and other employee benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31 December 2018.

In the projection of provision calculation the deductive approach was used, meaning that all the Companies were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific Companies was performed.

Considering that all subsidiaries are controlled by the same Company, the applied approach is objective and the projection results can be recognized as expected.

Decrease of the provision amount based on current retirement bonus values (by 4.31%) in the balance sheet as at 31 December 2018 in comparison to the retirement bonus values in the balance sheet as at 31 December 2017, was the result of several changed factors:

- on one hand, changes of some factors affect the increase of the provision amount (increase in the average expected retirement bonus by 5.19%); and
- on the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the total number of employees by 5.74% and reduction of average years spent in the Company by 3.06%).

In addition to the above mentioned, the change in the provision structure per individual companies came as the result of the change in the aliquot part of the number of employees in individual companies against the total number of employees in the entire Company.

By taking into account the relevant provisions of IAS 19, the provision projections procedure was performed by following these steps:

- Firstly, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to retirement bonus, as well as the period during which this bonus will be paid out;
- Secondly, considering provisions of the Company Collective Agreement, the bonus amount was appraised for each year of service indicated on the balance sheet date; and
- Thirdly, the discount factor, representing the discount rate to expected salary growth ratio, was used to determine the present value of the expected retirement bonus outflows.

The retirement bonus is, as of the beginning of 2015, pursuant to the provisions of the Collective Agreement in force, paid in the Company in compliance with the Article 57 of the Collective Agreement regulating employment in the country, according to which the Employer is to pay to the Employee retirement bonus amounting to two average gross salaries in the Republic of Serbia according to the latest data published by the relevant Republic authority in charge of statistics. In compliance with the legislation in force, the above mentioned amount is non-taxable.

Since the annual discount rate is necessary to determine the present value of (undue) retirement bonuses, as well as the average annual growth of salaries in the Republic of Serbia, these values shall be specified later in the text.

The rate of 7% was accepted as the **annual discount rate**.

In the paragraph 83, IAS 19 it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used. The currency and term of the bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 10 July 2018 was 4.85%; while the annual yield on five-years RSD securities issued on 11 September 2018 was 3.74%.

By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19, a realistic annual yield of 4% was adopted.

The annual expected salary growth in the Republic of Serbia was planned at the level of 4%. The annual discount rate and annual salaries' growth depend on inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rates by 2021, adopted by the Executive Board of the National Bank of Serbia, determines the target inflation rate (with permissible deviation) measured by annual percentage changes in the consumer price index, for the period from January 2019 to December 2021, in the amount of 3% with permissible deviation (positive and negative) of 1.5 percentage points.

The provision will thus be estimated according to the planned annual inflation rate of 3%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2019 with Projections for 2020 and 2021), realistically achievable.

If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 4% and long-term annual discount rate of 7%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 78 of IAS 19.

34.2 Long-term provisions for costs during the warranty period

Provisions for expenses within warranty period are Calculated on the basis of management's best estimate and based on previous experience, and are expected to be payable in a period of less than 5 years. The final amount of the liability that shall be paid can be different than the one provisioned, depending on future movements. These provisions are not discounted since the impact of discounting is not significant. Explained in Note 14.

35. LONG-TERM LIABILITIES

Breakdown of long-term liabilities	***Interest rate***	*In RSD 000*	
		2018	*2017*
Liabilities to other related parties		-	1,142
Finance lease liabilities	5%	1,370	3,285
Other long term liabilities		381	-
TOTAL		***1,751***	***4,427***

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for the orderly settlement of liabilities arising from finance lease, the Company deposited the checks-cash in the amount of RSD 1,370 thousand.

Other liabilities emerge from the obtaining of the insurance policy issued by SAVA OSIGURANJE for the project, which lasts 6 years.

36. SHORT-TERM LIABILITIES

Breakdown short-liabilities	In RSD 000	
	2018	2017
Current portion of long term liabilities that are due within a year	2,816	4,288
TOTAL	**2,816**	**4,288**

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for timely settlement of liabilities arising from finance lease. The amount of RSD 2,816 thousand is a portion of liabilities due within one year.

37. RECEIVED ADVANCES, DEPOSITS AND RETAINERS

Breakdown of received advances, deposits and retainers	In RSD 000	
	2018	2017
Advances received from other legal entities in the country	45.731	3.944
Advances received from other legal entities abroad	50.124	17.488
TOTAL	**95.855**	**21.432**

38. ACCOUNTS PAYABLE

Breakdown of accounts payable	In RSD 000	
	2018	2017
Suppliers - parent and subsidiaries in the country	686	30.512
Suppliers - other related parties in the country	16.992	9.335
Domestic trade payables	72.077	18.860
Foreign trade payables	589.638	569.790
Other accounts payables	742	-
TOTAL	**680.135**	**628.497**

Trade payables are non-interest bearing.

The Company’s management deems that the stated value of trade payables approximated their fair value as of the balance sheet date.

The ageing structure of trade payables is presented in Note 8.4.

Trade payables by the companies are as follows:

BAHRAIN	**509**
EMIRATES	**52,136**
ENTEL	**105,989**
QATAR	**464,716**
OMAN	**56,784**
	680,135

39. OTHER SHORT-TERM LIABILITIES

Breakdown of short-term liabilities	*In RSD 000*	
	2018	*2017*
Liabilities for salaries and compensations	409.591	376.059
Other liabilities:		
a) interest and other financing costs	-	14.406
b) dividends paid	9.738	-
d) towards employees	17.424	11.550
e) liabilities to the director and members of the management and supervisory board	139	181
h) other	48	12
TOTAL	**436.940**	**402.208**

Liabilities for salaries and other liabilities mostly relate to liabilities (net, taxes and contributions, payables to Chambers) for the December salary, paid in the Parent Company in January the following year.

BAHRAIN	**0**
EMIRAES	**156.602**
ENTEL	**41.084**
QATAR	**178.266**
OMAN	**33.639**
	409.591

Liabilities for unpaid dividends of RSD 9,738 thousand (due to the failure of shareholders to open accounts for their securities). The amount of RSD 3.322 thousand refers to unpaid dividend for 2017, while remaining amount relates to other years when the company paid dividend.

The Parent Company management deems that the stated value of other short-term liabilities reflects their fair value as of the balance sheet date.

40. VALUE ADDED TAX PAYABLE

Value added tax payables	*In RSD 000*	
	2018	*2017*
Value added tax payables	17.051	15.138
TOTAL	**17.051**	**15.138**

41. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER CHARGES

liabilities for other taxes, contributions and other charges	*In RSD 000*	
	2018	*2017*
Income tax liability from the result	616.965	582.719
TOTAL	**616.965**	**582.719**

Income tax liability from the result of the company in Qatar amounting to RSD 613,146 thousand arises from the liability for non-deductible expenses of HO by the local tax authority. The amount was not changed in nominal value and it is about the exchange differences.

42. Accruals and deferred income

Accruals and deferred income	*In RSD 000*	
	2018	*2017*
Other	71.370	58.587
TOTAL	**71.370**	**58.587**

Accruals are deferred in the amount of 71,053 liabilities for retention of our subcontractors for the project Mega Tanks in Qatar.

43. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities	*In RSD 000*	
	2018	*2017*
Deferred tax liabilities	60.547	61.120
TOTAL	**60.547**	**61.120**

Deferred tax liabilities stated as of 31 December relate to taxable temporary differences between the carrying value and assets subject to depreciation and their tax base. Namely, due to different provisions based on which the depreciation for accounting purposes in the Parent Company is determined (in accordance with the provisions of the professional regulations; IAS and IFRS, etc.) and provisions based on which depreciation for tax purposes is determined (In accordance with the Corporate Tax Income Law), the Parent Company shall, in the future period, pay a higher amount of income tax than it would pay if it was recognised, from the tax legislation standpoint, the actual stated depreciation for tax purposes.

Consequently, the Parent Company recognises a deferred tax liability, representing the income tax payable when the Parent Company “recovers” the carrying value of assets.

The amount of deferred tax liabilities is calculated by multiplying the amount of the taxable temporary difference at the year end with the income tax rate (15%).

According to movements in deferred tax assets and liabilities in 2018, it can be concluded that in the net effect there was a decrease in deferred tax liabilities compared to previous year by RSD 573 thousand.

44. RECONCILIATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Parent Company has performed the reconciliation of accounts receivable and payable with the balance as of 31 December 2018. Elektroprivreda Srbije (EPS) unlawfully challenged the amount of RSD 48,937,500 for which the first-instance court decision was awarded in behalf of Entel. EPS complained and now the case is at Appeal court. The verdict is to be expected by June.

45. MORTGAGES CREDITED/DEBITED TO THE GROUP - DOHA BANK

The subsidiary - company “Energoprojekt Entel” Doha, Qatar has the right to dispose and the right to usufruct over the immovable property, with the total residential area of 4,488 m2, located on cadastral plots no. 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 with the area of 10,736 m2, in Doha - Qatar, Zone 44, East Al Naija, Al Mumtaza Street Doha Qatar, which is owned by a local physical person as presented in the Land Register.

The registered owner has constituted a mortgage against the property in favour of Doha Bank in accordance with the agreement no. 52973 as collateral for receiving bid bonds and success guarantees in favour of Energoprojekt Entel Doha.

46. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Pursuant to the legal provisions (Guidelines on the Prescribed Form and Contents of the Consolidated Financial Statements of Companies, Cooperatives and Entrepreneurial Ventures), in its consolidated financial statements the Parent Company has stated the off-balance sheet assets and liabilities. Items presented in the off-balance sheet assets and liabilities, shown in the table below, represent neither assets nor liabilities of the Parent Company, but primarily serve as information to the user of the consolidated financial statements.

Breakdown of off-balance sheet assets and liabilities is presented in the table below.

Breakdown of off-balance sheet assets and liabilities	*In RSD 000*	
	2018	*2017*
Sureties, guarantees and other rights	2.810.464	2.179.947
TOTAL	**2.810.464**	**2.179.947**

The amount of RSD 2,205,250 thousand is the amount for the bid guarantees issued and performance guarantees in the Entel’s companies in Qatar, Oman, Emirates and Serbia.

The amount allocates by companies is as follow:

EMIRATES	**844.930**
ENTEL	**346.836**
QATAR	**1.608.562**
OMAN	**10.136**
	2.810.464

47. RELATED PARTY TRANSACTIONS

In accordance with the requirements of IAS 24 - Related Party Disclosures, the disclosure of relations, transactions, etc., between the Parent and related parties is presented below. Related parties are, from the standpoint of the parent company, as follows: subsidiaries of the Parent Company and key management personnel (persons who have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors, regardless of whether they are executive or not) and their close family members.

From the aspect of **related parties**, the following two tables show transactions result in stated income and expense in the income statement, and liabilities and receivables in the balance sheet.

Receivables from related parties arise from the services provided and fall due in 90 days after the date of provision of services, they are not collateralized and bear no interest.

Breakdown of receivables and liabilities incurred with related parties	*In RSD 000*	
	2018	*2017*
Receivables:		
Other related parties:		
EP VISOKOGRADNJA	-	194
EP INDUSTRIJA	-	204
EP HIDROINŽENJERING	-	-
GARANT	-	6
ENERGOPLAST	45,820	45,250
Total	**45,820**	**45,654**
Liabilities:		
Subsidiaries		
· EP VISOKOGRADNJA	30	
· EP OPREMA	-	30,490
· EP HOLDING	686	20,209
· EP ENERGODATA	3,173	343
· EP INDUSTRIJA	1,534	334
· EP HIDROINŽENJERING	12,255	839
Total	**17,678**	**52,215**
TOTAL	**63,498**	**97,869**

Breakdown of income and expenses from related parties	In RSD 000	
	2018	2017
Income:		
Other related parties		
· EP OPREMA	-	30,749
· EP HOLDING	313	216
· OTHER	172	70
· EP INDUSTRIJA	675	808
· EP VISOKOGRADNJA	341	347
· EP HIDROINŽENJERING	852	835
· EP URBANIZAM I ARHITEKTURA	31	141
Total income	**2,384**	**33,166**
Expenses:		
Other related parties		
· EP OPREMA	-	8
· EP HOLDING	41,828	71,124
· EP ENERGODATA	6,277	5,973
· EP GARANT	-	837
· EP VISOKOGRADNJA	886	646
· EP HIDROINŽENJERING	14,123	7,739
· EP ARHITEKTURA I URBAN	213	-
· EP INDUSTRIJA	5,142	930
Total expenses	**68,469**	**87,257**

48. LITIGATIONS

Overview of court cases in Serbia is presented in the table below.

The company has a court dispute in Qatar with the Ministry of Finance. The subject is unrecognized consultancy costs with Head office. The costs refer to the years 2008, 2009 and 2010. The dispute amounts to RSD 613,436 thousand.

No.	Plaintiff	Defendant	Basis	Amount of Claim In RSD	Competent Court	Entity	Instance	Expected Completion of Disputes	Prediction of Outcome
1.	Ep Entel	PE EPS	Debt for services performed	1,375,200.00	Commercial Court in Belgrade	Legal entity	The first instance	Uncertain	Uncertain
2	Martinoli, Đurović, Kisić	EP Entel	Denouncing the Assembly's decision		Commercial Court in Belgrade	Physical bodies - shareholders	The first instance	2018/2019	Uncertain, the first instance denied claim
3	Paripović Duško	EP Entel a.d., as second of four defendants	Compensation - injury at work	1,300,000.00	Basic Court in Pozarevac	Physical body	The first instance	Uncertain	Uncertain, interruption of proceedings
4	Ep Entel	JP EPS	Debt for services performed	580,800.00	Commercial Court in Belgrade	Legal entity	The first instance	Uncertain	Uncertain
5	Ep Entel	JP EPS	Debt for services performed	48,937,500.00	Commercial Court in Belgrade	Legal entity	The first instance	Uncertain	Uncertain
6	Ep Entel	GSP	Debt for services performed	4,200,000.00	Commercial Court in Belgrade	Legal entity	The first instance	Uncertain	Uncertain

49. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant business events from the balance date, which would exert any impact on the authenticity of the disclosed financial statements.

In 2019, the Court of Appeal and Supreme Qatari Court of Cassation rejected our lawsuit filed against the Qatari Ministry of Finance.

In Belgrade,

14 March 2019

Responsible for the preparation of the financial statemen	Director