ENERGOPROJEKT ENTEL AD, BELGRADE

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
REVIZIJA I RAČUNOVODSTVO

Privredno društvo za reviziju računovodstvo i konsalting
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENERGOPROJEKT ENTEL AD, BELGRADE

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Financial Statements – *continued*

Opinion

In our opinion, the financial statements, in all material respects, give a true and fair view of the financial position of Energoprojekt Entel ad. Belgrade 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 financial statements.

Belgrade, 15 April 2019

„MOORE STEPHENS
Revizija i Računovodstvo" doo. Beograd

Bogoljub Aleksić
Managing Partner

Privredno društvo za reviziju, računovodstvo i konsalting MOORE STEPHENS Beograd 11 Revizija i Računovodstvo d.o.o.

Identification number: 07470975	Completed by a legal entity - entrepreneur Business code: 7112	TIN: 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE	
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	Opening
1	2	3	4	5	6	7
	ASSETS					
00	A. UNPAID SUBSCRIBED CAPITAL	0001				
	B. NON CURRENT ASSETS (0003+0010+0019+0024+0034)	0002		611,698	648,525	701,409
01	I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)	0003	21	2,204	2,258	4,267
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	21	2,204	2,258	4,267
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	22	586,520	585,680	582,086
020, 021 and part of	1. Land	0011				
022 and part of 029	2. Buildings	0012	22a	488,898	491,937	496,361
023 and part of 029	3. Plant and equipment	0013	22a	63,284	57,481	49,463
024 and part of 029	4. Investment property	0014	22b		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	22a	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	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	23	22,974	60,587	115,056
040 and part of 049	1. Equity investments in subsidiaries	0025	23a	22,974	22,974	22,974
041 and part of 049	2. Equity investments in associates and joint ventures	0026				
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	Opening
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			37,613	86,585
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	23b		-	5,497
05	V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034				
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				
288	C. DEFERED TAX ASSETS	0042				
	D. CURRENT ASSETS (0044+0051+0059+0060+ 0061+0062+0068+0069+0070)	0043		574,438	680,217	558,337
Class 1	E. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044	24	4,678	5,028	630
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	24		-	-
15	6. Advances paid for inventories and services	0050	24	4,678	5,028	630
20	II. TRADE RECEIVABLES (0052+0053+0054+0055+0056+0057+0058)	0051	25	213,202	254,448	136,179
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	25	36,607		64,896
202 and part of 209	3. Domestic- other related parties	0054	25		192	405
203 and part of 209	4. Foreign - other related parties	0055				1,777
204 and part of 209	5. Domestic receivables	0056	25	149,533	200,869	69,101
205 and part of 209	6. Foreign receivables	0057		27,062	53,370	
206 and part of 209	7. Other trade receivables	0058				
21	III. Receivables from specific operations	0059				
22	IV. Other receivables	0060	26	174,778	350,868	354,676
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	27	48,720	35,273	39,975
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	Opening
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	27	48,720	35,273	39,975
24	VII. CASH AND CASH EQUIVALENTS	0068	28	10,829	27,441	21,109
27	VIII. VALUE ADDED TAX	0069	29	136		
28 except 288	IX. PREPAYMENTS AND ACCRUED INCOME	0070	30	122,095	7,159	5,768
	F. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071		1,186,136	1,328,742	1,259,746
88	G. OFF BALANCE SHEET ASSETS	0072	40	346,836	224,365	83,094
	EQUITY AND LIABILITIES					
	A. EQUITY (0402+0411 -0412+0413+0414+0415-0416+0417+ 0420-0421) >= 0 = (0071-0424-0441-0442)	0401	31	813,565	1,056,855	1,063,098
30	I. CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402	31a	173,223	173,223	173,223
300	1. Share capital	0403	31a	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	31b	22,744	22,744	22,744
330	V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	0414	31c	333,126	333,044	333,044
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 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				
34	VIII. RETAINED EARNINGS (0418+0419)	0417	31d	284,472	527,844	534,087
340	1. Retained earnings from prior years	0418	31d	27,186	221,440	221,926
341	2. Retained earnings from current year	0419	31d	257,286	306,404	312,161
	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	32	61,554	60,926	8,433
40	I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425	32	61,173	59,784	6,096
400	1. Provisions for costs during the warranty period	0426		53,313	53,313	
401	2. Provisions for recovery of natural resources	0427				

Code of account	ITEM	EDP	Note no.	Amount		
				Current year	Previous Year	
					Closing	Opening
1	2	3	4	5	6	7
403	3. Provisions for restructuring costs	0428				
404	4. Provisions for compensations and employee benefits	0429	32	7,860	6,471	6,096
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		381	1,142	2,337
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				
419	8. Other long-term liabilities	0440		381	1,142	2,337
498	C. DEFERRED TAX LIABILITIES	0441	38	60,547	61,120	61,243
42 to 49 (except 498)	D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442		250,470	149,841	126,972
42	E. SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	0443		762	762	
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				
427	5. Liabilities for non-current assets and discontinued operations held for sale	0448				
424,425, 426 and 429	6. Other short-term financial liabilities	0449		762	762	
430	II. ADVANCES, DEPOSITS AND RETAINERS RECEIVED	0450	33	62,304	21,432	4,151
43 except 430	III. ACCOUNTS PAYABLE (0452+0453+0454+0455+0456+0457+0458)	0451	34	105,989	58,708	30,932
431	1. Trade payables - parent companies and subsidiaries	0452	34	686	30,512	20,209
432	2. Trade payables - parent companies and subsidiaries foreign	0453	34			
433	3. Trade payables - other related party domestic	0454	34	16,992	9,335	1,516
434	4. Trade payables - other related parties foreign	0455				
435	5. Domestic trade payables	0456	34	72,077	18,861	7,170
436	6. Foreign trade payables	0457		16,234		2,037
439	7. Other trade payables	0458				
44,45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	35	51,457	43,772	43,745
47	V. VALUE ADDED TAX PAYABLE	0460		9,859	15,139	2,458
48	VI. OTHER TAX LIABILITIES, CONTRIBUTIONS AND OTHER DUTIES	0461	36	19,783	10,028	15,196
49 except 498	VI. ACCRUALS AND DEFERRED INCOME	0462	37	316		30,490
	LOSS 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		1,186,136	1,328,742	1,259,746

On ________________________________

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	40	346,836	216,90	83,094

Legal representative

In Belgrade ______________ _________________ L.S.

18 February 2019

Identification number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 1003089086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE	
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	8	792,692	666,989
60	II. INCOME FROM THE SALE OF GOODS (1003+1004+1005+1006+1007+1008)	1002	8a	421	1,061
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	8a	421	1,061
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	8b	792,271	665,928
610	1. Income from the sale of finished goods and services to parent companies and subsidiaries on domestic market	1010	8b	170	184
611	2. Income from the sale of finished goods and services to parent companies and subsidiaries on foreign market	1011	8b	86,136	165,910
612	3. Income from the sale of finished goods and services to other related parties on domestic market	1012	8b	1,903	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	8b	666,047	439,667
615	6. Income from the sale of finished goods and services on foreign market	1015	8b	38,015	57,738
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC.	1016			
65	IV. OTHER OPERATING INCOME	1017	8c		
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019-1020-1021 +1022+1023+1024+1025+1026+1027+ 1028+1029) >= 0	1018		736,743	629,855
50	I. COSTS OF GOODS SOLD	1019	9	421	1,061
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	10	10,214	8,335
513	VI. OIL AND ENERGY	1024	10	10,652	9,505

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	11	414,068	352,414
53	VIII. COSTS OF PRODUCTIVE SERVICES	1026	12	195,930	86,342
540	IX. COSTS OF DEPRECIATION AND AMORTISATION	1027		19,870	17,081
541 to 549	X. LONG-TERM PROVISIONS	1028	13	4,855	54,866
55	XI. NON-MATERIAL COSTS	1029	14	80,733	100,251
	C. OPERATING INCOME (1001 -1018) >= 0	1030	18	55,949	37,134
	D. OPERATING LOSS (1018-1001) >= 0	1031			
66	E. FINANCE INCOME (1033+1038+1039)	1032	15a	255,947	315,918
66 except 662, 663 i664	F. FINANCE INCOME FROM RELATED PARTIES AND OTHER FINANCE INCOME (1034+1035+1036+1037)	1033	15a	244,568	315,534
660	1. Finance income from parent company and subsidiaries	1034	15a	244,559	305,864
661	2. Finance income from other related parties	1035	15a	9	38
665	3. Gains from associates and joint ventures profit sharing	1036			9,000
669	4. Other finance income	1037	15a		632
662	II. INTEREST INCOME (FROM THIRD PARTIES)	1038	15a	8,241	168
663 and 664	III. FOREIGN EXCHANGE GAINS AND POSITIVE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039	15a	3,138	216
56	G. FINANCE EXPENSES (1041+1046+1047)	1040	15b	2,355	35,224
56 except 562, 563 and 564	H. FINANCE EXPENSES FROM RELATED PARTIES AND OTHER FINANCE EXPENSES (1042+1043+1044+1045)	1041	15b	361	30,473
560	1. Finance expenses from parent company and subsidiaries	1042	15b	354	30,464
561	2. Finance expenses from other related parties	1043	15b	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	15b	14	115
563 i564	II. FOREIGN EXCHANGE LOSSES AND NEGATIVE EFFECTS OF THE FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047	15b	1,980	4,636
	E. FINANCE INCOME (1032-1040)	1048	18	253,592	280,694
	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	I. OTHER INCOME	1052	16a	1,238	30,526
57 and 58, except 583 and	J. OTHER EXPENSES	1053	16b	7,711	7,649
	K. OPERATING PROFIT BEFORE TAX (1030-1031 +1048-1049+1050-1051 +1052-1053)	1054	18	303,068	340,705
	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			
59 - 69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND PRIOR YEARS' ERROR ADJUSTMENT	1057	17		
	O. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	18	303,068	340,705
	P. LOSS BEFORE TAX (1055-1054+1057-1056)	1059			
	R. INCOME TAXES				
721	I. TAX EXPENSE OF THE PERIOD	1060	19	47,390	34,423

Code of accounts	ITEM	EDP	Note no.	Amount	
				Current	Previous
1	2	3	4	5	6
part of722	II. DEFERRED TAX EXPENSES OF THE PERIOD	1061	19		
part of 722	III. DEFERRED TAX INCOME OF THE PERIOD	1062		741	122
723	S. BENEFITS PAID TO EMPLOYER	1063			
	T. NET PROFIT (1058-1059-1060-1061 + 1062-1063)	1064	19	256,419	306,404
	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			
	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	20	607	725
	2. Diluted earnings per share	1071			

Legal representative

In Belgrade L.S.

On 18 February 2019

Identlfi'cati'on number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE	
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		256,419	306,404
	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		82	
	b) decrease of revaluation reserves	2004			
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			
	b) Losses	2012			
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		82	
	II. OTHER GROSS COMPREHENSIVE LOSS (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) >= 0	2020			
	III. TAX ON OTHER COMPREHENSIVE INCOME OR LOSS OF THE PERIOD	2021			
	IV. NET OTHER COMPREHENSIVE INCOME (2019-2020-2021) >= 0	2022		82	
	V. NET OTHER COMPREHENSIVE LOSS (2020-2019+2021) >= 0	2023			
	V. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
	I. TOTAL NET COMPREHENSIVE INCOME (2001-2002+2022-2023) >= 0	2024		256,501	306,404
	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 18 February 2019

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

CASH FLOW STATEMENT

In the period from 01 January to 31 December 2019

- 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	913,609	709,000
1. Sales and advances received	3002	897,548	657,209
2. Interest received from operating activities	3003	8,229	186
3. Other cash inflows from operating activities	3004	7,832	51,605
II. Cash outflows from operating activities (1 to 5)	3005	832,629	697,358
1. Payments to suppliers and advances paid	3006	286,726	259,042
2. Wages, salaries and other personnel expenses	3007	394,286	343,730
3. Interest paid	3008	15	92
4. Income tax	3009	37,690	39,722
5. Cash outflows for other taxes payable	3010	113,912	54,772
III. Net cash inflow from operating activities (I - II)	3011	80,980	11,642
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	389,776	310,517
1. Sale of shares and stakes (net inflows)	3014		
2. Sale of intangible assets, property, plant, equipment and biological assets	3015		551
3. Other financial placements (net inflows)	3016		
4. Interest received from investing activities	3017		5,434
5. Dividends received	3018	389,776	304,532
II. Other cash outflows from investing activities (1 to 3)	3019	21,475	19,417
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, property, plant, equipment and biological assets	3021	21,475	19,417
3. Other financial placements (net outflows)	3022		
III. Net cash inflow from investing activities (I - II)	3023	368,301	291,100
IV. Net cash outflow for investing activities (II - I)	3024		
C. CASH FLOWS FROM FINANCING ACTIVITIES I. Cash inflows from financing activities (1 to 5)	3025	28,918	36,244
1. Increase of share capital	3026		
2. Long-term borrowings (net inflows)	3027	28,918	36,244
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	500,657	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		
6. Dividends paid	3037	500,657	315,646
III. Net cash inflow from financing activities (I - II)	3038		
IV. Net cash outflow from financing activities (II - I)	3039	471,739	276,402
D. TOTAL CASH INFLOW (3001+3013+3025)	3040	1,332,303	1,055,761
E. TOTAL CASH OUTFLOW (3005+3019+3031)	3041	1,354,761	1,029,421
F. NET CASH INFLOW (3040-3041)	3042		26,340
G. NET CASH OUTFLOW (3041-3040)	3043	22,458	
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3044	27,441	21,109
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3045	5,846	
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	3046		20,008
K. CASH AT THE END OF ACCOUNTING PERIOD (3042-3043+3044+3045-3046)	3047	10,829	27,441

Legal representative

In Belgrade L.S.

On 18 February 2019

Identification number 07470975	Completed by a legal entity - entrepreneur Business code 7112	TIN 100389086
Name:	ENERGOPROJEKT ENTEL AD BELGRADE	
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 Repurchased 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 2016														
	a) debit balance	4001		4019		4037		4055		4073		4091		4109	
	b) credit balance	4002	173,223	4020		4038	22,744	4056		4074		4092	534,087	4110	333,044
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 2014														
	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	22,744	4060		4078		4096	534,087	4114	333,044
4.	Balance as of the end of the previous year														
	a) Turnover on the debit side of the account	4007		4025		4043		4061		4079		4097	312,647	4115	
	b) Turnover on the credit side of the account	4008		4026		4044		4062		4080		4098	306,404	4116	
5.	Balance as of the end of the previous year 31 December 2016														
	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	22,744	4064		4082		4100	527,844	4118	333,044

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 Repurchased 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														
	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	22,744	4068		4086		4104	527,844	4122	333,044
8.	Changes in the current year 2017														
	a) Turnover on the debit side of the account	4015		4033		4051		4069		4087		4105	500,658	4123	1,035
	b) Turnover on the credit side of the account	4016		4034		4052		4070		4088		4106	257,286	4124	1,117
9.	Balance at the end of the current year as of 31 December														
	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	22,744	4072		4090		4108	284,472	4126	333,126

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 2016												
	a) debit balance	4127		4145		4163		4181		4199		4217	
	b) credit balance	4128		4146		4164		4182		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 2014												
	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		4204		4222	
4.	Balance as of the end of the previous year												
	a) Turnover on the debit side of the account	4133		4151		4169		4187		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 2014												
	a) debit balance (3a + 4a - 4b) >= 0	4135		4153		4171		4189		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												
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4139		4157		4175		4193		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 2017												
	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		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		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 2016				
	a) debit balance	4235	1,063,098	4244	
	b) credit balance				
2.	Adjustment of material errors and change in accounting policy				
	a) adjustment to the debit side of the account	4236		4245	
	b) adjustment to the credit side of the account				
3.	Restated opening balance as of 1 January 2016				
	a) Adjusted debit of the account (1a + 2a - 2b) > 0	4237	1,063,098	4246	
	b) Adjusted credit side of the account(1b - 2a +2b) > 0				
4.	Balance as of the end of the previous year				
	a) Turnover on the debit side of the account	4238		4247	
	b) Turnover on the credit side of the account				
5.	Balance as of the end of the previous year 31 December 2016				
	a) debit balance (3a + 4a - 4b) >= 0	4239	1,056,855	4248	
	b) credit balance (3b - 4a + 4b) >= 0				
6.	Adjustment of material errors and change in accounting policy				
	a) Adjustments on the debit side of the account	4240		4249	
	b) Adjustments on the credit side of the account				
7.	Restated opening balance of the current year as of 1 January				
	a) Adjusted debit balance of the account (5a + 6a - 6b) >= 0	4241	1,056,855	4250	
	b) Adjusted credit balance of the account (5b - 6a + 6b) >= 0				
8.	Changes in the current year 2015				
	a) Turnover on the debit side of the account	4242		4251	
	b) Turnover on the credit side of the account				
9.	Balance at the end of the current year as of 31 December				
	a) debit balance of the account (7a + 8a - 8b) >= 0	4243	813,565	4252	
	b) credit balance of the account (7b - 8a + 8b) >= 0				

Legal representative

In Belgrade L.S.

On 18 February 2019

NOTES TO THE 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 Company are as follows:

The 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 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 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 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 Company is ENGINEERING ACTIVITIES AND TECHNICAL CONSULTING

Subsidiaries of the 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 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**
ENERGOPROJEKT BAHRAIN	**100**

In accordance with the criteria stipulated by the Law on Accounting and Audit, the Company was classified as a middle size 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 financial statements which are the subject of these Notes are the financial statements of the Company and were authorised by the BOARD OF DIRECTORS OF ENERGOPROJEKT ENTEL on 28 February 2018. The authorised financial statements may be subsequently amended, in accordance with the applicable regulations.

The 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 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 31a.

4. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Law on Accounting ("Official Gazette of RS", no. 62/2013 - 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 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 financial statements of the 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 Company are in question, upon preparation of the financial statements, the current Rule Book on Accounting and Accounting Policies of the company was used, which was adopted on 27 November 2015 by the Board of Directors of ENERGOPROJEKT ENTEL AD on 79th Session. In addition, other internal acts of the Company, such as the Collective Agreement of the EP Holding a.d. in the country.

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 Company financial statements. Detail explanation is provided below:

The accounting regulations prevailing in the Republic of Serbia, and, accordingly, the presented financial statements of the 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 for reported period, 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 Company has no influence.

The new Standards, Interpretations and 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

By the date of adoption of the consolidated financial statements, the following version of standards and amendments to standards were issued by the International Accounting Standards Board, and the following interpretation were issued by International Financial Reporting Standards' Interpretations Committee, , but have not yet been officially applied 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. ACCOUNTING PRINCIPLES

Upon preparation of the financial statements, the 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 financial statements are prepared under the assumption that the proprietary position, financial position and business results of the Company, as well as the economic policy of the country and of the environment, enable the 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 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 Company or conscious, unrealistic increase of expenses and liabilities of the 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 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 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 Company that resulted in payments or reception of cash, but also about liabilities of the Company to pay cash in the future and resources that represent cash to be received by the 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.

6. 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 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 **functional currency and the presentation currency in the financial statements** is Dinar.

In the preparation of the 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 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 financial statements of the 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.

6.1 Use of Estimates

The preparation and presentation of the 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 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 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 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 Company's books of account is overstated, the allowance for impairment is established.

6.2 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 Company into foreign operations, which are accounted for in accordance with the requirements of IAS 21) are recognised as income or expenses of the 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

6.3. 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 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 Company are recorded. Gains represent increases in economic benefits of the 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.

6.4. Expenses

Expenses represent the outflow of economic benefits during the relevant period which results in a decrease of the 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 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.

6.5. 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 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 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 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 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 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 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 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 Company in the amount determined at the balance sheet date.

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

6.6. 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 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 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 Company;
- That the 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 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).

6.7. Property, plant and equipment

Property, 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 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.

6.8. 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 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.

6.9. Impairment of intangible assets, property, plant and equipment

At each balance sheet date competent persons from or outside the 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.

6.10. Non-current assets held for sale

The 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 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.

6.11. Financial instruments

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

Upon classification of each individual financial instrument, the 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 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 Company.

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities the 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.

6.12. Cash and cash equivalents

The most liquid forms of the financial asset of the Company are **cash and cash equivalents**, which are measured at nominal, i.e., fair value. Within cash and cash equivalents of the 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 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).

6.13. 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 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 Company is carried out through the allowance account. The Decision on the allowance for impairment through the allowance account is passed by the 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 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 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.

6.14. 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 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 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 - 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 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).

6.15. Liabilities

A liability is the result of past transactions or events, whose settlement usually implies the waiver of economic benefits (resources) of the 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.

6.16. 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 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 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 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 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 Company required to settle the present liability as of the balance sheet date.

In other words, that is the amount the 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 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 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 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 Company’s control.

Contingent assets are not recognized in the financial statements of the 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 financial statements of the Company in the period in which the change has occurred.

6.17. 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 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 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 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 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 Company in accordance with the new provisions of the Collective Bargaining.

7. 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 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 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 Company, etc.; *reputational risk,* which comprises the possibility of deterioration of the Company's position due to the loss of confidence or creating a negative image in the public (state institutions, suppliers, customers, etc.) regarding the 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 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 Company. Therefore, the amount of financial risk is significantly affected by the 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 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 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 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 Company management. Essentially, the Company's financial management should ensure that the risk profile of the Parent Company should always be in compliance with the Company's propensity to risks, i.e., in accordance with the acceptable structure and levels of risk the Company intends to take in order to achieve its business strategy and objectives.

The analysis of the 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 Company is significantly exposed to different types of risks.

We shall present below:

- the Company's financial risk profile, i.e., the assessment of the structure and the level of financial risk the Company is exposed to in its operations;
- measures for the identified 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.

7.1. 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 Company due to the debtor's failure to settle, in the specified deadlines, its liabilities to the Company.

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

The Company has significant concentrations of credit risk of the collection of receivables from customers, which have a very long credit period extended by the 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	36,607	209
EPS	129,429	171,797
FOREIGN RECEIVABLES	27,062	53,370
TEPSCO	15,098	17,682
Other SERBIA	5,006	11,391
	213,202	***254,448***

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	-	-
Total	-	***209***
Domestic receivables:		
a) Current	118,874	123,797
b) Up to 30 days	2,604	13,379
c) 30 - 60 days	3,024	-
d) 60 - 90 days	6,744	52,065
e) 90 - 365 days	4,000	-
f) Over 365 days	50,894	11,628
Total	***186,140***	***200,869***
Foreign receivables:		
a) Current	27,062	53,370
Total	***27,062***	*53,370*
TOTAL	***213,202***	***254,448***

7.2. 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

7.3. Interest rate risk

Interest rate is the risk of adverse effects to the 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 Company does not place any collaterals for securing payments.

The structure of trade payables	*in RSD 000*	
	2018	*2017*
Domestic trade payables (related and other legal entities):		
a) ENERGOPROJEKT HOLDING	686	30,512
b) ENERGOPROJEKT ENERGODATA	3,173	549
b) ENERGOPROJEKT INDUSTRIJA	1,534	
b) ENERGOPROJEKT HIDROINZENJERING	12,255	
c) OSTALA POVEZANA PRAVNA LICA	30	8,786
e) OTHER	72,077	18,861
Total	**89,755**	**58,708**
Foreign trade payables (related and other parties):	16,234	
Total	**16,234**	**-**
TOTAL:	**105,989**	**58,708**

The structure of trade payables	*in RSD 000*	
	2018	*2017*
Related parties:		
a) Current	16,927	
b) up to 30 days	287	21,390
c) 30 - 60 days	464	
d) 60 - 90 days	-	335
e) 90 - 365 days		
f) over 365 days		
Total	**17,678**	**21,725**
Domestic payables:		
a) Current	88,311	9,207
Total	**88,311**	**9,207**
TOTAL	***105,989***	***30,932***

7.4. 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.

7.5. 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	4.54 : 1	4.40 : 1
Quick liquidity ratio	1 : 1	5.27 : 1	4.35 : 1
Cash liquidity ratio		0.19 : 1	0.17 : 1
Net current assets (in RSD thousand)		**530,376**	**431,365**

7.6. 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 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.

	in RSD 000	
	2018	*2017*
Net profit/loss	256,419	306,404
Average capital:		
a) Capital - beginning of the year	1,056,855	1,063,098
b) Capital - end of year	813,565	1,056,855
Total	*935,210*	*1,059,977*
Yield rate - end of the year	***27.42%***	***28.91%***

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 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 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 Company's assets is financed from the long-term sources.

Financial structure indicators	*in RSD 000*	
	2018	*2017*
Liabilities	250,851	150,983
Total assets	1,186,136	1,328,742
Share of borrowing in total sources of assets	*0.21*	*0.11*
Long-term assets:		
a) Capital	813,565	1,056,855
b) Long-term provisions and long-term liabilities	61,554	60,926
Total	*875,119*	*1,117,781*
Total assets	1,186,136	1,328,742
Share of long-term in total sources of assets	**0.74 : 1**	**0.84 : 1**

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

Net indebtedness shall mean the difference between:

- total (long and short-term) financial liabilities of the Company (total liabilities minus capital, long-term provisions and deferred tax assets of the 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	250,851	150,983
b) Cash and cash equivalents	10,829	27,441
Total	*261,680*	*178,424*
Capital	813,565	1,056,855
Net debt to total capital ratio	**1: 3.22**	**1 : 1.69**

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

Prior period errors are omitted or misstated data from the financial statements of the Company for one or more periods resulting from disuse or misuse of reliable information available when the 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 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 financial statements can no longer be considered reliable.

The Company performs a retrospective adjustment of *material errors* in the first set of the 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 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 financial statements. In the 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 Company in the prior year shall be considered a material error**.

INCOME STATEMENT

9. OPERATING INCOME

9.1. Income from the sale of merchandise

Breakdown of income from the sale of merchandise	*in RSD 000*	
	2018	*2017*
Income from the sale of merchandise to parents and subsidiaries on domestic market	421,	1,061
TOTAL	***421***	***1,061***

9.2. 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 parents and subsidiaries abroad	86,136	165,910
Income from the sale of products and services to other related parties on domestic markets	1,903	2,429
Income from the sale of products and services on domestic market	666,047	439,667
Income from the sale of products and services on foreign market	38,015	57,738
TOTAL	***792,271***	***665,928***

10. COSTS OF GOODS SOLD

Structure of costs of goods sold	*in RSD 000*	
	2018	*2017*
Cost of goods sold:		
a) Cost of goods sold to parents, subsidiaries and other related parties	421	1,061
TOTAL	***421***	***1,061***

11. COSTS OF MATERIAL, FUEL AND ENERGY

Structure of costs of material, fuel and energy	*in RSD 000*	
	2018	*2017*
Costs of material:		
a) Processing material	-	-
b) Other material (overhead)	9,535	7,716
c) Costs of spare parts	-	-
d) Costs of one-off write-down of tools and inventory	679	619
Total	*10,214*	*8,335*
Fuel and energy:		
a) Fuel	2,810	1,867
b) Electric and thermal energy	7,842	7,638
Total	*10,652*	*9,505*
TOTAL	***20,866***	***17,840***

12. SALARIES, COMPENSATION AND OTHER PERSONAL EXPENSES

Structure of salaries, compensations and other personal expenses	*in RSD 000*	
	2018	*2017*
Gross salaries	324,005	273,331
Payroll taxes and contributions payable by the employer	63,968	55,095
Autorship agreements	4,475	9,021
Occasional and periodical job contracts	1,861	1,893
Remunerations to physical persons arising with respect to other	-	-
Remunerations to the Board of Directors and Supervisory Board members	2,835	2,724
Other personnel expenses and remunerations	16,924	10,350
TOTAL	***414,068***	***352,414***

Other personal expenses amounting to RSD 16,924 thousand relate to:

- other personnel expenses and remunerations 5,104
- costs of transportation to work 5,272
- travel expenses 6,548

13. COSTS OF PRODUCTIVE SERVICES

Breakdown of the costs of productive services	*in RSD 000*	
	2018	*2017*
Own-work	160,318	53,932
Transportation costs	15,557	13,428
Maintenance	1,005	465
Rental expenses	-	2,034
Fairs	-	-
Advertising and marketing	5,757	5,672
Research		
Other services	13,293	11,811
TOTAL	***195,930***	***87,342***

The cost of own-works, in 2018, was significantly increased compared to 2017 due to large projects in Pančevo, Vinča and Kostolac. The work on these sites and locations require engagement of companies which may perform activities that Entel does not have its own experts.

As part of the **cost of transport services**, in addition to costs of transport services in the country and abroad, cost of fixed telephone, mobile phone, etc are presented and.

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, in 2017: RSD 5,672 thousand.

Costs of other services relate to the protection at work, registration of vehicles, costs of photocopying, licenses and others and in 2018 the highest amount of RSD 7,128 thousand refers to the costs of licenses.

14. DEPRECIATION, AMORTISATION AND PROVISIONS

Breakdown of depreciation/amortisation	*in RSD 000*	
	2018	*2017*
Depreciation and amortisation:		
a) Amortisation charge of intangible assets (Note 22)	2,498	2,082
b) Amortisation charge of PPE (Note 23)	17,372	14,999
Total	*19,870*	*17,081*
e) Provisions for compensations and other employee benefits	4,855	1,553
f) Other provision	-	53,313
Total	*4,855*	*54,866*
TOTAL	***24,725***	***71,947***

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.

15. NON-MATERIAL COSTS

Breakdown of non-material costs	*in RSD 000*	
	2018	*2017*
Costs of non-productive services	12,993	10,374
Entertainment	10,610	8,638
Insurance premium costs	2,013	1,785
Bank charges	4,882	2,662
Membership fees	863	1,311
Taxes	2,696	2,793
Contributions	-	-
Other non-material costs	46,676	72,688
TOTAL	***80,733***	***100,251***

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.

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

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

Out of the total presented bank **charges and bank services**: the amount of RSD 724 relates to payment operations in 2018, and the amount of RSD 4,158 relates to costs of bank services (guarantee issues) in 2018.

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 in 2018 to RSD 2,309 thousand.

Other non-material costs relate to: taxes (administrative, court, etc.), costs of professional literature, advertisements costs, tenders, etc. and Holding costs of RSD 41,108 thousand.

16. FINANCIAL INCOME AND EXPENSES

16.1.Financial income

Breakdown of financial income	*In RSD 000*	
	2018	*2017*
Financial income from parents and subsidiaries	244,559	305,864
Financial income from other related parties	9	38
Other financial income	-	632
Financial income from share profit of associates	-	9,000
Total	*244,568*	*315,534*
Interest income (from third parties)	8,241	168
Foreign exchange differences and income arising from the effects of foreign currency clause	3,138	216
TOTAL	***255,947***	***315,918***

Financial income from parent and subsidiaries in the amount of RSD 3,267 thousand represents interest income from loan granted to the company in Oman in 2014. Within the item share profit of subsidiaries in the amount of RSD 236,756 thousand is distributed profit from the company Energocounsult Emirates.

Part of **interest income from other grounds** represents consequence of bank interests for funds on current accounts and placements made.

16.2. Financial expenses

Breakdown of financial expenses	*In RSD 000*	
	2018	*2017*
Financial expenses from transactions with parents and subsidiaries	361	30,464
Other financial expenses	-	9
Total	*361*	*30,473*
Interest expense (to third parties)	14	115
Foreign exchange losses and expenses arising from effects of foreign exchange clause (to third parties)	1,980	4,636
TOTAL	***2,355***	***35,224***

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

17. OTHER INCOME AND EXPENSES

17.1. Other income

Breakdown of other income	*In RSD 000*	
	2018	*2017*
Gains from the sale of intangible assets, property, plant and equipment	-	36
Income from cancelation of accruals	-	30,490
Other sundry income	1,238	-
TOTAL	***1,238***	***30,526***

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	1,935	311
Other sundry expenses	5,776	7,338
TOTAL	***7,711***	***7,649***

The major portion of **other sundry expenses** relates to the expenses for humanitarian, cultural and health purposes in 2018 amounts to RSD 4,541 thousand.

18. PROFIT BEFORE TAX

Structure of the gross result	*In RSD 000*	
	2018	*2017*
Operating income	792,692	666,989
Operating expenses	736,743	629,855
Operating result	**55,949**	**37,134**
Financial income	255,947	315,918
Financial expenses	2,355	35,224
Financial result	**253,592**	**280,694**
Other income	1,238	30,526
Other expenses	7,711	7,649
Result of other income and expenses	**(6,473)**	**22,877**
TOTAL INCOME	**1,049,877**	**1,013,433**
TOTAL EXPENSES	**746,809**	**672,728**
GAIN/LOSSES BEFORE TAX	***303,068***	***340,705***

19. INCOME TAX AND NET PROFIT

Breakdown of income tax and net profit	*In RSD 000*	
	2018	*2017*
Profit/(loss) before tax	303,068	340,705
Capital gains/(losses) stated in the Income Statement	0	0
Reconciliation and adjustment of income/expenses in the tax balance	12,866	86,238
Taxable profit/ (loss)	**315,934**	**426,943**
Remaining portion of taxable profit	**315,934**	**426,943**
Capital gains/(losses) calculated in accordance with the law	0	0
Remaining portion of the capital gain	0	0
Tax base	**315,934**	**426,943**
Calculated tax (15% of the tax base)	47,390	64,041
Total decrease of the calculated tax	29,618	29,618
Total reduction of the calculated tax	**17,772**	**34,423**
Profit/loss before tax	303,068	340,705
Tax expense of the period	47,390	34,423
Deferred tax expense/income of the period	741	122
Net profit/(loss)	***256,419***	***306,404***

20. EARNINGS PER SHARE

Indicator	*In RSD 000*	
	2018	*2017*
Net profit	256,419	306,404
Average number of shares during the year	422,495	422,495
Earning per share (in RSD)	***607***	***725***

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 607.

BALANCE SHEET

21. INTANGIBLE ASSETS

Breakdown of intangible assets	**Concessions, patents, licenses, trade and service marks, software and other rights**	**Intangible assets under construction**	**Advances for intangible assets**	**Total**
Cost				
Opening balance	**15,066**			**15,066**
Transfers			(2,444)	**(2,444)**
Additions	2,444		2,444	**4,888**
Balance as of 31 December 2018	**17,510**			**17,510**
Accumulated depreciation				
Opening balance	**12,808**			**12,808**
Charges in the year	2,498			**2,498**
Balance as of 31 December 2018	**15,306**			**15,306**
Net book value as of 31 December 2017	**2,258**			**2,258**
Net book value as of 31 December 2018	***2,204***			***2,204***

22. PROPERTY, PLANT AND EQUIPMENT

22.1. Property, plant and equipment, without investment property

Breakdown of property, plant and equipment	Buildings	Plant and equipment	Other PPE	PPE under construction	Total
Cost					
Opening balance 01 January 2017	**496,361**	**49,005**	**23,652**	**34,338**	**603,356**
Additions		19,418			**19,418**
Disposals		(3,313)			**(3,313)**
Balance as of 31 December 2017	**496,361**	**65,110**	**23,652**	**34,338**	**619,461**
Additions		19,031			**19,031**
Disposals		(148)			**(148)**
Other increase / (decrease)	(7,463)				**(7,463)**
Balance as of 31 December 2018	**488,898**	**83,993**	**23,652**	**34,338**	**630,881**
Accumulated depreciation					
Opening balance 01 January 2017		**19,410**	**3,784**		**23,194**
Charges in the year	4,424	9,592	946		**14,962**
Disposals		(2,451)			**(2,451)**
Balance as of 31 December 2017	**4,424**	**26,551**	**4,730**		**35,705**
Charges in the year		12,270	946		**13,216**
Disposals	-4,424	(136)			**(4,560)**
Balance as of 31 December 2018		**38,685**	**5,676**		**44,361**
Net book value					
As of 31 December 2017	***491,937***	***38,559***	***18,922***	***34,338***	***583,756***
As of 31 December 2018	***488,898***	***45,308***	***17,976***	***34,338***	***586,520***

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.

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 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 fair value as of 31 December 2018, in the amount of RSD 496,361 thousand, in accordance with the evaluation performed by the external independent qualified appraiser using.

In 2018, depreciation costs were recorded. The useful life of the above mentioned “building” is 100 years (the remaining useful life is 64 years).

23. Investment property

Investment property	*In RSD 000*	
	2018	*2017*
Balance as of 1 January	1,924	1,924
Disposals	(1,924)	
Balance as of 31 December	***0***	***1,924***

Pursuant to the Decision of the Board of Directors, the barracks in block 11A was removed from the business books.

24. LONG-TERM FINANCIAL PLACEMENTS

Structure of long-term financial placements	*In RSD 000*	
	2018	*2017*
Equity investments into subsidiaries	22,974	22,974
Long-term placements to parent company and subsidiaries	-	37,613
Other long-term financial placements	-	-
Total	*22,974*	*60,587*
Allowance for impairment		
TOTAL	***22,974***	***60,587***

Equity investments

Equity investments pertain to shares and stakes as presented in the following table:

Equity investments represent long-term financial investments in shares and stakes in subsidiaries, associated companies and joint ventures, banks, insurance companies (securities available for sale) and other legal entities.

Equity investments in subsidiaries, associated companies and joint ventures are valued according to the historical cost method. 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 Company has acquired it.

The Company has a 20% stake in u Enegoplast doo.

Equity investments in other legal entities and securities available for sale are measured at their market (fair) value.

Breakdown of equity investments		*In RSD 000*	
	% shares	*2018*	*2017*
Equity investments in subsidiaries	-		
SHARE CAPITAL INTO THE COMPANY LLC. OMAN	100	16,463	16,463
SHARE CAPITAL INTO THE COMPANY ENERGOCONSALT UAE	100	2,634	2,634
SHARE CAPITAL INTO THE COMPANY QATAR	100	3,877	3,877
Total		***22,974***	***22,974***
Equity investments with other legal entities and other AFS securities			
a) banks and financial organisations			-
Total		-	-
TOTAL		***22,974***	***22,974***

25. INVENTORIES

Structure of inventories	*In RSD 000*	
	2018	*2017*
Non-current assets held for sale	-	-
e) Advances paid for services	4,678	5,028
TOTAL	**4,678**	**5,028**

26. TRADE RECEIVABLES

Breakdown of trade receivables	*In RSD 000*	
	2018	*2017*
Domestic - parent and subsidiaries	-	17
Foreign trade receivables - parent and subsidiaries	36,607	-
Domestic - other related parties	-	192
Domestic trade receivables	*149,533*	*200,869*
Foreign trade receivables	*27,062*	*53,370*
TOTAL	**213,202**	**254,448**

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

27. OTHER RECEIVABLES

Breakdown of other receivables	In RSD 000	
	2018	2017
Receivables for interest and dividends		
a) Receivables for contracted and default interest from parent company and subsidiaries	127,164	296,182
b) Receivables for contracted and default interest from other related parties	45,820	53,020
c) Receivables for contracted and default interest from other legal entities	12	-
Total	*172,996*	*349,202*
Receivables from employees		
Receivables from state institutions	1,782	1,666
Receivables for overpaid income taxes		-
TOTAL	**174,778**	**350,868**

28. SHORT-TERM FINANCIAL PLACEMENTS

Breakdown of short-term financial placements	In RSD 000	
	2018	2017
Short term borrowings and loans in the country		
Portion of long term financial placements that is due within a year	48,720	35,273
TOTAL	**48,720**	**35,273**

Current portion of long term loan is transferred every year at the figure short term financial placements.

29. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents	In RSD 000	
	2018	2017
Current account	2,725	25,812
Foreign currency account	7,497	1,438
Cash on hand in foreign currency	607	149
b) other	-	42
Total	*10,829*	*27,441*
TOTAL	**10,829**	**27,441**

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

- Held with commercial banks in the country (Raiffaisen bank, Erste Banka, Direktna Banka, Sberbanka and NLB Bank)

30. PREPAYMENTS AND ACCRUED INCOME

Structure of prepayments and accrued income	*In RSD 000*	
	2018	*2017*
b) other accruals	122,095	7,159
TOTAL	**122,095**	**7,159**

31. VALUE ADDED TAX

Structure of value added tax	*In RSD 000*	
	2018	*2017*
b) value added tax	136	0
TOTAL	**136**	**0**

32. EQUITY

	Core capital	Other capital	Share issue premium	Reserves	Revalued reserves	Unrealised gains / loss on AFS securities	Retained earnings	Purchased own shares	Total
Opening balance as of 01 January 2017	173,223			*22,744*	*333,044*		*534,087*		1,063,098
Net profit for year							306,404		306,404
b) Revaluation					0				0
c) other levelling the present value IAS 12					0		0		0
Total – other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive result	173,223	0	0	22,744	333,044	0	840,491	0	1,369,502
Adjustments					0		0		0
Increase in core capital									0
Profit distribution							(312,647)		(312,647)
As of 31 December 2017			***0***	***22,744***	***333,044***	***0***	***527,844***	***0***	***1,056,855***
Net profit for the year							256,419		256,419
Other comprehensive result:									0
a) Changes in fair value of available-for-sale financial assets									0
b) Revaluation					0				0
c) Other - levelling the present value IAS 21					82		867		949
Total – other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive result	173,223	0	0	22,744	333,126	0	785,130	0	1,314,223
Adjustments							0		0
Increase in core capital									0
Profit distribution							(500,658)		(500,658)
As of 31 December 2018			***0***	***22,744***	***333,126***	***0***	***284,472***	***0***	***813,565***

Core capital

The registered amount of share capital of the 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: show, if possible, from the website of the Central Registry.

Breakdown of core capital	*In RSD 000*	
	2018	*2017*
Share capital:	173,223	173,223
a) Share capital - parent, 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***

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 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 Company are traded on the regulated market on the "Open Market" of the Belgrade Stock Exchange.

Reserves

Breakdown of reserves	*In RSD 000*	
	2018	*2017*
Legal reserves	22,744	22,744
Statutory and other reserves		
TOTAL	**22,744**	**22,744**

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

Breakdown in revluation reserves arising from revaluation of intangible assets, property, plant and	*In RSD 000*	
	2018	*2017*
a) Revaluation reserves from revaluation of property - Energoprojekt building	332,126	332,177
Total	332,126	332,177
Revaluation reserves from revaluation of investment property	0	867
TOTAL	**333,126**	**333,044**

Retained earnings

Breakdown of retained earnings	*In RSD 000*	
	2018	*2017*
Retained earnings from prior years:		
a) Balance as of 1 January	527,844	534,087
b) Profit adjustment from income tax	0	0
c) Other adjustments (IAS 12, etc.)	867	0
e) Distribution of profit	-500,658	-312,647
Total	28,053	221,440
Retained earnings of the current year	256,419	306,404
TOTAL	**2**84,472	**527,844**

Allocation of retained earnings was carried out according to the Decision of the General Meeting of the company made at the 27th ordinary session under the item 3 of the agenda, held on 28 June 2018.

33. LONG-TERM PROVISIONS

Breakdown of long-term provisions	Compensations and other employee benefits	TOTAL
Balance as of 1 January 2017	6,096	*6,096*
Addition provisions	54,866	*0*
Utilised during the year	-1,178	*0*
Reversal of unused amounts	0	*0*
Balance as of 31 December 2017	*59,784*	*6,096*
Addition provisions	4,855	*54,866*
Utilised during the year	-3,466	*-1,178*
Balance as of 31 December 2018	***61,173***	***59,784***

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 pursuant to IAS 19 the deductive approach was used, meaning that all the Companies from the Energoprojekt System 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 0.41%) 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 4.04% and increase in average years of service spent in the Company by 3.97%); 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 8.59%).

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 in Serbia is underdeveloped, it is most reasonable, as the benchmark for determining the discount rate at the balance sheet date, to use the annual return realized through the purchase of government securities guaranteed by the Republic of Serbia. Accordingly, the discount rate was determined on the basis of annual yield on government securities issued on 06 September 2018, by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia. The mentioned security was issued at the annual interest rate of 4.20%. As for the euro securities market, appreciating the estimated inflation in the Euro zone (Source: Government of the Republic of Serbia "Fiscal strategy for 2018 with projections for 2019 and 2020"), with the extrapolation of the yield curve in the long run (given that the maturity of the repayment securities is shorter (15 years) than the average estimated maturity of receipts subject to this calculation), as required by paragraph 86, IAS 19, a real annual yield of about 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.

Memorandum of the National Bank of Serbia on targeted inflation rates until 2018, while appreciating the Changes adopted at the 14th Session of the NBS Executive Board on 10 November 2016, among other things, targeted inflation rate for 2018 and 2018 of 3% , with the allowed deviation (positive and negative) of 1.5 percentage points. In line with this, and while acknowledging that inflation was at planned level in 2018, the most realistic inflation for 2018 is to be planned at the level of the targeted inflation rate Memorandum.

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 2018 with Projections for 2019 and 2020), 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. LONG-TERM LIABILITIES

Breakdown of long-term liabilities	*Interest rate*	*In RSD 000*	
		2018	*2017*
Liabilities to other related parties		381	1,142
TOTAL		**381**	**1,142**

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

35. 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	62,304	21,432
TOTAL	**62,304**	**21,432**

36. ACCOUNTS PAYABLE

Breakdown of accounts payable	*In RSD 000*	
	2018	*2017*
Suppliers - parent and subsidiaries in the country	686	30,512
Suppliers - parent and subsidiaries abroad	-	-
Suppliers - other related parties in the country	16,992	9,335
Domestic trade payables	72,077	18,861
Foreign trade payables	16,234	-
TOTAL	**105,989**	**58,708**

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.

37. OTHER SHORT-TERM LIABILITIES

Breakdown of short-term liabilities	*In RSD 000*	
	2018	*2017*
Liabilities for salaries and compensations	41,084	29,008
Other liabilities:		
b) Dividends	9,738	14,406
d) Liabilities to employees	138	166
e) Liabilities to the director and members of the management and supervisory board	449	180
h) Other liabilities	48	12
Total	10,373	14,764
TOTAL	**51,457**	**43,772**

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

Other liabilities mostly relate to unpaid dividends of due to the failure of shareholders to open accounts for their securities.
The Company management deems that the stated value of other short-term liabilities reflects their fair value as of the balance sheet date.

38. VALUE ADDED TAX PAYABLE, OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES

Value added tax payable	*In RSD 000*	
	2018	*2017*
VAT duty	9,859	15,139
VAT duty	19,783	10,028
TOTAL	**29,642**	**25,167**

VAT duties relate to difference of calculated and input tax. This obligation is settled by the Company within the legal terms, at the beginning of next year.

39. ACCRUALS AND DEFERRED INCOME

Other tax liabilities and other duties	*In RSD 000*	
	2018	*2017*
Other accruals and deferred income	316	0
TOTAL	**316**	**0**

40. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and 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 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 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 Company recognises a deferred tax liability, representing the income tax payable when the 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%).

Movements in deferred tax liabilities during the year were as follows:

Recapitulation of changes in deferred tax assets/liabilities of the Company is presented in the table below.

Balance and movements in deferred tax liabilities	*In RSD 000*	
	2018	*2017*
Balance of deferred tax liabilities at the end of the prior year	61,243	63,495
Balance of deferred tax liabilities at the end of the current year	61,120	61,243
Change in balance of deferred tax assets (liabilities), net	**123**	**2,252**

Movements in deferred tax liabilities	*In RSD 000*	
	2018	*2017*
Deferred tax income of the period	741	122
Revaluation reserves	-	
Retained earnings of the prior year	0	0
TOTAL	**741**	**122**

Deferred tax income for period in the amount of RSD 741 thousand was recognized at the expense of the Company's results in 2018, when it was founded decrease in deferred tax liabilities / assets.

Based on the changes in deferred tax assets and liabilities in 2018, it can be concluded that, in the net effect, there was decrease in the balance of deferred tax liabilities in comparison with the prior year in the amount of RSD 741 thousand that was recorded against net result for the year 2018 (deferred tax income for period).

41. RECONCILIATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Company has performed the **reconciliation of accounts receivable** with the balance as of 31 December 2018.

Elektroprivreda Srbije unlawfully challenged the amount of RSD 48,937,500 and the complete documentation was submitted to the lawyer and the execution was performed on 23 March 2018 to the full amount. The first instance decision was made in favour of the company ENTEL, but the defendant complained and the case was forwarded to the Court of Appeal.

42. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Pursuant to the legal provisions (Guidelines on the Prescribed Form and Contents of the Financial Statements of Companies, Cooperatives and Entrepreneurial Ventures), in its financial statements the 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 Company, but primarily serve as information to the user of the 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	346,836	216,905
TOTAL	**346,836**	**216,905**

43. 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 Company, as follows: **subsidiaries of the 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**, transactions resulting in the disclosed income and expense in the income statement and payables and receivables in the balance sheet are presented below.

Breakdown of receivables and liabilities incurred with related parties	*In RSD 000*	
	2018	*2017*
Receivables:		
Subsidiaries		
company Qatar	261	339,636
company Oman	13,600	249
company UAE	149,253	33,702
Other related parties		
EP VISOKOGRADNJA	-	194
EP INDUSTRIJA	-	204
EP HIDROINŽENJERING	-	-
GARANT	-	6
ENERGOPLAST	45,820	45,250
Total	**208,934**	**419,241**
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	**226,612**	**471,456**

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 income and expenses from related parties	*In RSD 000*	
	2018	*2017*
Income:		
a) COMPANY QATAR	50,930	48,053
b) COMPANY OMAN	13,174	19,531
c) COMPANY ENERGOCONSULT	22,294	98,326
Financial income		
a) PROFIT MADE AND ENTERED FROM COMPANY ENERGOCONSULT	236,756	296,182
b) INTEREST ON LOAN	3,267	5,436
c) EXCHANGE DIFFERENCES QATAR	1,533	-
d) EXCHANGE DIFFERENCES OMAN	2,409	407
e) EXCHANGE DIFFERENCES ENERGOCONSULT	451	3,807
Other related parties		
· EP OPREMA	-	30,749
· EP HOLDING	313	216
· EP GARANT	172	70
· EP INDUSTRIJA	675	808
· EP VISOKOGRADNJA	341	347
· EP HIDROINŽENJERING	852	835
· EP URBANIZAM I ARHITEKTURA	31	141
Total income	**333,198**	**504,908**
Expenses:		
Subsidiaries		
· company Qatar	265	12,988
· company Oman	160	17,395
· company ENERGOCONSULT	23,877	2
Other related parties		
· EP OPREMA	-	8
· EP HOLDING	41,828	71,124
· EP ENERGODATA	6,277	5,973
· EP GARANT	-	837
· EP VISOKOGRADNJA	743	646
· EP HIDROINŽENJERING	14,123	7,739
· EP ARHITEKTURA I URBAN	213	-
· EP INDUSTRIJA	5,142	930
Total expenses	**92,628**	**117,642**

44. LITIGATIONS

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

45. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events subsequent to the reporting date, which would have a significant impact on the fairness of the financial statements.

In Belgrade,
20 February 2018

Responsible for the preparation of the financial statements	Director