ENERGOPROJEKT ENTEL PLC, BELGRADE

Independent Auditor's Report

on the Audit of the Consolidated

Financial Statements for the Year 2019

MOORE

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

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of "Energoprojekt Entel" Plc., Belgrade

Opinion

We have audited the accompanying annual consolidated financial statements of parent company "Energoprojekt Entel" Plc., Belgrade (the "Parent company") and its subsidiaries and associated company, (the "Group") which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statements, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of consolidated financial performances and consolidated cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law on Audit of the Republic of Serbia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Serbia, and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 50. to the consolidated financial statements - Events after the reporting period regarding the COVID 19 pandemic and that on 15 March 2020, Republic of Serbia has introduced a state of emergency to halt the spread of coronavirus, together with the expectations of the management in the frame of future business. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Persons authorized for management are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

- *Obtain an understanding of internal control relevant to the audit 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 Group's internal control.*

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*

- *Conclude on the appropriateness of the Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.*

- *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation*

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of "Energoprojekt Entel" Plc., Belgrade (Continued)

Other Information

Compliance of the 2019 Annual Business Report with the Consolidated Financial Statements

Management is responsible for other information. Other information is all information provided in the 2019 Annual Business Report, other than the consolidated financial statements and the Auditor's Report. Our opinion on the consolidated financial statements does not cover other information and we do not provide assurance thereon.

Pursuant to the requirements of the Law on Auditing of the Republic of Serbia and Rulebook on Conditions for Auditing Financial Statements of Public Enterprises, we have checked the compliance of the Annual Business Report and the consolidated Financial Statements of the Group.

In conjunction with our audit, it is our responsibility, in accordance with the International Standards on Auditing 720 - Auditor's Responsibility Relating to Other Information, to read this other information and to assess whether based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Belgrade, 31 March 2020

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Revizija i Računovodstvo" d.o.o. Beograd
4 Studentski Trg, 5th floor

Bogoljub Aleksić
Managing Partner

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

Company: ENERGOPROJEKT ENTEL AD
ID number: 07470975

BALANCE SHEET

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Account, account group	ITEM	AOP	As at 31.12.2019.	As at 31.12.2018.	INITIAL STATE 01.01.2018.
	ASSETS				
	A. UNPAID SUBSRIBED CAPITAL	**001**			
	B. FIXED ASSETS (0003+0010+0019+0024+0034)	**002**	**2,563,502**	**2,471,229**	**2,150,123**
1	**I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)**	**003**	**4,140**	**5,293**	**6,827**
010 and p.o. 019	1. Investments into development	004			
011, 012 and p.o. 019	2. Concessions, patents, licences, similar rights, software and other rights	005	4,140	5,293	6,827
013 and p.o. 019	3. Godwill	006	0	0	
014 and p.o. 019	4. Other intangible assets	007	0	0	
015 and p.o. 019	5. Intangible assets in development	008	0	0	
016 and p.o. 019	6. Advance payments for acquisition of intangible assets	010	0	0	
2	**II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)**		**1,001,699**	**1,040,721**	**1,061,501**
020, 021 and p.o. 029	1. Land	011			
022 and p.o. 029	2. Buildings	012	800,543	815,967	820,626
023 and p.o. 029	3. Plants and equipment	013	166,818	190,416	204,613
024 and p.o. 029	4. Investment property	014	0	0	1,924
025 and p.o. 029	5. Other property, plants and equipment	015	0	0	0
026 and p.o. 029	6. Property, plants and equipment under construction	016	34,338	34,338	34,338
027 and p.o.029	7. Investments in PPE owned by third parties	017		0	0
028 and p.o. 029	8. Advance payments for property, plants and equipment	018		0	0
3	**III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)**	**019**	**0**	**0**	**0**
030, 031 and p.o. 039	1. Forests and plantations	020		0	
032 and p.o. 039	2. Livestock	021		0	
037 and p.o. 039	3. Biological assets in progress	022		0	
038 and p.o. 039	4. Advances for biological assets	023		0	
04. except 047	**IV. LONG-TERM FINANCIAL INVESTMENTS 0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)**	**024**	**239,368**	**227,559**	**164,527**
040 and p.o. 049	1. Investments in subsidiaries	025		0	
041 and p.o. 049	2. Investments in associates and joint ventures	026	101,472	98,454	98,680
042 and p.o. 049	3. Investments in other legal entities and other securities available for sale	027		0	0
p.o. 043, p.o. 044 and p.o.	4. Long-term loans to parent companies and to subsidiaries	028		0	0
p.o. 043, p.o. 044 and p.o.	5. Long-term loans to other associated companies	029		0	0
p.o. 045 and p.o. 049	6. Long-term loans to domestic entities	030		0	0
p.o. 045 and p.o. 049	7. Long-term loans to foreign entities	031		0	0
046 and p.o. 049	8. Securities held to maturity	032		0	0
048 and p.o. 049	9. Other long-term investments	033	137,896	129,105	65,847
5	**V. LONG-TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)**	**034**	**1,318,295**	**1,197,656**	**917,268**
050 and p.o. 059	1. Receivables from parent company and dependent legal entities	035		0	0
051 and p.o. 059	2. Receivables from other associated legal entities	036		0	0
052 and p.o. 059	3. Trade receivables for credit sales	037		0	0
053 and p.o. 059	4. Trade receivables for sales via financial lease	038		0	0
054 and p.o. 059	5. Long term receivables for guarantees	039		0	0
055 and p.o. 059	6. Suspicious long term receivables	040		0	0
056 and p.o. 059	7. Other long-term receivables	041	1,318,295	1,197,656	917,268
288	**C. DEFERRED TAX ASSETS**	**042**		**0**	**0**
	D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	**043**	**3,585,341**	**3,829,454**	**3,866,607**
Class 1	**I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)**	**044**	**10,213**	**10,216**	**28,101**
10	1. Material, spare parts, tools and small inventory	045		0	0
11	2. Work in progess	046		0	0
12	3. Finished products	047		0	0
13	4. Merchandise (goods, purchase for sale)	048		0	0
14	5. Non-current assets held for trading	049		0	0
15	6. Advance payments	050	10,213	10,216	28,101
	II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	**051**	**1,732,361**	**1,402,325**	**1,577,740**
200 and p.o. 209	1. Domestic third party – parent companies and subsidiaries	052		0	17
201 and p.o. 209	2. Foreign third party – parent comapanies and subsidiaries	053		0	0
202 and p.o. 209	3. Domestic third party – other subsidiaries	054	208	0	192
203 and p.o. 209	4. Foreign third party – other subsidiaries	055	0	0	0
204 and p.o. 209	5. Domestic third party	056	254,701	149,533	200,869
205 and p.o. 209	6. Foreign third party	057	1,477,452	1,252,792	1,376,662
206 and p.o. 209	7. Other trade receivables	058	0	0	0
21	**III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS**	**059**	**221**	**55,605**	**209**
22	**IV. OTHER RECEIVABLES**	**060**	**97,582**	**114,903**	**72,754**
236	**V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**	**061**		**0**	**0**
23 except 236 and 237	**VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)**	**062**	**1,060,233**	**1,189,127**	**1,174,832**
230 and p.o. 239	1. Short-term loans and investments in parent companies and subsidiaries	063		0	0
231 and p.o. 239	2. Short-term loans and investments – other related parties	064		0	0
232 and p.o. 239	3. Short-term loans - domestic	065		0	0
233 and p.o. 239	4. Short-term loans - foreign	066		0	0
234, 235, 238 and p.o.	5. Other short-term investments	067	1,060,233	1,189,127	1,174,832
24	**VII. CASH AND CASH EQUIVALENTS**	**068**	**334,133**	**399,785**	**892,890**
27	**VIII. VALUE ADDED TAX**	**069**	**97**	**136**	**0**
28 except 288	**IX. PREPAYMENTS AND ACCRUED INCOME**	**070**	**350,501**	**657,357**	**120,081**
	TOTAL ASSETS = OPERATING ASSETS(0001 + 0002 + 0042 + 0043)	**071**	**6,148,843**	**6,300,683**	**6,016,730**
88	**F. OFF BALANCE ASSETS**	**072**	**2,794,628**	**2,810,464**	**2,179,947**
	LIABILITIES				
	A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)	**0401**	**4,042,965**	**3,610,058**	**3,514,128**
30	**I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)**	**0402**	**173,223**	**173,223**	**173,223**
303	4. State owned capital	0406	0	0	0
309	8. Other basic capital	0410	0	0	0
31	**II. SUBSCRIBED UNPAID CAPITAL**	**0411**	**0**	**0**	**0**
330	**V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE**	**0414**	**357,837**	**357,600**	**356,866**
33 except 330	**VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)**	**0415**	**23,886**	**49,944**	
33 except 330	**VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)**	**0416**	**0**	**0**	**53,417**
34	**VIII. RETAINED EARNINGS (0418 + 0419)**	**0417**	**3,464,071**	**3,005,360**	**3,023,119**
340	1. Retained earnings from previous years	0418	3,046,726	2,540,368	2,423,358
341	2. Retained earnings from current year	0419	417,345	464,992	599,761
	IX. NON-CONTROLLING INTEREST	**0420**		**0**	
35	**X. LOSS (0422 + 0423)**	**0421**	**0**	**0**	**0**
350	1. Previous year's losses	0422		0	
351	2. Current year loss	0423		0	
	B. LONG- TERM PROVISIONS AND LIABILITIES (0425 + 0432)	**0424**	**825,205**	**708,946**	**728,613**
40	**I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)**	**0425**	**824,475**	**707,195**	**724,186**
400	1. Provisions for costs incurred during the warranty period	0426	597,868	487,888	531,362
401	2. Provisions for the recovery of natural resources	0427	0	0	0
403	3. Provisions for restructuring costs	0428	0	0	0
404	4. Provisions for employees benefits	0429	226,607	219,307	192,824
405	5. Provisions for litigations	0430	0	0	0
402 and 409	6. Other long-term provisions	0431	0	0	0
41	**II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)**	**0432**	**730**	**1,751**	**4,427**
410	1. Liabilities that can be converted into capital	0433		0	0
414	5. Long-term loans - domestic	0437		0	0
415	6. Long-term loans - foreign	0438		0	0
416	7. Liabilities for financial lease	0439	730	1,370	3,285
419	8. Other long-term liabilities	0440	0	381	1,142
498	**C. DEFERRED TAX LIABILITIES**	**0441**	**59,749**	**60,547**	**61,120**
42 to 49 (except 498)	**D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)**	**0442**	**1,220,924**	**1,921,132**	**1,712,869**
42	**I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)**	**0443**	**930**	**2,816**	**4,288**
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	930	2,816	4,288
430	**II. RECEIVED ADVANCED PAYMENTS, DEPOSITS AND BAILS**	**0450**	**74,799**	**95,855**	**21,432**
43 except 430	**III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)**	**0451**	**645,014**	**680,135**	**628,497**
431	1. Suppliers – parent companies and subsidiaries - domestic	0452	3,524	686	30,512
432	2. Suppliers – parent companies and subsidiaries - foreign	0453	0	0	0
433	3. Suppliers – other associated companies - domestic	0454	6,753	16,992	9,335
434	4. Suppliers – other associated companies - foreign	0455	0	0	0
435	5. Trade payables - domestic	0456	31,685	72,077	18,860
436	6. Trade payables - foreign	0457	602,126	589,638	569,790
439	7. Other liabilities from business operations	0458	926	742	0
44, 45 and 46	**IV. OTHER SHORT-TERM LIABILITIES**	**0459**	**389,557**	**436,940**	**402,208**
47	**V. LIABILITIES FOR VALUE ADDED TAX**	**0460**	**18,393**	**17,051**	**15,138**
48	**VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES**	**0461**	**13,575**	**616,965**	**582,719**
49 except 498	**VII. ACCRUALS AND DEFERRED INCOME**	**0462**	**78,656**	**71,370**	**58,587**
	E. LOSSES OVER CAPITAL (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0	**0463**	**0**	**0**	**0**
	F. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 – 0463) ≥ 0	**0464**	**6,148,843**	**6,300,683**	**6,016,730**
89	**G. OFF BALANCE LIABILITIES**	**0465**	**2,794,628**	**2,810,464**	**2,179,947**

Date 20.03.2020.

L.S.

Company: ENERGOPROJEKT ENTEL AD

ID number: 07470975

Income Statement

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Account, account group	ITEM	AOP	Realized 01.01-31.12.2019. Current year	Planned 01.01-31.12.2018. Previous year
1	2	3	4	5
	REVENUES FROM REGULAR OPERATIONS			
60 to 65, except 62 and 63	**A. OPERATING REVENUES (1002+1009+1016+1017)**	**1001**	**5,672,225**	**5,178,567**
60	**I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)**	**1002**	**0**	**0**
61	**II. INCOME FROM SALES OF FINISHED PRODUCTS AND SERVICES RENDERED (1010+1011+1012+1013+1014+1015)**	**1009**	**5,672,225**	**5,178,567**
610	1. Sales of merchandise to parent companies and subsidiaries - domestic market	1010	173	170
611	2. Sales of merchandise to parent companies and subsidiaries - foreign market	1011	0	0
612	3. Sales of finished goods and services rendered to other associated entities - domestic	1012	2,574	1,904
613	4. Sales of finished goods and services rendered to other associated entities - foreign	1013	0	0
614	5. Sales of merchandise and rendering of services to domestic customers	1014	1,092,790	666,046
615	6. Sales of merchandise and rendering of services to foreign customers	1015	4,576,688	4,510,447
64	**III. INCOME FROM PREMIUMS, SUBSIDIES, DONATIONS, ETC.**	**1016**	**0**	**0**
65	**IV. OTHER OPERATING INCOME**	**1017**	**0**	**0**
	COSTS FROM REGULAR OPERATIONS			
50 to 55, 62 and 63	**B. OPERATING COSTS (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0**	**1018**	**5,311,454**	**4,748,709**
50	I. COSTS OF GOODS SOLD - COGS	**1019**		0
62	II. INCOME FROM OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1020		0
630	III. INCREASE IN FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1021		0
631	IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	**1022**		0
51 осим 513	V. COST OF MATERIAL	1023	45,141	41,506
513	VI. COST OF FUEL AND ENERGY	1024	96,054	99,608
52	VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES	**1025**	3,323,538	3,089,834
53	VIII. COSTS OF PRODUCTION SERVICES	1026	1,005,648	818,656
540	IX. DEPRECIATION COSTS	1027	65,338	64,392
541 до 549	X. LONG-TERM PROVISIONS COSTS	**1028**	223,638	49,714
55	XI. NON-PRODUCTION COSTS	1029	552,097	584,999
	C. OPERATING PROFIT (1001-1018) ≥ 0	**1030**	**360,771**	**429,858**
	D. OPERATING LOSS (1018-1001) ≥ 0	**1031**	**0**	**0**
66	**E. FINANCIAL INCOME (1033+1038+1039)**	**1032**	**83,783**	**93,558**
66, except 662, 663 and 664	**I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)**	**1033**	**71,933**	**60,801**
660	1. Financial income incurred with parent companies and subsidiaries	**1034**	24	143
661	2. Financial income incurred with other associated companies	1035	11	9
665	3. Income from share in associated entities and joint ventures	1036	8,895	6,974
669	4. Other financial income	**1037**	63,003	53,675
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	**11,134**	**29,127**
663 and 664	III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE (FROM THIRD PARTIES)	1039	**716**	**3,630**
56	**Ђ. ФИНАНСИЈСКИ РАСХОДИ (1041+1046+1047)**	**1040**	**3,008**	**4,457**
56, except 562, 563 and 564	**I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)**	**1041**	**33**	**83**
560	1. Financial expenses incurred with parent companies and subsidiaries	1042	0	76
561	2. Financial expenses incurred with other associated companies	**1043**	33	7
565	3. Losses for share in loss of associated companies and joint ventures	1044	0	0
566 and 569	4. Other financial expenses	1045	0	0
562	**II. COSTS OF INTERESTS (TO THIRD PARTIES)**	**1046**	**1,550**	**1,125**
563 and 564	**III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE (TO THIRD PARTIES)**	**1047**	**1,425**	**3,249**
	G. FINANCIAL PROFIT (1032-1040)	**1048**	**80,775**	**89,101**
	H. FINANCIAL LOSS (1040-1032)	**1049**	**0**	**0**
683 and 685	**I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE**	1050		0
583 and 585	**J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE**	1051		0
67 and 68, except 683 and 685	**K. OTHER INCOME**	**1052**	85,777	63,388
57 and 58, except 583 and 585	**L. OTHER EXPENSES**	**1053**	68,123	43,535
	M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**	459,200	538,812
	N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**	**0**	**0**
69-59	**O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS**	1056		657
59-69	**P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS**	1057	11,371	
	Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)	**1058**	447,829	539,469
	R. LOSS BEFORE TAXATION (1055-1054+1057-1056)	**1059**	**0**	**0**
	S. CORPORATE INCOME TAX			
721	I. TAX EXPENSES FOR THE PERIOD	**1060**	31,282	47,390
p.o. 722	II. DEFERRED TAX COSTS FOR THE PERIOD	1061		27,954
p.o. 722	III. DEFERRED TAX INCOME FOR THE PERIOD	1062	798	0
723	**T. EMPLOYER'S EARNINGS PAID OUT**	**1063**		**0**
	U. NET PROFIT (1058-1059-1060-1061+1062)	**1064**	**417,345**	**464,125**
	V. NET LOSS (1059-1058+1060+1061-1062)	**1065**	**0**	**0**
	I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS	**1066**		
	II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS	1067	417,345	**464,125**
	III. NET PROFIT ATTRIBUTABLE TO MINOTIRY INVESTORS	1068		
	IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS	1069		
	V. EARNINGS PER SHARE			
	1. Basic earnings per share	1070	988	**1,099**
	2. Diluted earnings per share	1071		

Date 20.03.2020.

L.S.

Company: ENERGOPROJEKT ENTEL AD
ID number: 07470975

STATEMENT OF COMPEHENSIVE INCOME
for period 01.01.2019. to 31.12.2019.

in 000 RSD

Group, Group of accounts	ITEM	ADP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET OPERATING RESULT				
	I. NET PROFIT(ADP 1064)	2001		417,345	464,125
	II. NET LOSS (ADP 1065)	2002		0	0
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) items that will not be reclassified into profit and loss in future				
330	1. Revaluations of intangible assets, immovables, plant and				
	a) increase in revaluation reserves	2003		0	949
	b) decrease in revaluation reserves	2004		0	0
331	2. Actuarial profitsor losses arising from a defined income plan				
	a) profit	2005		0	0
	b) losses	2006		0	0
332	3. Profit or losses from investing in equity instruments				
	a) profit	2007		0	0
	b) losses	2008		0	0
333	4. Profit or losses from shares in other comprehensive profit or loss				
	a) profit	2009		0	0
	b) losses	2010		0	0
	b) items that can subsequently be reclassified into profit or loss				
334	1. Profitor losses from conversionof financial statements of foreign				
	a) profit	2011		0	112,906
	b) losses	2012		26,058	0
335	2. Profit or losses on hedging instruments of net investment in				
	a) profit	2013		0	0
	b) losses	2014		0	0
336	3. Profit or losses on cash flow hedging instruments				
	a) profit	2015		0	0
	b) losses	2016		0	0
337	4. Profit or losses on available-for-sale securities				
	a) profit	2017		0	0
	b) losses	2018		0	0
	I. OTHER GROSS COMPREHENSIVE INCOME (2003 + 2005 +	2019		0	113,855
	II. OTHER GROSS COMPREHENSIVE LOSS (2004 + 2006 +	2020		26,058	0
	III. TAXON OTHER COMPREHENSIVE PROFIT OR LOSS FOR	2021			
	IV. NET OTHER COMPREHENSIVE PROFIT(2019 - 2020 -	2022		0	113,855
	V. NET OTHER COMPREHENSIVE LOSS (2020 - 2019 + 2021)	2023		26,058	0
	V. TOTAL NET COMPREHENSIVE RESULT FOR THE				
	I. TOTAL NET COMPREHENSIVE RESULT (2001 - 2002 + 2022	2024		391,287	577,980
	II. TOTAL NET COMPREHENSIVE LOSS (2002 - 2001 + 2023 -	2025		0	0
	G. TOTAL NET COMPREHENSIVE PROFIT OR LOSS	2026		0	0
	1. Attributed to majority shareholders	2027		0	0
	2. Attributed to non-controllingshareholders	2028		0	0

S.P.

Legal representative

ID number: 07470975

CASH FLOW STATEMENT

000 RSD

	ITEM	AOP	Realized 01.01-31.12.2019. Current year	Planned 01.01-31.12.2018. Previous year
1	**A. CASH FLOW FROM OPERATING ACTIVITIES**			
2	**I. Cash inflow from operating activities (1 to 3)**	3001	**5,855,307**	**5,299,483**
3	1. Sales and advance payments received	3002	5,770,783	5,240,296
4	2. Received interests from operating activities	3003	12,741	30,033
5	3. Other inflows from operating activities	3004	71,783	29,154
6	**II. Cash outflows from operating activities (1 to 5)**	3005	**6,049,418**	**5,210,320**
7	1. Payments to suppliers and advance prepayments	3006	1,786,769	1,764,657
8	2. Salaries, fringe benefits and other personal expenses	3007	3,329,366	3,206,463
9	3. Paid interests	3008	2,633	3,266
10	4. Corporate income tax	3009	670,978	67,387
11	5. Other payments to tax authorities	3010	259,672	168,547
12	**III. Net cash inflow from operating activities (I-II)**	3011	**0**	**89,163**
13	**IV. Net cash outflow from operating activities (II-I)**	3012	**194,111**	**0**
14	**B. CASH FLOW FROM INVESTING ACTIVITIES**			
15	**I. Cash inflow from investing activities (1 to 5)**	3013	**148,072**	**8,419**
16	1. Sale of shares and stakes (net inflows)	3014	0	0
17	2. Sale of intangible assets, property, plants, equipment and biological assets	3015	1,635	1,219
18	3. Other financial investments (net inflows)	3016	140,560	0
19	4. Interests received from investing activities	3017	0	0
20	5. Dividends received	3018	5,877	7,200
21	**II. Cash outflow from investing activities (1 to 3)**	3019	**23,012**	**54,591**
22	1. Purchase of shares and stakes (net outflows)	3020	0	0
23	2. Purchase of intangible investments, property, plants, equipment and biological assets	3021	23,012	27,395
24	3. Other financial investments (net outflows)	3022	0	27,196
25	**III. Net cash inflow from investing activities (I-II)**	3023	**125,060**	**0**
26	**IV. Net cash outflow from investing activities (II-I)**	3024	**0**	**46,172**
27	**C. CASH INFLOW FROM FINANCING ACTIVITIES**			
28	**I. Cash inflows from financing activities (1 to 5)**	3025	**0**	**0**
29	1. Increase of basic capital	3026	0	0
30	2. Long-term loans (net inflows)	3027	0	0
31	3. Short-term loans (net inflows)	3028	0	0
32	4. Other long-term liabilities	3029	0	0
33	5. Other short-term liabilities	3030	0	0
34	**II. Cash outflows from financing activities (1 to 6)**	3031	**3,815**	**504,416**
35	1. Purchase of own shares and stakes	3032	0	0
36	2. Long-term loans (net outflows)	3033	0	0
37	3. Short-term loans (net outflows)	3034	0	0
38	4. Other liabilities (net outflows)	3035	0	0
39	5. Financial lease	3036	3,815	3,759
40	6. Paid dividends	3037	0	500,657
41	**III. Net cash inflows from financing activities (I-II)**	3038	**0**	**0**
42	**IV. Net cash outflows from financing activities (II-I)**	3039	**3,815**	**504,416**
43	**D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)**	3040	**6,003,379**	**5,307,902**
44	**E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)**	3041	**6,076,245**	**5,769,327**
45	**F. NET CASH INFLOWS (3040 – 3041)**	3042	**0**	**0**
46	**G. NET CASH OUTFLOWS (3041 – 3040)**	3043	**72,866**	**461,425**
47	**H. CASH AT THE BEGINNINGOF THE CALCULATION PERIOD**	3044	**399,785**	**892,890**
48	**I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH**	3045	**17,218**	**12,897**
49	**J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH**	3046	**10,004**	**44,577**
50	**K. CASH AT THE END OF REPORTING PERIOD (3042 – 3043 + 3044 + 3045 – 3046)**	3047	**334,133**	**399,785**

Date 20.03.2020.

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Company: ENERGOPROJEKT ENTEL AD
ID number: 07470975

CAPITAL CHANGES STATEMENT
for period from 01.01.2019 to 31.12.2019.

- in 000 RSD -

NO	DESCRIPTION	Equity									
		ADP	30 Capital	ADP	31 Subscribed capital unpaid	ADP	32 Reserves	ADP	35 Loss	ADP	047 и 237 Treasury shares
1	2		3		4		5		6		7
1	**Opening balance of the prior year as at 01.01.2018.**										
	a) debit balance account	4001		4019		4037		4055		4073	
	b) credit balance account	4002	173,223	4020		4038	23,882	4056		4074	
2	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the debit side of the account	4003		4021		4039		4057		4075	
	a) corrections on the credit side of the account	4004		4022		4040		4058		4076	
3	**Corrected opening balance of the prior year as at 01.01.2018.**										
	a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0	4005	0	4023	0	4041	0	4059	0	4077	0
	a) corrected credit balance of the account (1b - 2a + 2b) ≥	4006	173,223	4024	0	4042	23,882	4060	0	4078	0
4	**Changes in the previous year 2017**										
	a) turnover on the debit side of the account	4007		4025		4043		4061		4079	
	b) turnover on the credit side of the account	4008		4026		4044	49	4062		4080	
5	**State at the end of the previous year 31.12. 2018**										
	a) account'sdebit balance (3a + 4a - 4b) ≥ 0	4009	0	4027	0	4045	0	4063	0	4081	0
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4010	173,223	4028	0	4046	23,931	4064	0	4082	0
6	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the account's debit side	4011		4029		4047		4065		4083	
	a) corrections on the account's credit side	4012		4030		4048		4066		4084	
7	**Corrected opening balance of the current year as at 01.01.2019.**										
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4013	0	4031	0	4049	0	4067	0	4085	0
	a) corrected credit balance of the account (5b - 6a + 6b) ≥	4014	173,223	4032	0	4050	23,931	4068	0	4086	0
8	**Changes in the current year 2019.**										
	a) turnover on the debit side of the account	4015		4033		4051		4069		4087	
	b) turnover on the credit side of the account	4016		4034		4052	17	4070		4088	
9	**State at the end of the current year 31.12.2019.**										
	a) account's debit balance (7a + 8a - 8b) ≥ 0	4017	0	4035	0	4053	0	4071	0	4089	0
	b) account's credit balance (7b - 8a + 8b) ≥ 0	4018	173,223	4036	0	4054	23,948	4072	0	4090	0

No	DESCRIPTION	Equity		Components of capital							
		ADP	34 Retained earnings	ADP	330 Revaluation reserves	ADP	331 Actuarial profit or loss	ADP	332 Profits or losses from investing in owners equity instruments	ADP	333 Profits or losses from shares in other comprehensive profit or losses of associated
1	2		8		9		10		11		12
1	**Opening balance of the prior year as at 01.01.2018.**										
	a) debit balance account	4091		4109		4127	0	4145		4163	
	б) потражни салдо рачуна	4092	3,023,119	4110	356,866	4128		4146		4164	
2	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the debit side of the account	4093		4111		4129		4147		4165	
	a) corrections on the credit side of the account	4094		4112		4130		4148		4166	
3	**Corrected opening balance of the prior year as at 01.01.2018.**										
	a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0	4095	0	4113	0	4131	0	4149	0	4167	0
	a) corrected credit balance of the account (1b - 2a + 2b) ≥	4096	3,023,119	4114	356,866	4132	0	4150	0	4168	0
4	**Changes in the previous year 2018.**										
	a) turnover on the debit side of the account	4097	513,672	4115		4133		4151		4169	
	b) turnover on the credit side of the account	4098	495,913	4116	734	4134		4152		4170	
5	**State at the end of the previous year 31.12.2018.**										
	a) account'sdebit balance (3a + 4a - 4b) ≥ 0	4099	0	4117	0	4135	0	4153	0	4171	0
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4100	3,005,360	4118	357,600	4136	0	4154	0	4172	0
6	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the account's debit side	4101		4119		4137		4155		4173	
	a) corrections on the account's credit side	4102		4120		4138		4156		4174	
7	**Corrected opening balance of the current year as at 01.01.2018.**										
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4103	0	4121	0	4139	0	4157	0	4175	0
	a) corrected credit balance of the account (5b - 6a + 6b) ≥	4104	3,005,360	4122	357,600	4140	0	4158	0	4176	0
8	**Changes in the current year 2018.**										
	a) turnover on the debit side of the account	4105	27,937	4123		4141		4159		4177	
	b) turnover on the credit side of the account	4106	486,648	4124	237	4142		4160		4178	
9	**State at the end of the current year 31.12.2019.**										
	a) account's debit balance (7a + 8a - 8b) ≥ 0	4107	0	4125	0	4143	0	4161	0	4179	0
	b) account's credit balance (7b - 8a + 8b) ≥ 0	4108	3,464,071	4126	357,837	4144	0	4162	0	4180	0

NO	DESCRIPTION	Comprehensive income						ADP	Total Equity [∑(row 1b col. 3 to col. 15) - ∑(row 1a col. 3 to col. 15)] ≥ 0	ADP	Loss above equity [∑(row 1a col. 3 to col. 15) - ∑(row 1b col. 3 to col. 15)] ≥ 0
		ADP	334 и 335 Profits and losses from foreignoperations and from conversion of foreign	ADP	336 Profits or losses from cash flow hedging	ADP	337 Profit or losseson available-for-sale securities				
1	2		13		14		15		16		17
1	**Opening balance of the prior year as at 01.01.2018.**										
	a) debit balance account	4181	62,962	4199		4217		4235	3,514,128	4244	0
	b) credit blance account	4182		4200		4218					
2	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the debit side of the account	4183		4201		4219		4236	0	4245	0
	a) corrections on the credit side of the account	4184		4202		4220					
3	**Corrected opening balance of the prior year as at**										
	a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0	4185	62,962	4203	0	4221	0	4237	3,514,128	4246	0
	a) corrected credit balance of the account (1b - 2a + 2b) ≥	4186	0	4204	0	4222	0				
4	**Changes in the previous year 2018.**										
	a) turnover on the debit side of the account	4187		4205		4223		4238	0	4247	0
	b) turnover on the credit side of the account	4188	112,906	4206		4224					
5	**State at the end of the previous year 31.12.2018.**										
	a) account'sdebit balance (3a + 4a - 4b) ≥ 0	4189	0	4207	0	4225	0	4239	3,610,058	4248	0
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4190	49,944	4208	0	4226	0				
6	**Correction of material important mistakes and changes of accounting policies**										
	a) corrections on the account's debit side	4191		4209		4227		4240	0	4249	0
	a) corrections on the account's credit side	4192		4210		4228					
7	**Corrected opening balance of the current year as at 01.01.2018.**										
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4193	0	4211	0	4229	0	4241	3,610,058	4250	0
	a) corrected credit balance of the account (5b - 6a + 6b) ≥	4194	49,944	4212	0	4230	0				
8	**Changes in the current year 2018.**										
	a) turnover on the debit side of the account	4195	26,058	4213		4231		4242	0	4251	0
	b) turnover on the credit side of the account	4196		4214		4232					
9	**State at the end of the current year 31.12.2018.**										
	a) account's debit balance (7a + 8a - 8b) ≥ 0	4197	0	4215	0	4233	0	4243	4,042,965	4252	0
	b) account's credit balance (7b - 8a + 8b) ≥ 0	4198	23,886	4216	0	4234	0				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2019

Belgrade, 2020

CONTENT

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

In July, the shares of small shareholders were bought by EP Holding, so the current share structure in the company EP Entel is:

- Energoprojekt Holding Plc. owns 99.95% of shares and Napred Razvoj Plc., New Belgrade 0.05%.

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

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

Subsidiaries of the Parent Company abroad are as follows:

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

The above mentioned companies make the group:

• Energoprojekt Entel

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

Equity investments in subsidiaries, other related parties and associated companies	
Name	***% of ownership***
ENERGOPROJEKT QATAR	100
ENERGOPROJEKT ENTEL OMAN L.L.C	100
ENERGO CONSULT UAE LLC	100
ENERGOPROJEKT BAHRAIN	100
Associated companies	
ENERGOPLAST LTD.	20

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

Pursuant to Decision on exclusion of shares from the Open Market, shares number 01/1- 5833/19, the Company's shares were removed from the Stock Exchange, due all shares of the Issuer were repurchased through forced redemption. The Decision on exclusion of shares of the Issuer from the Open Market and termination the status of a public company, was brought by the votes of the shareholders who have acquired 100% of shares by joint action. Under the regulations of the Stock Exchange stipulate securities are excluded from the Open Market at the request of the Issuer whose public company ceases to exist in accordance with the provision of Article 70 and Article 122, paragraph 2, item 2 of the Relevant Law.

The annual consolidated financial statements which are the subject of these Notes are the consolidated financial statements of the Parent Company.

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

- 2019: 228 and
- 2018: 214 employees

2. MANAGEMENT STRUCTURES

Key management personnel of the Parent Company in 2019 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 Plc. as of 31 December 2019 is presented below:

Energoprojekt Holding Plc. owns 99,95% of shares and Napred Razvoj Plc., Novi Beograd 0,05%.

4. BASIS FOR PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Law on Corporate Income Tax ("Official Gazette of RS", 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, 95/2018 and 86/2019);
- Law on Added Value Tax ("Official Gazette of RS", No. 84/2004, 86/2014 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 5/2015, 83/2015, 108/2016, 113/2017, 30/2018 and 72/2019);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax ("Official Gazette of RS", No. 20/2014, 41/2015, 101/2016, 8/2019 and 94/2019);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax ("Official Gazette of RS", No. 30/2015, 101/2016, 44/2018 – other laws, 8/2019 and 94/2019);
- Rules on Method of Classification of Non-Current Assets and on Method of Calculation of Depreciation for Taxing Purposes ("Official Gazette of RS", No. 116/2004, 99/2010, 104/2018 and 8/2019);
- Rules on Transfer Pricing and Methods Applied in compliance with the “arm’s length” principle in determining the price of transactions among related parties ("Official Gazette of RS", No. 61/2013, 8/2014 and 94/2019) and others.

When legal acts that constitute the internal regulations of the Parent Company are in question, upon preparation of the consolidated financial statements, the current Rulebook on Accounting and Accounting Policies of the Parent company was used, which was adopted on 27 November 2015 by the Executive Board of the Company. In addition, other internal acts of the Parent Company, such as the Collective Agreement of the Parent Company in the country and Rule Book on the work in the country of the employees with Energoprojekt Holding Plc..

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.

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

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

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

Published standards and interpretations in force in the previous and current period that have not yet been officially translated or adopted

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

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non- Financial Assets (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July, 2014);
- Annual improvements for the period from 2010 to 2012, which are the result of the Annual Qualitative Improvement Project IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) in order to eliminate inconsistencies and clarify formulations (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;
- 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);
- IFRS 16 "Lease" - published in January 2016, the application is for business periods beginning on or after 1 January, 2019. 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;
- IFRIC 23 - interpretation relating to IAS 12. Interpretation shall enter into force on or after 1 January 2019, but an earlier application is permitted;
- Interpretations to IFRS 11 related to transactions in which entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. This may be contrary to IFRS 3;
- Amendments to various standards and interpretations IFRS (IFRS 1 and IAS 28) which are part of the IFRS annual improvements project 2014-2016 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 “Share-based Payments” - clarifications on how to record certain types of share-based transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 “Insurance Contracts” - amendments related to Implementation of IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 “Investment Property” - clarification of the principle of classification of investment property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 9 „Financial Instruments“ - defining the conditions for measuring financial assets at amortized cost or at fair value through other comprehensive results (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – clarification about recording of long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);

- Amendments to various standards and interpretations IFRS (IFRS 3, IFRS 11, IAS 12, IAS 23) which are part of the IFRS annual improvements project 2015-2017 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 Employee Benefits - defining how to calculate defined benefit plans when changes, limits, or settlements occur during the reporting period (effective for annual periods beginning on or after 1 January 2019).

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 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”, IFRIC 13 “Customer loyalty programmes”, IFRIC 15 “Agreements for the construction of real estate”, IFRIC 18 “Transfers of assets from customers” and SIC-31 - Revenue – barter transactions involving advertising services”. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted;
- 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;
- 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;
- Amendments to IFRS 3 “Business Combinations” - clarifying the definition of business (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - mainly elimination of inconsistencies and clarification of formulations (effective for annual periods beginning on or after 1 January 2020);
- Revised Conceptual Framework for Financial Reporting determines the objective of financial reporting, general purposes, qualitative characteristics of useful financial information, description of reporting entity and limitations, definitions of assets, liabilities,

equity, income and expenses and additional guidelines, criteria for recognition of assets and liabilities in the financial statements and guidelines for derecognition, presentation and disclosure concepts and guidelines, equity maintenance concept (effective for annual periods beginning after 1 January 2020).

5. CONSOLIDATION

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

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

Subsidiaries

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

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

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

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

Associated company

Associated company is a company over which the Group has a significant influence but not control, or possession of any property and voting rights between 20% and 50%.

The applied method of consolidation of associates in accordance with IAS 28 - Investments in Associates and Joint Ventures was equity method. By applying this method equity investments are adjusted by the realized gain or loss for the year so as to reflect the share of the parent company in the net assets of associates. In the event that the cumulative loss exceeds the capital, the share in the capital is reduced to zero, and only exceptionally, if any irrevocable contractual obligations to cover losses exist, the difference of a higher loss in comparison with capital is recognized as an expense in the parent company.

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

6. ACCOUNTING PRINCIPLES

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

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

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

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

The prudence principle means applying a certain level of caution when preparing financial statements of the Parent Company so that the property and income are not overstated and obligations and expenses are not understated. The Prudence principle should not imply conscious, unrealistic decrease in income and capital of the Parent Company or conscious, unrealistic increase of expenses and liabilities of the Parent Company. Namely, the framework for the preparation and presentation of financial statements clearly states that the prudence principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of income, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

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

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

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

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

7.1. Estimates

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

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

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

7.2. Effects of the foreign exchange rates

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

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

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

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

Official median exchange rates of the National Bank of Serbia

Currency	*31 December 2019*	*31 December 2018*
	RSD amount	
1 EUR	117.5928	118.1946
1 USD	104.9186	103.3893
1 QAR	28.8237	28.4036
1 OMR	272.5151	268.5290
1 AED	28.5652	28.1473
1 BHD	279.0387	274.9715

7.3. Income

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

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

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

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

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

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

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

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

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

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

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

7.4. Expenses

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

Expenses are reflected through the outflow of assets, decrease in the value of assets or increase of liabilities.

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

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

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

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

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

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

7.5. Income taxes

Income taxes are accounted for as the sum of:

- Current tax and
- Deferred tax.

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

Deferred tax is manifested in the form of:

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

For assets subject to depreciation, deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets subject to depreciation and their tax base (the value assigned to those assets for tax purposes). The deductible temporary difference exists when the carrying value of the asset is less than its tax base.

In that case deferred tax assets are recognized, provided that it is estimated that in the future periods taxable profit will exist against which the Parent Company will be able to utilise the deferred tax ass.

The amount of the deferred tax assets is determined by applying the prescribed (or announced) rate on the income tax of the Parent Company to the amount of the deductible temporary difference which was determined as of the balance sheet date.

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

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

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

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

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

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

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

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

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

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

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

7.6. Intangible assets

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

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

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

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

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

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

- A research phase or
- A development phase.

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

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

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

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

7.7. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Residual value of intangible assets is always assumed to be zero, except in the cases:

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

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

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

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

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

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

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

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

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

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

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

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

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

The recoverable amount is the higher of**:**

- the fair value less costs to sell; and
- the value in use.

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

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

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

If it is determined that the value of assets was impaired, the carrying value is reduced to its recoverable amount. Impairment loss is accounted for as follows:

- in case that previously for that asset revaluation reserve has been established, by reducing the revaluation reserves; and
- in case that previously for that asset the revaluation reserve has not been established, as an expense of the period.

7.10. 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 parent Company; the contractual obligation to give cash or another financial asset to another entity, or the right to exchange a financial asset or financial liability with another entity at potentially unfavourable conditions for the parent Company, etc.

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

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

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

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

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

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

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

Subsequent measurement of the financial instrument is carried out at fair value, without deduction of transaction costs which may arise from sales or other disposals, except for the following financial assets:
loans and receivables, which are measured at amortised cost using the effective interest method;

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

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

Amortised cost is the present value of all the expected future cash payments or receipts during the expected useful life of a financial instrument. Upon the calculation of amortised cost of a financial instrument, the discount method applying the effective interest rate is used.

Positive (negative) effects of the changes in amortised cost of an instrument are recognized at the moment of derecognition of a financial instrument, except in the case when the value of an instrument has been impaired, when the loss is recognized immediately.

7.11. Cash and cash equivalents

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

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

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

7.12. Short-term receivables

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

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

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

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

On **assessment of impairment of receivables**, it is considered that the Parent Company suffered impairment losses if there is objective evidence (for example, major financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) of impairment as a result of an event after the initial recognition of assets and that loss has an impact on the future cash flows from the financial asset or a Company of financial assets which can be reliably measured. If there is no objective evidence, the assessors shall use their experience and judgement to assess the collectability of receivables.

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

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

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

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

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

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

7.13. Financial placements

Short-term financial placements include loans, securities and other short-term financial placements with the maturity date of one year after the balance sheet date. Within short-term financial placements a portion of long-term loans of the Parent Company is presented, whose collection is expected within a year after the balance sheet date.

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

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

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

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

7.14. Liabilities

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

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

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

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

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

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

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

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

7.15. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

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

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

A contingent liability is:

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

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

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

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

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

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

7.16. Employee benefits

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

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

For the assessment of provisions arising from employee benefits and other employee benefits, the relevant provisions of IAS 19 - Employee Benefits are used. Provisions for employee benefits and other employee benefits include, for example: provisions for outstanding retirement benefits and provisions paid as the result of the Parent Company's decision to terminate an employee's employment before the normal retirement date or the decision of the employee to voluntarily accept that he/she is redundant in exchange for a severance pay.

Upon making estimates of the liabilities upon the termination of employment, based on the relevant provisions of IAS 19, the discount rate used is generally determined in accordance with the market yields as of the balance sheet date for the high-quality corporate bonds. Alternatively, as specified under IAS 19, until such time when in the Republic of Serbia there is a developed market for corporate bonds, for the evaluation of the Parent Company's liabilities upon termination of employments market yields (as of the balance sheet date) of government bonds shall be used.

The currency and the maturity period of corporate or government bonds should be in accordance with the currency and the estimated maturity period for post-employment benefits.

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

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

7.17. Information on business segments

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

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

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

From the standpoint of the Parent Company, there is a large number of potential risks which can have an adverse impact on the Parent Company's results and operations with different intensity.

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

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

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

Financial risks are significantly conditioned by the (external) factors which are not directly controlled by the Parent Company.

Therefore, the amount of financial risk is significantly affected by the Parent Company's environment, which is not determined only by the development of the economic environment, but also by legal, financial and other relevant aspects which determine the amount of system risks.

In general, as compared to the markets of developed economies, the markets on which the Parent Company operates, both underdeveloped in terms of economic development and macroeconomic stability and high illiquidity, such as the Republic of Serbia, are significantly exposed to financial risks. In addition, insufficient development of the financial market prevents the use of a wide range of hedging instruments which are characteristic for developed markets. For example, the Parent Company operating in the Republic of Serbia does not have the ability to use a larger number of derivative financial instruments in financial risks management, due to the fact that such instruments are not widely used and there is no organized continuous market of financial instruments.

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

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

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

- the Parent Company's financial risk profile, i.e., the assessment of the structure and the

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

8.1. Credit risk

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

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

The Parent Company has significant concentrations of credit risk of the collection of receivables from customers, which have a very long credit period extended by the Parent Company due their lack of liquidity.
The tables below present:
- the structure of short-term receivables which have not been impaired,
- the ageing structure of short-term receivables which have not been impaired,
- the structure of short-term receivables which have not been impaired.

The structure of short-term receivables which have not been impaired	*In RSD thousand*	
	2019	*2018*
Trade receivables:		
DOMESTIC RECEIVABLES		
RECEIVABLES FROM RELATED PARTIES	208	-
EPS	235,768	129,430
TEPSCO	6,016	15,098
other SERBIA	12,917	5,005
FOREIGN RECEIVABLES SERBIA	0	27,062
FOREIGN RECEIVABLES		
BUYERS OMAN		
OETC	72,626	66,185
PAEW	108,089	76,123
OWSC	10,718	14,758
Other	19,051	13,058
BUYERS QATAR		
KAHRAMAA QATAR	304,412	360,855
OTHER QATAR	236,667	208,651

BUYERS EMIRATES		
DUBAI		
DEWA Contracts DUBAI	265,810	181,089
MERAAS DUBAI	4,142	41,848
OSTALI DUBAI	368,206	220,254
ABU DHABI		
TRANSCO ABU DHABI	37,770	24,391
ADDC ABU DHABI	48,589	9,752
OSTALI ABU DHABI	1,372	8,767
Total	***1,732,361***	***1,402,325***
Receivables from specific operations and other receivables:	97,803	170,508

The Parent Company has no collaterals issued.

The ageing structure of short-term receivables which have not been impaired	*In RSD thousand*	
	2019	*2018*
Related parties:		
a) Current	208	-
Total	***208***	***-***
Domestic receivables:		
a) Current	205,763	87,703
b) Up to 30 days	-	6,936
c) 30 - 60 days	-	-
d) 60 - 90 days	-	4,000
e) 90 - 365 days	-	-
f) Over 365 days	48,938	50,894
Total	***254,701***	***149,533***
Foreign receivables:		
a) Current	691,672	862,612
b) Up to 30 days	323,255	73,125
c) 30 - 60 days	60,431	36,413
d) 60 - 90 days	74,599	7,505
e) 90 - 365 days	261,736	167,221
f) Over 365 days	65,759	105,916

Total	*1,477,452*	*1,252,792*
TOTAL	***1,732,361***	***1,402,325***

8.2. Market risk

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

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

8.3. Currency risk

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

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

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

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

Assets in USD		Liabilities in USD	
2018	**2019**	**2018**	**2019**
3,255,016	2,810,491	2,318,053	1,751,743

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

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

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

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

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

Sensitivity analysis of results in the case of depreciation of the national currency by 10%	*In RSD thousand*	
	2019	*2018*
THE NET IMPACT ON RESULT FOR CURRENT PERIOD	11,108	11,548

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

8.4. Interest rate risk

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

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

The structure of trade payables	*In RSD thousand*	
	2019	*2018*
Domestic trade payables (related and other legal entities):		
ENERGOPROJEKT HOLDING	3,524	686
ENERGOPROJEKT INDUSTRIJA	1,763	3,173
ENERGOPROJEKT HIDROINZENJERING	4,990	12,255
OTHER RELATED PARTIES	-	1,564
MINING INSTITUTE LTD. BELGRADE	2,822	13,492
FACULTY OF CIVIL ENGINEERING	3,104	10,708
FACULTY OF MECHANICAL ENGINEERING	-	21,637
BET BALKAN ENERGY TEAM	14,958	9,673
Other in the country	10,801	16,567
Total	**41,962**	**89,755**
Foreign trade payables		

(related parties and other legal entities):		
DOMESTIC		
FICHTNER I AF CONSALTING	5,885	16,216
QATAR		
AGENT RES. OPTIMUM	198,964	162,061
SPONSOR QATAR	162,431	126,551
RENTALS QATAR	17,140	25,962
COOPERANT WMR CONTRACT – LAHMEYER GKW	12,737	17,984
CONSULTANT	55,816	82,233
QATAR OTHER	16,817	49,708
OMAN		
SPONSOR OMAN	36,118	28,310
OMAN RENTALS	4,227	3,499
OMAN OTHER	15,170	24,976
EMIRATES		
EMIRATES RENTALS	7,934	17,275
CONSULTANTS EMIRATES	42,063	18,003
OTHER EMIRATES	26,824	16,860
SPONSOR EMIRATES	-	-
Total	**602,126**	**589,638**
Other payables	926	742
TOTAL:	**645,014**	**680,135**

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

The structure of trade payables	*In RSD thousand*	
	2019	*2018*
Related parties:		
a) Current	10,277	15,233
b) up to 30 days		1,290
c) 30 - 60 days		1,155
Total	**10,277**	**17,678**
Domestic payables:		
a) Current	31,685	72,077
Total	**31,685**	**72,077**
Foreign payables:		
a) Current	603,052	590,380
b) up to 30 days	-	
c) 30 - 60 days	-	
d) 60 - 90 days	-	
Total	**603,052**	**590,380**
TOTAL	***645,014***	***680,135***

8.5. Price risk

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

8.6. Liquidity risk

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

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

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

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

Liquidity ratios	**Satisfactory general**	***2019***	***2018***
Current liquidity ratio	2 : 1	2.94 : 1	1.99 : 1
Quick liquidity ratio	1 : 1	2.65 : 1	1.65 : 1
Cash liquidity ratio		0.28: 1	0.21 : 1
Net current assets (in RSD thousand)		**2,364,417**	**1,908,322**

8.7. Capital risk management

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

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

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

Profitability indicators	*In RSD thousand*	
	2019	*2018*
Net profit/loss	417,345	464,125
Average capital:		
a) Capital - beginning of the year	3,610,058	3,514,128
b) Capital - end of year	4,042,965	3,610,058
Total	*3,826,512*	*3,562,093*
Yield rate - end of the year	***10.91%***	***13.03%***

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

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

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

Financial structure indicators	*In RSD thousand*	
	2019	*2018*
Liabilities	1,221,654	1,922,883
Total assets	6,148,843	6,300,683
Share of borrowing in total sources of assets	*0.20*	*0.31*
Long-term assets:		
a) Capital	4,042,965	3,610,058
b) Long-term provisions and long-term liabilities	825,205	708,946
Total	*4,868,170*	*4,319,004*
Total assets	6,148,843	6,300,683
Share of long-term in total sources of assets	**0.79 : 1**	**0.69 : 1**

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

Net indebtedness shall mean the difference between:

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

The parameters for calculating the net debt ratio to total capital	*In RSD thousand*	
	2019	*2018*
Net debt:		

a) Liabilities	1,221,654	1,922,883
b) Cash and cash equivalents	334,133	399,785
Total	*887,521*	*1,523,098*
Capital	4,042,965	3,610,058
Net debt to total capital ratio	**1 : 4.56**	**1 : 2.37**

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

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

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

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

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

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

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

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

INCOME STATEMENT

10. OPERATING INCOME

Sales of goods and services

Breakdown of income from the sale of products and services	*In RSD thousand*	
	2019	*2018*
Income from the sale of products and services to parents and subsidiaries on domestic market	173	170
Income from the sale of products and services to other related parties on domestic markets	2,574	1,904
Income from the sale of products and services on domestic market	1,092,790	666,046
Income from the sale of products and services on foreign market	4,576,688	4,510,447
TOTAL	**5,672,225**	**5,178,567**

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

Name	Income from service rendered
SERBIA	
Related parties	2,747
EPS	509,468
Other	316,184
CNIM	267,138
Foreign buyers Serbia	22,283
TOTAL SERBIA	**1,117,821**
QATAR	
Kahrama	1,371,748
Other	684,969
OMAN	
OETC	332,711
PAEW	249,812
OWSC	37,586
Other	46,574
EMIRATES	
DEWA	619,512
MERRAS	167,835
FEWA	65,983
Other	705,447
ADDC	8,457
TRANSCO	248,045
Other	15,724
ABROAD	**4,554,405**
TOTAL:	**5,672,225**

11. COSTS OF MATERIAL, FUEL AND ENERGY

Structure of costs of material, fuel and energy	*In RSD thousand*	
	2019	*2018*
b) Other material (overhead)	43,683	40,590
d) Costs of one-off write-down of tools and inventory	1,458	916
Total	***45,141***	***41,506***
Fuel and energy:		
a) Fuel	67,115	70,419
b) Electric and thermal energy	28,939	29,189
Total	***96,054***	***99,608***
TOTAL	**141,195**	**141,114**

Costs allocated by the companies are as followed:

BAHREIN	**141**
EMIRATES	**34,029**
ENTEL	**22,582**
QATAR	**57,025**
OMAN	**27,418**
	141,195

12. SALARIES, COMPENSATION AND OTHER PERSONAL EXPENSES

Structure of salaries, compensation and other personal expenses	*In RSD thousand*	
	2019	*2018*
Gross salaries	3,141,277	2,949,930
Payroll taxes and contributions payable by the employer	74,322	63,968
Autorship agreements	22,900	4,475
Occasional and periodical job contracts	5,557	1,861
Remunerations to the Board of Directors and Supervisory Board members	2,241	2,835
Other personnel expenses and remunerations	77,241	66,765
TOTAL	**3,323,538**	**3,089,834**

Costs allocated by the companies are as follows:

EMIRATES	**1,288,001**
ENTEL	**526,215**
QATAR	**1,064,264**
OMAN	**445,058**
	3,323,538

Other personal expenses amounting to RSD 77,241 thousand relate to:

EMPLOYEE TRAVEL EXPENSES - Home to work travel and vice versa	6,068
BUSINESS TRIP REIMBURSEMENT – TRANSPORTATION COSTS, AIR-TICKETS	1
BUSINESS TRIP REIMBURSEMENT – ACCOMMODATION COSTS	180
BUSINESS TRIP REIMBURSEMENT – PER DIEMS	9,047
BUSINESS TRIP REIMBURSEMENT – OTHER EXPENSES	2
EMPLOYEE REIMBURSEMENT FOR USE OF PRIVATE CARS FOR OFFICIAL PURPOSES	86
COMPENSATION TO EMPLOYEES FOR ACCOMMODATION AND MEALS IN THE FIELD COSTS OF	1,831
PER DIEMS ABROAD	3,318
ACCOMMODATION COSTS ABROAD (HOTELS)	16,363
EMPLOYEE TRAVEL EXPENSES ABROAD	452
FOOD AT WORK ALLOWANCES	37,234
SCHOLARSHIPS AND LOANS TO PUPILS AND STUDENTS	196
SOLIDARITY ASSISTANCE FOR CHILD BIRTH, NEW MOTHERS	1,537
OTHER, GIFTS FOR 08 MARCH, BIRTH OF A CHILD ...	924

13. COSTS OF PRODUCTIVE SERVICES

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

Breakdown of the costs of productive services	*In RSD thousand*	
	2019	*2018*
Own-work and goods capitalised	421,155	252,539
Transportation costs	246,351	234,704
Maintenance	23,524	22,653
Rental expenses	261,811	281,542
Fairs	24,716	1,506
Advertising and marketing	7,254	7,565
Other services	20,837	18,147
TOTAL	**1,005,648**	**818,656**

Costs incurred by the companies are as follows:

EMIRATES	**134,382**
ENTEL	**209,158**
QATAR	**60,576**
OMAN	**17,039**
	421,155

Travel costs incurred by the companies are as follows:

EMIRATES	**77,784**
ENTEL	**18,699**
QATAR	**123,676**
OMAN	**26,192**
	246,351

Maintenance costs incurred by the companies are as follows:

EMIRATES	**1,469**
ENTEL	**1,128**
QATAR	**16,239**
OMAN	**4,688**
	23,524

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

BAHRAIN	**1,242**
EMIRATES	**66,073**
QATAR	**176,428**
OMAN	**18,068**
	261,811

Fair costs in the amount of RSD 24,716 related to costs of the company in Emirates, where the company participated in the global energy fair in Duabiu called VETEX.

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

Advertising costs incurred by the companies are as follows:

EMIRATES	**1,542**
ENTEL	**5,503**
OMAN	**209**
	7,254

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

Other costs incurred by the companies are as follows:

EMIRATES	**3,965**
ENTEL	**14,726**
QATAR	**538**
OMAN	**1,608**
	20,837

14. DEPRECIATION, AMORTISATION AND PROVISIONS

Breakdown of depreciation/amortisation	*In RSD thousand*	
	2019	*2018*
Depreciation of intangible assets	2,953	4,448
Depreciation of property, plant and equipment	62,385	59,944
Total	65,338	64,392
Provision costs:		
Provisions for compensations and other employee benefits	36,254	49,714
Other provision	187,384	-
Total	223,638	49,714
TOTAL	**288,976**	**114,106**

Before appraisal of property, an annual depreciation was booked. As of 31 December 2019, the estimate of the residual value of the remaining useful life of property and equipment with the significant carrying value was performed.

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

EMIRATES	**359**
ENTEL	**1,342**
QATAR	**448**
OMAN	**804**
	2,953

Depreciation costs of PPE by the companies are as follows:

ENTEL	**46,545**
OMAN	**15,840**
	62,385

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

Costs incurred by the companies are as follows:

ENTEL	**2,807**
QATAR	**27,534**
OMAN	**5,913**
	36,254

According to the management's assessment, a provision in the amount of RSD 77,611,248 was booked for costs within the warranty period as follows: under Contract No. C-41-EN-17 EfW Vinca-Preparation of project documentation in the amount of RSD 42,333,408.00, under Contract No. 18-EN -16 Activities of the Construction Manager (FIDIC engineer) on construction of new block of TPP Kostolac B3, capacity of 350 MW, TS Rudnik 5 110/6 kV and transmission line 110 kV in the amount of RSD 17,638,920.00 and under Contract No. C-003-EN-18 TE- TO Pancevo: 1. Preparation of technical documentation; and 2. Permitting of consulting services in the amount of RSD 17,638,920.00.

Within the item other provisions, a provision for costs within the warranty period in the amount of RSD 109,773 thousand was booked referred to project Phase 13 in the company Qatar.

15. NON-MATERIAL COSTS

Breakdown of non-material costs	In RSD thousand	
	2019	2018
Costs of non-productive services	342,370	382,234
Entertainment	18,099	18,052
Insurance premium costs	50,841	51,455
Bank charges	32,142	26,878
Membership fees	1,240	1,855
Taxes	19,225	14,418
Other non-material costs	88,180	90,107
TOTAL	**552,097**	**584,999**

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

Costs incurred by the companies are as follows:

BAHRAIN	**360**
EMIRATES	**53,125**
ENTEL	**13,539**
QATAR	**250,619**
OMAN	**24,727**
	342,370

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

Costs incurred by the companies are as follows:

EMIRATES	**1,396**
ENTEL	**10,955**
QATAR	**3,883**
OMAN	**1,865**
	18,099

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

Costs incurred by the companies are as follows:

BAHRAIN	**405**
EMIRATES	**34,822**
ENTEL	**1,874**
QATAR	**4,912**
OMAN	**8,828**
	50,841

Out of the total presented bank **charges and bank services**: the amount of RSD 13,554 relates to payment operations in 2019, and the amount of RSD 18,588 relates to costs of bank services (costs of issuing bank guarantees) in 2019.

Costs incurred by the companies are as follows:

EMIRATES	**12,461**
ENTEL	**3,662**
QATAR	**15,740**
OMAN	**279**
	32,142

Membership fees in RSD 1,240 thousand almost entirely relate to the various membership fees necessary for working abroad.

Within **taxes**, the following costs are presented: property taxes, city development land fee, etc. The major portion of these costs relates to the property tax amounting in 2019 to RSD 2,298 thousand.

With the company Oman, these costs relate to taxes paid for local workforce under domicile regulations.

Costs incurred by the companies are as follows:

ENTEL	**2,680**
OMAN	**16,545**
	19,225

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

Costs incurred by the companies are as follows:

EMIRATES	**14,114**
ENTEL	**49,125**
QATAR	**19,578**
OMAN	**5,363**
	88,180

16. FINANCIAL INCOME AND EXPENSES

16.1 Financial income

Breakdown of financial income	*In RSD thousand*	
	2019	*2018*
Financial income from parents and subsidiaries	24	143
Financial income from other related parties	11	9
Income from profit share of associated legal entities and joint ventures	6,895	6,974
Other financial income:		
b) Other financial income	63,003	53,675
Interest income (from third parties)	11,134	29,127
Foreign exchange differences and income arising from the effects of foreign currency clause	716	3,630
TOTAL	**83,783**	**93,558**

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

Income from participation in subsidiaries' profit in 2019 in the amount of RSD 8.895 thousand is the income from the attributable dividend for 2019 for the purchased 20% of share of ENERGOPLAST LTD.

Other financial income incurred in 2019 amounting to RSD 63,003 thousand of the company "Perl garden", which rents villas for the account and on behalf of the owners.

16.2 Financial expenses

Breakdown of financial expenses	*In RSD thousand*	
	2019	*2018*
Financial expenses from transactions with parents and subsidiaries	-	76
Financial expenses from transactions with other related parties	33	7
Expenses from participation in loss of associate and joint ventures	-	-
Other financial expenses	-	-
Interest expense (to third parties)	1,550	1,125
Foreign exchange losses and expenses arising from effects of foreign exchange clause (to third parties)	1,425	3,249
TOTAL	**3,008**	**4,457**

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

17. OTHER INCOME AND EXPENSES

17.1 Other income

Breakdown of other income	In RSD thousand	
	2019	2018
Gains on sales of intangible assets and PPE	355	44
Collected priory written-off receivables	1,181	-
Gains from abolition of long term and short term provision	83,774	62,107
Other sundry income	467	1,237
TOTAL	**85,777**	**63,388**

The greater figure within the item other income in the amount of RSD 83,774 thousand refers to the abolition of provisions in Qatar for a project Phase 11.

Other sundry income in the amount of RSD 467 thousand relates to figure arose from collection of legal actions.

17.2 Other expenses

Breakdown of other expenses	In RSD thousand	
	2019	2018
Losses on the sale and disposal of intangible assets, property, plant and equipment	1,555	3,389
Direct write-off of receivables	45,321	15,139
Other sundry expenses	21,247	25,007
TOTAL	**68,123**	**43,535**

Losses on disposal of property in Serbia in the amount to RSD 55 thousand relate IT equipment and office furniture. In the company Oman, disposal amounted to RSD 1,500 thousand.

Expenses from direct write-off of receivables in the amount of RSD 44,551 thousand relate to Qatar Company and arose from receivables older than 3 years. Remaining amount of RSD 770 thousand was created in the company in Emirates.

The greatest figure within the item **other sundry expenses** refers to grants for humanitarian, cultural and health issues and in 2019 and amounted to RSD 17,959 thousand, for donations RSD 3,136 thousand.

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

Net gain from discontinued operations	*In RSD thousand*	
	2019	*2018*
Net gain of discontinued operations	-	657
Net (loss) of discontinued operations	11,371	-
TOTAL	**11,371**	**657**

19. PROFIT BEFORE TAX

Breakdown of gross result	*In RSD thousand*	
	2019	*2018*
Operating income	5,672,225	5,178,567
Operating expenses	5,311,454	4,748,709
Operating result	**360,771**	**429,858**
Financial income	83,783	93,558
Financial expenses	3,008	4,457
Financial result	**80,775**	**89,101**
Other income	85,777	63,388
Other expenses	68,123	43,535
Result of other income and expenses	**17,654**	**19,853**
Net gain from discontinued operations, changes in accounting policies and prior period error adjustments		657
Net loss from discontinued operations, changes in accounting policies and prior period error adjustments	11,371	0
TOTAL INCOME	**5,841,785**	**5,336,170**
TOTAL EXPENSES	**5,393,956**	**4,796,701**
GAIN/LOSSES BEFORE TAX	**447,829**	**539,469**

20. INCOME TAX AND NET PROFIT

Breakdown of income tax and net profit	In RSD thousand	
	2019	2018
Profit/(loss) before tax	447,829	539,469
Adjustment and correction of income/(expenses) in the tax balance	91,773	12,866
Taxable profit/ (loss)	**539,602**	**552,335**
Remaining portion of taxable profit	**539,602**	**552,335**
Tax base	**539,602**	**552,335**
Calculated tax (15% of the tax base)	80,940	82,850
Total decrease of the calculated tax	-	-
Tax after deduction	**80,940**	**82,850**
Profit/loss before tax	447,829	539,469
Tax expense of the period	31,282	47,390
Deferred tax expense/income of the period	798	-27,954
Net profit/(loss)	**417,345**	**464,125**

21. EARNINGS PER SHARE

Indicator	In RSD thousand	
	2019	2018
Net profit	417,345	464,125
Average number of shares during the year	422,495	422,495
Earning per share (in RSD)	**988**	**1,099**

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 2019 amounts to 422,495, so that the earnings per share amount to RSD 988.

BALANCE SHEET

22. INTANGIBLE ASSETS

Item	Concessions, patents, licenses, software and other rights Acc. (011+012)
Cost	
Opening balance as of 1 January 2019	59,296
Restated opening balance	
Additions	1,751
Exchange differences	619
Other increase / (decrease)	
As of 31 December 2019	**61,666**
Accumulated depreciation	
Opening balance as of 1 January 2019	54,003
Restated opening balance	
Charges in the year	2,953
Exchange differences	570
Other increase / (decrease)	
As of 31 December 2019	**57,526**
Net book value	**4,140**

New acquisitions in the amount of RSD 1,751 thousand relate to new programs necessary for work, in Serbia.

23. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, without investment property

Item	Buildings	Plant and equipment	Property, plant and equipment under construction	Total
	Acc. (022)	**Acc. (023)**	**Acc. (026)**	**Group 02**
Cost or valuation				
Opening balance as of 1 January 2019	878,266	386,707	34,338	1,299,311
Restated opening balance				-
Additions		21,188	24,615	45,803
Transfer to non-current assets held for sale			(24,615)	(24,615)
Disposals		(45,425)		(45,425)
Exchange differences	5,779	4,134		9,913
Other increase / (decrease)	-			-
As of 31 December 2019	**884,045**	**366,604**	**34,338**	**1,284,987**
Accumulated depreciation				
Opening balance as of 1 January 2019	62,299	196,291	-	258,590
Restated opening balance				-
Charges in the year	20,313	42,072		62,385
Disposals		(40,767)		(40,767)
Transfer to non-current assets held for sale				-
Exchange differences	890	2,190		3,080
Other increase / (decrease)	-			-
As of 31 December 2019	**83,502**	**199,786**	**-**	**283,288**
Net book value	**800,543**	**166,818**	**34,338**	**1,001,699**

As of 31 December 2019, 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 2019 on the depreciation of building due to change in residual value.

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

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

Office building Energoprojekt

Office building Energoprojekt is stated at revalued amount as of 31 December 2019, in the amount of RSD 484,426 thousand, in accordance with the evaluation performed by the external independent qualified appraiser using

In 2019, depreciation costs were recorded. The useful life of the above mentioned “building” is 100 years (the remaining useful life is 63 years).

New acquisitions in the amount of RSD 21,188 thousand relate to procurement:

In Serbia:

- cars in RSD 4,682 thousand;
- furniture in RSD 2,509 thousand;
- computers in RSD 6,632 thousand; and
- other assets in the country in RSD 1,780 thousand.

and procurement in companies:

- in Qatar - computer in RSD 1,624 thousand;
- in Oman - vehicles in RSD 3,380 thousand and computers in RSD 350 thousand; and
- in Emirates – computers in RSD 231 thousand.

Disposal of plant and equipment in the amount of RSD 45,425 refers to:

Serbia

- furniture in RSD 147 thousand;
- computers in RSD 10,273 thousand; and
- other assets in the country in RSD 2,504 thousand.

- in Qatar - computer in RSD 4,497 thousand;
- in Oman – cars in RSD 18,152 thousand and computers in RSD 2,539 thousand; and
- in Emirates – computers in RSD 6,760 thousand.

24. LONG-TERM FINANCIAL PLACEMENTS

Breakdown of long-term financial placements	*In RSD thousand*	
	2019	*2018*
Equity investments into associate and joint ventures	101,472	98,454
Long-term placements abroad	137,896	129,105
TOTAL	**239,368**	**227,559**

Equity investments

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

The Parent Company has a 20% stake in u Enegoplast Ltd., amounting to RSD 101,472 thousand.

Other long-term financial placements

Other long-term placements abroad relate to:

- deposits for guarantees;
- deposits for workers' visas; and
- deposits for rented apartments.

Allocated by the companies:

EMIRATES	**111,435**
QATAR	**25,597**
OMAN	**864**
	137,896

Deposits for bank guarantees in the amount of RSD 117,511 thousand relate to Qatar company in RSD 23,202 thousand and to Energoconsult L.L.C. in RSD 94,309 thousand.

Other long-term financial placements relate to deposits for rented apartments in companies and for workers' visas abroad. The amount of RSD 6,499 thousand refers to deposits for rented apartments, by companies: in Qatar in RSD 2,395 thousand, Energoconsult L.L.C. in RSD 3,239 thousand and in Oman RSD 865 thousand.

The amount of RSD 13,886 thousand refers to deposits for workers' visas in the company Energoconsult L.L.C..

25. LONG-TERM RECEIVABLES

Breakdown of long-term receivables	*In RSD thousand*	
	2019	*2018*
Other long-term receivables	1,318,295	1,197,656
TOTAL	**1,318,295**	**1,197,656**

When long-term receivables for retention are concerned, the stated trade receivables for retention mostly amount to 10% of the invoiced value. It cannot be collected prior to the end of all works on the project it relates to.

The breakdown of receivables for retention as of 31 December 2019, by company, is as follows:

- Qatar in RSD 1,090,819 thousand – projects KAHRAMA;
- Oman in RSD 93,812 thousand.

By buyers:

OETC	**44,443**
PAEW	**19,198**
OWSC	**29,592**
Other	**579**
Total	**93,812**

Company ENERGOCONSULT EMIRATI L.L.C in RSD 133,664 thousand

By buyers:

TRANSCO	**1,882**
OTHER	**90,268**
DEWA	**34,532**
MERASS	**6,982**
Total	**133,664**

26. INVENTORIES

Breakdown of inventories	*In RSD thousand*	
	2019	*2018*
e) Advances paid for services	10,213	10,216
TOTAL	**10,213**	**10,216**

27. TRADE RECEIVABLES

Breakdown of trade receivables	*In RSD thousand*	
	2019	*2018*
Domestic - parent and subsidiaries		-
Domestic - other related parties	208	-
Domestic trade receivables	254,701	149,533
Foreign trade receivables	1,477,452	1,252,792
TOTAL	**1,732,361**	**1,402,325**

The carrying value of trade receivables classified as loans and receivables, approximates their fair value.

The Parent Company has no collateral arising from sales.

Accounts receivable by the companies are as follows:

EMIRATES	**725,889**
ENTEL	**254,909**
QATAR	**541,079**
OMAN	**210,484**
	1,732,361

The company Energoconsult L.L.C. in RSD 725,889 thousand and the major buyers are:

ADDC	37,770
TRANSCO	48,589
OTHER	1,372
DEWA Contracts	265,810
MERASS	4,142
Developers	368,206
	725,889

The company Energoprojekt Entel L.L.C., Oman in RSD 210,484 thousand and the major buyers are:

OETC	72,626
PAEW	108,089
OWSC	10,718
OTHER	19,051
	210,484

The company in Qatar in RSD 541,079 thousand and the major buyers are:

PHASE 11	33,448
PHASE 12	50,112
PHASE 13	152,797
MEGA TANKS	68,055
OTHER	236,667
	541,079

The Company in the country, Serbia the amount of receivables is RSD 254,909 thousand and the major buyers are.

JP EPS	235,768
TEPSCO	6,016
Beocista	8,897
OTHER	4,228
	254,909

28. RECEIVABLES FROM SPECIFIC OPERATIONS

Receivables from specific operations	In RSD thousand	
	2019	2018
Other receivables from other legal entities	221	55,605
TOTAL	***221***	***55,605***

Within the item there is the amount related to receivables from Perl Garden in the amount of RSD 221 thousand.

29. OTHER RECEIVABLES

Breakdown of other receivables	In RSD thousand	
	2019	2018
c) Receivables for contracted and default interest from other legal entities	-	12
Total	**-**	**12**
Receivables from employees	96,944	113,108
Receivables for refundable salary compensations	638	1,783
TOTAL	**97,582**	**114,903**

Within the item receivables from employees in the amount of RSD 96,944 thousand is severance pay paid in advance to free-lancer workers in Qatar in amount of RSD 86,582 thousand and in Oman in RSD 10,362 thousand, in accordance with local regulations.

30. SHORT-TERM FINANCIAL PLACEMENTS

Breakdown of short-term financial placements	In RSD thousand	
	2019	2018
Other short-term financial placements:	1,060,233	1,189,127
TOTAL	**1,060,233**	**1,189,127**

Other short-term placements include deposited funds with commercial banks and it is not possible to terminate contractual agreement at any time. They amounted to RSD 1,060,233 thousand, based on deposited funds with: banks in Serbia in RSD 119,000 thousand, at interest rate of 1.90% per annum, in Energoprojekt Entel Qatar: RSD 741,762 thousand, at interest rate between 1.25% and 1.75% per annum and in Energo Consult LLC Abu Dhabi, UAE: RSD 199,471 thousand, at interest rate between 0.80% and 1.35% per annum.

31. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents	In RSD thousand	
	2019	2018
In RSD:		
Current account	4,624	3,128
Petty cash	418	607
Total	**5,042**	**3,735**
In foreign currency:		
Foreign currency account	327,330	393,280
Petty cash	1,761	2,770
Total	329,091	396,050
TOTAL	**334,133**	**399,785**

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

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

The amounts allocated by the companies are as follows:

BAHRAIN	**4.163**
EMIRATES	**73.187**
ENTEL	**75.461**
QATAR	**161.141**
OMAN	**20.181**
	334.133

32. VALUE ADDED TAX, PREPAYMENTS AND ACCRUED INCOME

Value Added Tax	In RSD thousand	
	2019	2018
Value added tax	97	136
TOTAL	**97**	**136**

32. PREPAYMENTS AND ACCRUED INCOME

Breakdown of prepayments and accrued income	*In RSD thousand*	
	2019	*2018*
Prepaid expenses:		
Parent company and subsidiaries	164	164
Other related parties	-	-
Pre-paid subscription to professional publications	-	70
Prepaid rental expenses	48,114	71,553
Prepaid insurance premiums	28,693	25,477
Other prepaid expenses	7,066	47,082
Total	84,037	144,346
Receivables for uninvoiced income	266,464	513,011
TOTAL	**350,501**	**657,357**

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

The amounts allocated by the companies are as follows:

EMIRATES	**19,155**
QATAR	**24,306**
OMAN	**4,653**
	48,114

The amount of **prepaid insurance premiums** relate to prepaid expenses of project and health insurance of employees at work. Workers' health insurance is mandatory under the laws of the countries in which we have companies.

The amounts allocated by the companies are as follows:

BAHREIN	**732**
EMIRATES	**19,339**
ENTEL	**1,353**
QATAR	**2,583**
OMAN	**4,686**
	28,693

Other pre-paid expenses in the amount of RSD 7,066 thousand relate to pre-paid scholarships and subscriptions for magazines.

The amounts allocated by the companies are as follows:

EMIRATES	**1,264**
ENTEL	**497**
QATAR	**3,384**
OMAN	**1,921**
	7,066

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

The amounts allocated by the companies are as follows:

ENTEL	**18,541**
QATAR	**247,923**
	266,464

BALANCE SHEET

34. EQUITY

Item	Core capital	Reserves	Revalued reserves	Unrealised gains / loss on AFS securities	Retained earnings	Total
Opening balance as of 01 January 2018	*173,223*	*23,882*	*356,866*	*(62,962)*	*3,023,119*	*3,514,128*
Net profit for year					463,859	463,859
Total comprehensive result for 2018	173,223	23,882	356,866	(62,962)	3,486,978	3,977,987
Adjustments		49	734	112,906	19,039	132,728
Profit distribution					(500,657)	(500,657)
As of 31 December 2018	***173,223***	***23,931***	***357,600***	***49,944***	***3,005,360***	***3,610,058***
Net profit for year					417,345	417,345
c) Other - leveling of present value, IAS 12, etc.					0	0
Total – total comprehensive income					0	0
Total comprehensive result for 2019	173,223	23,931	357,600	49,944	3,422,705	4,027,403
Adjustments		17	237	(26,058)	41,366	15,562
Profit distribution					0	0
As of 31 December 2019	***173,223***	***23,948***	***357,837***	***23,886***	***3,464,071***	***4,042,965***

34.1 Core capital

The registered amount of share capital of the Parent Company at the Business Registers Agency (the registration number 8049/2005 from 30 March 2005) amounts to RSD 173,223 thousand. According to the records of the Central Securities Depository ISIN RSEPEN 41315, the registered balance of ownership of shares of Energoprojekt Entel Plc. as of 31 December 2019 is presented in the following tables:

Breakdown of core capital	*In RSD thousand*	
	2019	*2018*
Share capital:	173,223	173,223
a) parent company, subsidiaries and other related parties Energoprojekt Holding 99.95%	173,140	149,426
b) Share capital - external OTHER SHAREHOLDERS 0.05%	83	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 parent company and in the portion of the bankruptcy estate in accordance with the founding act or the decision on issue of shares.

Pursuant to Decision on exclusion of shares from the Open Market, shares number 01/1- 5833/19, the Company's shares were removed from the Stock Exchange, due all shares of the Issuer were repurchased through forced redemption. The Decision on exclusion of shares of the Issuer from the Open Market and termination the status of a public company, was brought by the votes of the shareholders who have acquired 100% of shares by joint action. Under the regulations of the Stock Exchange stipulate securities are excluded from the Open Market at the request of the Issuer whose public company ceases to exist in accordance with the provision of Article 70 and Article 122, paragraph 2, item 2 of the Relevant Law.

34.2 Reserves

Breakdown of reserves	*In RSD thousand*	
	2019	*2018*
Legal reserves	22,744	22,744
Statutory and other reserves	1,204	1,187
TOTAL	***23,948***	***23,931***

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

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

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

Breakdown in revluation reserves arising from revaluation of intangible assets, PPE	*In RSD thousand*	
	2019	*2018*
a) Revaluation reserves from revaluation of property - Energoprojekt building	333,126	333,126
b) Revaluation reserves from revaluation of other property	16,226	15,989
Total	349,352	349,115
Revaluation reserves from revaluation of investment property	-	-
Other	8,485	8,485
TOTAL	**357,837**	**357,600**

34.4 Unrealised gains from securities available for sale and other components of other comprehensive result

Breakdown of non-revaluated gains from securities and other components of other comprehensive income (debit accounts of account 33 except 330)	*In RSD thousand*	
	2019	*2018*
Gains or losses from translation of financial statements from foreign operations	23,886	49,944
TOTAL	**23,886**	**49,944**

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

34.5 Retained earnings

Breakdown of retained earnings	*In RSD thousand*	
	2019	*2018*
Retained earnings from prior years:		
a) balance as of 1 January	3,005,360	3,023,119
b) adjustments of profit for income tax	-27,937	-
c) other adjustments (IAS 12, etc.)	-	-
d) foreign exchange differences	25,154	-19,269
Energoplast	44,149	37,175
e) distribution of profit	-	-500,657
Total	3,046,726	2,540,368
Retained earnings of the current year	417,345	464,992
TOTAL	**3,464,071**	**3,005,360**

35. LONG-TERM PROVISIONS

Breakdown of long-term provisions	**Warranty period expenses**	**Compensations and other employee benefits**	**TOTAL**
Balance as of 1 January 2018		192,824	724,186
Additional charge	-	49,714	49,714
Exchange differences	18,633	9,428	28,061
Utilised during the year	-	-32,659	-32,659
Balance as of 31 December 2018	**487,888**	**219,307**	**707,195**
Additional charge	187,384	36,254	223,638
Exchange differences	6,185	3,057	9,242
Utilised during the year	-83,589	-32,011	-115,600
Balance as of 31 December 2019	**597,868**	**226,607**	**824,475**

35.1. Provisions for employee benefits and other employee benefits

Provisions for wages and other employee benefits (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31 December 2019.

In the projection of provision calculation pursuant to IAS 19 the deductive approach was used, meaning that all the Companies from the Energoprojekt Group were treated as a whole, and based on general regularities and use of the number of employees as a template, allocation to specific Companies was performed. Considering that all subsidiaries are controlled by the same Company, the applied approach is objective and the projection results can be recognized as expected.

Decrease of the provision amount based on current retirement bonus values (by 4.98%) in the balance sheet as at 31.12.2019 in comparison to the retirement bonus values in the balance sheet as at 31.12.2018, 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 10.26% and increase in average years of service in the Company by 1.52%); 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 21.24%).

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 **5%** was accepted as the **annual discount rate**.

In the paragraph 83, IAS 19 it is explicitly stated that the rate used for discount should be defined according to market yields at the balance sheet date for high yield corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) for government bonds should be used.

The currency and term of the bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 05.11.2019 was 2.69%; while the annual yield on 10-years Euro securities issued on 09.10.2019 was 1.89%. By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19. In extrapolation, maturity premiums were determined by using yields on high quality government bonds published on European Central Bank's website. In determining the convertibility premium (RSD versus EUR), data from the secondary market for government bonds were used. The above data refer to transactions that occurred in the period close to the Balance Sheet date and were taken from the National Bank of Serbia website.

The annual expected salary growth in the Republic of Serbia was planned at the level of **3%.**

The annual discount rate and annual salaries' growth depend on inflation rate.

The Memorandum of the National Bank of Serbia on the target inflation rates by 2022, adopted by the Executive Board of the National Bank of Serbia, determines the target inflation rate (with permissible deviation) measured by annual percentage changes in the consumer price index, for the period from January 2020 to December 2022, in the amount of 3% with permissible deviation (positive and negative) of 1.5 percentage points.

The target inflation of 3% has been foreseen in the Memorandum for several years, but in real states it is generally lower (in 2019 - 1.5%; in 2018 - 2%; in 2017 - 3%; in 2016 - 1.6% and in 2015 - 1.5%). Therefore, it is more realistic to plan inflation 1 percentage point lower than the target.

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 2020 with Projections for 2021 and 2022), 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 3% and long-term annual discount rate of 5%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 78 of IAS 19.

35.2. Long-term provisions for costs during the warranty period

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

36. LONG-TERM LIABILITIES

Breakdown of long-term liabilities	*Interest rate*	*In RSD thousand*	
		2019	*2018*
Finance lease liabilities	5%	730	1,370
Other long-term liabilities		-	381
TOTAL		**730**	**1,751**

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for the orderly settlement of liabilities arising from finance lease, the parent Company deposited the checks-cash in the amount of RSD 730 thousand.

37. SHORT-TERM LIABILITIES

Breakdown of short-term liabilities	*In RSD thousand*	
	2019	*2018*
Other short-term financial liabilities	930	2,816
TOTAL	**930**	**2,816**

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for timely settlement of liabilities arising from finance lease. The amount of RSD 930 thousand is a portion of liabilities due within one year.

38. RECEIVED ADVANCES, DEPOSITS AND RETAINERS

Breakdown of received advances, deposits and retainers	*In RSD thousand*	
	2019	*2018*
Advances received from other legal entities in the country	25,803	45,731
Advances received from other legal entities abroad	48,996	50,124
TOTAL	**74,799**	**95,855**

39. ACCOUNTS PAYABLE

Breakdown of accounts payable	In RSD thousand	
	2019	2018
Suppliers - parent and subsidiaries in the country	3,524	686
Suppliers - other related parties in the country	6,753	16,992
Domestic trade payables	31,685	72,077
Foreign trade payables	602,126	589,638
Other accounts payables	926	742
TOTAL	**645,014**	**680,135**

Trade payables are non-interest bearing.

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

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

Trade payables by the companies are as follows:

BAHRAIN	**206**
EMIRATES	**76,821**
ENTEL	**47,847**
QATAR	**464,624**
OMAN	**55,516**
	645,014

40. OTHER SHORT-TERM LIABILITIES

Breakdown of short-term liabilities	In RSD thousand	
	2019	2018
Liabilities for salaries and compensations	363,765	409,591
Other liabilities:		
b) dividends paid	6,995	9,738
d) towards employees	18,641	17,424
e) liabilities to the director and members of the management and supervisory board	150	139
h) other	6	48
TOTAL	**389,557**	**436,940**

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

Amounts by the companies are as follows:

EMIRATES	**156,926**
ENTEL	**44,024**
QATAR	**122,752**
OMAN	**40,063**
	363,765

Liabilities for unpaid dividends of RSD 6,995 thousand (due to the failure of shareholders to open accounts for their securities). The amount of RSD 1,733 thousand refers to unpaid dividend for 2017, while remaining amount relates to other years when the company paid dividend.

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

41. VALUE ADDED TAX PAYABLE

Value added tax payables	*In RSD thousand*	
	2019	*2018*
Value added tax payables	18,393	17,051
TOTAL	**18,393**	**17,051**

42. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER CHARGES

Liabilities for other taxes, contributions and other charges	*In RSD thousand*	
	2019	*2018*
Income tax liability from the result	10,788	613,436
Other liabilities for other taxes, contributions and other duties	2,787	3,529
TOTAL	**13,575**	**616,965**

Income tax liability from the result in the amount of RSD 10,788 thousand relate to income tax duty in Serbia. Decrease compared to 2018 originated from lost dispute in the Court of Appeals and the Supreme Court of Cassation in Qatar, which rejected our lawsuit that we had with the Ministry of Finance in Qatar. During 2019, the entire duty was paid.

43. ACCRUALS AND DEFERRED INCOME

Accruals and deferred income	In RSD thousand	
	2019	2018
Other	78,656	71,370
TOTAL	**78,656**	**71,370**

Accruals are deferred in the amount of 78,656 liabilities for retention of our subcontractors for the project Mega Tanks in Qatar.

44. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities	In RSD thousand	
	2019	2018
Deferred tax liabilities	59,749	60,547
TOTAL	**59,749**	**60,547**

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

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

According to movements in deferred tax assets and liabilities in 2019, it can be concluded that in the net effect there was a decrease in deferred tax liabilities compared to previous year by RSD 798 thousand.

45. RECONCILIATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Parent Company has performed the reconciliation of accounts receivable and payable with the balance as of 31 December 2019. Elektroprivreda Srbije (EPS) unlawfully challenged the amount of RSD 48,937,500 for which the first-instance court decision was awarded in behalf of Entel. EPS complained and now the case is at Appeal court. The verdict is to be expected by June.

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

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

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

47. OFF-BALANCE SHEET ASSETS AND LIABILITIES

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

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

Breakdown of off-balance sheet assets and liabilities	*In RSD thousand*	
	2019	*2018*
Sureties, guarantees and other rights	2,794,628	2,810,464
TOTAL	**2,794,628**	**2,810,464**

The amount of RSD 2,794,628 thousand is the amount for the bid guarantees issued and performance guarantees in the Entel’s companies in Qatar, Oman, Emirates and Serbia.

The amount allocates by companies is as follow:

EMIRATES	**892,092**
ENTEL	**298,168**
QATAR	**1,595,462**
OMAN	**8,906**
	2,794,628

48. RELATED PARTY TRANSACTIONS

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

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

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

Breakdown of receivables and liabilities incurred with related parties	*In RSD thousand*	
	2019	*2018*
Receivables:		
Other related parties:		
EP VISOKOGRADNJA	208	-
ENERGOPLAST	39,943	45,820
Total	**40,151**	**45,820**
Liabilities:		
Subsidiaries		
EP VISOKOGRADNJA		30
EP HOLDING	3,524	686
EP ENERGODATA		3,173
EP INDUSTRIJA	1,763	1,534
EP HIDROINŽENJERING	4,990	12,255
Total	**10,277**	**17,648**
TOTAL	**50,428**	**63,468**

Breakdown of income and expenses from related parties	*In RSD thousand*	
	2019	*2018*
Income:		
Financial income		
Other related parties		
EP HOLDING	197	313
OTHER		172
EP INDUSTRIJA	1,028	675
EP HIDROINŽENJERING	1,210	852
EP URBANIZAM I ARHITEKTURA		31
EP VISOKOGRADNJA	347	341
Total income	**2,782**	**2,384**
Expenses:		
Other related parties		
EP HOLDING	45,882	41,828
EP ENERGODATA	4,374	6,277
EP INDUSTRIJA	6,330	5,142
EP VISOKOGRADNJA	770	743
EP HIDROINŽENJERING	10,212	14,123
EP URBANIZAM I ARHITEKTURA		213
Total expenses	**67,568**	**68,326**

49. LITIGATIONS

Energoprojekt Entel Plc. Litigation report as of 31 December 2019:

No.	Plaintiff	Defendant	Basis	Amount of Claim In RSD	Competent Court	Entity	Instance	Expected Completion of Disputes	Prediction of Outcome
1	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
2	Paripović Duško	EP Entel Plc., as second of four defendants	Compensation - injury at work	RSD 1,300,000.00	Basic Court in Pozarevac	Physical body	The first instance	Uncertain	Uncertain, interruption of proceedings
3	Ep Entel	JP EPS	Debt for services performed	RSD 48,937,500.00	Commercial Court in Belgrade	Legal entity	The first instance	Uncertain	Uncertain

50. EVENTS AFTER THE REPORTING PERIOD

After the reporting period, The World Health Organization (WHO) declared COVID-19 a pandemic and on 15 March 2020, Republic of Serbia has introduced a state of emergency to halt the spread of coronavirus.

At this time, the Management is not in position to make assessment of overall adverse impact on the Company's operations and the financial result for 2020, but it will be significant if the current situation lasts for a longer period of time and luck of state support measures.

Nevertheless, the management attitude is that not to cast any doubt on the Company’s ability to continue as a going concern. In respect of aforementioned, the financial statements for the period 01 January – 31 December 2019 are not required to be adjusted.

Belgrade,
26 March 2020

Responsible for the preparation
of the financial statemen

Director