RSM Serbia d.o.o., Beograd

ENERGOPROJEKT ENTEL A.D. BEOGRAD

Consolidated Financial Statements for 2021
in accordance
with accounting regulations prevailing in the
Republic of Serbia

and

Independent auditor's report

THE POWER OF BEING UNDERSTOOD
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RSM

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RSM Serbia d.o.o. Beograd

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Translation of the Auditors' Report issued in the Serbian language

KR_S 2/22

Independent auditor's report

To the Board of directors and Assembly of Energoprojekt Entel a.d. Beograd

Opinion

We have audited the consolidated financial statements of Energoprojekt Entel a.d. Beograd and its subsidiary (hereinafter: the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with accounting regulations prevailing in the Republic of Serbia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 the Republic of Serbia, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on April 23, 2021.

Other information

The Group's management is responsible for other information. Other information includes the Consolidated Annual Business Report for the year ended 31 December 2021. Our opinion on the consolidated financial statements does not apply to other information and we do not express any form of conclusion that provides assurance about them.

In connection with our audit of the consolidated financial statements, it is our responsibility to read other information and consider whether there is a material inconsistency between them and the consolidated financial statements or our comprehension gained during the audit, or otherwise, material misstatements.

Based on the work we performed during the audit of the consolidated financial statements, in our opinion the Consolidated Annual Business Report for 2021 was prepared in accordance with the requirements based on the Law on Accounting ("Službeni glasnik" of RS no. 73/2019 and 44/2021) and information that are disclosed in the Consolidated Annual Business

Report for 2021 are, in all material matters, harmonized with the consolidated financial statements for the same business year.

In addition, if, based on the work we have done, we conclude that there is a material misstatement of other information, we are required to disclose that fact in a report. In that sense, there is nothing that we should say in the report.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), 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, 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 management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

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 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 management's 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.

Belgrade, April 27, 2022

RSM Serbia d.o.o.
Beograd-Novi Beograd
RSM

Stanimirka Svičević, Certified Auditor

Energoprojekt Entel - Beograd

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31.12.2021

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount		
				Current year	Previous year	
					Ending balance on 31.12.2020.	Opening balance on 01.01.2020.
1	2	3	4	5	6	7
	ASSETS					
0	**A. UNPAID SUBSCRIBED CAPITAL**	0001				
	B. FIXED ASSETS (0003 + 0009 + 0017 + 0018 + 0028)	0002		2.567.728	2.396.976	
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)	0003	24	8.858	1.885	
010	1. Investment in development	0004				
011, 012 and 014	2. Concessions, patents, licenses, similar rights, software and other rights	0005		8.858	1.885	
013	3. Goodwill	0006				
015 and 016	4. Intangible assets leased and Intangible assets in development	0007				
017	5. Advance payments for acquisition of intangible assets	0008				
02	II. PROPERTY, PLANT and EQUIPMENT (0010 + 0011 + 0012 + 0013 + 0014 + 0015 + 0016)	0009	25	906.452	927.508	
020, 021 and 022	1. Land and buildings	0010		758.050	754.370	
023	2. Plant and equipment	0011		113.775	138.511	
024	3. Investment property	0012				
025 and 027	4. Property, plant and equipment leased and property, plant and equipment under construction	0013		34.338	34.338	
026 and 028	5. Other property, plant and equipment and investment in PPE owned by third parties	0014		289	289	
029 (p.o.)	6. Advance payments for property, plant and equipment in the country	0015				
029 (p.o.)	7. Advance payments for property, plant and equipment in the abroad	0016				
03	III. BIOLOGICAL ASSETS	0017				
04 and 05	IV. LONG TERM FINANCIAL INVESTMENTS AND LONG TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)	0018	26	1.652.418	1.467.583	
040 (p.o.), 041 (p.o.) and 042 (p.o.)	1. Investments in legal entities (excluding equity participations that are valued using the equity method)	0019				
040 (p.o.), 041 (p.o.), 042 (p.o.)	2. Investments that are valued using the equity method	0020		107.313	104.598	
043, 050 (p.o.) and 051 (p.o.)	3. Long-term loans to parent companies, subsidiaries, other associated companies and long-term receivables on these persons in the country	0021				
044, 050 (p.o.), 051 (p.o.)	4. Long-term loans to parent companies, subsidiaries, other associated companies and long-term receivables on these persons in the abroad	0022				
045 (p.o.) and 053 (p.o.)	5. Long-term loans (given loans and borrowings) - domestic	0023				
045 (p.o.) and 053 (p.o.)	6. Long-term loans (given loans and borrowings) - foreign	0024				
046	7. Long-term financial investments (securities valued at depreciated value)	0025				
047	8. Repurchased own shares	0026				
048, 052, 054, 055 and 056	9. Other long term investments and other long term receivables	0027		1.545.105	1.362.985	
28 (p.o.), except 288	V. LONG TERM PREPAYMENTS AND ACCURED INCOME	0028				
288	**VI. DEFFERED TAX ASSETS**	0029				

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount		
				Current year	Previous year	
					Ending balance on 31.12.2020.	Opening balance on 01.01.2020.
1	2	3	4	5	6	7
	G. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057+ 0058)	0030		3.412.125	3.032.589	
Class 1 (except 14)	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031	27	53.672	14.146	
10	1. Material, spare parts, tools and small inventory	0032				
11 and 12	2. Work in progress and finished products	0033				
13	3. Merchandise	0034				
150, 152 and 154	4. Advance payments for inventories and services - domestic	0035		8.981	9.573	
151, 153 and 155	5. Advance payments for inventories and services - foreign	0036		44.691	4.573	
14	II Non-current assets held for trading	0037				
20	III. TRADE RECEIVABLES (0039 + 0040 + 0041 + 0042 + 0043)	0038	28	1.415.339	1.177.439	
204	1. Trade receivables- domestic third party	0039		248.302	180.516	
205	2. Trade receivables- foreign third party	0040		1.166.084	996.382	
200 and 202	3. Trade receivables- domestic parent companies, subsidiaries and other associated entities	0041		953	541	
201 and 203	4. Trade receivables- foreign parent companies, subsidiaries and other associated entities	0042				
206	5. Other trade receivables	0043				
21, 22 and 27	IV. OTHER SHORT-TERM RECEIVABLES (0045+0046+0047)	0044	29	116.233	91.759	
21, 22 except (223 and 224) and 27	1. Other receivables	0045		116.233	85.290	
223	2. Receivables for overpaid income tax	0046			6.469	
224	3. Receivables from overpaid other taxes and contributions	0047				
23	VI. SHORT-TERM FINANCIAL INVESTMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048	30	934.294	1.109.632	
230	1. hort-term loans and investments in parent companies and subsidiaries	0049				
231	2. Short-term loans and investments in other related parties	0050				
232, 234 (p.o.)	3. Short term loans and placements - domestic	0051				
233, 234 (p.o.)	4. Short term loans and placements - foreign	0052				
235	5. Securities valued at depreciated value	0053				
236 (p.o.)	6. Financial assets at fair value through Statement of comprehensive income	0054				
237	7. Repurchased own shares	0055				
236 (p.o.), 238 and 239	8. Other short term investments	0056		934.294	1.109.632	
24	VI. CASH AND CASH EQUIVALENTS	0057	31	536.480	342.970	
28 (p.o.) except 288	VII. SHORT-TERM PREPAYMENTS AND ACCURED INCOME	0058	32	356.107	296.643	
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)	0059		5.979.853	5.429.565	
88	**Đ. OFF-BALANCESHEET ASSETS**	0060	46	2.042.183	2.005.172	
	EQUITY AND LIABILITIES					

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount		
				Current year	Previous year	
					Ending balance on 31.12.2020.	Opening balance on 01.01.2020.
1	2	3	4	5	6	7
	A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0	0401	33	4.034.170	3.781.409	
30, except 306	I. BASIC CAPITAL	0402	33.1	173.223	173.223	
31	II. UNPAID SUBSCRIBED CAPITAL	0403				
306	III. SHARE PREMIUMS	0404				
32	IV. RESERVES	0405	33.2	23.937	23.844	
330 and demand balance 331, 332, 333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED GAINS ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0406	33.3	363.327	332.345	
debt balance 331, 332, 333, 334, 335, 336 and 337	VI. UNREALIZED LOSSES ON FINANCIAL ASSETS AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT	0407				
34	VIII. RETAINED PROFIT (0409+ 0410)	0408	33.4	3.473.683	3.251.997	
340	1. Retained profit from previous years	0409		3.141.436	2.843.703	
341	2. Retained profit from current year	0410		332.247	408.294	
	VIII. NON-CONTROLING INTEREST	0411				
35	IX. LOSS (0413 + 0414)	0412				
350	1. Previous year's losses	0413				
351	2. Current year loss	0414				
	B. LONG-TERM PROVISIONS AND LIABILITIES (0416 + 0420 + 0428)	0415		686.273	750.974	
40	I. LONG- TERM PROVISIONS (0417 + 0418 + 0419)	0416	34	627.383	677.201	
404	1. Provisions for employees benefits	0417		236.083	208.626	
400	2. Provisions for costs incurred during the warranty period	0418		391.300	468.575	
40, except 400 and 404	3. Other long-term provisions	0419				
41	II. LONG- TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420				
410	1. Liabilities that can be converted into capital	0421				
411 (p.o.) and 412 (p.o.)	2. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - domestic	0422				
411 (p.o.) and 412 (p.o.)	3. Long-term loans and other long-term liabilities to parent, subsidiaries and other related parties - foreign	0423				
414 and 416 (p.o.)	4. Long-term loans and liabilities for leasing - domestic	0424				
415 and 416 (p.o.)	5. Long-term loans and liabilities for leasing - foreign	0425				
413	6. Liabilities based on issued securities	0426				
419	7. Other long-term liabilities	0427				
49 (p.o.), except 498 and 495 (p.o.)	III. LONG-TERM ACCRUALS AND DEFFERED INCOME	0428	35	58.890	73.773	
498	**V. DEFFERED TAX LIABILITIES**	0429	36	71.664	59.122	
495 (p.o.)	**G. LONG - TERM DEFERRED INCOME AND DONATIONS RECEIVED**	0430				
	D. SHORT - TERM PROVISIONS AND SHORT-TERM LIABILITIES (0432 + 0433 + 0441 + 0442 + 0449 + 0453 + 0454)	0431		1.187.746	838.060	
467	I. SHORT - TERM PROVISIONS	0432				
42, except 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433	37	179	666	

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount		
				Current year	Previous year	
					Ending balance on 31.12.2020.	Opening balance on 01.01.2020.
1	2	3	4	5	6	7
420 (p.o.) and 421 (p.o.)	1. Liabilities for loans to parent companies, subsidiaries and other related parties - domestic	0434				
420 (p.o.) and 421 (p.o.)	2. Liabilities for loans to parent companies, subsidiaries and other related parties - foreign	0435				
422 (p.o.), 424 (p.o.), 425 (p.o.), and 429 (p.o.)	3. Liabilities for loans and borrowings from persons other than domestic banks	0436		179	666	
422 (p.o.), 424 (p.o.), 425 (p.o.) and 429 (p.o.)	4. Liabilities for loans from domestic banks	0437				
423, 424 (p.o.), 425 (p.o.) and 429 (p.o.)	5. Loans, borrowings and liabilities - foreign	0438				
426	6. Liabilities for short-term securities	0439				
428	7. Liabilities for financial derivatives	0440				
430	III. RECEIVED ADVANCES PAYMENTS, DEPOSITS AND BAILS	0441	38	51.903	35.069	
43 except 430	III. LIABILITIES FROM BUSINESS OPERATIONS (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442	39	708.044	523.471	
431 and 433	1. Liabilities to suppliers - parent companies, subsidiaries and other related parties - domestic	0443		7.694	3.270	
432 and 434	2. Liabilities to suppliers - parent companies, subsidiaries and other related parties - foreign	0444				
435	3. Liabilities to suppliers - domestic	0445		8.023	11.949	
436	4. Liabilities to suppliers - foreign	0446		692.102	507.420	
439 (p.o.)	5. Liabilities for bill of exchange	0447				
439 (p.o.)	6. Other liabilities from business operations	0448		225	832	
44,45,46, except 467, 47 and 48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451 + 0452)	0449		346.588	254.920	
44, 45 and 46 except 467	1. Other short-term liabilities	0450	40	317.922	237.802	
47, 48 except 481	2. Liabilities for value added tax and other public revenue	0451	41	24.678	17.118	
481	3. Liabilities for income tax	0452	42	3.988		
427	VI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	0453				
49 (p.o.) except 498	VII. SHORT-TERM ACCRUALS AND DEFFERED INCOME	0454	43	81.032	23.934	
	Đ. LOSS OVER CAPITAL (0415 + 0429 + 0430 + 0431 - 0059) ≥ 0 = 0407 + 0412 - 0402 - 0403 - 0404 - 0405 - 0406 - 0408 - 0411) ≥ 0	0455				
	E. TOTAL EQUITY AND LIABILITIES (0401 + 0415 + 0429 + 0430 + 0431 - 0455)	0456		5.979.853	5.429.565	
89	**Ž. OFF-BALANCE SHEET LIABILITIES**	0457	46	2.042.183	2.005.172	

*Notes refer to individual positions and they are presented as notes to the Consolidated Financial Statements

These consolidated financial statements were approved for publication on March 17, 2022 and were signed by the legal representative of Energoprojekt Entel - Beograd.

Mladen Simović

Director

Mladen Simović 398291

Digitally signed by Mladen Simović 398291
Date: 2022.05.19 13:39:14 +02'00'

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the period between 01.01.2021. and 31.12.2021.

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. OPERATING REVENUES (1002 + 1005 + 1008 + 1009 - 1010 + 1011 + 1012)	1001	11	4.169.072	4.442.053
60	I. INCOME FROM THE SALE OF MERCHANDISE (1003 + 1004)	1002			
600, 602 and 604	1. Sales of merchandise to domestic customers	1003			
601, 603 and 605	2. Sales of merchandise to foreign customers	1004			
61	II. INCOME FROM SALES OF PRODUCTS AND SERVICE RENDERED (1006 + 1007)	1005		4.169.042	4.442.053
610, 612 and 614	1. Sales of finished goods and services rendered to domestic customers	1006		822.781	785.966
611, 613 and 615	2. Sales of finished goods and services rendered to foreign customers	1007		3.346.261	3.656.087
62	III. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE	1008			
630	IV. INCREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1009			
631	V. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS	1010			
64 and 65	VI. OTHER OPERATING INCOME	1011	12	30	
68, except 683, 685 and 686	VII.INCOME FROM ASSETS VALUE ADJUSTMENT (EXCEPT FINANCIAL)	1012			
	B. OPERATING EXPENSES (1014 + 1015 + 1016 + 1020 + 1021 + 1022 + 1023 + 1024)	1013		3.963.357	4.127.320
50	I. COST OF GOODS SOLD - COGS	1014			
51	II. COST OF MATERIAL, FUEL AND ENERGY	1015	13	110.667	111.312
52	III. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES (1017 + 1018 + 1019)	1016	14	2.402.914	2.720.705
520	1. Costs of salaries and fringe benefits	1017		2.276.558	2.581.621
521	2. Costs of taxes and contributions on salaries and fringe benefits	1018		68.368	69.483
52 except 520 and 521	3. Other personal expenses and fees	1019		57.988	69.601
540	IV. DEPRECIATION COSTS	1020	15	59.701	59.477
58, except 583, 585 and 586	V. EXPENSES FROM PROPERTY VALUE ADJUSTMENT (EXCEPT FINANCIAL)	1021			
53	VI. COSTS OF PRODUCTION SERVICES	1022	16	856.881	723.107
54, except 540	VII. PROVISIONS COSTS	1023	17	39.612	41.131
55	VIII. NON-PRODUCTION COSTS	1024	18	493.582	471.588
	V. OPERATING PROFIT (1001 - 1013) ≥ 0	1025		205.715	314.733
	G. OPERATING LOSS (1013 - 1001) ≥ 0	1026			
	D. FINANCIAL INCOME (1028 + 1029 + 1030 + 1031)	1027	19.1	71.912	107.669
660 and 661	I. FINANCIAL INCOME FROM RELATIONS WITH PARENTS COMPANIES, SUBSIDIARIES AND OTHER RELATED PARTIES	1028			3
662	II. INCOME FROM INTEREST	1029		13.604	44.498
663 and 664	III. FX GAINS AND POSITIVE EFFECTS OF CURRENCY CLAUSE	1030		2.016	621
665 and 669	IV. OTHER FINANCIAL INCOME	1031		56.292	62.547
	Đ. FINANCIAL EXPENSES (1033 + 1034 + 1035 + 1036)	1032	19.2	2.720	1.528
560 and 561	I. FINANCIAL EXPENSES FROM RELATIONS WITH PARENTS COMPANIES, SUBSIDIARIES AND OTHER RELATED PARTIES	1033		1	

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount	
				Current year	Previous year
1	2	3	4	5	6
562	II. COSTS OF INTERESTS	1034		1.140	865
563 and 564	III. FX LOSSES AND NEGATIVE EFFECTS OF CURRENCY CLAUSE	1035		1.579	662
565 and 569	IV. OTHER FINANCIAL EXPENSES	1036			1
	E. FINANCIAL PROFIT (1027 - 1032) ≥ 0	1037		69.192	106.141
	Ž. FINANCIAL LOSS (1032 - 1027) ≥ 0	1038			
683, 685 and 686	**Z. INCOME FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE**	1039			
583, 585 and 586	**I.EXPENSES FROM FINANCIAL ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE**	1040			
67	**J. OTHER INCOME**	1041	20.1	128.774	61.512
57	**K. OTHER EXPENSES**	1042	20.2	47.418	48.042
	L. TOTAL INCOME (1001 + 1027 + 1039 + 1041)	1043		4.369.758	4.611.234
	LJ. TOTAL EXPENSES (1013 + 1032 + 1040 + 1042)	1044		4.013.495	4.176.890
	M. PROFIT FROM OPERATIONS BEFORE TAXATION (1043 - 1044) ≥ 0	1045		356.263	434.344
	N. LOSS FROM OPERATIONS BEFORE TAXATION (1044 - 1043) ≥ 0	1046			
69 minus 59	**NJ. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS**	1047			
59 minus 69	**O. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS**	1048			
	P. ROFIT BEFORE TAXATION (1045 - 1046 + 1047 - 1048) ≥ 0	1049	21	356.263	434.344
	R. LOSS BEFORE TAXATION (1046 - 1045 + 1048 - 1047) ≥ 0	1050			
	S. INCOME TAX		22		
721	I. TAX EXPENSES FOR THE PERIOD	1051		23.491	26.676
722 debt balance	II. DEFERRED TAX COSTS FOR THE PERIOD	1052		525	
722 demand balance	III. DEFERRED TAX INCOME FOR THE PERIOD	1053			626
723	**T. EMPLOYER`S EARNINGS PAID OUT**	1054			
	Ć. NET PROFIT (1049 - 1050 -1051 - 1052 + 1053 - 1054) ≥ 0	1055	22	332.247	408.294
	U. NET LOSS (1050 - 1049 + 1051 + 1052 - 1053 + 1054) ≥ 0	1056			
	I. NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1057			
	II. NET PROFIT ATTRIBUTABLE TO PARENT LEGAL ENTITY	1058		332.247	408.294
	III. NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	1059			
	IV. NET LOSS ATTRIBUTABLE TO PARENT LEGAL ENTITY	1060			
	V. EARNINGS PER SHARE		23		
	1. Basic earnings per share	1061		786	966
	2. Diluted earnings per share	1062			

*Notes refer to individual positions and they are presented as notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the period between 01.01.2021. and 31.12.2021.

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET RESULT FROM OPERATIONS				
	I. NET PROFIT (AOP 1055)	2001	22	332.247	408.294
	II. NET LOSS (AOP 1056)	2002			
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) Items that will not be reclassified subsequently to profit or loss				
330	1.Revaluation of intangibles and PPE				
	a) increase in revaluation reserves	2003		1.328	
	b) decrease in revaluation reserves	2004			2.067
331	2. Actuarial gains (losses) on defined benefit plans				
	a) gains	2005			
	b) losses	2006			
333	3. Gains or losses on interests in other comprehensive income or loss of associates				
	a) gains	2007			
	b) losses	2008			
	b) Items that will not be reclassified subsequently to profit or loss				
332	1. Gains or losses on investments in equity instruments				
	a) gains	2009			
	b) losses	2010			
334	2. Gains or losses on translation of financial statements of foreign operations				
	a) gains	2011		28.397	
	b) losses	2012			45.900
335	3. Gains and losses on hedge of investment in foreign operations				
	a) gains	2013			
	b) losses	2014			
336	4. Cash flow hedges				
	a) gains	2015			
	b) losses	2016			
337	5. Gains or losses on securities measured at fair value through profit or loss				
	a) gains	2017			
	b) losses	2018			
	I. OTHER COMPREHENSIVE GROSS PROFIT (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019		29.725	
	II. OTHER COMPREHENSIVE GROSS LOSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			47.967

(in thousand Dinar)

Account group, account	POSITION	AOP	Notes*	Amount	
				Current year	Previous year
1	2	3	4	5	6
	III. DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV. DEFERRED TAX REVENUE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2022			
	V. OTHER COMPREHENSIVE NET PROFIT (2019 - 2020 - 2021 + 2022) ≥ 0	2023		29.725	
	VI. OTHER COMPREHENSIVE NET LOSS (2020 - 2019 + 2021 - 2022) ≥ 0	2024			47.967
	V. TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD				
	I. TOTAL COMPREHENSIVE NET PROFIT (2001 - 2002 + 2023 - 2024) ≥ 0	2025		361.972	360.327
	II. TOTAL COMPREHENSIVE NET LOSS (2002 - 2001 + 2024 - 2023) ≥ 0	2026			
	G. TOTAL COMPREHENSIVE NET PROFIT OR LOSS (2028 + 2029) = AOP 2025 ≥ 0 ili AOP 2026 > 0	2027		361.972	360.327
	1. Attributable to parent legal entity	2028		361.972	360.327
	2. Attributable to non-controlling interests	2029			

*Notes refer to individual positions and they are presented as notes to the Consolidated Financial Statements

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Energoprojekt Entel - Beograd

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 01.01.2021. to 31.12.2021.

(in thousand Dinar)

POSITION	AOP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOW FROM OPERATING ACTIVITIES			
I. Cash inflow from operating activities (1 to 4)	3001	4.620.918	4.933.329
1. Sales and advance payments received - domestic	3002	1.037.798	1.040.533
2. Sales and advance payments received - foreign	3003	3.537.584	3.805.846
3. Received interests from operating activities	3004	540	766
4. Other inflows from operating activities	3005	44.996	86.184
II. Cash outflows from operating activities (1 to 8)	3006	4.305.452	4.468.816
1. Payments to suppliers and advance prepayments - domestic	3007	266.802	309.265
2. Payments to suppliers and advance prepayments - foreign	3008	1.355.646	1.139.433
3. Wages, salaries and other personal costs	3009	2.438.101	2.776.021
4. Paid interests - domestic	3010	14	15
5. Paid interests - foreign	3011	1.126	1.140
6. Corporate income tax	3012	31.337	53.240
7. Other payments to tax authorities	3013	206.565	189.702
8. Other outflows from operating activities	3014	5.861	
III. Net cash inflow from operating activities (I-II)	3015	315.466	464.513
IV. Net cash outflow from operating activities (II-I)	3016		
B. CASH FLOW FROM INVESTING ACTIVITIES			
I. Cash inflow from investing activities (1 till 5)	3017	435.226	923.897
1. Sale of shares and stakes	3018		
2. Sale of intangible assets, property, plant, equipment and biological assets	3019	1.865	659
3. Other financial investments	3020	413.881	887.148
4. Interests received from investing activities	3021	13.604	36.090
5. Dividends received	3022	5.876	
II. Cash outflows from investing activities (1 till 3)	3023	251.438	1.014.381
1. Purchase of shares and stakes	3024		
2. Purchase of intangible investments, property, plant, equipment and biological assets	3025	12.896	18.685
3. Other financial investments	3026	238.542	995.696
III. Net cash inflow from investing activities (I-II)	3027	183.788	
IV. Net cash outflow from investing activities (II-I)	3028		90.484
V. CASH INFLOW FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (1 till 7)	3029		
1. Increase of basic capital	3030		
2. Long-term loans - domestic	3031		
3. Long-term loans - foreign	3032		
4. Short-term loans - domestic	3033		
5. Short-term loans - foreign	3034		
6. Other long-term liabilities	3035		

(in thousand Dinar)

POSITION	AOP	Amount	
		Current year	Previous year
1	2	3	4
7. Other short-term liabilities	3036		
I. Cash outflows from financing activities (1 till 8)	3037	295.868	353.258
1. Purchase of own shares and stakes	3038		
2. Long-term liabilities - domestic	3039		
3. Long-term liabilities - foreign	3040		
4. Short-term loans liabilities - domestic	3041		
5. Short-term loans liabilities - foreign	3042		
6. Other liabilities	3043		
7. Financial lease	3044	544	502
8. Paid dividends	3045	295.324	352.756
III. Net cash inflows from financing activities (I-II)	3046		
IV. Net cash outflows from financing activities (II-I)	3047	295.868	353.258
G. Total cash inflows (3001 + 3017 + 3029)	3048	5.056.144	5.857.226
D. Total cash outflows (3006 + 3023 + 3037)	3049	4.852.758	5.836.455
Đ. Net cash inflows (3048 - 3049)≥0	3050	203.386	20.771
E. Net cash outflows (3049 - 3048)≥0	3051		
Ž. Cash at the beginning of the calculation period	3052	342.970	334.133
Z. Positive exchange rate differences due to calculation of cash	3053		
I. Negative exchange rate differences due to calculation of cash	3054	9.876	11.934
J. Cash at the end of reporting period (3050 - 3051 + 3052 + 3053 - 3054)	3055	536.480	342.970

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Energoprojekt Entel - Beograd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 01.01.2021. to 31.12.2021.

(in thousand Dinar)

Position	DESCRIPTIONS	AOP	**Basic capital** (group 30 except 306 and 309)	AOP	**Other basic capital** (309)	AOP	**Subscribed unpaid capital** (group 31)	AOP	**Issue premium and reserves** (306 and group 32)	AOP	**Revaluation reserves and unrealized earnings and loss** (group 33)	AOP	**Retained profit** (group 34)	AOP	**Loss** (group 35)	AOP	**Non-controlling interest** (corresponds to the position AOP 0411)	AOP	**Total** (corresponds to the position AOP 0401) (kol. 2+3+4+5+6+7-8+9) ≥0	AOP	**Loss exceeding the amount of capital** (corresponds to the position AOP 0455) (kol 2+3+4+5+6+7-8+9) <0
	1		2		3		4		5		6		7		8		9		10		11
1	**Balance as at 01.01.2020**	4001	173.223	4010		4019		4028	23.948	4037	333.951	4046	3.464.071	4055		4064		4073	3.995.193	4082	
2	Effects of retroactive correction of material errors and changes in accounting policies	4002		4011		4020		4029		4038		4047		4056		4065		4074		4083	
3	Adjusted opening balance as at 01.01.2020	4003	173.223	4012		4021		4030	23.948	4039	333.951	4048	3.464.071	4057		4066		4075	3.995.193	4084	
4	**Net changes in 2020**	4004		4013		4022		4031	-104	4040	-1.606	4049	-212.074	4058		4067		4076		4085	
5	Balance as at 31.12.2020	4005	173.223	4014		4023		4032	23.844	4041	332.345	4050	3.251.997	4059		4068		4077	3.781.409	4086	
6	Effects of retroactive correction of material errors and changes in accounting policies	4006		4015		4024		4033		4042		4051		4060		4069		4078		4087	
7	**Adjusted opening balance as at 01.01.2021**	4007	173.223	4016		4025		4034	23.844	4043	332.345	4052	3.251.997	4061		4070		4079	3.781.409	4088	
8	Net changes in 2021	4008		4017		4026		4035	93	4044	30.982	4053	221.686	4062		4071		4080		4089	
9	Balance as at 31.12.2021	4009	173.223	4018		4027		4036	23.937	4045	363.327	4054	3.473.683	4063		4072		4081	4.034.170	4090	

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ENERGOPROJEKT
ENTEL a.d.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2021

Belgrade, 2022

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1. MAIN COMPANY DETAILS

Registered office	**Belgrade, 12 Bulevar Mihaila Pupina**
Registration number	07470975
Code and name of the activity	7112
Tax identification number	100389086

The subsidiaries of the Parent Company abroad are the following:

- ENERGOPROJEKT QATAR
- ENERGOPROJEKT ENTEL OMAN LLC
- ENERGO CONSULT UAE LLC
- ENERGOPROJEKT BAHRAIN

The above companies make up the following group:

- **Energoprojekt Entel**

The percentage of ownership of the Parent Company in the listed subsidiaries and affiliates is shown in the following table.

Share in the capital of subsidiaries and other related legal entities and affiliates	
Name of subsidiary	***% ownership***
ENERGOPROJEKT QATAR	100
ENERGOPROJEKT ENTEL OMAN L.L.C	100
ENERGO CONSULT UAE LLC	100
ENERGOPROJEKT BAHRAIN	100
AFFILIATES	
ENERGOPLAST DOO	20

According to the criteria specified by the Law on Accounting, the Parent Company is classified as a medium-sized legal entity.

The shares of the Parent Company were removed from the Stock Exchange based on the decision on exclusion of shares from the Open Market, market segment Open Market shares number 01/1-5833/19 because all shares of the Issuer were repurchased in the process of forced redemption of shares. The decision on withdrawal of the Issuer's shares from the market and termination of the status of a public company was brought based on the votes of the shareholders who acquired 100% of the share in the Issuer's capital through joint action in the above procedure. The rules of the Stock Exchange stipulate that the Stock Exchange excludes securities from the Open Market at the request of the Issuer with the status of a public company being terminated in accordance with the provisions of Article 70 and Article 122, paragraph 2, item 2 of the Law on Capital Market.

The consolidated financial statements for 2021 consist of the financial statements of the Company and its subsidiaries and were approved by the BOARD OF DIRECTORS OF ENERGOPROJEKT ENTEL on March 17, 2022, at the 50th session of the BoD. The approved consolidated financial statements may be subsequently amended in accordance with applicable regulations.

Comparative data and opening balances are data contained in the consolidated financial statements for 2020 which were audited by the external auditor, and which were reclassified in accordance with the Rules of Contents and Form of Financial Statements and Contents and Form of Statistical Reports for Companies, Cooperatives, and Entrepreneurs ("Official Gazette of the RS", No. 89/2020) and the Rules of the Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives, and Entrepreneurs ("Official Gazette of the RS", No. 89/2020).

According to the above regulations, the information in column 7 of the Balance Sheet should be presented in the event of retrospective application of a changed or new accounting policy or retrospective restatement of items in the financial statements, or when reclassifying items in the financial statements. In doing so, IAS 1 defines that the statement is presented at the beginning date of the previous period in the case of reclassifications that have a material effect on the information in the statement of financial position at the beginning of the previous period.

Paragraphs KK35 and KK38 of the Conceptual Framework for Financial Reporting stipulate that the costs of reporting financial information should be justified by the benefits of reporting such information and that we shall look at whether the benefits of reporting individual information justify the costs required to provide and use such information. Accordingly, the Balance Sheet as at December 31, 2021, does not show any data in column 7 related to the position on January 1, 2020.

The average number of employees in the Company, based on the situation at the end of each month, was:

- 389 in 2021, and
- 625 employees in 2020.

2. MANAGEMENT STRUCTURE

The key management staff of the Parent Company in 2021 consisted of the following persons:

MLADEN SIMOVIĆ	**Director**
GORDANA LISOV	Executive Director of Finance, Accounting
JAROSLAV UROŠEVIĆ	Executive Director of Project Implementation
JELICA JERKOVIĆ	Director of Planning, Analysis, and General Affairs

3. OWNERSHIP STRUCTURE

According to the records of the Central Securities Depository, the registered ownership of shares of Energoprojekt Entel a.d. on December 31, 2021, is as follows:

Energoprojekt Holding a.d. is 100% owner.

4. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Company were prepared in compliance with the Law on Accounting ("Official Gazette of the RS", Nos. 73/2019 and 44/2021 - other law, hereinafter referred to as the Law).

Pursuant to the Law, in recognizing, valuation, presentation, and disclosure of items in financial statements, large legal entities, legal entities obliged to prepare consolidated financial statements (parent legal entities), public companies, that is, companies preparing to become public, irrespective of their size, shall apply International Financial Reporting Standards (hereinafter referred to as IFRS). IFRS, within the meaning of the Law, are:

The Framework for the preparation and presentation of financial statements,

International Accounting Standards - IAS, and

International Financial Reporting Standards - IFRS and related interpretations, issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these Standards, and the related interpretations, as approved by the International Accounting Standards Committee, the translation of which was adopted and published by the Ministry in charge of finances.

The Company's financial statements were presented in the form and with the content specified by the provisions of the Rules of Contents and Form of Financial Statements for Companies, Cooperatives, and Entrepreneurs ("Official Gazette of the RS", Nos. 95/2014, 144/2014, and 89/2020). These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Statement of Other Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity, and Notes to Financial Statements. Pursuant to the above-mentioned Rules, amounts in RSD thousands are to be presented in these forms.

Chart of Accounts and content of accounts in the Chart of Accounts were prescribed by the Rules of Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives, and Entrepreneurs ("Official Gazette of the RS", No. 95/2014 - valid until the preparation of financial statements as of December 31, 2021).

In preparation of the Company's financial statements, the following laws and by-laws were taken into account, among others:

Law on Corporate Income Tax ("Official Gazette of the RS", Nos. 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, 86/2019, 153/2020, and 118/2021),

Law on Value Added Tax ("Official Gazette of the RS", Nos. 84/2004, 86/2004 - correction, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 83/2015, 108/2016, 113/2017, 30/2018, 72/2019, and 153/2020),

Rules of the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax ("Official Gazette of the RS", Nos. 20/2014, 41/2015, 101/2016, 8/2019, 94/2019, 159/2020, and 97/2021),

Rules of the Contents of Tax Return for Calculation of Corporate Income Tax ("Official Gazette of the RS", Nos. 30/2015, 101/2016, 44/2018 - other law, 8/2019, 94/2019, 159/2020, and 97/2021),

Rules of the Method of Classification of Non-Current Assets by Groups and on the Method of Calculation of Depreciation for Taxing Purposes ("Official Gazette of the RS", Nos. 116/2004, 99/2010, 104/2018, and 8/2019),

Rules of 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 the RS", Nos. 61/2013, 8/2014, 94/2019, and 95/2021) and others.

Among the legal acts comprising the internal regulations of the Parent Company, in preparation of the financial statements of the Company, the Rules of Accounting of the Company, as adopted on December 10, 2020, by the Board of Directors of the Company, and the Rules of Accounting Policies of the Company, as adopted on December 29, 2020, by the Board of Directors were used. In addition to the above listed, other internal acts of the Company were used, such as, for example, the Collective Agreement of Energoprojekt Entel a.d. regulating employment in the country.

Basic accounting policies applied in the preparation of these financial statements were listed in Note no. 7.

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

The accounting regulations of the Republic of Serbia, and thus the presented financial statements of the Company, deviate from IFRS in the following aspects:

Pursuant to the Law on Accounting ("Official Gazette of the RS", Nos. 73/2019 and 44/2021), the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules of the Contents and Form of the Financial Statements for Companies, Cooperatives and Entrepreneurs ("Official Gazette of the RS", Nos. 95/2014 and 144/2014 - valid until the preparation of financial statements as of December 31, 2021), 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 to the above stated, some deviations were due to the different publishing dates of the Standards and the relevant Interpretations thereof, which are subject to continuous modifications, and the effective dates when these Standards and relevant Interpretations thereof come into force in the Republic of Serbia. Thus, for example, the deviations from the Standards came as the consequence of the fact that the published Standards and relevant Interpretations, which came into force, have not yet been officially translated or adopted in the Republic of Serbia; as a consequence of the fact that the published Standards and relevant Interpretations have not yet come into force; or as the consequence of some other reasons beyond effective control or influence of the Company, that has not significantly impacted the financial position of the Company and the results of its operations.

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 17 “Insurance Contracts” - effective from January 1, 2023,

Amendment to IAS 1 “Presentation of Financial Statements“ - “Classification of Liabilities as Long-Term and Short-Term” – effective from January 1, 2023,

Amendment to IAS 1 “Presentation of Financial Statements“ - “Disclosure of Accounting Policies” – effective from January 1, 2023,

Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates – effective from January 1, 2023,

Amendment to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective from January 1, 2023,

Amendment to IAS 16 “Property, plant, and equipment” - “Procedures before Intended Use” - effective from January 1, 2022,

Amendment to IFRS 3 “Business Combinations” - “Conceptual Framework Reference” – effective from January 1, 2022,

Amendment to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - “Contract Performance Cost” - effective from January 1, 2022,

Annual improvements of standards from 2018 to 2020 – effective from January 1, 2022.

The Company has decided not to adopt these standards, amendments, and interpretations before their entry into force. The Company anticipates that the adoption of these standards, amendments, and interpretations will not have a material impact on the Parent Company's financial statements in the period of initial application. On the date of issuance of these financial statements, the effects of the application of all the above standards have not yet been determined, as the management of the Parent Company is currently in the process of assessing the impact on the financial statements.

4.1 New standards and interpretation

A new translation of IFRS has been published in the Official Gazette of the RS No. 123/20, which is applied when compiling financial statements for 2021. As part of this translation, IFRS 16 Leasing was published to replace IAS 17 Leasing. IFRS 16 introduces a comprehensive model for identifying leasing arrangements and prescribes the accounting treatment for both lessors and lessees. IFRS 16 replaces the current guidance on accounting for leases, including IAS 17 and related interpretations. IFRS 16 makes a clear distinction between a lease and a service contract based on whether the customer controls the identified asset. The standard eliminates the difference between operating leases (recorded on the off-balance sheet) and financial leasing (recorded in the balance sheet) in the accounting of lessees and replaces it with a model where lessees must recognize an asset that represents the right of use and the corresponding liability in all types of leases (within the balance sheet) except for short-term leasing arrangements and those where the value of the leased asset is low, where the lessee may choose to apply the relief and recognize the costs of such leasing within the income statement.

- An asset that represents the right of use is initially recognized at cost, and subsequently at cost (except in certain exceptional cases) less accumulated depreciation and impairment losses and adjusted for eventual revaluation of the lease liability. The initial measurement of the lease liability is made at the present value of the outstanding lease payments at the measurement date. Subsequently, the value of the lease liability is adjusted for the amount of interest and repayments, as well as for the effects of changes in the lease arrangement.
- Also, the application of the new standard affects the classification of cash flows because, according to the current IAS 17, payments of operating lease liabilities are presented within cash flows from operating activities, while, according to the model from IFRS 16, payments of lease liabilities will be divided on principal repayments, which will be presented within cash flows from financing activities, and interest payments, which will be presented within cash flows from operating activities.
- The Company has chosen not to recognize assets with the right of use and the corresponding liability for short-term leasing or leasing related to small assets.

5. CONSOLIDATION

Consolidated financial statements are financial statements of the group, presented as financial statements of the unique economic entity.

Consolidated financial statements are composed by applying unified accounting policies for comparable transactions and events, in comparable circumstances. In case a group member, which makes up the Parent Company together with its subsidiaries, applies to comparable transactions and events in comparable circumstances accounting policies different from those adopted in consolidated financial statements, the appropriate corrections of those financial statements (according to the provisions of the Rules of Accounting and Accounting Policies of the Company) are made when preparing consolidated financial statements.

Subsidiaries

A subsidiary means a company controlled by the Company (parent company).

The Parent Company controls the company where it has made investments if and only if it fulfills all the following requirements:

- the power over the company with its investments (meaning the present capability to direct relevant activities, i.e., activities reflecting significantly at the yield of the company with its investments);
- exposure, meaning the right to variable return based on its share in the company with its investments, and
- the capability of using its own power over the company with its investment to influence the return level for the investor.

The consolidation method used for subsidiaries, according to IFRS 10 - Consolidated Financial Statements, is full consolidation. All internal relations and intra-group transactions for consolidation purposes are eliminated in the consolidation process. Equity investments without controlling rights are presented separately.

Affiliates

An affiliate is a company over which the Group exerts significant influence, but not control, or holds between 20% to 50% ownership or voting power.

The applied method of consolidation for affiliates, according to IAS 28 - Investment in Associates and Joint Ventures, is the equity method. Under the equity method, the equity investment is adjusted for the realized profit or loss of the current year so that they reflect the share of the parent company in the net assets of associates. In case the accumulated loss exceeds the level of capital, the share in the capital is reduced to zero, and only exceptionally, if there are irrevocable contractual obligations to cover the loss, the difference of higher loss in relation to capital is recognized as an expense in the parent company.

Overview of subsidiaries and affiliates forming with the Parent Company Energoprojekt Entel a.d. the Consolidation Group, is shown in Note 1.

6. ACCOUNTING PRINCIPLES

The following principles were applied in the preparation of consolidated financial statements of the Parent Company:

- The Going Concern Principle;
- The Consistency Principle;
- The Prudence Principle;
- The Substance over Form Principle;
- The Accrual Principle;
- The Item by Item Assessment Principle.

By complying with **the Going Concern Principle**, the financial statements are prepared under the assumption that the proprietary position, financial standing, and business results of the Parent Company, as well as the economic policy of the country and economic situation in its immediate environment, enable the Parent Company to operate for an unlimited period (Going Concern Principle).

The Consistency Principle means that the valuation method for assets and changes in assets, liabilities, capital, income, expenses, and business results, that is, for the Parent Company's balance items, remains the same over a longer period. If, for example, changes are implemented due to required harmonization with the legislation, 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 revenues are not overstated and liabilities and expenses are not understated. The Prudence Principle, however, should not imply a conscious, unrealistic decrease in revenues and capital of the Parent Company or a conscious, unrealistic increase of expenses and liabilities of the Parent Company. Namely, The Framework for 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 or revenues, 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.

By complying with 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, yet 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, compliance with the Accrual Principle provides information on past transactions and other events in the manner most useful to users for reaching their economy-related decisions.

The Item by Item Assessment Principle means that possible group valuations of various balance items of the Parent Company (for example, property or liabilities) for the purpose of rationalization derive from a separate valuation of items.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal accounting policies that are applied in the preparation of these consolidated financial statements are presented herein. These policies are consistently applied to all included years unless otherwise stated.

Significant accounting policies applied to consolidated financial statements of the Parent Company that are subject of these Notes and presented in the following text are primarily based on the Rules of Accounting and Accounting Policies of the Parent Company. If certain accounting aspects are not clearly defined in the Rules, the applied accounting policies are based on the current legislation and professional and internal regulations.

As for the general data, we are hereby noting that in compliance with IAS 21 – The Effects of Changes in Foreign Exchange Rates, the RSD is the functional and presentation reporting currency in consolidated financial statements of the Parent Company.

When preparing the consolidated financial statements of the Parent Company, relevant provisions of IAS 10 – Events after the Reporting Period were considered. They refer to events that occur between the balance sheet date and the date when the financial statements were authorized for publication. More precisely, for effects of the event that provide evidence on circumstances at the balance sheet date, already recognized amounts in financial statements of the Parent Company were corrected in order to reflect corrected events after the balance sheet date; and for effects of the event that provide evidence on circumstances after the balance sheet date, no adjustments of recognized amounts were applied, and if there were any, these Notes will disclose the nature of events and the valuation of their financial effects, or, if impossible to evaluate the financial effects thereof, it is disclosed that such estimate cannot be made.

7.1 Valuation

In preparation and presentation of financial statements in compliance with the requirements of the legal regulations in force in the Republic of Serbia, the Parent Company's management is required to use the best possible valuations and reasonable assumptions. Although understandably, the actual future results may vary, valuations and assumptions are based on information available at the balance sheet date.

The most important valuations refer to the impairment of financial and non-financial assets and the definition of assumptions, necessary for the actuarial calculation of long-term compensations to employees based on the retirement bonus. Within the context of valuation, the business policy of the Parent Company is to disclose information on the fair value of assets and liabilities if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability, and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. Despite all the above, the Parent Company pays close attention to these problems and its management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in the business books of the Parent Company was overstated, the adjustment of value is applied.

7.2 Effects of foreign exchange rates

Transactions in foreign currency, upon initial recognition, are registered in RSD equivalent by applying the official middle exchange rate on the transaction date.

Pursuant to the provisions of IAS 21 – Changes in Foreign Exchange Rates, monetary items in foreign currency (assets, receivables, and liabilities in foreign currency) are converted at each balance sheet date by applying the valid exchange rate or the official middle exchange rate at the balance sheet date.

Gain/losses arising on the translation of foreign currency (apart from those related to monetary items as part of net investments of the Parent Company in foreign transactions, included pursuant to IAS 21) are recognized as revenues or expenses of the Parent Company for the period when they occurred.

Official middle exchange rates of the National Bank of Serbia, at the balance sheet date, for foreign currencies used for the conversion of monetary items in dinar equivalent, are presented in the following table.

Official Middle Exchange Rates of the National Bank of Serbia

Currency	*December 31, 2021*	*December 31, 2020*
	Amount in RSD	
EUR 1	117.5821	117.5802
USD 1	103.9262	95.6637

QAR 1	28.5511	26.2812
OMR 1	269.9235	248.8164
AED 1	28.2915	26.0467
BHD 1	26.0467	254.4247

7.3 Income

Income is the result that arises during the normal activities of the Parent Company and includes different types of income (but does not refer to those based on lease agreements).

Income shall include only gross inflows of economic benefits that the Company has received or should receive on its own account. Amounts collected on behalf of third parties such as sales taxes and value-added tax do not represent an inflow of economic benefits to the Company and therefore do not lead to an increase in capital. These amounts are not included in income.

An obligation to perform or an obligation to act is a commitment (or a set of commitments) that goods or services will be transferred to the customer.

When an obligation to perform is fulfilled (or while it is being fulfilled), the Company recognizes income in the amount of the transaction price allocated to such performance obligation.

Contractual assets are recognized if the corresponding income from the fulfillment of the contractual obligation is recorded before the customer has paid the fee or before there are invoicing requirements, and thus claims for recognition of trade receivables. A contractual obligation is recognized when the customer has paid the fee or when trade receivable becomes due before the Company has fulfilled the contractual obligation to perform. At the level of the contract concluded with the customer, the contractual obligations are offset against the contractual assets.

The underlying principle of the standard of revenue from contracts with customers is that the Company recognizes revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for the transferred goods or services.

The transaction price is the amount of compensation that the Company expects to be entitled to receive in exchange for the transfer of promised goods or services to the customer. The compensation promised in the contract concluded with the customer may include fixed amounts, variable amounts, or both.

The usual measurement of sales revenue is based on the use of all available reliable information and takes into account possible price changes at the time of its final contracting, experience from previous periods (in terms of the significant deviation of actual inflows from normally recognized revenue in previous periods).

The main sales transactions of the Parent Company are the design, consulting, and engineering of thermal energy, nuclear, power, and telecommunications facilities - where sales revenue is recognized over time.

Income from design, consulting, and engineering activities

The Company performs design, consulting, and engineering services (together hereinafter referred to as “design and consulting services”) on the basis of contracts with customers. Such contracts are concluded before the design and consulting services begin. According to the terms of the contract, the Company is limited by contract to redirecting assets to another customer and has an enforceable right to payment for work performed. Income from design and consulting services are therefore recognized over time using an exit method based on reports on services performed up to a certain date, which are confirmed by the customer and/or a supervisory or inspection body appointed by the contracting parties. The Company considers that this exit method is an appropriate measure of progress towards full compliance with IFRS 15.

The Company is authorized to invoice design and consulting services to customers based on the achieved set of performance-related milestones (interim payment certificates). When a certain milestone is reached, the relevant report on the work performed is sent to the customer, signed by the customer, or another supervisory body appointed by the contracting parties. The Company will previously recognize the assets under the contract (as prepayments and accrued income) for any work performed. Any amount previously recognized as an asset, within prepayments and accrued income, is reclassified as a contractual asset to trade receivables when the conditions for invoicing to the customer are met.

If the inflows exceed the income recognized by the reporting date according to the exit method, the Company recognizes the liabilities from the contract, recorded within accruals and deferred income, for the determined excess of inflows from recognized income. The Company believes that there is no significant component of financing under contracts with customers as the period between income recognition and collection at performance-related milestones is less than a year. In addition, the Management believes that contracts with customers for design and consulting services do not have a significant financing component as the difference between the promised compensation and the sale price of the service in cash arises from other reasons not involving the transfer of funds to either the customer or the entity, and the difference between these amounts is proportional to the reasons for such difference.

Income from sales is recognized in the amount less excise duties, value-added tax (VAT), and other similar obligatory duties. The amount of customs duty is included in gross sales revenue recognized in the consolidated statement of comprehensive income.

Among the operating incomes, the most important are the sales revenues from the sales of goods, products, and services, and as other revenues, the following may appear: income from the own use of products, services, and merchandize, increase of finished goods, work in progress and services in progress (if there were any reductions in the finished goods, work in progress and services in progress, during the year, the total operating revenues shall be reduced by the amount of such reduction), income from premiums, subventions, donations, etc.; and other operating income.

7.4 Financial income

Financial income includes financial revenues from the related parties, gains arising from foreign currency fluctuations, income from interest, and other forms of financial revenues.

Incomes from dividends are recognized when the right to receive the dividend is established.

7.5 Other income

Within other income (that additionally includes income from value adjustments of other assets disclosed at fair value through Income Statement), in addition to other income, gains are presented that may but do not have to result from the usual activities of the Parent Company. Gains are increases in economic benefits of the Parent Company and as such, by their nature, are not different from other revenues. For example, gains include gains from the sales of property, plant, and equipment; at a greater value than the accounting one at the moment of sale.

Within income from the disposal of discontinuing operations, effects from the change in accounting policy and correction of prior periods errors and transfer of income, income according to the names of account of this group are presented and the transfer of total income at the end of the period, which are, for the purposes of financial reporting, presented as the net effect, after the decrease for the relevant expenses.

7.6 Expenses

Expenses are the outflow of economic benefits over a given period that result in the decrease of the capital of the Parent Company, except for the reduction that refers to the allocation of profit to owners or reduction that resulted from the partial withdrawal of capital from operations by the owner. Expenses include outflow of assets, impairment of assets, and/or increase of liabilities.

Expenses include operating expenses, financial expenses, other expenses (including expenses from value adjustments of other property assets disclosed at fair value through Income Statement) and losses from discontinued operations, effects of changes in accounting policies, and adjustment of prior period errors.

Operating expenses include cost price of goods sold, material cost, employee expenses and benefits, production service cost, intangible expenses, depreciation expenses, provisions expenses, etc.

For the purposes of financial reporting, operating expenses are corrected in the Income Statement for the amount of income from the own use of products and merchandize and income from the depreciation of inventories of products (increase, i.e., decrease of inventories of intermediate and finished products and services in progress).

Financial expenses include financial expenses arising from the related legal entities, gains arising from the translation of foreign currency, interest-related expenses, and other financial expenses.

Other expenses (that additionally include expenses from value adjustments of other assets disclosed at fair value through Income Statement) include losses that may or may not arise from the usual activities of the Parent Company. Losses (for example, shortages or losses that result from the sale of assets at a less value than the accounting value) represent a decrease in economic benefits and, as such, by their nature, do not vary from other expenses.

Within losses from discontinued operations, effects of changes in accounting policies and adjustment of prior period errors, expenses according to the names of accounts comprising this group are presented and the transfer of total expenses at the end of the accounting period, which are for the purposes of financial reporting presented in net effect, after offsetting against relevant income.

7.7 Income tax

Income tax is recorded in books as the sum of:

- the current tax, and
- the deferred tax.

The current tax is the amount of obligation for the payable (recoverable) income tax that refers to the taxable income (tax loss) for the respective period. In other words, the current tax is payable income tax defined in the tax return pursuant to tax regulations.

The deferred tax includes:

- Deferred tax assets; or
- Deferred tax liabilities.

Deferred tax is recorded in books pursuant to respective provisions of IAS 12 – Income Taxes that, inter alia, specify that *deferred tax assets and liabilities should not be discounted*.

Deferred tax assets include income tax, recoverable in future periods in respect of:

- Deductible temporary differences;
- Unused tax losses transferred to the following period, and
- Unused tax credit transferred to the following period.

The deductible temporary difference arises in cases where the expense has already been recorded in the Parent Company's books, on certain bases, which, from the taxation aspect, is to be recognized in the following periods. Some typical examples of cases where the deductible temporary differences arise include the following: tax value of assets that are subject to depreciation exceeds the accounting value thereof; from the taxation aspect, certain provisions are not recognized (IAS 19, issued guarantees and other sureties), impairment of assets (merchandize, materials, etc.) and impairment of investment immovable property; from the taxation aspect expenses for unpaid public revenues that do not depend on business performance and losses occurring when securities are measured at fair value and effect is presented through the Income Statement.

For assets that are subject to depreciation, deferred tax assets are recognized for all deductible temporary differences between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist if the accounting value of assets is less than their tax base.

In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

The amount of deferred tax assets is determined by applying the prescribed (or notified) income tax rate on the Parent Company's income on the amount of deductible temporary difference that is determined as at the Balance Sheet date.

If at the end of the previous year, the temporary difference was deductible, on the basis of which the deferred tax assets were recognized, and at the end of the current year, on the basis of the same assets, the temporary difference is taxable, the previously established deferred tax assets are released in their entirety, and at the same time, the deferred tax liabilities are recognized in the amount determined as at the Balance Sheet date.

A deferred tax asset based on unused tax losses is recognized only in case the Company's management may reliably assess that the Company will generate taxable income in future periods that may be reduced based on unused tax losses.

A deferred tax asset based on unused tax credit for investments in fixed assets is recognized only up to the amount for which a taxable income in the tax balance will be realized in future periods or calculated income tax for the reduction of which the unused tax credit may be used, only until this type of tax credit may be used in the legally prescribed manner.

Deferred tax assets may be recognized on other grounds for which the Company assesses income tax will be recoverable in the future (for example, for provisions for non-due retirement bonus, determined pursuant to provisions of IAS 19 – Employee Benefits).

Deferred tax liabilities include income taxes payable in future periods against deductible temporary differences.

The taxable temporary difference arises in cases where a certain expense is recognized from the taxation aspect, while from the accounting aspect it will be recognized in the Parent Company's books in the following periods.

With respect to assets that are subject to depreciation, deferred tax liabilities are recognized always if there is a deductible temporary difference between the accounting value of assets that are subject to depreciation and their tax base.

The deductible temporary difference occurs if the accounting value is greater than its tax base.

The amount of deferred tax liability is determined by applying the prescribed (or expected) tax rate on the Parent Company's profit on the amount of taxable temporary difference that is determined as at the Balance Sheet date.

On each Balance Sheet date, the deferred tax liabilities are reduced to the amount determined based on temporary difference as of that date. If at the end of the previous year the temporary difference was taxable, on the basis of which the deferred tax liabilities were recognized, and at the end of the current year, based on the same assets, the temporary difference is deductible, the previously established deferred tax liabilities are released in their entirety, and at the same time, the deferred tax assets of the Parent Company are recognized in the amount determined as at the Balance Sheet date.

Deferred tax liabilities may be recognized on other grounds for which the Company assesses income tax will be payable in the future against taxable temporary differences.

7.8 Intangible assets

Intangible assets are assets without identifiable physical substance, such as software, licenses, concession, patents, investments in development, trademarks, etc. The property fulfills criteria to be identified if: it is detachable or it can be detached from the Parent Company and sold, transferred, licensed, rented, or traded, separately or with a related contract, property, or liability; or it derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Parent Company or other rights or obligations.

To recognize an intangible asset, it must comply with the provisions of IAS 38 – Intangible Assets:

- it is likely that future economic benefits, attributable to assets, will flow to the Company;
- the Company has control over the asset, and
- the purchase price (cost) can be reliably measured.

If one of the requirements is not fulfilled, expenses on the basis of intangible investments are recognized as a debit to expenses in the period in which the expenses were incurred.

Accounting recognition of internally generated intangibles assets is dependent upon an assessment of whether they are created:

- in the research phase, or
- in the development phase.

Intangible assets generated from the research or research phase of an internal project, will not be recognized as intangible assets. Expenditures related to research or a research phase of an internal project are recognized as expenses in the period of occurrence.

The cost of an internally generated intangibles asset arising from development activities (or the research phase of an internal project) includes all the directly attributable expenses necessary to generate, produce and prepare the asset for use as intended by the Parent Company’s management.

Initial measuring of an intangible asset is performed at its cost (purchase price).

Subsequent measuring of an intangible asset, after initial recognition, is performed at their cost (purchase price) reduced by the accumulated depreciation and accumulated losses from impairment (in compliance with the provisions of IAS 36 – Impairment of Assets).

7.9 Property, plant, and equipment

Tangible assets that are: used in production, for the delivery of goods are recognized as **property, plant, and equipment**.

The above general principle for the recognition of property, plant, and equipment is not applied exclusively in cases of recognition of assets of lesser value that are registered as inventory items (such as spare parts, and servicing equipment). The total value of such assets is transferred to current expenses when the item is first put in service.

Property, plant, and equipment are recognized as assets: if it is probable that future economic benefits associated with the asset will flow to the Company and if the purchase price (cost) of such asset can be reliably measured.

Initial measuring of property, plant, and equipment **is performed at the purchase price (cost), which includes: the purchase price and all the related costs of acquisition, that is, all the directly attributable costs of bringing the asset to the condition of functional readiness.**

With the aim to perform the subsequent measuring of property, plant, and equipment, these are grouped in the following categories:

- Land;
- Facilities;
- Plant and equipment, and
- Other.

Subsequent measuring of the category “Buildings” is performed according to the fair value, which implies the market value, or the most probable value that can realistically be achieved in the market, at the Balance Sheet date. The fair value is to be determined by appraisal, which is to be performed by an appraiser expert, based on the evidence collected on the market. Where there is no evidence of the fair value on the market, due to the specific nature of buildings and due to the fact that such items are only rarely sold, except as a part of continuous business operation, it may be necessary that the Company performs an assessment of the fair value by using the income approach or the approach of depreciated costs of replacement. Any change in the fair value of buildings is to be recognized in principle in the total equity, within the revaluation reserve position.

Subsequent measuring of all other categories within the "Property, plant, and equipment" position, other than the buildings, is to be performed in compliance with the purchase price (cost) decreased by the accumulated depreciation and accumulated losses due to impairment (pursuant to IAS 36).

Measuring subsequent expenses for property, plant, and equipment is performed in the case of:

- the investments that extend the useful life of the use of such asset;
- increase in the capacity;
- improvement of the asset, whereby the quality of the product is improved, or
- reduction in the production costs compared with the costs before such investment.

The costs of servicing, technical maintenance, minor repairs, and others, do not increase the value of an asset but comprise the expense for the period.

Investments in other person's property, plant, and equipment are presented and recognized in a special account if it is probable that the Company will make the future economic benefits related to such asset. Amortization of investment in other person's property, plant, and equipment is performed on the basis of the estimated useful life of such assets, which may be equal or shorter than the term of the lease agreement.

7.10 Amortization of intangible assets, property, plant, and equipment

Asset value (of intangible assets, property, plant, and equipment) is allocated by amortization during the period of its useful life.

The useful life of an asset is determined by the Company by applying the time method, so that the useful life of the asset may be understood as a time period when the asset is expected to be at the Company's disposal for use.

The amount to be depreciated, or the purchase price or some other amount used as a substitute for the purchase price in financial statements of the Parent Company, reduced by the residual value is to be systematically allocated over the useful life of the asset.

Residual value is the evaluated amount that the Company would have received today if it had disposed of an asset, after the deduction of the estimated disposal costs and under the assumption that the asset is at the end of its useful life and in a condition as expected at the end of useful life.

The residual value of intangible assets is always presumed to be zero, except in the following cases:

When there is an obligation of a third party to purchase an intangible asset at the end of its useful life, or

When there is an active market for the intangible asset, with the presumption that such market will exist at the end of the useful lifetime of the asset as well, when the residual value may be determined by referring to such market.

The residual value and the remaining useful lifetime of the asset are examined at the end of each financial year by the competent valuers. In case the new valuations are different from the previous valuations, the change is treated by changing the accounting estimate and it is recognized in the books on the basis of IAS 8 - Accounting Policies, Changes in Accounting Policies and Errors.

The residual value may be increased as the result of a valuation for an individual asset to the amount that is equal to the book value of such asset or larger than such value. In that case, the depreciation cost will, during the remaining useful lifetime of such asset, be zero, unless, as the result of subsequent valuations, the residual value is reduced to the amount that is lower than the book value.

Amortization of assets is performed by the linear write-off (proportional method), and the calculation of amortization starts from the beginning of the following month from the moment when the asset becomes available for use, i.e., engagement, or when it is at the location and ready-for-use as intended by the Company.

Amortization of intangible assets is conditional on the assessment of whether the useful lifetime is unlimited or limited. Intangible assets are not subject to amortization if it is estimated that the useful lifetime is unlimited, that is, if, based on the analysis of all the relevant factors, the end of the period when is it expected that the intangible asset will cease to generate incoming net cash flows for the Company cannot be foreseen.

Amortization is not calculated for assets the value of which is not impaired over time (such as the works of art) nor for assets with an unlimited lifetime (land, for example).

For an asset acquired under the financial lease, amortization is calculated in the same manner as for other assets, except when it is not known whether the Company will acquire the ownership right on such asset when the asset is amortized in its entirety in a shorter period than the lease period or the useful lifetime.

Calculation of amortization ceases when the asset is derecognized (ceases to be recognized as an asset) and when it is reclassified as a non-current asset held for sale or within discontinuing operations. Thus, amortization is calculated even when the asset is not used, that is, even when the asset is not being used actively if such asset is not reclassified as a non-current asset held for sale or within the discontinuing operations.

Calculation of assets' amortization is performed for tax balance purposes in compliance with the applicable legislation.

Assets that are, in accordance with IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, classified as assets held for sale, as at the balance sheet date are presented as working capital and are assessed at the lower value of the book value and fair value reduced by the costs of sale.

7.11 Impairment of intangible assets, property, plant, and equipment

At each balance sheet date, competent persons, from the Parent Company or external, check if there are indications that the book value of an asset (intangible assets, property, plant, and equipment) is impaired, that is, if the book value exceeds the recoverable amount for the asset concerned.

If there are indications of impairment, appraisal of the recoverable amount is performed in compliance with the relevant provisions of IAS 36.

Recoverable amount is the higher amount of:

- the fair value, reduced by the costs of sales, and
- the use value.

Fair value reduced by the costs of sales is the expected net selling price of the asset or the amount that can be achieved in the sale of an asset in an at arm's length transaction between knowledgeable, willing parties, reduced by the disposal costs.

Use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used in determining the asset's present value reflects current market estimates of the time value of money, as well as the risks characteristic of the asset in question.

The recoverable amount is estimated for each asset separately or, if that is not possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows independent to the greatest degree from the cash flow related to other assets or groups of assets.

If it has been established that the value is decreased, the book value is reduced to the recoverable amount. The loss due to the decrease is accounted for as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.12 Impairment of intangible assets, property, plant, and equipment

At each balance sheet date, competent persons, from the Parent Company or external, check if there are indications that the book value of an asset (intangible assets, property, plant, and equipment) is impaired, that is, if the book value exceeds the recoverable amount for the asset concerned.

If there are indications of impairment, appraisal of the recoverable amount is performed in compliance with the relevant provisions of IAS 36.

Recoverable amount is the higher amount of:

- the fair value, reduced by the costs of sales, and
- the use value.

Fair value reduced by the costs of sales is the expected net selling price of the asset or the amount that can be achieved in the sale of an asset in an at arm's length transaction between knowledgeable, willing parties, reduced by the disposal costs.

Use value is the present value of estimated future cash flows expected to occur from the continuous use of the property during its lifetime and sale at the end of that period. The discount rate used in determining the asset's present value reflects current market estimates of the time value of money, as well as the risks characteristic of the asset in question.

The recoverable amount is estimated for each asset separately or, if that is not possible, for the unit that generates cash related to that asset. The unit that generates cash is the smallest recognizable group of assets that generates cash flows independent to the greatest degree from the cash flow related to other assets or groups of assets.

If it has been established that the value is decreased, the book value is reduced to the recoverable amount. The loss due to the decrease is accounted for as follows:

- If the revaluation reserves were previously created for that asset, the loss is indicated by decreasing revaluation reserves, and
- If the revaluation reserves were not previously created for that asset, the loss is indicated as expenses for the respective period.

7.13 Financial instruments

Financial assets

Classification

The Company classifies financial assets according to the method of subsequent measurement, as follows:

1 financial assets at amortized cost,
2 financial assets at fair value through other comprehensive income, and
3 financial assets at fair value through profit or loss,

based on:

a) the Parent Company's business model for financial management, and
b) the characteristics of the contractual cash flows of the financial asset.

A financial asset is measured at amortized cost (AC) if both of the following conditions are met:

a) the financial asset is held within a business model the purpose of which is realized through the collection of the contractual cash flows, and
b) the agreed terms of the financial asset on a certain date generate cash flows that are only the payment of principal and interest on the unpaid portion of principal.

A financial asset is measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

a) the financial asset is held within the business model the goal of which is achieved by collecting the contractual cash flows and selling financial assets, and
b) the agreed terms of the financial asset on a certain date generate cash flows that are only the payment of principal and interest on the unpaid portion of principal.

If none of the above classification criteria are met, a financial asset is classified as at fair value through profit or loss (FVTPL) and measured at fair value, with the effects of changes in fair value recognized in the income statement.

Measurement at amortized cost

The amortized cost of a financial asset is the amount at which the asset is measured at initial recognition less any principal repayments and increased or decreased by cumulative amortization calculated using the effective interest method or any difference between the initial amount and the amount at maturity adjusted for possible value adjustment.

Effective interest rate method

The effective interest method is used in the calculation of the amortized cost of a debt instrument and the allocation of interest revenue over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including any fees and amounts paid or received between the two parties that are an integral part of the effective interest rate, transaction costs, and any other costs or discounts) through the expected life of the financial instrument, or where appropriate, over a shorter period to the net carrying amount of the financial asset.

In the case of financial assets, the effective interest rate is applied to the gross carrying amount (net of expected credit losses). If the credit risk of a particular financial asset has increased to such an extent that it is considered credit impaired, the effective interest rate is applied to the net carrying amount (i.e., the gross carrying amount less any allowance for impairment).

Financial assets at fair value through other comprehensive income (FVTOCI)

Gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for gains or losses on impairment and foreign exchange gains and losses until the financial asset is derecognized or reclassified. Interest revenue on such an asset is calculated using the effective interest method.

Equity instruments

The Company subsequently measures all equity instruments at fair value. If the management of the Parent Company has chosen to record gains and losses on changes in the fair value of investments in equity instruments within other comprehensive income, those gains and losses cannot be subsequently reclassified to profit or loss after the derecognition of the investment but any amounts of reserves on this basis are reclassified to retained earnings. The Group's policy provides for the designation of equity instruments as assets that are valued at FVTOCI when held for strategic purposes and not just to generate returns. Dividends received on the basis of these investments are recognized in the income statement within other income when the right of the Parent Company to receive the dividend is established.

Changes in the fair value of financial assets under FVTOCI are recognized within other gains or losses in the consolidated statement of profit or loss and other comprehensive income. Impairment losses (and reversals of impairment losses) on equity instruments measured at FVTOCI are not presented separately from other changes in fair value.

Loans (credits) and receivables

Loans and receivables include short-term receivables, short-term financial investments, and long-term financial investments. Short-term receivables include receivables from the sale of products, goods, and services to affiliated companies and other legal and natural persons in the country and abroad as well as receivables on other bases (interest receivables, receivables from employees, receivables from government agencies and organizations and other receivables), expected to be realized within 12 months from the balance sheet date.

Short-term financial investments include loans, securities, and other short-term financial investments with maturity, i.e., sales up to one year from the balance sheet date.

Short-term financial investments also include a part of the given long-term loans of the Parent Company, the collection of which is expected within one year from the balance sheet date.

Long-term financial investments include various types of investments, such as equity investments and other available-for-sale securities, long-term loans, long-term held-to-maturity securities, repurchased treasury shares, and other long-term financial investments.

On initial recognition, all loans and receivables are measured at fair value (which is usually equal to the transaction price, i.e., the amount invoiced less amounts charged on behalf of third parties, such as sales taxes). After the initial valuation, loans and receivables are valued at amortized (discounted) cost using the effective interest rate, less any allowance for impairment.

Income and expenses incurred on the basis of derecognition of an asset measured at amortized cost, depreciation, or impairment, are included in income or expenses in the statement of comprehensive income of the Parent Company. The Company applies a group assessment of the calculation of value adjustments for the purpose of measuring credit losses, i.e., value adjustments for receivables from third parties, which include receivables from customers in the country and abroad, long-term receivables - retention, as well as accrued receivables having a category of financial assets (contractual assets in accordance with IFRS 15), i.e., receivables on the basis of non-invoiced income with these persons, which are not subject to individual estimates, as well as receivables for lease. For these receivables, the Company has opted for the application of a simplified approach according to which the expected credit loss is always calculated for the entire life of the financial instrument, given the short maturity of this type of financial asset. The Company performs the calculation of lifetime expected credit losses under the simplified approach as a product of the probability of default (PD), the amount of loss given default (LGD), exposure at default (EAD), and the discount factor (which is equal to 1 if the collection of receivables is expected within 12 months). The Company determines the expected credit losses on these items using the transition matrix in the observed period, which shows the monthly movement of individual receivables between the arrears interval during the observed period. When calculating the probability of default (PD), customer segmentation is performed based on common credit risk characteristics, preparation of monthly age structures for each segment over a period of three years or more, and application of transition matrices in the observed period showing monthly movements of individual receivables between defined arrears intervals during the observed period. Depending on the type of receivable, the criterion of default is assumed to be a threshold of 180 days for external customers, or 360 days for related legal entities.

The Company applies the general approach to other categories of financial assets (receivables from related legal entities, the state, state companies, and state bodies, where the state is mainly in the role of investors, cash and cash equivalents, financial investments, securities). As for indicators of a significant increase in credit risk, i.e., indicators that for a certain type of financial assets it is necessary to calculate the expected credit loss for the entire life/duration of the financial instrument are taken into account: data on falling external credit rating, late payment and other qualitative criteria which may lead to the conclusion that there has been a significant increase in credit risk. For the purpose of identifying impairment indicators, i.e., the criterion that it is necessary to calculate the expected credit losses for assets classified in level 3, in accordance with the requirements of IFRS 9, the Company applies:

- Defined default threshold and given category of financial assets;

- Other objective evidence of impairment in accordance with IFRS 9

The Company applies an individual assessment of impairment in cases where key credit risk drivers can be monitored on an individual instrument basis, where the entity then monitors them without the need for additional joint assessment. When individually estimating expected credit losses, the calculation is performed using the following formula:

ECL = Probability of default (PD) x loss given default (LGD) x exposure at default (EAD) x discount factor

For the purposes of individual assessment, the Company relies on data on the probability of default (PD) from external sources, i.e., data published by reputable rating agencies or ratings of countries of operation of the debtor. LGD implies the loss rate in case of default where the Company uses the Basel LGD or LGD is calculated as the ratio of the amount of receivables at the end of the observed period in the worst age interval (increased by write-offs in the observed period) and the total amount of registered receivables, i.e., an invoice in the worst age interval during the observed period.

Exposure at default (EAD) in this case is the amount of receivables at the reporting date. The discount factor depends on the effective interest rate determined at initial recognition and the maturity of the instrument. If the collection of receivables is expected within 12 months, the discount factor is 1.

Cash and cash equivalents

The most liquid forms of financial assets of the Parent Company are **cash and cash equivalents**, valuated at nominal or fair value. Cash and cash equivalents of the Parent Company consist of: securities, the petty cash in RSD and foreign currencies, deposits in accounts in RSD and foreign currencies with banks, allocated monetary assets for letters of credit opened in the country, letters of credit in foreign currencies, short-term high liquidity investments with short maturity period which may be transferred into cash that are not under the influence of significant risk of value changes, monetary assets the use of which is limited or the value of which is decreased, etc.

Criteria according to which the Parent Company assets are classified within cash and cash equivalents are specified in the relevant provisions of IAS 7 - Statement of Cash Flows, according to which:

- Cash includes cash and demand deposits, and
- Cash equivalents and short-term, highly liquid investments, that can be quickly turned into a known cash amount and that are not under the influence of significant risk of value changes, which implies investments with short maturity term (of three months or shorter).

Cash and cash equivalents include cash balances and short-term deposits with banks with an original maturity of three months or less, but no current account overdrafts. In calculating the allowance, the Company took into account the credit ratings of banks in determining the probability of default (PD) and the loss given default (LGD), and it was determined that the book value of these assets is approximately equal to their fair value.

A placement (such as a deposit with a commercial bank) qualifies as a cash equivalent:

- if it can be quickly converted into known amounts of cash;
- if it is subject to an insignificant risk of change in value; and
- if it matures in a short period of time, i.e., up to three months from the date of acquisition.

Deposits with a maturity of more than three months but not more than one year are classified as short-term financial assets, and deposits with a maturity of more than one year are classified as long-term financial assets. Interest on time deposits is attributed to the term amount.

Cash and cash equivalents denominated in foreign currencies (a currency other than the functional currency) are recorded in the Group's functional currency using the exchange rate at the reporting date for the foreign currency amount. The result of the translation is classified as the exchange difference in the consolidated statement of comprehensive income.

The Company applies the general approach and 12-month expected credit losses for financial assets that do not contain a significant component of financing. When calculating expected credit losses for cash and cash equivalents, the Company applies an individual assessment of impairment calculation in cases where key credit risk drivers can be monitored on an individual instrument basis, where the entity then monitors them without the need for additional joint assessment.

Impairment of financial assets

Once a year, the Company analyzes whether there is objective evidence of impairment of financial assets and whether possible impairment has an impact on estimated future cash flows from a given asset, and recognizes expected credit losses. The Company recognizes any impairment losses in the consolidated statement of comprehensive income. The Company does not recognize losses that it expects from future events.

The Company measures expected credit losses to reflect:

a) an impartial and probability-weighted estimate of the amount determined by estimating a range of possible outcomes;
b) the time value of money; and
c) reasonable and corroborating information available to the Company at the reporting date without undue expense and effort on past events, current conditions, and forecasts of future economic conditions.

The factors considered by the Company in determining whether a financial asset is impaired are the status of arrears and the marketability of collateral if any. The Company also uses the following criteria to determine whether there is objective evidence that an impairment loss has been incurred:

- some part or installment of the repayment is in arrears and the delay in settling the obligation by the debtor may not be attributed to the delay caused by the collection systems;
- a decline in the credit rating of the contracting party, the parent company of the contracting party, and the decline in the external credit rating;
- other qualitative criteria that may lead to the conclusion that there has been a significant increase in credit risk (e.g., the debtor has significant financial difficulties, the initiation of bankruptcy proceedings or financial reorganization by the debtor, etc.);
- the value of collateral, if any, is significantly reduced due to deteriorating market conditions;
- other objective evidence of impairment in accordance with IFRS 9.

The only category of financial assets that are not subject to impairment testing is financial assets at fair value through profit or loss, as any impairment of their fair value is recognized in the income statement.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the asset expire or the Company loses control of the contractual rights that constitute the financial asset. Upon derecognition, the difference between the carrying amount of the asset and the amount received for that asset is recognized in the income statement for the period.

Classification as a financial liability or equity

Debt and equity instruments issued are classified as either financial liabilities or equity items in accordance with the substance of the contractual arrangement and the definition of the financial liability or equity.

Equity instruments

An equity instrument is any contract that proves the residual interest in a person's assets after deducting all their obligations. Equity instruments issued by the Group are recognized as inflows less direct costs to issue.

Financial liabilities

Initial recognition and measurement

The Company recognizes a financial liability when, and only when, the company as a Group member becomes one of the parties to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value, which represents the price of the transaction (i.e., the inflow received on the issue). All transaction costs that are directly attributable to the issuance of the debt are deducted from the fair value of the liability to account for its initial carrying amount.

The Company includes transaction costs in the calculation of the initial carrying amount of the obligation when those costs form a significant portion of the amount of the obligation. Otherwise, transaction costs are included in expenses in the consolidated statement of comprehensive income of the Group in the period in which they are incurred.

Classification of financial liabilities

According to IFRS 9, all financial liabilities are classified as liabilities that are subsequently measured at amortized cost, except:

a. *financial liabilities at fair value through profit or loss (FVTPL)* (those liabilities, including *derivative* liabilities, are subsequently measured at fair value);
b. financial liabilities that arise when the transfer of a financial asset does not meet the criteria for derecognition or in the case of continuing participation;
c. *financial guarantee agreements*;
d. contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies (such contingent consideration is subsequently measured at fair value where changes in fair value are recognized in the income statement).

Subsequent valuation of financial liabilities

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest method. Interest expenses on financial liabilities are recognized on the basis of the effective interest rate.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as liabilities at fair value through profit or loss (FVTPL) when the financial liability (i) represents the acquirer's potential consideration in the business combination, (ii) when it is held for trading, or (iii) when it is designated as a financial liability under FVTPL.

A financial liability is classified as held for sale in the following cases:

- if it was acquired primarily for the purpose of redemption in the near future; or
- if during the initial recognition it is part of the portfolio of identified financial instruments that the Company jointly manages and for which there is evidence of a recent trend of short-term gains; or
- if it is a derivative that is not a financial guarantee agreement and is not even designated as a hedging instrument.

A financial liability that is not held for trading and is not a potential consideration of the acquirer in a business combination may be initially recognized as a financial liability under the FVTPL if:

- such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- a financial liability is a group of financial assets or financial liabilities or a group of assets and liabilities managed and whose financial result is estimated on the basis of fair value, in accordance with the documented investment strategy of the Parent Company or risk management strategy, and information on grouping is done internally, also on the basis of fair value; or
- a financial liability is a part of a contract that contains one or more embedded derivatives, and IFRS 9 allows the entire contract to be designated for valuation under FVTPL.

Financial liabilities under FVTPL are measured at fair value, with all gains or losses arising from changes in fair value recognized in the income statement to the extent that they are not part of the hedging relationship. The net gain or loss recognized in the income statement also includes interest paid on the financial liability and is included in the profit or loss for the period.

However, for liabilities designated as liabilities under FVTPL, the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of that liability is recognized in other income, unless such recognition of the effects of changes in credit risk would result in or increase the accounting mismatch in the income statement. The remaining part of the change in the fair value of the liability is recognized in the income statement. Changes in the fair value attributable to the credit risk of a financial liability recognized in other income cannot be reclassified to profit or loss but are transferred to retained earnings upon derecognition of the financial liability.

Gains and losses on financial guarantee contracts issued by the Parent Company designated as instruments at fair value through profit or loss are recognized in the income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the Company has discharged or the obligation to pay the contract is canceled or expires. The difference between the carrying amount of the financial liability to be derecognized and the consideration paid or receivable is recognized in the income statement.

7.14 Share in subsidiaries and other affiliates

A share in associated legal entities and joint ventures is accounted for in the Company using the cost method. However, if, in accordance with IAS 36 - Impairment of Assets, it is determined that the recoverable amount of the share is less than the purchase (book) value, the Company reduces the value of the share to the recoverable amount, and the decrease of share (impairment) is recognized as an expense in the period when such impairment is established.

7.15 Provisions, contingent liabilities, and contingent assets

A provision, according to IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets, means a liability of uncertain due date or amount.

The Company recognizes provisions only if the following conditions are met:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources that represent economic benefits will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

The essence of provisions is to form provisions only for liabilities from past events that exist independently from future events of the Parent Company. Therefore, provisions are not recognized for future operating losses.

For purposes of recognition of provisions, it is considered probable that the requested settlement of the Parent Company's liabilities will cause an outflow of resources representing an economic benefit when it is more probable than not that an outflow of resources will occur, or when the probability that settlement of these liabilities by the Parent Company will cause an outflow of resources, is greater than the probability that it will not.

Provisions may be made on various bases, and specifically, these may include: provisions for costs during the warranty period, provisions for recovery of natural resources, provisions for retained deposits and caution money, provisions for restructuring costs, provisions for fees, and other employee benefits, provisions for lawsuits and other purposes.

In the measurement of provisions, the amount recognized as a provision is the best valuation of the Parent Company's expenditure requested to settle a present liability at the balance sheet date. In other words, it is the amount the Company has to pay at the balance sheet date to settle liabilities or to transfer liabilities to third parties.

Long-term provision for expenses and risks are tracked by type, they are examined at each balance sheet date and corrected to reflect the best present valuation. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is canceled. The cancellation of provisions is credited as income.

When the performance of the time value of money is significant, the provision amount represents the present value of expenditure expected to settle the obligation. Discount rates are used in the calculation of the present value or pre-tax rates that reflect current market valuations of the time value and liability-related risks.

Contingent liability is:

- possible liability that arises from past events and may be confirmed only if one or several uncertain future events, that are not entirely in the scope of influence of the Parent Company, occur or not; or
- present liability that arises from past events yet is not recognized, because it is not probable that an outflow of resources that represents an economic benefit of the Parent Company will be required to settle the obligation or because the amount of liability cannot be reliably valuated.

A contingent liability is not recognized in the financial statements of the Parent Company but is disclosed in case the outflow of economic benefit is possible and this possibility is not very small.

A contingent liability is permanently revalued (at least at the balance sheet date). If the outflow of economic benefits based on contingent liabilities becomes possible, provisions and expenses are recognized in the financial statements of the Parent Company for the period when the change occurred (unless in rare cases when a reliable valuation is not possible).

A contingent asset is an asset that may arise from past events and its existence will be confirmed only if one or several future events, which are not entirely in the scope of influence of the Parent Company, occur.

A contingent asset is not recognized in the financial statements of the Parent Company but is disclosed in case the outflow of economic benefit is possible.

Contingent assets are permanently revalued (at least at the balance sheet date) to ensure that financial statements adequately reflect the development of the event. If it is certain that the outflow of economic benefit will occur based on contingent assets, related assets and revenue are recognized in the financial statements of the Parent Company for the period when they occurred.

7.16 Compensation of employees

In **terms of taxes and compulsory social security contributions**, the Company shall, according to regulations applied in the Republic of Serbia, pay for contributions to various public funds for social security. These liabilities include contributions paid by employees and contributions paid by the employer in amounts calculated according to prescribed rates. The Company has a legal obligation to suspend calculated contributions from the gross earnings of employees and to transfer the amount on their behalf to public funds.

Contributions paid by employees and contributions paid by the employer are recorded as expenses of the Parent Company for the respective period. The Company, upon the retirement of employees, keeps no obligation to pay them any benefits.

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the IAS 19 - Employee Benefits, are applied. Provisions for contributions and other employee benefits include, for example, provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid as a result of the decision of the Parent Company to terminate the employment of an employee before the usual retirement date or upon a decision of the employee to take voluntary redundancy in exchange for those benefits.

In the valuation of liabilities upon employment termination and pursuant to respective IAS 19 provisions, the discount rate is determined according to the market yield at the balance sheet date for high yield corporate bonds. Alternatively, also specified in IAS 19, until a developed market for corporate bonds in the Republic of Serbia is established, market yields for government bonds will be used for the (for a discount rate of) valuation of liabilities of the Parent Company upon employment termination (at the balance sheet date). The value date and deadline for corporate or government bonds should be in accordance with the value date and deadline for obligations related to the income after employment termination. If the Company, for the valuation of obligations upon employment termination and due to an undeveloped market for government bonds, uses the government bond yield as a reference with a maturity date shorter than the estimated maturity of payments based on respective income, the discount rate is defined by valuating the reference securities yield for longer periods.

A retirement bonus is paid by the Company to employees in compliance with the newly amended provisions of the Collective Agreement.

8. MAIN ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The presentation of financial statements requires the management of the Parent Company to use the best possible estimates and reasonable assumptions, which affect the presented values of assets and liabilities as well as disclosing potential receivables and liabilities on the date of preparation of financial statements and income and expenses during the reporting period. These estimates and assumptions are based on information available at the date of preparation of the financial statements.

The following are key assumptions about the future and other sources of estimating uncertainty at the balance sheet date posing a significant risk to material adjustments to the amount of balance sheet items in the next financial year.

Key estimates in the application of accounting policies

What follows are the key judgments, other than those that include estimates made by the Parent Company's management in the process of applying the Company's accounting policies, that have the greatest impact on the amounts recognized in the financial statements.

A method of measuring progress towards full compliance

A true and fair representation of the performance of design and consulting services is achieved by recognizing revenue in reports on services performed up to a certain date, which are confirmed by the customer and/or a supervisory or inspection body appointed by the contracting parties. On that occasion, the management is considering the completion of the physical scope of the contracted works, based on the reports of experts. The managers of the Parent Company believe that this exit method provides an appropriate measure of progress toward full compliance with IFRS 15 performance obligations.

Business model analysis

Classification and measurement of financial assets depend on the results of the so-called SPPI test (i.e., checking whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amounts outstanding) and the business model test. The Company establishes a business model at a level that reflects how groups of financial assets are managed to achieve a certain business goal. This analysis involves judging on the basis of all relevant evidence, including how to measure and evaluate the performance of financial assets, how to manage financial assets, and how to reward those who manage those assets. The Company monitors financial assets measured at amortized cost or fair value through other income the recognition of which ceases before their maturity to understand the reasons for their disposal, as well as whether these reasons are consistent with the business objectives the Company held these assets for. Monitoring is part of the Parent Company's ongoing analyzes and assessments as to whether the business model within which the remaining, non-disposed assets are held is still appropriate and, if not appropriate, whether the business model has changed and thus prospective changes in the classification of these assets. In the period presented in the accompanying consolidated financial statements, it was not necessary for the Company to implement such changes.

Key sources of estimation uncertainty

The following are key assumptions about the future and other sources of estimating uncertainty at the balance sheet date posing a significant risk to material adjustments to the amount of balance sheet items in the next financial year.

Impairment of receivables and short-term financial investments

As explained in Note 7.13, the Company applies the general approach and expected credit losses over the life of the instruments, i.e., 12-month expected credit losses for financial assets that do not contain a significant component of financing. As for indicators of a significant increase in credit risk, the Company considers:

- Decrease in the external credit rating used for the purpose of calculating the value adjustment;
- Delay in repayment of the obligation of 30 days (in the case of third parties), or 90 days in the case of related legal entities;
- Other qualitative criteria that may lead to the conclusion that there has been a significant increase in credit risk

For the purpose of identifying the impairment indicator, i.e., the criterion that it is necessary to calculate the expected credit losses for assets classified in level 3, in accordance with the requirements of IFRS 9, the Company applies:

- Defined default threshold applicable to a given category of financial assets;
- Other objective evidence of impairment in accordance with IFRS 9

IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of the asset has increased significantly, the Company considers qualitative and quantitative reasonable and supported information relating to the future.

The discount rate applied to the calculation of provisions for compensations and other employee benefits

Determining the Parent Company's liability for long-term employee benefits depends on certain assumptions, which include the choice of the discount rate. The discount rate is set based on market yields at the end of the reporting period on high-quality corporate bonds. As the financial market in Serbia is insufficiently developed, it is most realistic to use the annual yield realized by purchasing government securities guaranteed by the Republic of Serbia as a benchmark for determining the discount rate at the balance sheet date. Accordingly, the discount rate is determined by taking into account the annual yield on longer-term government securities issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were realized in the relevant period with corrections disclosed in Note 31 due to the fact that the average maturity of benchmark securities is lower than the average maturity of the subject income.

These assumptions are considered to be a key source of uncertainty assessment, as relatively small changes in the assumptions used can have a significant impact on the amount of employee benefits. Further information on the discount rate and employee benefits is provided in Note 31.

Fair value

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. The Company applies professional judgment in selecting appropriate methods and assumptions.

The business policy of the Parent Company is to disclose information on the fair value of assets and liabilities for which there is official market information and when the fair value differs significantly from the carrying amount. There is not enough market experience in the Republic of Serbia, as well as stability and liquidity in the purchase and sale of receivables and other financial assets and liabilities, as official market information is not available at all times. Therefore, fair value cannot be reliably determined in the absence of an active market. The management of the Parent Company performs a risk assessment and, in cases when it is estimated that the value at which the assets are kept in the business books will not be realized, performs value adjustment. In the opinion of the management of the Parent Company, the amounts in these financial statements reflect the value that is, in the given circumstances, the most reliable and useful for reporting purposes.

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

Uncertainty in future events is among the basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Due to uncertainty, i.e., due to unfamiliarity with the potential events which will actually happen, legal entities are exposed to various risks in business, which can have an impact on their future market position.

From the Parent Company's point of view, there are a large number of potential risks that may more or less have adverse effects on the Parent Company's business.

Certain (specific) risks are determined by internal factors, such as concentration risk, which, in the Parent Company's case, may be manifested as exposure to any one or a small group of customers or suppliers; operational risk, which means the possibility of adverse effect due to unintentional or deliberate omissions by employees, inappropriate internal procedures and processes, inadequate information system management in the Company, etc.; reputational risk, that means a possibility that the Parent Company's market position deteriorates due to the loss of trust or bad reputation (public institutions, suppliers, customers, etc.) of the Parent Company; legal risk, that means a possibility of adverse effects due to penalties and sanctions that derive from lawsuits due to the failure to fulfill contractual or legal obligations; etc.

Since the majority of these and some other risks not mentioned herein is outlined in detail in other sections of the Notes or other internal regulations of the Parent Company (for example, the Rules of Accounting Practices and Policies of the Parent Company regulates the minimization of operational risks by introducing procedures and work instructions), the focus is placed here on the financial risks that primarily include the following:

- **credit risk,**
- **market risk, and**
- **liquidity risk**

Financial risks are significantly affected by (external) factors that are not directly controlled by the Parent Company. In that sense, financial risk is considerably affected by the Parent Company's environment which, apart from economic development, is likewise committed to legal, financial, and other relevant aspects that define system risk level.

Generally, comparing markets of developed economies, companies that operate in markets with insufficient economic development, macroeconomic stability, and high insolvency, such as the Republic of Serbia, are significantly exposed to financial risks. In addition, insufficient development of the financial market makes it impossible to use a wide spectrum of hedging instruments, characteristic of developed markets. For example, companies that operate in the Republic of Serbia do not have the possibility to use many derivative instruments in financial risk management due to the fact that these instruments are not widely used nor there is an organized continuous market for financial instruments.

Financial risk management is a comprehensive and reliable management system that aims to minimize potential adverse effects on the financial condition and operations of the Parent Company under unpredictable financial market conditions.

Considering limitations in the financial risk management that are characteristic of business in the Serbian market, it is clear that it is necessary to approach this issue properly as recognized by the Parent Company’s management. Essentially, financial risk management in the company should ensure that the Parent Company’s risk profile is always in compliance with the Parent Company’s tendency toward risks or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

By analyzing the operations of the Parent Company in the previous period, as well as the structure of positions from the balance sheet and income statement, it can be concluded that the Company is significantly exposed to various types of risks.

The following will be presented:

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

9.1 Credit risk

Credit risk is a risk of adverse effects to the financial result and capital of the Parent Company due to the debtor's failure to fulfill obligations towards the Company within the specified deadline.

Credit risks mean not only debtor-creditor relations that derive from sales of the Parent Company’s products but also credit risks that derive from other financial instruments such as receivables of the Parent Company based on long-term and short-term financial investments.

The Company has substantial concentrations of credit risk in the collection of receivables from certain customers with long lending periods due to poor liquidity.

The current framework for assessing and ranking the Group's credit risk includes the following categories:

Category	**Description**	**Recognition of expected credit losses (ECL)**
Earning assets	Not yet due or delay of less than 180 days for external customers and 360 days for related parties	12-month ECL
Non-earning assets *(Level 3, in accordance with the requirements of IFRS 9 - individual assessment of impairment)*	Late receivables more than 180 days for external customers and 360 days for related parties	ECL through the life of the instrument
Non-earning assets *(Level 3 – group assessment of impairment)*	Late receivables more than 180 days for external customers and 360 days for related parties	ECL through the life of the instrument
Write-off	There is evidence that the debtor is in serious financial difficulties and the Group has no realistic prospect of recovering its receivables	The amount is written off

The following tables show:

- structure of short-term receivables with no impairment performed,
- aging structure of short-term receivables with no impairment performed,
- structure of short-term receivables with no impairment performed.

The Company does not have any given security instruments.

Structure of short-term receivables with no impairment performed	*in thousand dinars*	
	2021	2020
Receivables from sales:		
TRADE RECEIVABLES - DOMESTIC		
TRADE RECEIVABLES - ASSOCIATED ENTITIES	953	542
EPS	168,490	134,158
TEPSCO	3,225	2,574
Beočista energija	9,832	
CNIM	22,355	
Others - SERBIA	44,400	43,784
TRADE RECEIVABLES - FOREIGN		
TRADE RECEIVABLES - OMAN		
OETC	46,653	66,874
PAEW	102,031	109,853
OWSC	0	1,418
Others	4,588	3,502
TRADE RECEIVABLES - QATAR		
KAHRAMAA QATAR	194,092	221,346
OTHERS - QATAR	184,794	170,722
TRADE RECEIVABLES - EMIRATES		
DUBAI		
DEWA Contracts DUBAI	69,773	117,939
MERAAS DUBAI	100,463	37,430
FEWA	129,151	228,871
OTHERS - DUBAI	287,694	
ABU DHABI	0	
TRANSCO ABU DHABI	22,039	27,980
ADDC ABU DHABI	0	
OTHERS - ABU DHABI	24,806	10,445
Total	*1,415,339*	*1,177,439*

The Parent Company does not have any given security instruments.

Aging structure of short-term receivables with no impairment performed	*in thousand dinars*	
	2021	**2020**
Related legal entities:		
a) Current	953	541
Sum	***953***	***541***
Trade receivables - domestic:		
a) Current	199,364	131,578
e) 90 - 365 days	-	-
f) More than 365 days	48,938	48,938
Sum	***248,302***	***180,516***
Trade receivables - foreign:		
a) Current	579,576	657,193
b) Up to 30 days	121,907	151,561
c) 30 - 60 days	305,776	104,469
d) 60 - 90 days	16,947	25,545
e) 90 - 365 days	107,013	40,204
f) More than 365 days	34,866	17,410
Sum	***1,166,084***	***996,382***
TOTAL	***1,415,339***	***1,177,439***

STRUCTURE OF OTHER SHORT-TERM RECEIVABLES

Other short-term receivables	*in thousand dinars*	
	2021	**2020**
Receivables from employees	115,804	82,814
Receivables for prepaid income tax		6,469
Receivables for refundable benefits	212	2,393

Sum	**116,016**	**91,676**
Value-added tax in received invoices at the general rate (excluding advances paid)	217	83
TOTAL:	**116,233**	**91,759**

The following table shows the credit quality of the Parent Company's financial assets, as well as the maximum exposure of the Parent Company to credit risk according to the credit rating:

December 31, 2021	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross book value	Value adj.	Net book value
Long term investments	25	n/p	earning	12-month ECL	127,562	-	127,562
Long-term receivables	26	from A- to AAA	earning	12-month ECL	1,417,543	-	1,417,543
Receivables from sales	28	n/p	earning	lifetime ECL	1,415,339	-	1,415,339
Other receivables	30	n/p	earning	12-month ECL	116,016	-	116,016
Short-term financial investments	31	AAA	earning	12-month ECL	934,294	-	934,294
Cash	32	from A- to BBB-	from A- to BBB-	12-month ECL	536,480	-	536,480

For trade receivables, long-term receivables - retention, and assets under contract, i.e., receivables based on non-invoiced income (prepayments and accrued income), the Company has applied a simplified approach to calculating impairment for credit losses, in accordance with IFRS 9 applying lifetime expected credit losses. The Company determines the expected credit losses on these items using the transition matrix in the observed period, which shows the monthly movement of individual receivables between the arrears interval during the observed period. Accordingly, the credit risk profile of these assets is presented based on their maturity status in terms of the transition matrix.

Based on the applied approach, the Company did not have material amounts for impairment of the stated receivables and assets under the contract.

9.2 Market risk

Market risk is a risk of adverse effects on the financial result and capital of the Parent Company due to losses under specific balance sheet items as a result of negative price shifts in the market and other relevant financial parameters.

The market risk includes three risk types:

- the currency risk;
- the interest risk, and
- the price risk.

9.3 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 financial instruments are measured in the consolidated 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 below, shows that a negative change in exchange rates would significantly affect the change in the Group's income, so it can be concluded that the Group is significantly exposed to currency risk.

The following table, based on the data from the foreign exchange sub-balance sheet, shows the book value of monetary assets and liabilities.

Assets in USD		Liabilities in USD	
2020	**2021**	**2020**	**2021**
2,641,352	2,640,829	1,371,977	1,551,818

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

Liabilities in USD include all debts (related to convertible currency) that the Entel Group includes in its consolidated statement.

Given the differences in foreign currency sub-balances, the following table analyzes the Group's sensitivity to nominal dinar exchange rate growth of 10% against foreign currencies. A sensitivity rate of 10% is an estimate of reasonably expected changes in foreign exchange rates. The sensitivity analysis includes only cash, outstanding receivables, and outstanding liabilities denominated in foreign currencies, and adjusts their translation at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

Although, from the Group's point of view, currency risk includes several different currencies (analysis of the Group's foreign exchange sub-balance, it can be concluded that the Group is most sensitive to USD changes; as for other currencies, changes in EUR may have a significant impact) the sensitivity analysis was performed in a way that implies an identical fluctuation of all relevant currencies for the Group.

With other variables unchanged, the appreciation of the national currency would have a positive impact on the result of the current period due to the positive effects of net exchange differences between foreign currency assets and liabilities. Analogously, with unchanged other variables, 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 exchange rate differences between foreign currency assets and liabilities.

Sensitivity analysis of results in case of depreciation of the national currency by 10%	in thousand dinars	
	2021	**2020**
NET EFFECT ON THE RESULT OF THE CURRENT PERIOD	12,805	14,925

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

9.4 Interest risk

Interest risk is a risk of adverse effects on the result and capital of the Parent Company due to unfavorable interest rate fluctuations. The Parent Company is exposed to this type of risk due to financial liabilities related to loans with potentially fluctuating interest rates (Belibor, Euribor) as well as a result of the measurement of default interest due to late payment.

The following table shows the most important suppliers, according to the balance of liabilities at the balance sheet date of the Parent Company.

The Company does not have any given security instruments.

Structure of trade payables	*in thousand dinars*	
	2021	**2020**
Trade payables - domestic (associated companies and other legal entities):		
ENERGOPROJEKT HOLDING	4,520	-
ENERGOPROJEKT INDUSTRIJA	2,178	2,493
ENERGOPROJEKT HIDROINZENJERING	996	82
OTHER ASSOCIATED COMPANIES	-	695
AUTORSKI BIRO	2,166	-
WIENER STADTISCHE OSIGURANJE ADO		2,288
Others in the country	5,857	9,661
Sum	**15,717**	**15,219**
QATAR		

AGENT RES.OPTIMUM	274,714	223,806
SPONSOR - QATAR	200,706	144,898
RENTS - QATAR	13,825	14,507
SUBCONTRACTOR WMR CONTRACTOR - LAHMEYER GKW		4,577
CONSULTANT	71,179	25,997
QATAR - OTHERS	21,363	13,367
OMAN		
SPONSOR - OMAN	24,974	18,404
OMAN - RENTS	3,444	3,238
OMAN - OTHERS	35,412	14,123
EMIRATES		
EMIRATES - RENTS	11,669	9,994
CONSULTANTS - EMIRATES	18,611	27,523
OTHERS - EMIRATES	14,535	6,986
SPONSOR - EMIRATES	1,670	-
Sum	**692,102**	**507,420**
Other liabilities	225	832
TOTAL:	**708,044**	**523,471**

The Parent Company does not have any given security instruments.

Aging structure of trade payables	*in thousand dinars*	
	2021	**2020**
Associated companies:		
a) Current	7,694	3,270
Sum	**7,694**	**3,270**

Trade payables - domestic:		
a) Current	8,023	12,781
Sum	**8,023**	**12,781**
Trade payables - foreign:		
a) Current	692,327	507,420
Sum	**692,327**	**507,420**
TOTAL	***708,044***	***523,471***

9.5 Price risk

The price risk is a risk of fair value fluctuation or a risk that the future financial instruments' cash flows will fluctuate due to the change in market prices (not prices that result from interest or currency risk) regardless if these changes are caused by specific factors related to a specific financial instrument or its issuer or regardless if factors affect all similar financial instruments traded on the market.

9.6 Liquidity risk

Liquidity risk is a risk of the Parent Company having difficulties fulfilling due obligations, maintaining the necessary scope and structure of the working capital, and good creditworthiness.

The following table shows the most important liquidity indicators of the Parent Company, as follows:

- general liquidity ratio (ratio of working capital and short-term liabilities), which shows how many dinars of working capital cover each dinar of short-term liabilities;
- rigorous liquidity ratio (ratio of liquid assets, which includes total working capital less inventories and prepayments and accrued revenue; and short-term liabilities), which shows how many dinars of liquid assets are used to cover each dinar of short-term liabilities;
- cash liquidity ratio (the ratio of cash increased by cash equivalents and short-term liabilities), which shows how many dinars of cash assets are used to cover each dinar of short-term liabilities; and
- net working capital (value difference between working capital and short-term liabilities).

Drawing conclusions on liquidity indicators, obtained on the basis of ratio analysis, among other things, implies their comparison with satisfactory general standards, which are also shown in the following table.

Liquidity indicators	Satisfactory general standards	December 31, 2021	December 31, 2020
General liquidity ratio	2 : 1	2.87 : 1	3.62 : 1
Rigorous liquidity ratio	1 : 1	2.83 : 1	3.60 : 1

Cash liquidity ratio		0.45 : 1	0.41 : 1
Net working capital		2,224,379	2,194,529

9.7 Capital risk management

The goal of capital risk management is for the Parent Company to maintain its ability to continue operating indefinitely, in order to provide the owners of the Parent Company with a satisfactory return (profit), while maintaining an adequate structure of sources of funds, i.e., good creditworthiness.

Although there are several criteria on the basis of which conclusions can be drawn on the viability of the assumption of the long-term existence of the Parent Company, it is certain that a profitable business, as well as a satisfactory financial structure, are one of the basic criteria.

The best representative of **profitability** is *the rate of return on average equity*, which shows the Parent Company's return on one dinar of average engaged own funds. When calculating this profitability indicator, the average equity is determined as the arithmetic mean of the value of capital at the beginning and end of the year.

Profitability indicators	*in thousand dinars*	
	December 31, 2021	December 31, 2020
Net profit/loss	332,247	408,294
Average equity		
Equity at the beginning of the year	3,781,409	4,042,965
Equity at the end of the year	4,034,170	3,781,409
Sum - average equity	**3,907,790**	**3,912,187**
Equity rate of return	**8.50%**	**10.44%**

-

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

The following tables show the most important indicators of the financial structure of the Parent Company, namely: the share of borrowed funds in total sources of funds, which shows how much one dinar of the Parent Company's funds was financed from borrowed funds; and

- the share of long-term assets in total sources of funds, which shows how much one dinar of funds of the Parent Company is financed from long-term sources.

Financial structure indicators	*in thousand dinars*	
	December 31, 2021	December 31, 2020

Liabilities	1,945,683	1,648,156
Total assets	5,979,853	5,429,565
Share of borrowed funds in total sources of funds	**0.33 : 1**	**0.30 : 1**
Long-term assets		
Equity	4,034,170	3,781,409
Long-term provisions and long-term liabilities	757,937	810,096
Sum - long-term assets	**4,792,107**	**4,591,505**
Total assets	5,979,853	5,429,565
Share of long-term assets in total sources of funds	**0.80 : 1**	**0.85 : 1**

The net indebtedness ratio shows how much each dinar of the Parent Company's net indebtedness is covered by the Parent Company's capital.

Net indebtedness means the difference between:

- total (long-term and short-term) financial liabilities of the Parent Company (total liabilities less capital, long-term provisions, and deferred tax liabilities of the Parent Company and additional loss above the amount of capital); and
- cash and cash equivalents.

Parameters for calculating the ratio of net indebtedness to total capital	*in thousand dinars*	
	December 31, 2021	December 31, 2020
Net indebtedness		
Liabilities	1,945,683	1,648,156
Cash and cash equivalents	536,480	342,970
Sum - Net indebtedness	**1,409,203**	**1,305,186**
Capital	4,034,170	3,781,409
Net debt to total capital	**1 : 2.86**	**1 : 2.90**

10. PRIOR PERIOD ERRORS, MATERIALITY OF ERRORS, AND RESTATEMENT

Prior period errors represent omitted or misrepresented data in financial statements of the Company for one or several periods as a result of failure to use or misuse of reliable information, which was available when the financial statements for respective periods were approved for publication and which was reasonably expected to be obtained and taken into consideration upon preparation and presentation of the respective financial statements.

A materially significant error, discovered in the current period that refers to a previous period is an error that has a significant influence on financial statements for one or several prior periods and due to which these financial statements cannot be considered reliable anymore.

The Parent Company corrects *materially significant errors* retroactively in the first series of financial statements approved for publication after these errors have been discovered, by correcting comparative data for the presented prior period(s) when errors occurred or if the error occurred before the earliest presented prior period, opening balances for assets, liabilities, and capital for the earliest presented prior period will be corrected.

If it is practically impossible to establish the effect of an error from a certain period by comparing information for one or several presented prior periods, the Parent Company will correct opening balances for assets, liabilities, and capital for the earliest period that can be corrected retroactively (may be also the current period).

Subsequently *identified errors that are not of material significance* are corrected against expenses or in favor of revenues for the period in which they were identified.

The materiality of an error is valuated pursuant to provisions of the Framework for the Preparation and Presentation of Financial Statements that specify that materiality may imply that omission or false accounting entries may affect the economic decisions of users adopted based on financial statements.

Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1.5% of the total income generated by the Company in the previous year**.

INCOME STATEMENT

11. OPERATING INCOME

Income from the sale of merchandise and services

Structure of income from the sale of merchandise and services	in thousand dinars	
	01/01 - 31/12/2021	01/01 - 31/12/2020
Income from the sale of merchandise on the local market:		
Income from the sales of products and services to parent companies and subsidiaries on the local market	182	176
Income from the sales of products and services to other associated companies on the local market	3,781	2,187
Income from the sales of products and services on the local market	818,818	783,603
Sum - income from the sale of merchandise on the local market	**822,781**	**785,966**
Income from the sale of merchandise on the foreign market:		
Income from the sales of products and services on the foreign market	3,346,261	3,656,087
Sum - income from the sale of merchandise on the foreign market	**3,346,261**	**3,656,087**
TOTAL:	**4,169,042**	**4,442,053**

All income of the Company refers to income based on contracts with customers.
Income from design, consulting, and engineering services recognized during the period ending December 31, 2021, amount to RSD 4,169,042 thousand.

As at December 31, 2021, the total transaction price of unfulfilled (or partially unfulfilled) obligations in the performance of design, consulting, and engineering services amounts to RSD 7,099,262 thousand and will be realized during the remaining period of concluded service contracts. The management expects that 42% of the transaction price allocated to unfulfilled (or partially unfulfilled) performance obligations at the end of 2021 or 2,959,659 thousand dinars will be recognized as income during the next reporting period. The remaining 58% or 4,139,603 thousand dinars will be recognized in the financial year 2022.

The total income of the 10 largest customers who individually participate with more than 10% of the Company's income for 2021 amounts to 2,907,750 thousand dinars (2020: 12 customers with income of 2,969,818 thousand dinars).

The distribution of realized income by companies is given in the following table:

NAME	INCOME FROM THE SALE OF SERVICES
SERBIA	
Associated companies	3,781
EPS	497,344
Others	171,440
CNIM	119,677
SHANGHAI ELECTRIC GROUP	30,539
TOTAL - SERBIA	**822,781**
QATAR	
Kahrama	943,283
Others	712,837
OMAN	
OETC	268,896
PAEW	213,709
OWSC	0
Others	11,504
EMIRATES	
DEWA	162,628
MERRAS	197,193
FEWA	125,268
Others	473,214
TRANSCO	177,773
Others	59,956
INTERNATIONALLY	**3,346,261**
TOTAL:	**4,169,042**

12. OTHER OPERATING INCOME

Other operating income	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Membership fees	30	-
TOTAL:	**30**	**0**

13. MATERIAL, FUEL, AND ENERGY COSTS

Structure of material, fuel, and energy costs	in thousand dinars	
	01/01 - 31/12/2021	01/01 - 31/12/2020
MATERIAL AND ENERGY COSTS		
Office supplies costs - external	14,652	15,236
Office supplies costs - EP - analytical	997	972
Costs of other material (overhead)	15,770	22,790
Costs of other material (overhead)	**31,419**	**38,998**
Costs of fuel	53,735	46,268
Electricity and heat costs	24,971	25,315
Costs of fuel and energy	**78,706**	**71,583**
Costs of spare parts	-	-
Costs of one-time write-off of tools and inventory	542	731
TOTAL:	**110,667**	**111,312**

The costs distributed by cost generation companies are as follows:

EMIRATES	**24,394**
ENTEL	**22,641**
QATAR	**42,692**
OMAN	**20,940**
	110,667

14. SALARIES, BENEFITS, AND OTHER PERSONAL EXPENSES

Structure of salaries, benefits, and other personal expenses	in thousand dinars	
	01/01 - 31/12/2021	01/01 - 31/12/2020
Employee salaries - gross	2,276,558	2,582,621
Costs of taxes and contributions on salaries and benefits charged to the employer	68,368	69,483
Other personal expenses and fees:		

Costs of remunerations according to author's contracts	1,379	4,705
Costs of remunerations to individuals according to other contracts	85	-
Costs of remuneration to the director, or members of the Management Board and the Supervisory Board	377	385
Costs of hiring employees through agencies and cooperatives	6,452	5,008
Other personal expenses and fees	49,695	58,503
Sum of other personal expenses and fees:	**57,988**	**68,601**
TOTAL:	**2,402,914**	**2,720,705**

The costs distributed by cost generation companies are as follows:

EMIRATES	**748,424**
ENTEL	**469,708**
QATAR	**813,370**
OMAN	**371,412**
	2,402,914

Other personal expenses of 57,988 thousand dinars refer to:

52300	COSTS OF REMUNERATIONS ACCORDING TO AUTHOR'S CONTRACTS	1,378
52500	COSTS OF REMUNERATIONS TO INDIVIDUALS ACCORDING TO OTHER CONTRACTS	85
52600	COSTS OF REMUNERATION TO MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD	377
52800	STUDENT COOPERATIVES	6,452
52900	REIMBURSEMENT OF COMMUTING EXPENSES	5,412
52910	MEAL ALLOWANCE	27,685
52942	REIMBURSEMENT OF BUSINESS TRIP EXPENSES - ACCOMMODATION EXPENSES	4,441
52943	REIMBURSEMENT OF BUSINESS TRIP EXPENSES - TRAVELLING ALLOWANCE	9,090
52944	REIMBURSEMENT OF BUSINESS TRIP EXPENSES - OTHER EXPENSES	6
52990	SCHOLARSHIPS AND LOANS TO PUPILS AND STUDENTS	134
52991	CHILDBIRTH SOLIDARITY ASSISTANCE GRANT, MATERNITY ASSISTANCE	1,770
52999	OTHER BENEFITS, GIFT FOR MARCH 8, THE BIRTH OF A CHILD ...	1,158

15. AMORTIZATION EXPENSES

Structure of amortization expenses	*in thousand dinars*	
	01/01 - 31/12/2021	01/01 - 31/12/2020
Amortization of intangible assets	2.491	2.184
Amortization of property, plant, and equipment	57.210	57.293
TOTAL:	**59.701**	**59.477**

Prior to the valuation of property, annual depreciation was performed. On December 31, 2021, the residual value and the remaining useful life of property and equipment of significant book value were estimated in 2006.

The costs of amortization of intangible assets by companies are as follows:

EMIRATES	**88**
ENTEL	**1,088**
QATAR	**1,139**
OMAN	**176**
	2,491

The costs of amortization of property, plant, and equipment by companies are as follows:

BAHREIN	**2**
EMIRATES	**2,423**
ENTEL	**19,577**
QATAR	**14,819**
OMAN	**20,389**
	57,210

16. COSTS OF PRODUCTION SERVICES

The costs of services used in the production process of own costs capitalized refer to subcontractors we hire for jobs we do not have our own staff for or for specialized jobs that are performed only by certain companies. These costs by companies are as follows:

Structure of production costs	*in thousand dinars*	
	01/01 - 31/12/2021	01/01 - 31/12/2020
Costs of services used in the production process of own costs capitalized	475,141	317,358

Transport services costs	145,529	137,043
Maintenance costs	20,544	19,524
Rental costs	177,005	216,798
Fairs exhibit costs	7,720	-
Advertising costs	6,360	7,046
Costs of researching activities		
Costs of other services	24,582	25,338
TOTAL:	**856,881**	**723,107**

The costs of services used in the production process of own costs capitalized by companies are as follows:

EMIRATES	**170,144**
ENTEL	**125,208**
QATAR	**132,511**
OMAN	**47,278**
	475,141

Transport services costs by companies are as follows:

EMIRATES	**40,026**
ENTEL	**13,487**
QATAR	**68,418**
OMAN	**23,598**
	145,529

Maintenance costs by companies are as follows:

EMIRATES	**1,099**
ENTEL	**771**
QATAR	**13,836**
OMAN	**4,838**
	20,544

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

BAHREIN	**1,172**
EMIRATES	**41,519**
QATAR	**120,253**
OMAN	**14,061**
	177,005

Fairs exhibit costs of 7,720 thousand dinars relate to the company in the Emirates.

Advertising costs refer to promotion costs, advertising costs, including market research costs, as well as the costs of prospectuses and publications. These advertising costs by companies are as follows:

EMIRATES	**251**
ENTEL	**5,972**
QATAR	**137**
	6,360

As part of the costs of other services, the most important part refers to tender procurement costs, copying costs, and license costs. These other costs by companies are as follows:

EMIRATES	**1,684**
ENTEL	**21,858**
QATAR	**415**
OMAN	**625**
	24,582

17. COSTS OF PROVISIONS

Structure of costs of provisions	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Costs of provisions:		
Costs of provisions during the warranty period		
Costs of provisions for compensations and other employee benefits	39,612	41,131
Other provisions		
TOTAL:	**39,612**	**41,131**

The position of provisions for compensations and other employee benefits implies provisions made in accordance with the legal regulations of the countries where we operate through our companies.

These costs by companies are as follows:

ENTEL	**2,245**
QATAR	**18,973**
OMAN	**18,394**
	39,612

18. NON-PRODUCTION COSTS

Structure of non-production costs	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Costs of non-production services	299,733	282,071
Representation costs	14,980	12,396
Costs of insurance premiums	51,864	55,026
Costs of payment operations	31,919	31,097
Costs of membership fees	1,104	2,013
Tax and fee costs	21,566	18,515
Other non-production costs	72,416	70,470
TOTAL:	**493,582**	**471,588**

The costs of non-production services include the costs of professional training of employees, health services, legal services, consulting services, audits of annual accounts, etc.

These costs by companies are as follows:

EMIRATES	**14,584**
ENTEL	**13,427**
QATAR	**252,156**
OMAN	**19,566**
	299,733

Representation costs refer to catering services, gifts to business partners, costs of advertising samples, etc.

These costs by companies are as follows:

EMIRATES	**1,909**
ENTEL	**10,026**
QATAR	**2,690**
OMAN	**355**
	14,980

The most significant part of **insurance premium costs** relates to property and personal insurance costs.
These costs by companies are as follows:

BAHREIN	**693**
EMIRATES	**29,457**
ENTEL	**6,717**
QATAR	**7,078**
OMAN	**7,919**
	51,864

Of the total reported **costs of payment operations and banking services**: the most significant cost in 2021 is the amount of 20,415 thousand dinars which refers to the cost of issuing guarantees.
The total costs for 2021 are 31,919 thousand dinars.
These costs by companies are as follows:

EMIRATES	**7,760**
ENTEL	**3,437**
QATAR	**20,422**
OMAN	**300**
	31,919

The costs of membership fees in the amount of 1,104 thousand dinars mostly relate to various membership fees necessary for work abroad.
These costs by companies are as follows:

EMIRATES	**34**
ENTEL	**1.014**
OMAN	**56**
	1.104

The costs of taxes include property taxes, fees for the use of city construction land, etc. The most significant part of these costs relates to property tax in 2021, which amounts to 2,104 thousand dinars.

In Oman, these costs relate to taxes paid for the work of the local workforce under domicile regulations.
These costs by companies are as follows:

ENTEL	**2,477**
OMAN	**19,089**
	21,566

Other non-production costs refer to: fees (administrative, court, etc.), costs of professional literature, costs of advertisements and tenders, and the costs of the Holding.
These costs by companies are as follows:

EMIRATES	**6,769**
ENTEL	**44,544**
QATAR	**13,137**
OMAN	**7,966**
	72,416

19. FINANCIAL INCOME AND EXPENSES

19.1 Financial income

Structure of financial income	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Financial income incurred with parent companies, subsidiaries, and other associated companies:		
Financial income incurred with the parent company and subsidiaries:		
Effects of currency clause and FX gains and losses incurred with the parent company and subsidiaries	-	3
Sum - financial income incurred with the parent company and subsidiaries	-	3
Income from interest (from third parties)	13,604	44,498
FX gains and positive effects of currency clause	2,016	621
Other financial income (income from a share in the profit of associated legal entities and joint ventures and other financial income):		
Income from a share in the profit of associated legal entities and joint ventures	15,390	6,638
Other financial income:		
b) Other financial income	40,902	55,909
Sum - Other financial income	*40,902*	*55,909*

TOTAL - Other financial income (income from a share in the profit of associated legal entities and joint ventures and other financial income):	**56,292**	**62,547**
TOTAL:	**71,912**	**107,669**

The most significant part of interest income from third parties is the interest from the bank for funds on accounts and placed funds.
Income from a share in the profit of subsidiaries in 2021 in the amount of 15,390 thousand dinars is the income from the corresponding profit for 2021 for 20% of the share of ENERGOPLAST DOO.

Other financial income in 2021 in the amount of 40,902 thousand dinars represents income from renting villas in Qatar. Renting villas for and on behalf of the villa owner is done by the company Pearl Garden.

19.2 Financial expenses

Structure of financial expenses	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Financial expenses incurred with parent companies, subsidiaries and other associated companies:		
Financial expenses incurred with other associated companies:	1	-
Sum - Financial expenses incurred with parent companies, subsidiaries and other associated companies	1	-
Costs of interest (from third parties)	1,140	865
FX loss and negative effects of currency clause	1,579	662
Other financial expenses:		
Other financial expenses:		1
Sum - Other financial expenses	-	1
TOTAL:	**2,720**	**1,528**

The most significant part of **expenses based on foreign exchange gain or loss and the effects of the currency clause** refers to the negative effects based on invoices to foreign customers as well as customers with a currency clause.

20. OTHER INCOME AND EXPENSES

20.1 Other income

Structure of other income	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Gains on disposals of intangible assets and property, plant and equipment	47	496
Surpluses	27	38

Collected written-off receivables	20,947	7,490
Income from cancellation of long-term and short-term provisions	106,171	49,660
Other non-specified income	1,582	3,828
TOTAL:	**128,774**	**61,512**

The largest position of other income in the amount of 106,171 thousand dinars refers to the cancellation of the part of provisions in Serbia in the amount of 35,274 for the Pančevo gas power plant project and the Fidic engineer project for Kostolac from 2016 and in Qatar for the Phase 11 project in the amount of 70,897 thousand dinars.

Other non-specified income in the amount of 1,582 thousand dinars relates to income from collections from the tax administration after positive dispute resolution.

20.2 Other expenses

Structure of other expenses	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Losses on writing-offs and disposals of intangible assets and property, plant, and equipment	2,755	290
Costs from direct writing-offs of receivables	26,723	33,713
Other non-specified expenses	17,940	14,039
TOTAL	**47,418**	**48,042**

Losses on writing-offs of property in the amount of 2,755 thousand dinars relate to the writing-off of IT equipment and office supplies in the company in the Emirates in the amount of 118 thousand dinars and in the company in Qatar in the amount of 2,637 thousand dinars.

Costs from direct write-offs of receivables in the amount of 26,723 thousand dinars relate to the company in Qatar and arose from the write-off of receivables older than 3 years.

The most significant part of **other non-specified expenses** refers to expenses for humanitarian, cultural, and health services in 2021 in the amount of 10,083 thousand dinars, i.e., 529 thousand dinars for donations.

21. PROFIT BEFORE TAX

	in thousand dinars

Structure of gross result	01/01 - 31/12/2021	01/01 - 31/12/2020
Operating income	4,169,072	4,442,053
Operating expenses	3,963,357	4,127,320
Operating result	**205,715**	**314,733**
Financial income	71,912	107,669
Financial expenses	2,720	1,528
Financial result	**69,192**	**106,141**
Other income	128,774	61,512
Other expenses	47,418	48,042
Other income and expenses result	**81,356**	**13,470**
TOTAL INCOME	**4,369,758**	**4,611,234**
TOTAL EXPENSES	**4,013,495**	**4,176,890**
GAIN/LOSS BEFORE TAX	**356,263**	**434,344**

22. INCOME TAX AND NET PROFIT

Structure of income tax and net profit	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Gain/(loss) before tax	356,263	434,344
Capital gains/(losses) presented in the income statement	0	0
Adjustment and correction of income/(expenses) in the tax balance	-8,131	-10,743
Taxable profit/(loss)	**348,132**	**423,601**
The amount of loss from the tax balance from previous years up to the amount of taxable profit		
The remaining taxable profit	**348,132**	**423,601**
Gain/(loss) before tax	356,263	434,344
Tax expense for the period	23,491	26,676
Deferred tax expense/income for the period	-525	626
Net gain/(loss)	**332,247**	**408,294**

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23. EARNINGS PER SHARE

Indicator	*in thousand dinars*	
	01/01 - 31/12/2021	**01/01 - 31/12/2020**
Net profit	332,247	408,294
Average number of shares during the year	422,495	422,495
Earnings per share (in dinars)	**786**	**966**

Earnings per share are calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding.

The weighted average number of shares for 2021 is 422,495, thus the earnings per share are 786 dinars.

BALANCE SHEET - ASSETS

24. INTANGIBLE ASSETS

DESCRIPTION	Concessions, patents, licenses, software, and other rights	Total intangible assets
	Account 01200	Group 01
COST		
Opening balance as of January 1 of the current year	57,938	**57,938**
Restatement		**-**
Additions	9,484	**9,484**
FX gains and losses	3,326	**3,326**
Other increases / (decreases)		**-**
Closing balance as of December 31 of the current year	**70,748**	**70,748**
VALUE ADJUSTMENT		
Opening balance as of January 1 of the current year	56,053	**56,053**
Restatement		**-**
Amortization for the current year	2,491	**2,491**
FX gains and losses	3,346	**3,346**
Other increases / (decreases)		**-**
Closing balance as of December 31 of the current year	**61,890**	**61,890**
CURRENT VALUE	**8,858**	**8,858**

25. PROPERTY, PLANT, AND EQUIPMENT

25.1 Property, plant, and equipment, excl. investment property

DESCRIPTION	Buildings	Plant and equipment	Other property, plant, and equipment	Property, plant, and equipment under construction	Total fixed assets
	Account (022)	Account (023)	Account (025)	Account (026)	Group 02
COST					
Opening balance as of January 1 of the current year	849,682	344,068	-	34,338	1,228,088
Restatement					-
Additions		12,896	289		13,185
Disposals		(22,225)			(22,225)
FX gains and losses	30,605	19,770			50,375
Other increases / (decreases)					-
Other transfers from / to - from advances and others	**880,287**	**354,509**	**289**	**34,338**	**1,269,423**
VALUE ADJUSTMENT					
Opening balance as of January 1 of the current year	95,312	205,557	-	-	300,869
Amortization for the current year	19,579	37,631			57,210
Disposals		(17,457)			(17,457)
FX gains and losses	7,346	15,003			22,349
Other increases / (decreases)					-
Amortization for the current year	**122,237**	**240,734**	**-**	**-**	**362,971**
PRESENT VALUE	**758,050**	**113,775**	**289**	**34,338**	**906,452**

On December 31, 2021, the residual value and the remaining useful life of property and equipment of significant book value were estimated. Pursuant to the above estimate of residual value and remaining useful life, the Company's management does not expect changes in the calculation of depreciation for the next accounting period.

The fair value of buildings is usually determined by an assessment made by independent qualified appraisers based on market evidence. The fair value of the office building in Belgrade was determined on December 31, 2018, in the amount of 488,898 thousand dinars.

The Company has the following "buildings" in its books of account, which are stated at the revalued amount on the valuation date:

Energoprojekt Commercial Building

Energoprojekt commercial building is stated at fair value as at December 31, 2021, in the amount of 476,250 thousand dinars. The last assessment of the fair value of the building was done on December 31, 2018.

In 2021, depreciation costs were recorded. The useful life of the "building" is 100 years (the remaining useful life is 60 years).

The commercial building in Oman is not estimated according to the domicile regulations, its lifespan is 25 years and it is considered that its residual value after that lifespan will be 0.

The value of the building on December 31, 2021, is 281,800 thousand dinars and annual depreciation was 23,001 thousand dinars.

Additions in the amount of 12,896 thousand dinars relate to procurement:

in Serbia of 9,157 thousand dinars:

- cars in the amount of 3,931 thousand dinars,
- computers in the amount of 3,881 thousand dinars, and
- other assets in the amount of 1,345 thousand dinars.

and procurement in the companies, as follows:

- in Qatar in the amount of 3,395 thousand dinars;
- computers in the amount of 3,348 thousand dinars;
- other assets in the amount of 47 thousand dinars.

in Oman in the amount of 250 thousand dinars:

- computers in the amount of 250 thousand dinars;

in the Emirates:

- computers in the amount of 94 thousand dinars.

Disposals of plant and equipment in the amount of 22,225 thousand dinars relate to:

Serbia

- computers of 1,492 thousand dinars and
- other assets of 2,241 thousand dinars;

Qatar

- computers of 2,191 thousand dinars;
- other assets of 1,428 thousand dinars;
- cars of 7,151 thousand dinars.

Oman

- cars of 5,601 thousand dinars;

Emirates

- furniture of 2,121 thousand dinars.

26. LONG-TERM FINANCIAL INVESTMENTS

Structure of long-term financial investments	*in thousand dinars*	
	2021	**2020**
Investments in the capital of associated companies and joint ventures	107,313	104,598
Sum	**107,313**	**104,598**
Long - term time deposits	123,308	93,189
Other long-term financial investments	4,254	17,832
Long-term retention (external)	1,417,543	1,251,964
Sum	*1,545,105*	*1,362,985*
Value adjustment		
TOTAL:	**1,652,418**	**1,467,583**

Investments in capital

Investments in the capital of associated companies and joint ventures are valued according to the cost method. The Parent Company recognizes income only to the extent that it acquires the right to receive its share from the distribution of retained net profit of the investment user, which occurs after the day when the Parent Company acquired it.

The Parent Company has a 20% share in Energoplast d.o.o. which amounts to 107,313 thousand dinars.

Other long-term financial investments

Other long-term financial investments abroad relate to:

- guarantee deposits
- deposits for workers' visas
- deposits for rented apartments

These investments by companies are as follows:

EMIRATES	**98,730**
ENTEL	**0**
QATAR	**27,976**

OMAN	**856**
	127,562

Deposits for bank guarantees in the amount of 123,308 thousand dinars relate to Qatar in the amount of 26,055 thousand dinars and Energoconsult L.L.C. in the amount of 92,253 thousand dinars.

Other long-term financial investments relate to deposits for apartments rented by companies. Deposits for apartments include the amount of 4,255 thousand dinars, which is by companies: Qatar in the amount of 1,921 thousand dinars, Energoconsult L.L.C. in the amount of 1,477 thousand dinars, and Oman in the amount of 857 thousand dinars.

Long-term receivables for retention show trade receivables for retention, which is mainly 10% of the invoiced value. It can be charged only after the completion of all work on a particular project to which it relates.

The structure of receivables for retention as at December 31, 2021, in the amount of 1,417,543 thousand dinars by companies is as follows:

EMIRATES	**265,327**
QATAR	**1,066,256**
OMAN	**85,960**
	1,417,543

Qatar - 1,066,256 thousand dinars relating to KAHRAMA projects.

Oman - 85,960 thousand dinars

Given by customers these are as follows:

OETC	**45,838**
PAEW	**39,549**
OWSC	**0**
OTHERS	**574**
	85,960

ENERGOCONSULT L.L.C. - 265,327 thousand dinars

Given by customers these are as follows:

OTHERS	**129,938**
TRANSCO	**7,142**
MERASS	**9,180**
DEWA	**119,067**
	265,327

27. INVENTORIES

Structure of inventories	*in thousand dinars*	
	2021	**2020.**
Fixed assets held for sale	-	-
Advances paid for inventories and services in the country:		
a) Advances paid for inventories and services to parent companies and subsidiaries	2,350	6,179
b) Advances paid for inventories and services to other associated companies	2,499	-
c) Advances paid to other legal entities for services in the country - externally	4,132	3,394
Sum	**8,981**	**9,573**
Advances paid to other legal entities for services abroad - externally	44,691	4,573
TOTAL:	**53,672**	**14,146**

An overview of advances paid is given in the table below.

EMIRATES	**1,415**
ENTEL	**8,981**
QATAR	**43,276**
	53,672

EP HOLDING	2.350
JP PARKING SERVIS BEOGRAD	37
RAPSODY TRAVEL DOO BEOGRAD	3,165
HIDROINŽENJERING	2,499
RSM SRBIJA DOO	501
OTHERS	429
VARIOS SUPPLIERS - QATAR	43,276
VARIOS SUPPLIERS - QATAR	1,415
	53,672

28. RECEIVABLES FROM SALES

Receivables from sales	*in thousand dinars*	
	2021	**2020.**
Trade receivables - domestic - parent companies and subsidiaries	19	-
Trade receivables - domestic - other associated entities - analytically	934	541
Trade receivables - domestic	248,302	180,516
Trade receivables - foreign	1,166,084	996,382
TOTAL:	**1,415,339**	**1,177,439**

The carrying amount of receivables from sales classified as Receivables and Loans corresponds to their fair value.

The Parent Company has no security for the receivables from sales.

The Company has no security for the receivables from sales.

The average credit period for design, consulting, and sales engineering services is 90 days. No interest is charged on outstanding trade receivables.

There were no changes in assessment techniques or significant assumptions made during the current reporting period. As stated in Note 7.13. for the calculation of impairment of receivables from related legal entities and other receivables (Note 30), the Company applies the general approach and expected credit losses over the life of instruments, i.e., 12-month expected credit losses for financial assets that do not contain a significant financing component. For the purpose of identifying impairment indicators, i.e., the criterion that it is necessary to calculate the expected credit losses for assets classified in level 3, in accordance with the requirements of IFRS 9, the Company applies a default threshold of 180 days for external customers and 360 days for related entities.

The Company applies a group assessment of the calculation of value adjustments for the purpose of measuring credit losses, i.e., value adjustments for receivables from third parties (including receivables from the state, state companies, and state bodies, where the state is predominantly in the role of an investor), which include trade receivables - domestic, foreign, as well as prepayment and accrued income having the category of financial assets and long-term receivables - retention (Note 26), including contractual financial assets in accordance with IFRS 15, or receivables from non-invoiced income with these persons, which are not subject to individual assessment. The calculation of parameters applied at the Company level was performed on the basis of data on historical collection by the largest companies operating within Energoprojekt. The applied parameters (PD and LGD) were calculated on the basis of data from the historical collection of the Company.

Based on the above analysis conducted in accordance with the methodology for calculating the impairment of financial instruments in accordance with IFRS 9, the Company has not determined material amounts of impairment of trade receivables, other receivables, long-term and short-term financial investments, and prepayments and accrued income.

The age structure of receivables is given in detail in Note 9.1.

The balances of this account by companies are as follows:

EMIRATES	**633,927**
ENTEL	**249,255**
QATAR	**378,886**
OMAN	**153,272**
	1,415,339

In Energoconsult L.L.C., trade receivables amount to 633,927 thousand dinars with the most important being as follows:

DEWA Contracts DUBAI	68,189
MERAAS DUBAI	239,349
FEWA	129,142
OTHERS DUBAI	150,402
TRANSCO ABU DHABI	21,938
OTHERS ABU DHABI	24,907
	633,927

In Energoprojekt Entel L.L.C., Oman trade receivables amount to 153,272 thousand dinars with the most important being as follows:

OETC	46,625
PAEW	101,966
OTHERS	4,681

153,272

In Qatar, trade receivables amount to 378,886 thousand dinars with the most important being as follows:

KAHRAMA	199,880
OTHERS	179,005
	378,886

In the company in Serbia, trade receivables amount to 248,302 thousand dinars, with the most important being as follows

EPS	168,490
TEPSCO	3,225
Beočista energija	9,832
CNIM	22,355
Others - SERBIA	44,400
	248,302

29. OTHER RECEIVABLES

Other short-term receivables	*in thousand dinars*	
	2021	**2020**
Receivables from employees	115,804	82,814
Receivables for prepaid income tax		6,469
Receivables for refundable benefits	212	2,393
Sum	**116,016**	**91,676**
Value-added tax in received invoices at the general rate (excluding advances paid)	217	83
TOTAL:	**116,233**	**91,759**

As for the position of receivables from employees, the amount of 115,804 thousand dinars was paid in advance as severance pay, i.e., to freelancers working in Qatar in the amount of 72,174 thousand dinars and Oman in the amount of 43,629 thousand dinars, in accordance with local regulations.

30. SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments:	*in thousand dinars*	
	2021	**2020**
Other short-term financial investments:		
b) Other short-term financial investments:	934,294	1,109,632
TOTAL:	**934,294**	**1,109,632**

Other short-term financial investments include funds deposited with commercial banks with no option of cancellation at any time, amounting to 934,294 thousand dinars, based on funds deposited with commercial banks, in Serbia 44,600 thousand dinars, at an interest rate of 0.90%, in Energoprojekt Entel Qatar: 889,694 thousand dinars, at an annual interest rate of 1.1.

31. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS	*in thousand dinars*	
	2021	**2020**
In dinars:		
Current accounts	21,159	10,545
Cash in hand	517	488
Sum	**21,676**	**11,033**
In foreign currency:		
Foreign currency accounts with banks in the country	48,419	117,414
Foreign currency accounts abroad	465,940	213,310
Foreign currency cash in hand	445	1,213
Sum	514,804	331,937
TOTAL:	**536,480**	**342,970**

Cash and cash equivalents are distributed to banks with long-term credit ratings of S&P, as follows:

Although cash and cash equivalents are also subject to impairment requirements in accordance with the requirements of IFRS 9, the identified impairment loss is not material.

Within **the current dinar and foreign currency accounts** of the Parent Company, the following funds were reported:

- in commercial banks in Serbia (Raiffeisen bank, Direktna banka, NLB banka and Erste Bank
- in foreign currency accounts (Doha Bank, ADCB Bank Dubai and Abu Dhabi, Bank Oman, and Ahli United Bank in Bahrain)

The balance of this account by companies is the following:

BAHREIN	**2,781**
EMIRATES	**125,799**
ENTEL	**69,690**
QATAR	**328,660**
OMAN	**9,550**
	536,480

32. PREPAYMENTS AND ACCRUED INCOME

Structure of prepayments and accrued income	*in thousand dinars*	
	2021	**2020**
Prepaid costs:		
Short-term prepaid costs - parent company and subsidiaries - analytical	158	166
Short-term prepaid rental costs	32,306	37,979
Short-term prepaid insurance premium costs	29,736	22,838
Others prepayments	8,216	8,073
Sum	***70,416***	***69,056***
Receivables for non-invoiced income:		
Short - term receivables for non-invoiced income - other legal entities - externally	285,569	227,587
Sum	***285,569***	***227,587***
Deferred costs based on liabilities	-	-
a) Deferred value-added tax	122	-

Sum	*122*	*0*
TOTAL:	**356,107**	**296,643**

Prepaid rental costs: this account shows prepaid rental costs. They refer to commercial space rental for offices and apartments for our workers in our companies. Lease agreements are multi-year with lease payments one year in advance and are generally paid on a quarterly basis. There are payments for business premises in Qatar and Emirates, while in Oman there is no lease of business premises.

The balance of this account by companies is:

EMIRATES	**12,499**
QATAR	**16,201**
OMAN	**3,606**
	32,306

Prepaid insurance premium costs on this account show prepaid insurance costs:

EMIRATES	**14,772**
ENTEL	**6,167**
QATAR	**4,506**
OMAN	**4,291**
	29,736

Other prepaid costs in the amount of 8,216 refer to prepaid tuition fees and prepaid subscriptions to magazines.

The balance of this account by companies is:

EMIRATES	**0**
ENTEL	**4,114**
QATAR	**4,102**
	8,216

Receivables for non-invoiced income are income invoiced in 2021, and the works are related to 2022 in accordance with IFRS 15. Income by companies is as follows:

The balance of this account by companies is:

ENTEL	**20,881**
QATAR	**264,688**
	285,569

BALANCE SHEET - LIABILITIES

33. CAPITAL

DESCRIPTION	Share capital	Reserves	Revaluation reserves	Retained earnings	TOTAL
Opening balance as at January 1, 2020	*173,223*	*23,948*	*333,951*	*3,464,071*	*3,995,193*
Net profit for the year				408,294	408,294
Other comprehensive income:					0
Sum - Other comprehensive income	0	0	0	0	0
Total other comprehensive income for 2020	173,223	23,948	333,951	3,872,365	4,403,487
Adjustments		-104	-1,606	-267,612	-269,322
Profit distribution				-352,756	-352,756
Closing balance as at December 31, 2020	***173,223***	***23,844***	***332,345***	***3,251,997***	***3,781,409***
Net profit for the year				332,247	332,247
Adjustments		93	30,983	184,624	215,700
Increase in share capital	0				0
Profit distribution		0		-295,324	-295,324
Closing balance as at December 31, 2021	***173,223***	***23,937***	***363,328***	***3,473,544***	***4,034,032***

33.1 Capital

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

According to the records of the Central Registry of Securities ISIN RSEPEN41315, the registered ownership of shares of ENERGOPROJKET ENTEL AD as at December 31, 2021, is shown in the following table.

Structure of capital	*in thousand dinars*	
	2021	**2020**
Share capital:	173,223	173,223
a) Share capital - parent companies, subsidiaries and other associated companies ENERGOPROJEKT HOLDING 100%	173,223	173,223
TOTAL:	**173,223**	**173,223**

The share capital consists of 422,495 ordinary shares, the individual nominal value of 173,223 thousand dinars, or the individual book value of 410.00 dinars.
Share capital - ordinary shares include founding shares and closely held (management) shares issued during operations which carry rights to a share of the profit of the Parent Company and a part of the estate in case of bankruptcy, in accordance with the memorandum of association and the share issue resolution.

The shares of the Company were removed from the Stock Exchange based on the decision on exclusion of shares from the Open Market, market segment Open Market shares number 01/1-5833/19 because all shares of the Issuer were repurchased in the process of forced redemption of shares. The decision on withdrawal of the Issuer's shares from the market and termination of the status of a public company was brought based on the votes of the shareholders who acquired 100% of the share in the Issuer's capital through joint action in the above procedure. The rules of the Stock Exchange stipulate that the Stock Exchange excludes securities from the Open Market at the request of the Issuer with the status of a public company being terminated in accordance with the provisions of Article 70 and Article 122, paragraph 2, item 2 of the Law on Capital Market.

33.2 Reserves

Structure of reserves	*in thousand dinars*	
	2021	**2020**
Legal reserves	22,744	22,744
Statutory and other reserves	1,193	1,100
TOTAL:	**23,937**	**23,844**

Legal reserves were obligatorily formed until 2004, through the entry of at least 5% of the profit every year until the reserves reached at least 10% of the share capital, and after that, they were formed on the basis of the general act of the Company.

Other reserves have been formed in Oman under domicile regulations.

33.3 Positive revaluation reserves and unrealized gains on financial assets and other income

Structure of positive revaluation reserves and unrealized gains on financial assets and other income	*in thousand dinars*	
	2021	**2020**
a) Revaluation reserves from revaluation of property - Energoprojekt commercial building	333,126	333,126
b) Revaluation reserves from revaluation of other property	16,072	14,815
Sum	349,198	347,941
Revaluation reserves from revaluation of plant and equipment		
Other revaluation reserves	7,746	6,418
Sum	7,746	6,418
Gains on the translation of financial statements of foreign operations	6,383	0
Losses on the translation of financial statements of foreign operations		-22,014
Sum	6,383	-22,014
TOTAL:	**363,327**	**332,345**

Gains or losses on the translation of financial statements arise as a foreign exchange difference due to the application of different exchange rates in companies in the income statement (average) and balance sheet (final exchange rate) and the outbreak of mutual relations between the parent company and subsidiaries.

33.4 Retained earnings

Structure of retained earnings	*in thousand dinars*	
	2021	**2020**
Retained earnings from previous years:		

a) Opening balance as at January 1	3,251,997	3,464,071
b) Profit tax adjustment	-18,298	6,079,00
c) Other adjustment (IAS 12, etc.)		- 11,295,00
d) FX gains and losses	161,768	-313,994
Energoplast	41,293	51,598
e) Profit distribution	- 295,324,00	-352,756
Sum	3,141,436	2,843,703
Retained earnings for the current year	332,247	408,294
TOTAL:	**3,473,683**	**3,251,997**

34. LONG-TERM PROVISIONS

Structure of long-term provisions	**Costs within the warranty period**	**Compensations and other employee benefits**	**Total**
Opening balance as at January 1 of the previous year	597,868	226,607	824,475
Additional provisions		41,131	41,131
FX gains and losses	- 37,278	- 19,106	- 56,384
Used during the year	- 42,355	- 40,006	- 82,361
Cancellation of unused amounts	- 49,660		- 49,660
Closing balance as at December 31 of the previous year	**468,575**	**208,626**	**677,201**
Additional provisions		39,612	39,612
FX gains and losses	28,896	18,809	47,705
Used during the year	-	- 30,964	- 30,964
Cancellation of unused amounts	- 106,171		- 106,171
Balance at the balance sheet date	**391,300**	**236,083**	**627,383**

34.1 Provisions for wages and other employee benefits

Provisions for compensations and other employee benefits (provisions for severance pay not due upon retirement) are stated on the basis of the actuarial calculation performed on December 31, 2021.

During the projections, a deductive approach was used, i.e., all companies were observed as a whole, and on the basis of general regularities, and using the number of workers "as a key", an allocation was made to specific economic entities. Considering that all subsidiaries are majority-owned by the same business entity, the applied approach is objective and the results of the projections can be considered as expected. Reduction of the amount of provisions based on the current value of severance pay (by 14.96%), in the balance sheet as at December 31, 2021, in relation to December 31, 2020, is a consequence of changes in several factors:
on the one hand, the change of certain factors affects the increase in the amount of provisions (increase in the average expected severance pay by 9.66% and reduction in the difference between the discount rate and the expected salary growth); on the other hand, the change of certain factors affects the reduction of the amount of provisions (reduction of the total number of employees by 19.39%, reduction of average years of service in the Company by 2.35% and increased expected turnover of employees).

In addition to the above, the change in the structure of provisions by specific companies is the result of a change in the aliquot part of the share of employees in individual companies in the total number of employees of the entire Company.

The provision projection process, subject to the relevant provisions of IAS 19, is performed in several of the following steps:

- firstly, according to gender, the total years of service of the employee and the years of service in the Company; taking into account the expected annual turnover rate and mortality rate (estimated annual turnover rate and mortality rate), the number of employees who will use the right to severance pay is estimated, as well as the period when employees will receive these benefits,
- secondly, taking into account the provisions of the Collective Agreement of the Company, the amount of severance pay for each year of service was estimated, which was current at the balance sheet date, and
- thirdly, the reduction to the present value of expected outflows for severance pay was performed by applying the discount factor, which is the quotient of the discount rate and expected wage growth.

Retirement severance pay has been paid in the Company since the beginning of 2015, in accordance with the provisions of the current Collective Agreement, i.e., based on Article 57 of the Collective Agreement, according to which the Employer is obliged to pay retirement severance pay in the amount of two average gross salaries in the Republic Serbia, according to the latest published data of the Statistical Office of the Republic of Serbia. According to the current legal regulations, the stated amount is non-taxable.

As the data on the annual discount rate, as well as the data on the average annual growth of salaries in the Republic of Serbia, are necessary for determining the present value of severance pay (not due), the stated amounts will be specified below.

A rate of 4% is accepted for the annual discount rate.

Paragraph 83, IAS 19, explicitly states that the rate used for discounting should be determined in accordance with market yields at the balance sheet date for high-quality corporate bonds. In countries where there is no developed market for such bonds, market yields (at the balance sheet date) should be used. The value date and term of the bonds should be in line with the value date and estimated term of the post-employment benefit liabilities.

As the financial market in Serbia is insufficiently developed, it is most realistic to use the annual yield realized by purchasing government securities guaranteed by the Republic of Serbia as a benchmark for determining the discount rate on the balance sheet date. Accordingly, the discount rate is determined by taking into account the annual yield on longer-term government securities, issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were realized in the relevant period. The annual yield on twelve-year dinar securities, issued on September 7, 2021, amounted to 3.24%. The increase in the adopted discount rate in relation to the reported yield is a consequence of the fact that the average maturity of benchmark securities is lower than the average maturity of the respective income. Hence, in the manner provided for in paragraph 86 of IAS 19, the yield curve was extrapolated.

The annual expected growth of salaries in the Republic of Serbia is planned at the level of 4.0%.

The annual discount rate and annual wage growth depend on the inflation rate.

The Memorandum of the National Bank of Serbia on inflation targets until 2023, adopted by the Executive Board of the National Bank of Serbia, sets the target inflation rate (with a tolerance), measured by annual percentage changes in the consumer price index, for the period from January 2021 to December 2023, in the amount of 3%, with a tolerance (positive and negative) of 1.5 percentage points.

The Memorandum has been predicting a 3% inflation target for a couple of years now. Although it was significantly higher in 2021 (approximately 7.5%), in previous years, as a rule, it was lower (2020 - 1.3%; 2019 - 1.5%; 2018 - 2%; 2017 - 3%, 2016 - 1.6%, 2015 - 1.5%). Hence, in the long run, it is realistic to accept inflation at the target level.

It follows from the above that in the Republic of Serbia, a long-term annual growth of real wages of 1% is planned (identical to the assessment of provisions in the previous year), which is realistically feasible given the planned growth of the social product in the coming period.

If the inflation rate changes in the future, the applied logic would result in a change in nominal wages, but also in the discount rate (which is predominantly determined by the inflation rate), thus this change would not change the results presented in this material. The applied methodological procedure, which results in a long-term planned annual growth of wages in the Republic of Serbia of 4.0% and a long-term annual discount rate of 4.0%, assumes the same inflation in the entire future period. This assumption is also required by paragraph 78 of IAS 19.

34.2 Provisions for warranty period

Provisions for warranty costs are calculated based on the management's best estimates and past experience and are expected to be payable in less than 5 years. The final amount of the liability to be paid may be different from that reserved depending on future developments. These provisions are not discounted as the impact of discounting is not material.

35. LONG-TERM ACCRUALS AND DEFERRED INCOME

Accruals and deferred income	in thousand dinars	
	2021	2020.
Long-term accrued income from receivables	58,890	73,773
TOTAL:	**58,890**	**73,773**

Long-term accruals and deferred income in the amount of 58,890 thousand dinars are liabilities for the retention of our subcontractor for the Mega Reservoirs project in Qatar.

36. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX LIABILITIES	in thousand dinars	
	2021	2020
DEFERRED TAX LIABILITY	71,664	59,122
TOTAL:	**71,664**	**59,122**

Deferred tax liabilities reported as at December 31 relate to *taxable temporary differences* between the carrying amounts of depreciable assets and their tax bases. Namely, due to various provisions on the basis of which the Company determines accounting depreciation (pursuant to the provisions of professional regulations, IAS/IFRS, etc.) and provisions determining tax depreciation (pursuant to the Law on Corporate Income Tax), in the future, the Parent Company will pay a higher profit tax than it would have paid if the actual stated book depreciation had been recognized from the aspect of tax legislation. For this reason, the Parent Company recognizes a deferred tax liability, which is the income tax that will be payable when the Parent Company "recovers" the carrying amount of the asset.

The amount of deferred tax liabilities was calculated by multiplying the amount of taxable temporary difference at the end of the year by the corporate income tax rate of the Parent Company (15%).

Based on the changes in the balance of deferred tax assets and liabilities in 2021, it can be concluded that in the net effect there was a decrease in the balance of deferred tax liabilities compared to the previous year in the amount of 525 thousand dinars.

37. SHORT-TERM FINANCIAL LIABILITIES

Structure of short-term liabilities	in thousand dinars	
	2021	2020

Other short-term financial liabilities	179	666
TOTAL:	**179**	**666**

38. RECEIVED ADVANCES, DEPOSITS, AND BONDS

Structure of received advances, deposits, and bonds	*in thousand dinars*	
	2021	**2020**
Advances received from other legal entities in the country	37,387	22,495
Advances received from other legal entities abroad	14,516	12,574
TOTAL:	**51,903**	**35,069**

-

An overview of advances received is given in the table below.

SHANGHAI ELECTRIC GROUP	4,919
VETROZELENA DOO BEOGRAD-VRAČAR	2939
POWER CONSTRUCTION CORPORATION OF CIHINA OGRANAK BEOGRAD	29,529
Wirtschaft und Infrastruktur GmbH Co Planungs KG	2,327
EURETEQ QATAR	6,304
DEWA DUBAI	5,885
	51,903

39. OPERATING LIABILITIES

Operating liabilities	*in thousand dinars*	
	2021	**2020**
1. Trade payables - parent companies and subsidiaries	4,520	-
3. Trade payables - other associated companies	3,174	3,270
5. Trade payables - domestic	8,023	11,949
6. Trade payables - foreign	692,102	507,420
7. Other operating liabilities	225	832
TOTAL:	**708,044**	**523,471**

Trade payables do not include interest.

The management of the Parent Company considers that the stated value of operating liabilities reflects their fair value at the balance sheet date.

The age structure of trade payables is given in Note 9.4.

The balance of this account by companies is as follows:

Bahrein	**307**
EMIRATES	**46,484**
ENTEL	**15,717**
QATAR	**581,534**
OMAN	**64,002**
	708,044

40. OTHER SHORT-TERM LIABILITIES

Structure of other short-term liabilities	*in thousand dinars*	
	2021	**2020**
Liabilities for salaries and employee benefits	293,011	210,222
b) Liabilities for dividends	6,907	6,907
d) Liabilities to employees	17,975	20,653
e) Liabilities to the director, i.e., members of the Management Board and Supervisory Board	20	20
f) Liabilities to individuals for contracted fees	9	0
Sum	*317,922*	*237,802*
TOTAL:	**317,922**	**237,802**

Liabilities for salaries and other liabilities mostly refer to liabilities (net, taxes, and contributions) for the December salary, which was paid by the Parent Company in January of the following year.

The balance of this account by companies is as follows:

EMIRATES	**73,752**

ENTEL	**41,311**
QATAR	**98,499**
OMAN	**79,449**
	293,011

Liabilities for unpaid dividends in the amount of 6,907 thousand dinars (reason: shareholders did not open accounts for their securities). The amount of 1,733 thousand dinars refers to the unpaid dividend for 2017, while the remaining portion is for all other years when we paid the dividend.
The management of the Parent Company considers that the stated value of other short-term liabilities corresponds to their fair value at the balance sheet date.

41. LIABILITIES FOR VALUE-ADDED TAX AND OTHER PUBLIC REVENUE

Liabilities for value-added tax and other public revenue	*in thousand dinars*	
	2021	**2020**
Liabilities for value-added tax on issued invoices at the general rate (except for received advances)	2,007	-
Liabilities for value-added tax based on the difference between calculated value-added tax and previous tax	18,358	15,301
Other liabilities for other taxes, contributions, and other duties	4,313	1,817
TOTAL:	**24,678**	**17,118**

42. LIABILITIES FOR INCOME TAX

Liabilities for income tax	*in thousand dinars*	
	2021	**2020**
Liabilities for income tax	3,988	-
TOTAL:	**3,988**	-

43. SHORT-TERM ACCRUALS AND DEFERRED INCOME

Short-term accruals and deferred income	*in thousand dinars*	
	2021	**2020**

Short-term accrued income - other legal entities	81,032	23,934
TOTAL:	**81,032**	**23,934**

While the amount of 81,032 thousand dinars refers to Serbia according to the application of IFRS 15,

"Other accruals and deferred income refer to contractual obligations related to design, consulting, and engineering contracts and represent the balance of liabilities to customers under these contracts. They arise if a certain collection at milestones exceeds the income recognized so far according to the exit method. Apart from the above, there were no significant changes in the liabilities under the contract. "

44. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The Parent Company reconciled receivables and liabilities with the balance as at December 31, 2021. Elektroprivreda Srbije has unfoundedly disputed the amount of 48,937,500 dinars for which the first-instance court decision was awarded to Entel. EPS appealed and now the dispute is before the appellate court, and during 2021, no hearing was held due to the illness of the judge and due to Covid 19. We hope that the verdict will be brought in 2022.

45. MORTGAGES REGISTERED AGAINST AND IN FAVOR OF THE GROUP - DOHA BANK

Subsidiary - Energoprojekt Entel Doha, Qatar has the right to dispose of and usufruct on real estate, a total living area of 4,488 m^2, located on cadastral parcels number 65582, 65583, 65584, 65585, 65586, 65587, 65588, 65589 and 65590 area of 10,736 m^2, in Doha - Qatar, Zone 44, East Al Naija, Al Mumtaza Street, Doha, Qatar, which is in the registered ownership of a local individual.

The registered owner placed a mortgage on the property with Doha Bank under contract number 52973 as collateral for bid bonds and performance guarantees in favor of Energoprojekt Entel Doha.

The mortgages registered against the Company are as follows:

Real estate mortgage - Energoprojekt commercial building, based on banking arrangements with:

- Erste Bank a.d. Novi Sad in the amount of EUR 27,000,000.00 according to Annex no. 2 of the Agreement on Multipurpose Framework Limit No. OVLC003/20 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Industrija and Energoprojekt Hidroinženjering),

- Unicredit Bank Srbija a.d. Beograd in the amount of EUR 3,188,287.47 according to Annex no. 3 of the Short-term Loan Agreement no. RL 0029/20 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema),

- OTP banka Srbija a.d. Novi Sad in the amount of EUR 6,782,000.00 according to Annex no. 4 of the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent No. OUG 2818/21 - now OL2021/202 (mortgage debtor Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering), and

- OTP banka Srbija a.d. Novi Sad in the amount of EUR 3,218,000.00 according to Annex no. 4 of the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2820/21 - now OL2021/457 (debtor Energoprojekt Hidroinženjering, mortgage debtor Energoprojekt Holding and joint and several debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema);

on the basis of which an enforceable out-of-court mortgage was registered on December 30, 2021, on the Energoprojekt commercial building, in the real estate folio number 2652 CM Novi Beograd, in favor of the respective creditors, based on the Pledge Statement of Energoprojekt Holding a.d. certified before the competent authority in accordance with the Law on Mortgage on December 27, 2021.

46. OFF-BALANCE SHEET ASSETS AND LIABILITIES

According to the legal provisions (Rules of Contents and Form of Financial Statements for Companies, Cooperatives, Other Legal Entities, and Entrepreneurs), the Parent Company has reported off-balance sheet assets and off-balance sheet liabilities in its financial statements. The items shown within off-balance sheet assets and off-balance sheet liabilities, as given in the following table, do not represent the assets or liabilities of the Parent Company, but are primarily given for information purposes for users of the financial statements.

The structure of off-balance sheet assets and liabilities is given in the following table.

Structure of off-balance sheet assets and liabilities	*in thousand dinars*	
	2021	**2020**
Guarantees, warranties and other rights	2,042,183	2,005,172
TOTAL	**2,042,183**	**2,005,172**

The amount of 2,005,172 thousand dinars is the amount for the given bid bonds and performance guarantees in ENTEL companies in Qatar, Oman, Emirates, and Serbia.

These amounts by companies are as follows:

EMIRATES	**523,852**
ENTEL	**297,384**

QATAR	**1,219,242**
OMAN	**1,705**
	2,042,183

47. RELATED PARTY TRANSACTIONS

Pursuant to the requirements of IAS 24 - Related Party Disclosures, the following disclosures of relationships, transactions, etc., between the Company and related parties have been made. Related parties, from the Company's point of view, are **subsidiaries and key management personnel** (those persons who have the authority and responsibility to plan, direct and control the activities of the entities, directly or indirectly, including all directors, whether executive or not) and their close family members.

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

Receivables from related legal entities originate from performed services and mature within 90 days after the date of performed services, are not secured, and do not contain interest.

Receivables and liabilities from related legal entities	*in thousand dinars*	
	31/12/2021	***31/12/2020***
Receivables:		
Other related legal entities		
EP VISOKOGRADNJA	483	429
EP HOLDING	2,369	-
EP HIDROINŽENJERING	2,499	-
EP NISKOGRADNJA	451	113
ENERGOPLAST	51,116	39,943
Sum	**56,918**	**40,485**
Liabilities:		
Other related legal entities		
· EP ARHITEKTURA I URBANIZAM		695
· EP HOLDING	4,520	-
· EP INDUSTRIJA	2,178	2,493
· EP HIDROINŽENJERING	996	82
Total	**7,694**	**3,270**

Income from related legal entities	*in thousand dinars*	
	31/12/2021	***31/12/2020***
Income:		
Other related legal entities		
· EP HOLDING	182	176
· OTHERS		
· EP INDUSTRIJA	2,358	670
· EP HIDROINŽENJERING	494	1,026
· EP NISKOGRADNJA	564	141
· EP VISOKOGRADNJA	365	353
Total income	**3,963**	**2,366**
Expenses from related legal entities	*in thousand dinars*	
	31/12/2021	***31/12/2020***
Expenses:		
Other related legal entities		
· EP HOLDING	42,025	34,180
· EP INDUSTRIJA	12,972	12,551
· EP VISOKOGRADNJA	127	696
· EP HIDROINŽENJERING	6,031	1,886
· EP URBANIZAM I ARHITEKTURA		2,840
· EP VISOKOGRADNJA		
Total expenses	**61,155**	**52,153**

48. LAWSUITS

Report on lawsuits of Energoprojekt Entel a.d. as at December 31, 2021

No.	Plaintiff	Legal representative	Start of dispute (year)	Defendant	Legal grounds	Claim amount	Court of the relevant jurisdiction	Expected date of closure	Expected outcome
1.	EP Entel a.d.	Attorney	2018	JP EPS (RB Kolubara)	Payment of debt on accounts	RSD 48,937,500.00	Commercial Court, Belgrade	2022	Uncertain. First instance verdict in our favor. EPS filed an appeal.
2.	Paripović Duško	"	2016	EP Entel a.d., as other defendants from four defendants in total	Compensation for damages - injury at work	RSD 1,300,000.00	Local Court, Požarevac	Uncertain	Uncertain; interrupted proceedings First instance proceedings
3.	Siniša Kisić and others	"	2020	EP Entel a.d.	Compensation for damages	RSD 66,488,842.92	Commercial Court, Belgrade	2022	Uncertain First instance proceedings

49. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there were no events that would significantly affect the credibility of the presented financial statements.

50. GOING-CONCERN PRINCIPLE

During the preparation of financial statements, the management assessed that the Company is capable of continuing to operate for an indefinite period of time, in accordance with the going-concern principle.

The financial statements have been prepared in accordance with the going-concern principle.

Considering the Company's operations in the past 15 years, the management determined that the operations were profitable, and financial assets were easily available. Therefore, it can be concluded that it is justified, even without detailed analysis, for the Company to perform accounting based on the going-concern principle.

The impact of the COVID 19 pandemic on ENTEL's business was felt in the part of the business that refers to the deadlines partly because of the absence of our employees due to infection and even more on the part of our investors who had bigger problems than us.

Belgrade,

March 16, 2022

Person in charge of preparation of statements | Director

Gordana Lisov 63034
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Date: 2022.05.19 13:44:50 +02'00'
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Date: 2022.05.19 13:44:24 +02'00'
/Signature illegible/

/Round seal: ENERGOPROJEKT ENTEL AD BEOGRAD/