**ENERGOPROJEKT ENTEL PLC, BELGRADE**

Independent Auditor's Report
on the Audit of the Consolidated
Financial Statements for the Year 2020

MOORE

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

# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

*We have audited the accompanying annual consolidated financial statements of parent company "Energoprojekt Entel" Plc., Belgrade (the "Parent company") and its subsidiaries and associated company, (the "Group") which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statements, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.*

*In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of consolidated financial performances and consolidated cash flows for the year then ended in accordance with the current accounting regulations in effect in the Republic of Serbia and accounting policies disclosed in the notes to the consolidated financial statements.*

## Basis for Opinion

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

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

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

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

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

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

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

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

- *Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;*
- *Conclude on the appropriateness of the Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;*
- *Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;*

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

## INDEPENDENT AUDITOR'S REPORT

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

### Other Information

**Compliance of the 2020 Annual Business Report with the Consolidated Financial Statements**

*Management is responsible for other information. Other information is all information provided in the 2020 Annual Business Report, other than the consolidated financial statements and the Auditor's Report. Our opinion on the consolidated financial statements does not cover other information and we do not provide assurance thereon.*

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

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

*Belgrade, 23 April 2021*

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*Jelena Beljkaš*
*Authorised Auditor*

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*Bogoljub Aleksić*
*Managing Partner*

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

**Company: ENERGOPROJEKT ENTEL AD**
**ID number: 07470975**

# BALANCE SHEET

**000 RSD**

| Account, account group | I T E M | AOP | As at 31.12.2020. | As at 31.12.2019. | INITIAL STATE 01.01.2019. |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| | **A. UNPAID SUBSRIBED CAPITAL** | **001** | | | |
| | **B. FIXED ASSETS (0003+0010+0019+0024+0034)** | **002** | **2.396.976** | **2.563.502** | **2.471.229** |
| 1 | **I. INTANGIBLE ASSETS (0004+0005+0006+0007+0008+0009)** | **003** | **1.885** | **4.140** | **5.293** |
| 010 and p.o. 019 | 1. Investments into development | 004 | | | |
| 011, 012 and p.o. 019 | 2. Concessions, patents, licences, similar rights, software and other rights | 005 | 1.885 | 4.140 | 5.293 |
| 013 and p.o. 019 | 3. Godwill | 006 | 0 | 0 | 0 |
| 014 and p.o. 019 | 4. Other intangible assets | 007 | 0 | 0 | 0 |
| 015 and p.o. 019 | 5. Intangible assets in development | 008 | 0 | 0 | 0 |
| 016 and p.o. 019 | 6. Advance payments for acquisition of intangible assets | 010 | 0 | 0 | 0 |
| **2** | **II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)** | | **927.508** | **1.001.699** | **1.040.721** |
| 020, 021 and p.o. 029 | 1. Land | 011 | | | |
| 022 and p.o. 029 | 2. Buildings | 012 | 754.370 | 800.543 | 815.967 |
| 023 and p.o. 029 | 3. Plants and equipment | 013 | 138.511 | 166.818 | 190.416 |
| 024 and p.o. 029 | 4. Investment property | 014 | 0 | 0 | 0 |
| 025 and p.o. 029 | 5. Other property, plants and equipment | 015 | 289 | 0 | 0 |
| 026 and p.o. 029 | 6. Property, plants and equipment under construction | 016 | 34.338 | 34.338 | 34.338 |
| 027 and p.o.029 | 7. Investments in PPE owned by third parties | 017 | 0 | | 0 |
| 028 and p.o. 029 | 8. Advance payments for property, plants and equipment | 018 | 0 | | 0 |
| **3** | **III. BIOLOGICAL ASSETS (0020 + 0021 + 0022 + 0023)** | **019** | **0** | **0** | **0** |
| 030, 031 and p.o. 039 | 1. Forests and plantations | 020 | 0 | | 0 |
| 032 and p.o. 039 | 2. Livestock | 021 | 0 | | 0 |
| 037 and p.o. 039 | 3. Biological assets in progress | 022 | 0 | | 0 |
| 038 and p.o. 039 | 4. Advances for biological assets | 023 | 0 | | 0 |
| **04. except 047** | **IV. LONG-TERM FINANCIAL INVESTMENTS 0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)** | **024** | **215.619** | **239.368** | **227.559** |
| 040 and p.o. 049 | 1. Investments in subsidiaries | 025 | 0 | | 0 |
| 041 and p.o. 049 | 2. Investments in associates and joint ventures | 026 | 104.598 | 101.472 | 98.454 |
| 042 and p.o. 049 | 3. Investments in other legal entities and other securities available for sale | 027 | 0 | | 0 |
| p.o. 043, p.o. 044 and p.o. | 4. Long-term loans to parent companies and to subsidiaries | 028 | 0 | | 0 |
| p.o. 043, p.o. 044 and p.o. | 5. Long-term loans to other associated companies | 029 | 0 | | 0 |
| p.o. 045 and p.o. 049 | 6. Long-term loans to domestic entities | 030 | 0 | | 0 |
| p.o. 045 and p.o. 049 | 7. Long-term loans to foreign entities | 031 | 0 | | 0 |
| 046 and p.o. 049 | 8. Securities held to maturity | 032 | 0 | | 0 |
| 048 and p.o. 049 | 9. Other long-term investments | 033 | 111.021 | 137.896 | 129.105 |
| **5** | **V. LONG-TERM RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)** | **034** | **1.251.964** | **1.318.295** | **1.197.656** |
| 050 and p.o. 059 | 1. Receivables from parent company and dependent legal entities | 035 | 0 | | 0 |
| 051 and p.o. 059 | 2. Receivables from other associated legal entities | 036 | 0 | | 0 |
| 052 and p.o. 059 | 3. Trade receivables for credit sales | 037 | 0 | | 0 |
| 053 and p.o. 059 | 4. Trade receivables for sales via financial lease | 038 | 0 | | 0 |
| 054 and p.o. 059 | 5. Long term receivables for guarantees | 039 | 0 | | 0 |
| 055 and p.o. 059 | 6. Suspicious long term receivables | 040 | 0 | | 0 |
| 056 and p.o. 059 | 7. Other long-term receivables | 041 | 1.251.964 | 1.318.295 | 1.197.656 |
| **288** | **C. DEFERRED TAX ASSETS** | **042** | **0** | | **0** |
| | **D. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)** | **043** | **3.032.589** | **3.585.341** | **3.829.454** |
| **Class 1** | **I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)** | **044** | **14.146** | **10.213** | **10.216** |
| 10 | 1. Material, spare parts, tools and small inventory | 045 | 0 | | 0 |
| 11 | 2. Work in progess | 046 | 0 | | 0 |
| 12 | 3. Finished products | 047 | 0 | | 0 |
| 13 | 4. Merchandise (goods, purchase for sale) | 048 | 0 | | 0 |
| 14 | 5. Non-current assets held for trading | 049 | 0 | | 0 |
| 15 | 6. Advance payments | 050 | 14.146 | 10.213 | 10.216 |
| | **II. TRADE RECEIVABLES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)** | **051** | **1.177.440** | **1.732.361** | **1.402.325** |
| 200 and p.o. 209 | 1. Domestic third party – parent companies and subsidiaries | 052 | 0 | | 0 |
| 201 and p.o. 209 | 2. Foreign third party – parent comapanies and subsidiaries | 053 | 0 | | 0 |
| 202 and p.o. 209 | 3. Domestic third party – other subsidiaries | 054 | 542 | 208 | 0 |
| 203 and p.o. 209 | 4. Foreign third party – other subsidiaries | 055 | 0 | 0 | 0 |
| 204 and p.o. 209 | 5. Domestic third party | 056 | 180.516 | 254.701 | 149.533 |
| 205 and p.o. 209 | 6. Foreign third party | 057 | 996.382 | 1.477.452 | 1.252.792 |
| 206 and p.o. 209 | 7. Other trade receivables | 058 | 0 | 0 | 0 |
| **21** | **III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS** | **059** | **0** | **221** | **55.605** |
| **22** | **IV. OTHER RECEIVABLES** | **060** | **91.675** | **97.582** | **114.903** |
| **236** | **V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | **061** | **0** | | **0** |
| **23 except 236 and 237** | **VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)** | **062** | **1.109.632** | **1.060.233** | **1.189.127** |
| 230 and p.o. 239 | 1. Short-term loans and investments in parent companies and subsidiaries | 063 | 0 | | 0 |
| 231 and p.o. 239 | 2. Short-term loans and investments – other related parties | 064 | 0 | | 0 |
| 232 and p.o. 239 | 3. Short-term loans - domestic | 065 | 0 | | 0 |
| 233 and p.o. 239 | 4. Short-term loans - foreign | 066 | 0 | | 0 |
| 234, 235, 238 and p.o. | 5. Other short-term investments | 067 | 1.109.632 | 1.060.233 | 1.189.127 |
| **24** | **VII. CASH AND CASH EQUIVALENTS** | **068** | **342.970** | **334.133** | **399.785** |
| **27** | **VIII. VALUE ADDED TAX** | **069** | **83** | **97** | **136** |
| **28 except 288** | **IX. PREPAYMENTS AND ACCRUED INCOME** | **070** | **296.643** | **350.501** | **657.357** |
| | **TOTAL ASSETS = OPERATING ASSETS(0001 + 0002 + 0042 + 0043)** | **071** | **5.429.565** | **6.148.843** | **6.300.683** |
| **88** | **F. OFF BALANCE ASSETS** | **072** | **2.005.172** | **2.794.628** | **2.810.464** |
| | **LIABILITIES** | | | | |
| | **A. EQUITY (0402 + 0411 – 0412 + 0413 + 0414 + 0415 – 0416 + 0417 + 0420 – 0421) ≥ 0 = (0071 – 0424 – 0441 – 0442)** | **0401** | **3.781.409** | **4.042.965** | **3.610.058** |
| **30** | **I. BASIC CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)** | **0402** | **173.223** | **173.223** | **173.223** |
| 303 | 4. State owned capital | 0406 | 0 | 0 | 0 |
| 309 | 8. Other basic capital | 0410 | 0 | 0 | 0 |
| **31** | **II. SUBSCRIBED UNPAID CAPITAL** | **0411** | **0** | **0** | **0** |
| **330** | **V. REVALUATION RESERVES FOR REVALUATION OF INTANGIBLES AND PPE** | **0414** | **354.359** | **357.837** | **357.600** |
| **33 except 330** | **VI. NON REALIZED PROFIT FROM SECURITIES (debit saldo of account group 33 except 330)** | **0415** | **0** | **23.886** | **49.944** |
| **33 except 330** | **VII. NON REALIZED LOSSES FROM SECURITIES (credit saldo of account group 33 except 330)** | **0416** | **22.014** | **0** | **0** |
| **34** | **VIII. RETAINED EARNINGS (0418 + 0419)** | **0417** | **3.251.997** | **3.464.071** | **3.005.360** |
| 340 | 1. Retained earnings from previous years | 0418 | 2.843.703 | 3.046.726 | 2.540.368 |
| 341 | 2. Retained earnings from current year | 0419 | 408.294 | 417.345 | 464.992 |
| | **IX. NON-CONTROLLING INTEREST** | **0420** | | | **0** |
| **35** | **X. LOSS (0422 + 0423)** | **0421** | **0** | **0** | **0** |
| 350 | 1. Previous year's losses | 0422 | 0 | | 0 |
| 351 | 2. Current year loss | 0423 | 0 | | 0 |
| | **B. LONG- TERM PROVISIONS AND LIABILITIES (0425 + 0432)** | **0424** | **677.201** | **825.205** | **708.946** |
| **40** | **I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)** | **0425** | **677.201** | **824.475** | **707.195** |
| 400 | 1. Provisions for costs incurred during the warranty period | 0426 | 468.575 | 597.868 | 487.888 |
| 401 | 2. Provisions for the recovery of natural resources | 0427 | 0 | 0 | 0 |
| 403 | 3. Provisions for restructuring costs | 0428 | 0 | 0 | 0 |
| 404 | 4. Provisions for employees benefits | 0429 | 208.626 | 226.607 | 219.307 |
| 405 | 5. Provisions for litigations | 0430 | 0 | 0 | 0 |
| 402 and 409 | 6. Other long-term provisions | 0431 | 0 | 0 | 0 |
| **41** | **II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)** | **0432** | **0** | **730** | **1.751** |
| 410 | 1. Liabilities that can be converted into capital | 0433 | 0 | | 0 |
| 414 | 5. Long-term loans - domestic | 0437 | 0 | | 0 |
| 415 | 6. Long-term loans - foreign | 0438 | 0 | | 0 |
| 416 | 7. Liabilities for financial lease | 0439 | 0 | 730 | 1.370 |
| 419 | 8. Other long-term liabilities | 0440 | 0 | 0 | 381 |
| **498** | **C. DEFERRED TAX LIABILITIES** | **0441** | **59.122** | **59.749** | **60.547** |
| **42 to 49 (except 498)** | **D. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)** | **0442** | **911.833** | **1.220.924** | **1.921.132** |
| **42** | **I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)** | **0443** | **666** | **930** | **2.816** |
| 424, 425, 426 and 429 | 6. Other short-term financial liabilities | 0449 | 666 | 930 | 2.816 |
| **430** | **II. RECEIVED ADVANCED PAYMENTS, DEPOSITS AND BAILS** | **0450** | **35.069** | **74.799** | **95.855** |
| **43 except 430** | **III. LIABILITIES FROM BUSINESS OPERATIONS (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)** | **0451** | **523.471** | **645.014** | **680.135** |
| 431 | 1. Suppliers – parent companies and subsidiaries - domestic | 0452 | 0 | 3.524 | 686 |
| 432 | 2. Suppliers – parent companies and subsidiaries - foreign | 0453 | 0 | 0 | 0 |
| 433 | 3. Suppliers – other associated companies - domestic | 0454 | 3.270 | 6.753 | 16.992 |
| 434 | 4. Suppliers – other associated companies - foreign | 0455 | 0 | 0 | 0 |
| 435 | 5. Trade payables - domestic | 0456 | 11.949 | 31.685 | 72.077 |
| 436 | 6. Trade payables - foreign | 0457 | 507.420 | 602.126 | 589.638 |
| 439 | 7. Other liabilities from business operations | 0458 | 832 | 926 | 742 |
| **44, 45 and 46** | **IV. OTHER SHORT-TERM LIABILITIES** | **0459** | **237.802** | **389.557** | **436.940** |
| **47** | **V. LIABILITIES FOR VALUE ADDED TAX** | **0460** | **15.302** | **18.393** | **17.051** |
| **48** | **VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES** | **0461** | **1.816** | **13.575** | **616.965** |
| **49 except 498** | **VII. ACCRUALS AND DEFERRED INCOME** | **0462** | **97.707** | **78.656** | **71.370** |
| | **E. LOSSES OVER CAPITAL (0412 + 0416 + 0421 – 0420 – 0417 – 0415 – 0414 – 0413 – 0411 – 0402) ≥ 0 = (0441 + 0424 + 0442 – 0071) ≥ 0** | **0463** | **0** | **0** | **0** |
| | **F. TOTAL LIABILITIES (0424 + 0442 + 0441 + 0401 – 0463) ≥ 0** | **0464** | **5.429.565** | **6.148.843** | **6.300.683** |
| **89** | **G. OFF BALANCE LIABILITIES** | **0465** | **2.005.172** | **2.794.628** | **2.810.464** |

Date 20.03.2020.

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**Company: ENERGOPROJEKT ENTEL AD**

**ID number: 07470975**

## Income Statement

**000 RSD**

| Account, account group | ITEM | AOP | Realized 01.01-31.12.2020. Current year | Planned 01.01-31.12.2019. Previous year |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | **REVENUES FROM REGULAR OPERATIONS** | | | |
| **60 to 65, except 62 and 63** | **A. OPERATING REVENUES (1002+1009+1016+1017)** | **1001** | **4.442.053** | **5.672.225** |
| **60** | **I. INCOME FROM THE SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)** | **1002** | **0** | **0** |
| **61** | **II. INCOME FROM SALES OF FINISHED PRODUCTS AND SERVICES RENDERED (1010+1011+1012+1013+1014+1015)** | **1009** | **4.442.053** | **5.672.225** |
| 610 | 1. Sales of merchandise to parent companies and subsidiaries - domestic market | 1010 | 176 | 173 |
| 611 | 2. Sales of merchandise to parent companies and subsidiaries - foreign market | 1011 | 0 | 0 |
| 612 | 3. Sales of finished goods and services rendered to other associated entities - domestic | 1012 | 2.187 | 2.574 |
| 613 | 4. Sales of finished goods and services rendered to other associated entities - foreign | 1013 | 0 | 0 |
| 614 | 5. Sales of merchandise and rendering of services to domestic customers | 1014 | 783.603 | 1.092.790 |
| 615 | 6. Sales of merchandise and rendering of services to foreign customers | 1015 | 3.656.087 | 4.576.688 |
| 64 | **III. INCOME FROM PREMIUMS, SUBSIDIES, DONATIONS, ETC.** | **1016** | **0** | **0** |
| 65 | **IV. OTHER OPERATING INCOME** | **1017** | **0** | **0** |
| | **COSTS FROM REGULAR OPERATIONS** | | | |
| **50 to 55, 62 and 63** | **B. OPERATING COSTS (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0** | **1018** | **4.127.320** | **5.311.454** |
| 50 | I. COSTS OF GOODS SOLD - COGS | **1019** | 0 | |
| 62 | II. INCOME FROM OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE | 1020 | 0 | |
| 630 | III. INCREASE IN FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS | 1021 | 0 | |
| 631 | IV. DECREASE OF FINISHED GOODS, WORK IN PROGRESS AND SERVICES IN PROGRESS | **1022** | 0 | |
| 51 осим 513 | V. COST OF MATERIAL | 1023 | 39.729 | 45.141 |
| 513 | VI. COST OF FUEL AND ENERGY | 1024 | 71.583 | 96.054 |
| 52 | VII. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES | **1025** | 2.720.705 | 3.323.538 |
| 53 | VIII. COSTS OF PRODUCTION SERVICES | 1026 | 723.107 | 1.005.648 |
| 540 | IX. DEPRECIATION COSTS | 1027 | 59.477 | 65.338 |
| 541 до 549 | X. LONG-TERM PROVISIONS COSTS | **1028** | 41.131 | 223.638 |
| 55 | XI. NON-PRODUCTION COSTS | 1029 | 471.588 | 552.097 |
| | **C. OPERATING PROFIT (1001-1018) ≥ 0** | **1030** | **314.733** | **360.771** |
| | **D. OPERATING LOSS (1018-1001) ≥ 0** | **1031** | **0** | **0** |
| **66** | **E. FINANCIAL INCOME (1033+1038+1039)** | **1032** | **107.669** | **83.783** |
| **66, except 662, 663 and 664** | **I. FINANCIAL INCOME INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)** | **1033** | **62.550** | **71.933** |
| 660 | 1. Financial income incurred with parent companies and subsidiaries | **1034** | 0 | 24 |
| 661 | 2. Financial income incurred with other associated companies | 1035 | 3 | 11 |
| 665 | 3. Income from share in associated entities and joint ventures | 1036 | 6.638 | 8.895 |
| 669 | 4. Other financial income | **1037** | 55.909 | 63.003 |
| **662** | II. INCOME FROM INTEREST (FROM THIRD PARTIES) | 1038 | **44.498** | **11.134** |
| **663 and 664** | III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE (FROM THIRD PARTIES) | 1039 | **621** | **716** |
| **56** | **Ђ. ФИНАНСИЈСКИ РАСХОДИ (1041+1046+1047)** | **1040** | **1.528** | **3.008** |
| **56, except 562, 563 and 564** | **I. FINANCIAL EXPENSES INCURRED WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)** | **1041** | **1** | **33** |
| 560 | 1. Financial expenses incurred with parent companies and subsidiaries | 1042 | 0 | 0 |
| 561 | 2. Financial expenses incurred with other associated companies | **1043** | 0 | 33 |
| 565 | 3. Losses for share in loss of associated companies and joint ventures | 1044 | 0 | 0 |
| 566 and 569 | 4. Other financial expenses | 1045 | 1 | 0 |
| 562 | **II. COSTS OF INTERESTS (TO THIRD PARTIES)** | **1046** | **865** | **1.550** |
| **563 and 564** | **III. FX GAINS AND INCOME FOR THE EFFECTS OF CURRENCY CLAUSE (TO THIRD PARTIES)** | **1047** | **662** | **1.425** |
| | **G. FINANCIAL PROFIT (1032-1040)** | **1048** | **106.141** | **80.775** |
| | **H. FINANCIAL LOSS (1040-1032)** | **1049** | **0** | **0** |
| 683 and 685 | **I. INCOME FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE** | 1050 | 0 | |
| 583 and 585 | **J. EXPENSES FROM OTHER ASSETS VALUATION ADJUSTMENTS VALUED AT FAIR VALUE** | 1051 | 0 | |
| 67 and 68, except 683 and 685 | **K. OTHER INCOME** | **1052** | **61.512** | **85.777** |
| 57 and 58, except 583 and 585 | **L. OTHER EXPENSES** | **1053** | **48.042** | **68.123** |
| | **M. PROFIT FROM OPERATIONS BEFORE TAXATION (1030-1031+1048-1049+1050-1051+1052-1053)** | **1054** | **434.344** | **459.200** |
| | **N. LOSS FROM OPERATIONS BEFORE TAXATION (1031-1030+1049-1048+1051-1050+1053-1052)** | **1055** | **0** | **0** |
| **69-59** | **O. NET OPERATING PROFIT FROM DISCONTINUED OPERATIONS** | 1056 | **0** | |
| 59-69 | **P. NET OPERATING LOSS FROM DISCONTINUED OPERATIONS** | 1057 | 0 | **11.371** |
| | **Q. PROFIT BEFORE TAXATION (1054-1055+1056-1057)** | **1058** | **434.344** | **447.829** |
| | **R. LOSS BEFORE TAXATION (1055-1054+1057-1056)** | **1059** | **0** | **0** |
| | **S. CORPORATE INCOME TAX** | | | |
| **721** | I. TAX EXPENSES FOR THE PERIOD | **1060** | **26.676** | **31.282** |
| p.o. 722 | II. DEFERRED TAX COSTS FOR THE PERIOD | 1061 | 0 | |
| p.o. 722 | III. DEFERRED TAX INCOME FOR THE PERIOD | 1062 | 626 | **798** |
| 723 | **T. EMPLOYER'S EARNINGS PAID OUT** | **1063** | 0 | |
| | **U. NET PROFIT (1058-1059-1060-1061+1062)** | **1064** | **408.294** | **417.345** |
| | **V. NET LOSS (1059-1058+1060+1061-1062)** | **1065** | **0** | **0** |
| | I. NET PROFIT ATTRIBUTABLE TO MINORITY INVESTORS | **1066** | | |
| | II. NET PROFIT ATTRIBUTABLE TO MAJORITY INVESTORS | 1067 | 408.294 | **417.345** |
| | III. NET PROFIT ATTRIBUTABLE TO MINOTIRY INVESTORS | 1068 | | |
| | IV. NET LOSS ATTRIBUTABLE TO MAJORITY INVESTORS | 1069 | | |
| | V. EARNINGS PER SHARE | | | |
| | 1. Basic earnings per share | 1070 | 966 | **988** |
| | 2. Diluted earnings per share | 1071 | | |

Date 20.03.2020.

L.S.

**Company: ENERGOPROJEKT ENTEL AD**
**ID number: 07470975**

**STATEMENT OF COMPEHENSIVE INCOME**
**for period 01.01.2020. to 31.12.2020.**

**in 000 RSD**

| Group, Group of accounts | ITEM | ADP | Note number | Amount | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | **A. NET OPERATING RESULT** | | | | |
| | I. NET PROFIT(ADP 1064) | 2001 | | 408.294 | 417.345 |
| | II. NET LOSS (ADP 1065) | 2002 | | 0 | 0 |
| | **B. OTHER COMPREHENSIVE PROFIT OR LOSS** | | | | |
| | **a) items that will not be reclassified into profit and loss in future** | | | | |
| 330 | 1. Revaluations of intangible assets, immovables, plant and | | | | |
| | a) increase in revaluation reserves | 2003 | | | 0 |
| | b) decrease in revaluation reserves | 2004 | | 2.067 | 0 |
| 331 | 2. Actuarial profitsor losses arising from a defined income plan | | | | |
| | a) profit | 2005 | | | 0 |
| | b) losses | 2006 | | | 0 |
| 332 | 3. Profit or losses from investing in equity instruments | | | | |
| | a) profit | 2007 | | | 0 |
| | b) losses | 2008 | | | 0 |
| 333 | 4. Profit or losses from shares in other comprehensive profit or loss | | | | |
| | a) profit | 2009 | | | 0 |
| | b) losses | 2010 | | | 0 |
| | **b) items that can subsequently be reclassified into profit or loss** | | | | |
| 334 | 1. Profitor losses from conversionof financial statements of foreign | | | | |
| | a) profit | 2011 | | | 0 |
| | b) losses | 2012 | | 45.900 | 26.058 |
| 335 | 2. Profit or losses on hedging instruments of net investment in | | | | |
| | a) profit | 2013 | | | 0 |
| | b) losses | 2014 | | | 0 |
| 336 | 3. Profit or losses on cash flow hedging instruments | | | | |
| | a) profit | 2015 | | | 0 |
| | b) losses | 2016 | | | 0 |
| 337 | 4. Profit or losses on available-for-sale securities | | | | |
| | a) profit | 2017 | | | 0 |
| | b) losses | 2018 | | | 0 |
| | I. OTHER GROSS COMPREHENSIVE INCOME (2003 + 2005 + | 2019 | | 0 | 0 |
| | II. OTHER GROSS COMPREHENSIVE LOSS (2004 + 2006 + | 2020 | | 47.967 | 26.058 |
| | III. TAXON OTHER COMPREHENSIVE PROFIT OR LOSS FOR | 2021 | | | |
| | IV. NET OTHER COMPREHENSIVE PROFIT(2019 - 2020 - | 2022 | | 0 | 0 |
| | V. NET OTHER COMPREHENSIVE LOSS (2020 - 2019 + 2021) | 2023 | | 47.967 | 26.058 |
| | **V. TOTAL NET COMPREHENSIVE RESULT FOR THE** | | | | |
| | I. TOTAL NET COMPREHENSIVE RESULT (2001 - 2002 + 2022 | 2024 | | 360.327 | 391.287 |
| | II. TOTAL NET COMPREHENSIVE LOSS (2002 - 2001 + 2023 - | 2025 | | 0 | 0 |
| | **G. TOTAL NET COMPREHENSIVE PROFIT OR LOSS** | 2026 | | 0 | 0 |
| | 1. Attributed to majority shareholders | 2027 | | 0 | 0 |
| | 2. Attributed to non-controllingshareholders | 2028 | | 0 | 0 |

Legal representative

S.P.

**ID number: 07470975**

## CASH FLOW STATEMENT

**000 RSD**

| | ITEM | AOP | Realized 01.01-31.12.2020. Current year | Planned 01.01-31.12.2019. Previous year |
|---|---|---|---|---|
| 1 | **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| 2 | **I. Cash inflow from operating activities (1 to 3)** | 3001 | **4.933.329** | **5.855.307** |
| 3 | 1. Sales and advance payments received | 3002 | 4.846.379 | 5.770.783 |
| 4 | 2. Received interests from operating activities | 3003 | 766 | 12.741 |
| 5 | 3. Other inflows from operating activities | 3004 | 86.184 | 71.783 |
| 6 | **II. Cash outflows from operating activities (1 to 5)** | 3005 | **4.468.816** | **6.049.418** |
| 7 | 1. Payments to suppliers and advance prepayments | 3006 | 1.448.698 | 1.786.769 |
| 8 | 2. Salaries, fringe benefits and other personal expenses | 3007 | 2.776.021 | 3.329.366 |
| 9 | 3. Paid interests | 3008 | 1.155 | 2.633 |
| 10 | 4. Corporate income tax | 3009 | 53.240 | 670.978 |
| 11 | 5. Other payments to tax authorities | 3010 | 189.702 | 259.672 |
| 12 | **III. Net cash inflow from operating activities (I-II)** | 3011 | **464.513** | **0** |
| 13 | **IV. Net cash outflow from operating activities (II-I)** | 3012 | **-** | **194.111** |
| 14 | **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| 15 | **I. Cash inflow from investing activities (1 to 5)** | 3013 | **36.749** | **148.072** |
| 16 | 1. Sale of shares and stakes (net inflows) | 3014 | - | 0 |
| 17 | 2. Sale of intangible assets, property, plants, equipment and biological assets | 3015 | 659 | 1.635 |
| 18 | 3. Other financial investments (net inflows) | 3016 | - | 140.560 |
| 19 | 4. Interests received from investing activities | 3017 | 36.090 | 0 |
| 20 | 5. Dividends received | 3018 | - | 5.877 |
| 21 | **II. Cash outflow from investing activities (1 to 3)** | 3019 | **151.101** | **23.012** |
| 22 | 1. Purchase of shares and stakes (net outflows) | 3020 | - | 0 |
| 23 | 2. Purchase of intangible investments, property, plants, equipment and biological assets | 3021 | 18.685 | 23.012 |
| 24 | 3. Other financial investments (net outflows) | 3022 | 132.416 | 0 |
| 25 | **III. Net cash inflow from investing activities (I-II)** | 3023 | **-** | **125.060** |
| 26 | **IV. Net cash outflow from investing activities (II-I)** | 3024 | **114.352** | **0** |
| 27 | **C. CASH INFLOW FROM FINANCING ACTIVITIES** | | | |
| 28 | **I. Cash inflows from financing activities (1 to 5)** | 3025 | **-** | **0** |
| 29 | 1. Increase of basic capital | 3026 | - | 0 |
| 30 | 2. Long-term loans (net inflows) | 3027 | - | 0 |
| 31 | 3. Short-term loans (net inflows) | 3028 | - | 0 |
| 32 | 4. Other long-term liabilities | 3029 | - | 0 |
| 33 | 5. Other short-term liabilities | 3030 | - | 0 |
| 34 | **II. Cash outflows from financing activities (1 to 6)** | 3031 | **353.258** | **3.815** |
| 35 | 1. Purchase of own shares and stakes | 3032 | - | 0 |
| 36 | 2. Long-term loans (net outflows) | 3033 | - | 0 |
| 37 | 3. Short-term loans (net outflows) | 3034 | - | 0 |
| 38 | 4. Other liabilities (net outflows) | 3035 | - | 0 |
| 39 | 5. Financial lease | 3036 | 502 | 3.815 |
| 40 | 6. Paid dividends | 3037 | 352.756 | 0 |
| 41 | **III. Net cash inflows from financing activities (I-II)** | 3038 | **-** | **0** |
| 42 | **IV. Net cash outflows from financing activities (II-I)** | 3039 | **353.258** | **3.815** |
| 43 | **D. TOTAL CASH INFLOWS (3001 + 3013 + 3025)** | 3040 | **4.970.078** | **6.003.379** |
| 44 | **E. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)** | 3041 | **4.973.175** | **6.076.245** |
| 45 | **F. NET CASH INFLOWS (3040 – 3041)** | 3042 | **-** | **0** |
| 46 | **G. NET CASH OUTFLOWS (3041 – 3040)** | 3043 | **3.097** | **72.866** |
| 47 | **H. CASH AT THE BEGINNINGOF THE CALCULATION PERIOD** | 3044 | **334.133** | **399.785** |
| 48 | **I. POSITIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH** | 3045 | **11.934** | **17.218** |
| 49 | **J. NEGATIVE EXCHANGE RATE DIFFERENCES DUE TO CALCULATION OF CASH** | 3046 | | **10.004** |
| 50 | **K. CASH AT THE END OF REPORTING PERIOD (3042 – 3043 + 3044 + 3045 – 3046)** | 3047 | **342.970** | **334.133** |

Date 20.03.2020.

L.S.

**Company: ENERGOPROJEKT ENTEL AD**
**ID number: 07470975**

## CAPITAL CHANGES STATEMENT
### for period from 01.01.2020 to 31.12.2020.

- in 000 RSD -

| NO | DESCRIPTION | Equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ADP | 30 Capital | ADP | 31 Subscribed capital unpaid | ADP | 32 Reserves | ADP | 35 Loss | ADP | 047 и 237 Treasury shares |
| 1 | 2 | | 3 | | 4 | | 5 | | 6 | | 7 |
| 1 | **Opening balance of the prior year as at 01.01.2018.** | | | | | | | | | | |
| | a) debit balance account | 4001 | | 4019 | | 4037 | 0 | 4055 | | 4073 | |
| | b) credit balance account | 4002 | 173.223 | 4020 | | 4038 | 23.931 | 4056 | | 4074 | |
| 2 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the debit side of the account | 4003 | | 4021 | | 4039 | | 4057 | | 4075 | |
| | a) corrections on the credit side of the account | 4004 | | 4022 | | 4040 | | 4058 | | 4076 | |
| 3 | **Corrected opening balance of the prior year as at 01.01.2018.** | | | | | | | | | | |
| | a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0 | 4005 | 0 | 4023 | 0 | 4041 | 0 | 4059 | 0 | 4077 | 0 |
| | a) corrected credit balance of the account (1b - 2a + 2b) ≥ | 4006 | 173.223 | 4024 | 0 | 4042 | 23.931 | 4060 | 0 | 4078 | 0 |
| 4 | **Changes in the previous year 2017** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4007 | | 4025 | | 4043 | 0 | 4061 | | 4079 | |
| | b) turnover on the credit side of the account | 4008 | | 4026 | | 4044 | 17 | 4062 | | 4080 | |
| 5 | **State at the end of the previous year 31.12. 2018** | | | | | | | | | | |
| | a) account'sdebit balance (3a + 4a - 4b) ≥ 0 | 4009 | 0 | 4027 | 0 | 4045 | 0 | 4063 | 0 | 4081 | 0 |
| | b) account's credit balance (3b - 4a + 4b) ≥ 0 | 4010 | 173.223 | 4028 | 0 | 4046 | 23.948 | 4064 | 0 | 4082 | 0 |
| 6 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the account's debit side | 4011 | | 4029 | | 4047 | | 4065 | | 4083 | |
| | a) corrections on the account's credit side | 4012 | | 4030 | | 4048 | | 4066 | | 4084 | |
| 7 | **Corrected opening balance of the current year as at 01.01.2019.** | | | | | | | | | | |
| | a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0 | 4013 | 0 | 4031 | 0 | 4049 | 0 | 4067 | 0 | 4085 | 0 |
| | a) corrected credit balance of the account (5b - 6a + 6b) ≥ | 4014 | 173.223 | 4032 | 0 | 4050 | 23.948 | 4068 | 0 | 4086 | 0 |
| 8 | **Changes in the current year 2019.** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4015 | | 4033 | | 4051 | 104 | 4069 | | 4087 | |
| | b) turnover on the credit side of the account | 4016 | | 4034 | | 4052 | | 4070 | | 4088 | |
| 9 | **State at the end of the current year 31.12.2019.** | | | | | | | | | | |
| | a) account's debit balance (7a + 8a - 8b) ≥ 0 | 4017 | 0 | 4035 | 0 | 4053 | 0 | 4071 | 0 | 4089 | 0 |
| | b) account's credit balance (7b - 8a + 8b) ≥ 0 | 4018 | 173.223 | 4036 | 0 | 4054 | 23.844 | 4072 | 0 | 4090 | 0 |

| No | DESCRIPTION | Equity | | Components of capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ADP | 34<br>Retained earnings | ADP | 330<br>Revaluation reserves | ADP | 331<br>Actuarial profit or loss | ADP | 332<br>Profits or losses from investing in owners equity instruments | ADP | 333<br>Profits or losses from shares in other comprehensive profit or losses of associated |
| 1 | 2 | | 8 | | 9 | | 10 | | 11 | | 12 |
| 1 | **Opening balance of the prior year as at 01.01.2018.** | | | | | | | | | | |
| | a) debit balance account | 4091 | | 4109 | | 4127 | 0 | 4145 | | 4163 | |
| | б) потражни салдо рачуна | 4092 | 3.005.360 | 4110 | 357.600 | 4128 | | 4146 | | 4164 | |
| 2 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the debit side of the account | 4093 | | 4111 | | 4129 | | 4147 | | 4165 | |
| | a) corrections on the credit side of the account | 4094 | | 4112 | | 4130 | | 4148 | | 4166 | |
| 3 | **Corrected opening balance of the prior year as at 01.01.2018.** | | | | | | | | | | |
| | a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0 | 4095 | 0 | 4113 | 0 | 4131 | 0 | 4149 | 0 | 4167 | 0 |
| | a) corrected credit balance of the account (1b - 2a + 2b) ≥ ( | 4096 | 3.005.360 | 4114 | 357.600 | 4132 | 0 | 4150 | 0 | 4168 | 0 |
| 4 | **Changes in the previous year 2018.** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4097 | 27.937 | 4115 | | 4133 | | 4151 | | 4169 | |
| | b) turnover on the credit side of the account | 4098 | 486.648 | 4116 | 237 | 4134 | | 4152 | | 4170 | |
| 5 | **State at the end of the previous year 31.12.2018.** | | | | | | | | | | |
| | a) account'sdebit balance (3a + 4a - 4b) ≥ 0 | 4099 | 0 | 4117 | 0 | 4135 | 0 | 4153 | 0 | 4171 | 0 |
| | b) account's credit balance (3b - 4a + 4b) ≥ 0 | 4100 | 3.464.071 | 4118 | 357.837 | 4136 | 0 | 4154 | 0 | 4172 | 0 |
| 6 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the account's debit side | 4101 | | 4119 | | 4137 | | 4155 | | 4173 | |
| | a) corrections on the account's credit side | 4102 | | 4120 | | 4138 | | 4156 | | 4174 | |
| 7 | **Corrected opening balance of the current year as at 01.01.2018.** | | | | | | | | | | |
| | a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0 | 4103 | 0 | 4121 | 0 | 4139 | 0 | 4157 | 0 | 4175 | 0 |
| | a) corrected credit balance of the account (5b - 6a + 6b) ≥ | 4104 | 3.464.071 | 4122 | 357.837 | 4140 | 0 | 4158 | 0 | 4176 | 0 |
| 8 | **Changes in the current year 2018.** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4105 | 629.187 | 4123 | 3.478 | 4141 | | 4159 | | 4177 | |
| | b) turnover on the credit side of the account | 4106 | 417.113 | 4124 | | 4142 | | 4160 | | 4178 | |
| 9 | **State at the end of the current year 31.12.2019.** | | | | | | | | | | |
| | a) account's debit balance (7a + 8a - 8b) ≥ 0 | 4107 | 0 | 4125 | 0 | 4143 | 0 | 4161 | 0 | 4179 | 0 |
| | b) account's credit balance (7b - 8a + 8b) ≥ 0 | 4108 | 3.251.997 | 4126 | 354.359 | 4144 | 0 | 4162 | 0 | 4180 | 0 |

| NO | DESCRIPTION | Comprehensive income | | | | | | ADP | Total Equity [∑(row 1b col. 3 to col. 15) - ∑(row 1a col. 3 to col. 15)] ≥ 0 | ADP | Loss above equity [∑(row 1a col. 3 to col. 15) - ∑(row 1b col. 3 to col. 15)] ≥ 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ADP | 334 и 335 Profits and losses from foreignoperations and from conversion of foreign | ADP | 336 Profits or losses from cash flow hedging | ADP | 337 Profit or losseson available-for-sale securities | | | | |
| 1 | 2 | | 13 | | 14 | | 15 | | 16 | | 17 |
| 1 | **Opening balance of the prior year as at 01.01.2018.** | | | | | | | | | | |
| | a) debit balance account | 4181 | 0 | 4199 | | 4217 | | 4235 | 3.610.058 | 4244 | 0 |
| | b) credit blance account | 4182 | 49.944 | 4200 | | 4218 | | | | | |
| 2 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the debit side of the account | 4183 | | 4201 | | 4219 | | 4236 | 0 | 4245 | 0 |
| | a) corrections on the credit side of the account | 4184 | | 4202 | | 4220 | | | | | |
| 3 | **Corrected opening balance of the prior year as at** | | | | | | | | | | |
| | a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0 | 4185 | 0 | 4203 | 0 | 4221 | 0 | 4237 | 3.610.058 | 4246 | 0 |
| | a) corrected credit balance of the account (1b - 2a + 2b) ≥ 0 | 4186 | 49.944 | 4204 | 0 | 4222 | 0 | | | | |
| 4 | **Changes in the previous year 2018.** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4187 | 26.058 | 4205 | | 4223 | | 4238 | 0 | 4247 | 0 |
| | b) turnover on the credit side of the account | 4188 | | 4206 | | 4224 | | | | | |
| 5 | **State at the end of the previous year 31.12.2018.** | | | | | | | | | | |
| | a) account'sdebit balance (3a + 4a - 4b) ≥ 0 | 4189 | 0 | 4207 | 0 | 4225 | 0 | 4239 | 4.042.965 | 4248 | 0 |
| | b) account's credit balance (3b - 4a + 4b) ≥ 0 | 4190 | 23.886 | 4208 | 0 | 4226 | 0 | | | | |
| 6 | **Correction of material important mistakes and changes of accounting policies** | | | | | | | | | | |
| | a) corrections on the account's debit side | 4191 | | 4209 | | 4227 | | 4240 | 0 | 4249 | 0 |
| | a) corrections on the account's credit side | 4192 | | 4210 | | 4228 | | | | | |
| 7 | **Corrected opening balance of the current year as at 01.01.2018.** | | | | | | | | | | |
| | a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0 | 4193 | 0 | 4211 | 0 | 4229 | 0 | 4241 | 4.042.965 | 4250 | 0 |
| | a) corrected credit balance of the account (5b - 6a + 6b) ≥ 0 | 4194 | 23.886 | 4212 | 0 | 4230 | 0 | | | | |
| 8 | **Changes in the current year 2018.** | | | | | | | | | | |
| | a) turnover on the debit side of the account | 4195 | 45.900 | 4213 | | 4231 | | 4242 | 0 | 4251 | 261.556 |
| | b) turnover on the credit side of the account | 4196 | | 4214 | | 4232 | | | | | |
| 9 | **State at the end of the current year 31.12.2018.** | | | | | | | | | | |
| | a) account's debit balance (7a + 8a - 8b) ≥ 0 | 4197 | 22.014 | 4215 | 0 | 4233 | 0 | 4243 | 3.781.409 | 4252 | 0 |
| | b) account's credit balance (7b - 8a + 8b) ≥ 0 | 4198 | 0 | 4216 | 0 | 4234 | 0 | | | | |

In ______________________

______________ **S.P.** ______________________

ENERGOPROJEKT
ENTEL a.d.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2020

Belgrade, 2021

## CONTENT

## 1. CORPORATE INFORMATION

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

**Subsidiaries of the Parent Company abroad are as follows:**

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

The above-mentioned companies make the group:

**• Energoprojekt Entel**

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

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

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

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

The annual consolidated financial statements are the financial statements of the Parent Company and subsidiaries, authorised by the BOARD OF DIRECTORS OF ENERGOPROJEKT ENTEL on 19 March 2021 on its 30th Session. The authorised financial statements may be subsequently amended, in accordance with the applicable regulations.

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

- 2020: 625 and
- 2019: 709 employees

## 2. MANAGEMENT STRUCTURES

**Key management personnel of the Parent Company in 2019** included the following persons:

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

## 3. OWNERSHIP STRUCTURE

According to the Records of the Central Securities Registry, the registered ownership of shares of Energoprojekt Holding Plc. as of 31 December 2020 is presented below:

Energoprojekt Holding Plc. owns 100% od shares.

## 4. BASIS FOR PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Law on Corporate Income Tax ("Official Gazette of RS", No. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014 - other law, 142/2014, 91/2015 - authentic interpretation, 112/2015, 113/2017, 95/2018 and 86/2019);
- Law on Added Value Tax ("Official Gazette of RS", No. 84/2004, 86/2014 - corrigendum, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - other law, 142/2014, 5/2015, 83/2015, 108/2016, 113/2017, 30/2018 and 72/2019);
- Rules on the Contents of Tax Balance and Other Issues of Relevance for Calculation of Corporate Income Tax ("Official Gazette of RS", No. 20/2014, 41/2015, 101/2016, 8/2019 and 94/2019);
- Rules on the Contents of Tax Return for Calculation of Corporate Income Tax ("Official Gazette of RS", No. 30/2015, 101/2016, 44/2018 – other laws, 8/2019 and 94/2019);
- Rules on Method of Classification of Non-Current Assets and on Method of Calculation of Depreciation for Taxing Purposes ("Official Gazette of RS", No. 116/2004, 99/2010, 104/2018 and 8/2019);
- Rules on Transfer Pricing and Methods Applied in compliance with the “arm’s length” principle in determining the price of transactions among related parties ("Official Gazette of RS", No. 61/2013, 8/2014 and 94/2019) and others.

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

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

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

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

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

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

The Decision of the Ministry of Finance No. 401-00-4980 / 2019-16 from 21 November 2019 (“RS Official Gazette”, No. 92/2019) established translation of the International Financial Reporting Standards applied on the financial statements as at December 2020, with the possibility of earlier application. The published standards and interpretations in force in the current period are shown in Note 4.1.

In addition to the above, the Decision of the Ministry of Finance No. 401-00-4351 / 2020-16 from 13 October 2020 ("RS Official Gazette", No. 123/2020 and 125/2020) established and published translations of the IFRS IAS and the Conceptual Framework basic texts, adopted by the Board, as well as related IFRIC interpretations applicable to the preparation of the financial statements as at 31 December 2021, with the possibility of earlier application. The Company has decided to apply these standards in preparing financial statements for the year ended 31 December 2021. Published standards and interpretations that become effective in the next accounting period are shown in Note 4.2.

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

On the day of publication of these financial statements, below stated standards as well as the amendments thereto were issued by the International Accounting Standards Board, as well as the interpretations of the International Financial Reporting Interpretations Committee, but they were translated and officially adopted in the Republic of Serbia in November 2019 and are applied on financial statements prepared as of 31 December 2020:

- Amendments to IAS 32 “Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non- Financial Assets (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July, 2014);
- Annual improvements for the period from 2010 to 2012, which are the result of the Annual Qualitative Improvement Project IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) in order to eliminate inconsistencies and clarify formulations (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) and interpretations to standards are part of the IASB’s annual improvements project “Cycle 2011-2013” published by IASB in December 2013, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July, 2014);
- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January, 2016;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January, 2016);

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January, 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January, 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January, 2017);
- IFRS 3 "Business Combinations" - a supplement relating to clarifications when one party acquires control in a previous joint venture. The change shall enter into force for business combinations whose date of purchase is on or after the first annual reporting period beginning on or after 1 January 2019. It may be contrary to amendments to IFRS 11;
- Interpretations to IFRS 11 related to transactions in which entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. This may be contrary to IFRS 3;
- Amendments to various standards and interpretations IFRS (IFRS 1 and IAS 28) which are part of the IFRS annual improvements project 2014-2016 cycle, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 2 “Share-based Payments” - clarifications on how to record certain types of share-based transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 “Insurance Contracts” - amendments related to Implementation of IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 40 “Investment Property” - clarification of the principle of classification of investment property (effective for annual periods beginning on or after 1 January 2018);
- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, regarding classification and measurement of financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted;

- Amendments to IFRS 9 “Financial Instruments” - defining the conditions for measuring financial assets at amortized cost or at fair value through other comprehensive income (effective for annual periods beginning on or after 1 January 2019);
- IFRS 15 “Revenue from contracts with customers”, which defines the framework for the recognition of revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted;
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016);
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 22 “Foreign Currency Transactions and Advances Consideration” - issued during December 2016 (effective for annual periods beginning on or after 1 January 2018);
- Annual IFRS Improvement Cycle 2014-2016 - Amendments to IAS 12 “Income Taxes” (issued in December 2016).
- Amendments to IFRS 7 related to IFRS 9.

The most significant changes in standards and interpretations in force in the current period relate to application of IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and IFRIC 22 “Foreign Currency Transactions and Advances Consideration”. The text below provides basic changes to these standards and the outcomes of their application.

**IFRS 9 Financial Instruments**

IFRS 9, issued in November 2009, introduces new requirements regarding the classification and valuation of financial assets. IFRS 9 was amended in October 2010 with requirements related to the classification and measurement of financial liabilities and derecognition, and in November 2013 with new requirements related to general hedge accounting. The final version of IFRS 9 was issued in July 2014 to cover a) impairment requirements for financial assets and b) limited amendments to the requirements related to the classification and introduction of the category 'fair value through other comprehensive income' (FVTOCI ) to measure certain simple debt instruments.

In accordance with IFRS 9, effective from 1 January 2020, changes in accounting policies resulting from the application of IFRS 9 are applied retrospectively, with the permissible exception that comparative data from prior periods need not be adjusted in terms of changes relating to on classification and measurement, as well as on impairment of financial assets.

The effects of reconciling the carrying amounts of financial assets and liabilities at the date of initial application of the standard are recognized in equity as adjustment of opening balance of retained earnings in 2020.

The key requirements of IFRS 9 are: All recognized financial assets within the scope of IAS 39 Financial Instruments: Recognition and measurement must be subsequently measured at either amortized cost or fair value. A debt instrument held under a business model that aims to collect contracted cash flows and has contracted cash flows that represent only principal and interest payments on the outstanding principal amount is generally measured at amortized cost at the end of the next period. Debt instruments held under a business model whose objective is both the collection of contracted cash flows and the sale of financial assets, and whose contractual provisions result in cash flows on predetermined dates that are primarily principal and interest payments on the outstanding principal are generally measured at fair value through other comprehensive income.

All other debt instruments and shares must be measured at fair value at the end of the following period. Also, under IFRS 9, if an equity instrument is not held for trading, entity may make an irrevocable decision on initial recognition that such an instrument is measured at fair value through other comprehensive income (FVTOCI), with only dividend income being recognized within profit and loss.

In relation to the measurement of financial liabilities designated at fair value through profit or loss (FVTPL), IFRS 9 requires that the amount of change in fair value of a financial liability arising from changes in credit risk be recognized in other comprehensive income, unless the presentation of the effect of change in the credit risk of the liability would cause or increase an accounting mismatch in the income statement. Changes in fair value a liability arising from credit risk are not subsequently reclassified to a deduction and loss statement. Under IAS 39, the full amount of the change in the fair value of a financial liability designated at fair value through profit or loss is presented within profit or loss.

With respect to impairment of financial assets, IFRS 9 requires the application of a model of expected credit losses as opposed to the model of incurred credit losses under IAS 39. The model of expected credit losses requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date in a way that reflects changes in credit risk since initial recognition. In other words, it is no longer necessary for a default event to occur before credit losses are recognized.

Company for the calculation of collective and individual impairments in accordance with requirements of IFRS 9, for receivables from operations or assets under contracts resulting from transactions within the scope of IFRS 15, as well as for receivables from related parties and financial placements, for calculation of expected credit loss (Expected credit loss (ECL), applies the Simplified approach, which involves estimating losses to the end of the maturity period (lifetime ECL).

The Company also adopted the resulting Amendments to IFRS 7 Financial Instruments - Disclosures, which it applied to the disclosures for 2020.

The results of credit risk assessment of the Company's financial assets are given in the following table:

| **Existing items at 1 January 2020 that are subject to impairment in accordance with IFRS 9** | **Credit risk as of 1 January 2020** |
|---|---|
| Trade receivables (external customers)<br>Accrued costs and deferred revenue (assets under contracts with customers in accordance with IFRS 15, ie receivables based on uninvoiced revenues)<br>Lease receivables | The Company applies a simplified approach which implies that for a given receivable, the life expectancy credit loss is calculated regardless of whether there has been a significant increase in credit risk. |
| Trade receivables (related parties, receivables from the state, state-owned companies and state bodies, where the state is predominantly in the role of investors)<br>Financial placements (long-term and short-term)<br>Deposits given | The Company applies the general approach and expected credit losses over the life of the instruments, ie 12-month expected credit losses for financial assets that do not contain a significant financing component. When calculating expected credit losses for assets with a significant financing component, the general approach of impairment is used. |

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

The initial application of IFRS 9 did not have a significant impact on the measurement of the parent company's financial assets. Regarding the classification of financial assets, the Company had the following change:

- financial assets that are classified as held to maturity under IAS 39 and measured at amortized cost (AC) are still measured at amortized cost in accordance with IFRS 9 because they are held within a business model aimed at collecting contractual cash flows and these flows consist only of payment of principal and interest on unpaid portion of principal.

**IFRS 15 “Revenue from Contracts with Customers”**

IFRS 15 establishes a single and comprehensive model for accounting for revenue under contracts with customers. Upon entry into force, IFRS 15 replaces previously applicable guidance on revenue recognition in IAS 18 Revenue, IAS 11 Construction Contracts and their Interpretations.

The basic principle of IFRS 15 is that an entity should recognize revenue that is a transfer of contractually promised goods or services to customers in an amount that maintains the consideration to which the entity expects to acquire a right in exchange for the transferred goods and services. In particular, the standard introduces a 5-step model framework:

- Step 1: Identify the contract(s) with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contracts; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

According to IFRS 15, an entity recognizes revenue when the obligation to perform is fulfilled (or during the fulfillment of the obligation to perform), ie. when ‘control’ over the goods or services underlying a specific performance obligation is transferred to the buyer.

The Company has applied IFRS 15 in accordance with the retrospective method of transition to the application of the standard, while maintaining the presentation of amounts related to the previous ones in accordance with previously applicable standards. The Parent Company's accounting policies for revenue flows are described in detail in Note 6. Apart from extensive disclosures about the Parent Company's revenue-generating transactions, the application of IFRS 15 did not have a significant impact on the Parent Company's financial position and results. Therefore, the Company did not recognize any adjustments to the opening balances within equity in connection with the initial application of IFRS 15 on the date of initial application, ie. on 1 January 2020.

**IFRIC 22 “Foreign Currency Transactions and Advance Consideration”**

The interpretation was published on 8 December 2016, and is effective for annual periods beginning on or after 1 January 2018.

This Interpretation applies in a foreign currency (or any part thereof) when, as a result of that transaction, non-monetary assets or liabilities arising from the receipt or payment of advance are recognized before the related assets, expenses or income. The Interpretation addresses the question of how to determine the date of a transaction for the purposes of determining the exchange rate used in the initial recognition of related assets, expenses or income (or any part thereof) and in derecognising non-monetary assets or non-monetary liabilities arising from payment or receiving advances in foreign currency.
The Company has applied this Interpretation prospectively to all assets, expenses and income within the scope of IFRIC Interpretation 22 when initial recognition was made on or at the beginning of the current reporting period and the effects of the application are not material.

4.1 Published standards and interpretations that have into force in the forthcoming period

At the date of publication of these financial statements, the following standards and amendments were issued by the International Accounting Standards Board, as well as the interpretations of the International Financial Reporting Interpretations Committee, but translated and officially adopted in the Republic of Serbia in October 2020 and shall be applies from the financial statements prepared as at 31 December 2021:

- IFRS 16 "Lease" published in January 2016, applied for business periods beginning after 1 January 2019. This standard will replace the previous IAS 17;
- IFRS 16 introduces a comprehensive model for identifying leasing arrangements and prescribes accounting treatment for both lessors and lessees. When effective, IFRS 16 will replace 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 in off-balance sheet records) and financial leases (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 obligation 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 small, where the lessee may choose to apply the relief and recognize the costs of such leasing within income statement;
- 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 possible revaluation of the lease liability. The initial measurement of the lease liability is made at the present value of the outstanding lease installments at the measurement date. Subsequently, the value of the lease liability is adjusted for the amount of interest and repaid installments, as well as for the effects of changes in the leasing arrangement;
- In addition, the application of new standard will affect 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 shown within cash flows from financing activities, and interest payments, which will be shown within cash flows from operating activities;
- IFRIC 23 - Interpretation Related to IAS 12. Interpretation becomes effective on or after 1 January 2019, but earlier application is permitted;

- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - clarifications on recording long-term investments in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019);
- Annual improvements from 2015 to 2017 related to various IFRS improvement projects (IFRS 3, IFRS 11, IAS 12, IAS 23) mainly for elimination inconsistencies and clarification formulations (effective for annual periods beginning on or after 1 January 2019) and
- Amendments to IAS 19 “Employee Benefits” - defining the method of calculating defined benefit plans when changes, restrictions or settlements occur during the reporting period (effective for annual periods beginning on or after 1 January 2019).

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. At the date of issue 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.

4.2 Published standards and interpretations in force in the previous and current periods which have not yet been officially translated and adopted

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:

- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - definition of materiality (issued in October 2018, effective for annual periods beginning on or after 1 January 2020);
- Revised Conceptual Framework for Financial Reporting - the revised Conceptual Framework sets out: general purpose financial reporting objective, qualitative characteristics of useful financial information, description of reporting entity and constraints, definitions of assets, liabilities, capital, income and expenses and additional guidelines, criteria for asset recognition and obligations in the financial statements and guidelines for derecognition, concepts and guidelines for presentation and disclosure, the concept of maintaining capital (effective for annual periods beginning after 1 January 2020).

4.3 Published standards and interpretations that have not yet become effective

On the day of publication of these financial statements, the following standards, amendments and interpretations have been issued but have not yet become effective:

- IFRS 17 “Insurance Contracts” - revised and issued during 2017 as a complete standard (effective for annual periods beginning on or after 1 January 2021 - amendments are expected by the end of June 2020, The International Accounting Standards Board has made a preliminary decision to postpone the application of this standard for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or transfer of assets between an investor and its associates or joint ventures (amendments adopted in September 2014, application is deferred) indefinitely);

- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of liabilities as short-term or long-term (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 “Business Combinations” - update the outdated reference to the conceptual framework in IFRS 3 without significant changes to the requirements of the standard (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 “Property, Plant and Equipment” - recognition of revenue before intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - specifying that “contract performance costs” include “costs directly attributable to the contract” (effective for annual periods beginning on or after 1 January 2022);
- Annual improvements from 2018 to 2020 related to various IFRS improvement projects (IFRS 1, IFRS 9, IFRS 16, IAS 41) mainly on elimination inconsistencies and clarification formulations (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 17 “Insurance Contracts” - amendments to address the aberrations and application challenges identified following publication of IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- Extension of temporary exemption from the application of IFRS 9 (Amendments to IFRS 4) - amendment changes the fixed expiry date for temporary exemption in IFRS 4 from application of IFRS 9 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” - postponement of the effective date of amendments from January 2020 for the year (effective for annual periods beginning on or after 1 January 2023);
- Reform of the reference interest rate - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021;
- Amendments to IAS 1 “Presentation of Financial Statements” and “IFRS Practice Statement 2” - disclosures of material accounting policies, instead of their significant accounting policies (effective for annual periods beginning on or after 1 January 2023);
- Amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - definition of accounting estimates (effective for annual periods beginning on or after 1 January 2023).

## 5. CONSOLIDATION

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

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

### Subsidiaries

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

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

- power over the company in which it invested (has the current ability to direct the relevant

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

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

**Associated company**

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

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

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

## 6. ACCOUNTING PRINCIPLES

Upon preparation of the consolidated financial statements, the Parent Company applied the following principles:
- The going concern principle;
- The consistency principle,
- The prudence principle,
- The substance over form principle,
- The accrual principle and
- The item by item assessment principle.

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

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

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

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

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

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

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

## 7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

In the preparation of the consolidated financial statements the relevant provisions of IAS 10 have been followed, which relate to events occurring from the balance sheet date to the date when the consolidated financial statements were authorised for publishing. Specifically, **for the effects of events underlying the consequences that existed as of the balance sheet date,** the amounts already recognised in the consolidated financial statements of the Parent Company were adjusted, in order to reflect the adjusting events subsequent to the balance sheet date; and for the effects of the events that reflect the circumstances occurring subsequent to the balance sheet date**,** no adjustments to the recognised amounts were made. If there were any, these Notes would disclose the nature of events and the valuation of their financial effects.

### 7.1. Estimates

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

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

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

### 7.2. Effects of the foreign exchange rates

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

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

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

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

Official median exchange rates of the National Bank of Serbia

| *Currency* | *31 December 2020* | *31 December 2019* |
|---|---|---|
| | *RSD amount* | |
| 1 EUR | 117.5802 | 117.5928 |
| 1 USD | 95.6637 | 104.9186 |
| 1 QAR | 26.2812 | 28.8237 |
| 1 OMR | 248.8164 | 272.5151 |
| 1 AED | 26.0467 | 28.5652 |
| 1 BHD | 26.0467 | 279.0387 |

### 7.3. Income

***Accounting policy for 2020***

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, ie leasing).

Revenues include only gross inflows of economic benefits that the Company has received or should receive for 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 revenue.

An obligation to report or an obligation to do is a promise (or set of promises) that goods or services will be transferred to the customer.

When an execution obligation is fulfilled (or while it is being fulfilled), the Company recognizes revenue in the amount of the transaction price allocated to that execution obligation.

Contractual assets are recognized if the corresponding revenue from the performance of the contractual obligation to perform is recorded before the buyer has paid the fee or before there are requests for invoicing, and thus requests for recognition of receivables from customers. A contractual obligation is recognized when the buyer has paid the fee or the receivable from the buyer is due before the Company has fulfilled the contractual obligation to perform. At the level of the contract with the buyer, contractual obligations are offset against the contracted property.

The basic principle of the new standard is that the Company recognizes revenue to show the transfer of promised goods or services to customers in an amount that reflects the compensation that 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 fee promised in the contract concluded with the buyer 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 how significant the deviation of actual inflows from normal recognized revenue in previous periods).

The parent's main sales transaction is design, consulting and engineering of thermal, nuclear, power and telecommunications facilities - where sales revenue is recognized over time.

**Revenues from design, consulting and engineering**

The Company performs design, consulting and engineering services (together hereinafter: “design and consulting services”) on the basis of contracts with customers. Such contracts are concluded before the start of design and consulting services and according to the terms of the contract, the Company is limited by contract to the transfer of assets to another buyer and has an enforceable right to payment for work performed. Revenues 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 control 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) certificate). When a certain milestone is reached, the relevant report on the work performed is sent to the buyer, signed by the buyer or another supervisory body appointed by the contracting parties. The Company will previously recognize the assets from the contract (as accruals) for any work performed. Any amount previously recognized as an asset, within active accruals, as an asset from the contract is reclassified to trade receivables when the conditions for invoicing to the buyer are met.

If the inflows exceed the income recognized by the reporting date according to the exit method, for the determined excess of the inflow from the recognized income, the Company recognizes liabilities from the contract, recorded within accrued costs and deferred revenue. The Company believes that there is no significant component of financing under contracts with customers given that the period between revenue recognition and collection at performance-related milestones is less than one year. In addition, Management believes that contracts with customers for design and consulting services do not have a significant financing component as the difference between the promised fee 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. the amount is proportional to the reasons for that difference.

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

***Accounting policy for 2020***

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

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

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

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

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

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

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

### 7.4. Financial Income

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

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

### 7.5. Other Income

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

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

### 7.6. Expenses

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

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

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

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

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

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

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

### 7.7. Income taxes

Income taxes are accounted for as the sum of:

- Current tax and
- Deferred tax.

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

*Deferred tax* is manifested in the form of:

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 7.8. Intangible assets

**Intangible assets** are assets without physical substance, which can be identified, such as: licenses, concessions, patents, licence, investments in development, trademarks, etc. Assets meet the criteria of the possibility of identification when they are: separable, i.e., when they can be separated from the Parent Company and sold, transfer, license, rent or exchange, whether individually or together with the binding agreement, property or liability; or it occurs based on the contractual or other legal rights, regardless of whether these rights are transferable or separable from the Parent Company or from other legal rights or obligations.

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

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

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

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

- A research phase or
- A development phase.

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

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

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

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

### 7.9. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

### 7.10. Amortisation and depreciation of intangible assets, property, plant and equipment

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

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

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

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

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

- When there is a third party’s obligation to buy intangible assets at the end of their useful life or

- When there is an active market for intangible assets, assuming that such a market will exist at the end of the life of the asset, when the residual value can be determined by reference to that market.

The residual value and useful life of assets are reviewed at each financial year by the competent appraiser.

If the new estimates differ from previous estimates, the change is treated as the change in accounting estimates and is accounted for on the basis of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 7.12. Financial instruments

**Financial assets**

*Classification*

Subsequent to initial recognition, all assets within the scope of IFRS 9 are measured at:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit or loss (FVTPL).

based on:

a) the parent company's business model for financial management, and

b) the characteristics of contracted cash flows.

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

a) financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value).

b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

a) financial asset is held within a business model aimed at achieving both the collection of contracted cash flows and the sale of financial assets, and

b) agreed terms of the financial asset on a certain date create cash flows that are only the payment of principal and interest on the outstanding part of the 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.

*Amortised cost*

The asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified.

*Effective interest method*

The effective interest rate of a financial asset or financial liability is calculated at initial recognition and is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or financial liability to the: Gross carrying amount (before deducting provisions for impairment) of a financial asset; or Amortised cost of a financial liability. At initial recognition the amortised cost of a financial asset or financial liability is normally equal to the fair value of the financial instrument adjusted for the related transaction costs. For the calculation of the effective interest rate, an entity estimates the expected cash flows considering all contractual terms including any fees, transaction costs, and other premiums or discounts. Debt premiums or discounts, financing costs or internal administrative or holding costs are not eligible transaction costs. Because transaction costs are included as part of the initial carrying amount of the financial instrument, the recognition of these costs in profit or loss is spread over the term of the instrument through the application of the effective interest method.

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

Gains or losses on financial assets at fair value through other comprehensive income are recognized in other results, except for gains or losses on impairment and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. Interest income on such an asset is calculated using the effective interest method.

*Equity investments*

The Company subsequently measures all equity instruments (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 results, those gains and losses may not be subsequently reclassified to profit or loss after derecognition of the investment. on retained earnings. The Group provides for labeling as a means of capital instruments valued at FVTOCI when held for strategic purposes and not just for the exercise of return. Dividends received from these investments the Company recognized in the income statement within other income when the right of the parent to receive a dividend.

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

*Loans 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 related 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), which is 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, ie sales up to one year from the balance sheet date.

Short-term financial placements 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 own 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, ie the amount invoiced less amounts charged on behalf of third parties, such as sales taxes). After initial measurement, loans and receivables are measured at amortized (discounted) value using the effective interest rate, less any allowance for impairment.

Income and expenses incurred from derecognition of 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 impairment for the purpose of measuring credit losses, ie impairment for receivables from third parties, which include receivables from customers in the country and abroad, long-term receivables - retention, as well as accrued expenses on the basis of contracts in accordance with IFRS 15), ie receivables on the basis of uninvoiced income with these persons, which are not subject to individual estimates, as well as receivables for lease. For the stated receivables, the Company 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, having in mind the short maturity of this type of financial asset. liabilities (PD), the amount of loss in case of default (LGD), the exposure in case of 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 based on common credit risk characteristics, preparation of monthly age structures for each segment in a period of three years or more and application of transition matrices in the observed period showing the monthly movement of individual receivables between defined delay interval during the observed period. Depending on the type of receivable, the threshold of non-payment of the obligation is assumed to be a threshold of 180 days for external customers, or 360 days for related legal entities.

For other categories of financial assets (receivables from related legal entities, the state, state-owned companies and state bodies, where the state is mainly in the role of investors, cash and cash equivalents, financial investments, securities), the Company applies the general approach.

As indicators of a significant increase in credit risk, ie 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 repayment and other qualitative criteria. may lead to the conclusion that there has been a significant increase in credit risk. For the purposes of identifying impairment indicators, ie the criteria 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 Companies apply:

- 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 the calculation of value adjustments in cases where key credit risk drivers can be monitored on the basis of an individual instrument, where the entity then monitors them without the need for additional joint assessment. In the individual assessment of expected credit losses, the calculation is performed using the following formula:

ECL = Default Probability (PD) x Default Loss Amount (LGD) x Outstanding Exposure (EAD) x Discount Factor

For the purposes of individual assessment, the Company relies on data on non-payment of liabilities (PD) from external sources, ie data published by reputable rating agencies or ratings of countries in which the debtor operates. LGD implies the loss rate in case of default where the Company uses the Basel LGD or 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) with the total amount of registered receivables, ie. invoice in the worst age interval during the observed period.

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

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

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

Cash and cash equivalents include cash balances and short-term deposits with banks with an initial maturity of three months or less, but no approved current account overdrafts. In calculating the allowance, the Company took into account the credit ratings of banks in determining the probability of loss (PD) and the loss rate in case of 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 insignificant value change risk; i
- if it matures in a short period of time, ie. 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 at the exchange rate ruling at the reporting date on the foreign currency amount. The result of the translation is classified as an 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 financing component. 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*

The Company annually analyzes whether there is objective evidence of impairment of financial assets and whether eventual impairment impacts the estimated future cash flows arising from asset and recognize 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 periods.

The Company measures expected credit losses in a manner that reflects:

a) an unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
b) discounting for the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 occurred:

- some part or installment of the repayment is in arrears and the delay in the settlement of the obligation by the debtor cannot be attributed to the delay caused by the collection systems;

- 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 (eg 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 are 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 derecognises financial asset when the contractual rights to asset expire or when the Company loses control of the contractual rights that make up the financial asset. Upon derecognition, the difference between the carrying amount of an asset and the amount received for that asset is recognized in the income statement for the period.

*Classification as a financial liability or equity*

Issued debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of contractual arrangements and the definition.

*Equity instruments*

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

**Financial liabilities**

*Initial recognition and measurement*

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

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

The Company includes transaction costs in calculation of initial carrying value of liabilities when these costs represent a significant part of obligation. Otherwise, transaction costs are included in expenses in the consolidated statement of comprehensive income of the Group in period in which they are incurred.

*Classification of financial liabilities*

Under 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 subsequently measured at fair value);

b) financial obligations 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 measurement of financial liabilities*

After initial recognition, the Company measures all financial liabilities at amortized cost applying effective interest rate. Interest costs on financial liabilities are recognized under 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 as:

- if it was acquired primarily for the purpose of redemption in the near future; or

- if, at initial recognition, it is part of a 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 acquirer's consideration in a business combination may be designated at initial recognition as a financial liability under the FVTPL if:

- such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or

- 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 based on 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 the FVTPL.

Financial liabilities under the 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 designated hedging relationship. The net gain or loss recognized in the income statement also includes interest paid on the financial liability and included in the profit or loss for the period.

However, for liabilities designated as liabilities under the 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 results, unless such recognition of the effects of changes in credit risk would result in or increase the other result. accounting mismatch in the income statement. The remaining portion 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 that are recognized in other results 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 that are designated as instruments at fair value through profit or loss are recognized in the income statement.

*Derecognition of financial liabilities*

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

### 7.13. Shares in Subsidiaries and Other Related Parties

Shares in associates and joint ventures are accounted at cost method. However, if, in accordance with IAS 36 - Impairment of Assets, it is determined that the recoverable amount of contribution is less than the purchase (book) value, the Company reduces the value of share to recoverable amount, and the impairment is stated as expense in the period when it is occured.

### 7.14. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

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

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

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

**A contingent liability is:**

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

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

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

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

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

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

### 7.15. Employee benefits

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

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

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

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

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

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

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

## 8. BASIC ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The presentation of financial statements requires the Parent Company management to make the best possible estimates and reasonable assumptions, which have an effect on the reported values of assets and liabilities, disclosure of potential receivables and payables as of the balance sheet date and income and expenses incurred during the reporting period. These estimates and assumptions are based on information available at the date of preparation the financial statements.

The text below shows key assumptions about the future and other sources of estimation uncertainty at the balance sheet date that state a significant risk to material adjustments to the amount of balance sheet items in the next financial year.

### Key judgements in applying accounting policies

What follows are the key judgments, other than those involving estimates, made by the management in the process of applying the Company's accounting policies, which have the most significant effect on the amounts recognized in the financial statements.

*A method of measuring progress towards full compliance*

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

*Analysis of business model*

Classification and measurement of financial assets depends on the results of so-called SPPI test (ie checks whether contracted cash flows of the financial asset represent only principal repayments and interest payments on outstanding part of principal) and the business model test.

The Company establishes a business model at a level that reflects the way in which groups of financial assets are managed in order to achieve a certain business goal. This analysis involves judging on the basis of all relevant evidence, including those on 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 results recognized when they fall due to understand the reasons for their disposal, as well as whether those reasons are consistent with the business objectives for which the Company held the funds. Monitoring is part of the Parent Company's ongoing analyzes and assessments as to whether the business model within which the remaining, non-disposable assets are held is still appropriate and, if not appropriate, whether there has been a change in the business model and therefore in the 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 text below shows key assumptions about the future and other sources of estimation uncertainty at the balance sheet date that state 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 instruments, ie 12-month expected credit losses for financial assets that do not contain a significant component of financing. As indicators of a significant increase in credit risk, the Company considers:

- Decline in external credit rating used for the purpose of calculating the allowance for impairment;
- Delay of 30 days in repayment of obligation (when it is about third parties), or 90 days (related parties);
- Other qualitative criteria that may lead to the conclusion that there has been a significant increase in credit risk.

For the purposes of identifying impairment indicators, ie the criteria that it is necessary to calculate expected credit losses for assets classified in level 3, in accordance with the requirements of IFRS 9, the Company applies:

- Defined default threshold that applies 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 an asset has increased significantly, the Company considers qualitative and quantitative reasonable and supported information relating to the future.

*Discount rate for calculating provisions for benefits and other employee benefits*

Determining a parent company's liability for long-term employee benefits depends on certain assumptions, which include the choice of 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 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 with corrections disclosed in Note 31 due to the fact that the average maturity of reprinted securities values lower than the average maturity of the subject income.

These assumptions are considered to be a key source for estimation uncertainty, 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 given in Note 31.

*Fair value*

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, in the given circumstances, is the most reliable and most useful for the purposes of reporting.

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

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

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

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

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

Financial risks are significantly conditioned by the (external) factors which are not directly controlled by the Parent Company.
Therefore, the amount of financial risk is significantly affected by the Parent Company's environment, which is not determined only by the development of the economic environment, but also by legal, financial and other relevant aspects which determine the amount of system risks.

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

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

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

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

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

### 9.1. Credit risk

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

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

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

A valid framework for evaluation and ranking of the Group credit risk includes the following categories:

| **Category** | **Description** | **Recognition of expected credit losses (ECL)** |
|---|---|---|
| Performing assets | Undue or shorter than 180 days for external customers and 360 days for related parties | 12-months ECL |
| Non-performing assets *(Stage 3, in accordance with requirements of IFRS 9 - individual assessment for impairment)* | Overdue receivables more than 180 days for external customers and 360 days for related parties | ECL through useful life of instruments |
| Non-performing assets *(Stage 3 – collective assessment for impairment)* | Overdue receivables more than 180 days for external customers and 360 days for related parties | ECL through useful life of instruments |
| Write off | There is evidence that the debtor is in serious financial difficulties and the Group does not have a realistic chance to collect receivables | The amount is written off |

The tables below present:

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

| **The structure of short-term receivables which have not been impaired** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Trade receivables: | | |
| **DOMESTIC RECEIVABLES** | | |
| RECEIVABLES FROM RELATED PARTIES | 542 | 208 |
| EPS | 134,158 | 235,768 |
| TEPSCO | 2,574 | 6,016 |
| other SERBIA | 43,784 | 12,917 |
| **FOREIGN RECEIVABLES** | | |
| **BUYERS OMAN** | | |
| OETC | 66,874 | 72,626 |
| PAEW | 109,853 | 108,089 |
| OWSC | 1,418 | 10,718 |
| Other | 3,502 | 19,051 |
| **BUYERS QATAR** | | |
| KAHRAMAA QATAR | 221,346 | 304,412 |
| OTHER QATAR | 170,722 | 236,667 |
| **BUYERS EMIRATES** | | |
| **DUBAI** | | |
| DEWA Contracts DUBAI | 117,939 | 265,810 |
| MERAAS DUBAI | 37,430 | 4,142 |
| other DUBAI | 228,872 | 368,206 |
| **ABU DHABI** | | |
| TRANSCO ABU DHABI | 27,980 | 37,770 |
| ADDC ABU DHABI | | 48,589 |
| other ABU DHABI | 10,445 | 1,372 |
| ***Total*** | ***1,177,440*** | ***1,732,361*** |

The Parent Company has no collaterals issued.

| The ageing structure of short-term receivables which have not been impaired | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Related parties: | | |
| a) Current | 542 | 208 |
| *Total* | ***542*** | ***208*** |
| Domestic receivables: | | |
| a) Current | 131,578 | 205,763 |
| f) Over 180 days | 48,938 | 48,938 |
| *Total* | ***180,516*** | ***254,701*** |
| Foreign receivables: | | |
| a) Current | 657,193 | 691,672 |
| b) Up to 30 days | 151,561 | 323,255 |
| c) 30 - 60 days | 104,469 | 60,431 |
| d) 60 - 90 days | 25,545 | 74,599 |
| e) 90 - 365 days | 40,204 | 261,736 |
| f) Over 365 days | 17,410 | 65,759 |
| *Total* | ***996,382*** | ***1,477,452*** |
| **TOTAL** | ***1,177,440*** | ***1,732,361*** |

## STRUCTURE OF OTHER RECEIVABLES AS AT 31.12.2020

| Structure of other receivables | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| **Other receivables (other entities) - gross:** | | |
| receivables from employees | 82,813 | 96,944 |
| receivables for overpaid tax | 6,469 | |
| receivables for refundable assets | 2,393 | 638 |
| ***Total - gross*** | ***91,675*** | ***97,582*** |
| Allowance for impairment (other entities) | | |
| ***Total other receivables - other entities (net)*** | ***91,675*** | ***97,582*** |

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

| As of 31 December 2020 | Note | External credit rating | Internal credit rating | 12-month or lifetime ECL | Net book value | Allowance for impairment | Net book value |
|---|---|---|---|---|---|---|---|
| **Long-term financial placements** | 25 | n/p | Performing | 12-month ECL | 111.021 | - | 111.021 |
| **Long-term receivables - retention** | 26 | A - AAA | Performing | 12-month ECL | 1.251.964 | - | 1.251.964 |
| **Trade receivables** | 28 | n/p | Performing | lifetime ECL | 1.177.440 | - | 1.177.440 |
| **Other receivables** | 30 | n/p | Performing | 12-month ECL | 91.675 | - | 91.675 |
| **Short-term financial placements** | 31 | AAA | Performing | 12-month ECL | 1.109.632 | - | 1.109.632 |
| **Cash** | 32 | A - BBB- | A - BBB- | 12-month ECL | 342.970 | - | 342.970 |

For trade receivables, lease receivables, long-term receivables - retention and contract-based assets, ie receivables from uninvoiced income (accrued costs and deferred revenue), the Company has applied a simplified approach for calculating impairment for credit losses, in accordance with IFRS 9 - life expected credit losses. The Company determines expected credit losses under these items using a transition matrix in the observed period that shows the monthly movement of individual receivables between the arreas 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 approach, the Company did not have materially significant amounts for impairment of the stated receivables and contract-based assets.

### 9.2. Market risk

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

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

### 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 consolidated financial instruments are measured in financial statements.

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

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

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

| Assets in USD | | Liabilities in USD | |
|---|---|---|---|
| **2019** | **2020** | **2019** | **2020** |
| 2,810,491 | 2,641,352 | 1,751,743 | 1,371,977 |

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

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

Given reported differences in foreign currencies sub-balances, the following table shows sensitive analysis of the Group on nominal growth rate RSD of 10% in relation to the foreign currency. The sensitivity rate of 10% is a reasonable estimate of expected changes in foreign exchange rates.

Sensitivity analysis includes only cash assets, outstanding payment and accounts payable expressed in foreign currency and harmonizes their translation at the end of period for potential depreciation or appreciation of functional currency against foreign currencies.

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

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

| Sensitivity analysis of results in the case of depreciation of the national currency by 10% | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| THE NET IMPACT ON RESULT FOR CURRENT PERIOD | 14,925 | 11,108 |

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

### 9.4. Interest rate risk

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

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

| The structure of trade payables | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Domestic trade payables (related and other legal entities): | | |
| ENERGOPROJEKT HOLDING | - | 3,524 |
| ENERGOPROJEKT INDUSTRIJA | 2,493 | 1,763 |
| ENERGOPROJEKT HIDROINZENJERING | 82 | 4,990 |
| OTHER RELATED PARTIES | 695 | - |
| MINING INSTITUTE LTD. BELGRADE | | 2,822 |
| FACULTY OF CIVIL ENGINEERING | - | 3,104 |
| WIENER STADTISCHE OSIGURANJE ADO | 2,288 | |
| BET BALKAN ENERGY TEAM | - | 14,958 |
| Other in the country | 9,661 | 10,801 |
| *Total* | **15,219** | **41,962** |
| Foreign trade payables (related parties and other legal entities): | | |
| **DOMESTIC** | | |
| FICHTNER I AF CONSULTING | - | 5,885 |
| **QATAR** | | |
| AGENT RES. OPTIMUM | 223,806 | 198,964 |
| SPONSOR KATAR | 144,898 | 162,431 |
| RENTALS QATAR | 14,507 | 17,140 |
| COOPERANT WMR CONTRACT - LAHMEYER GKW | 4,577 | 12,737 |
| CONSULTANT | 25,997 | 55,816 |
| QATAR OTHER | 13,367 | 16,817 |
| **OMAN** | | |
| SPONSOR OMAN | 18,404 | 36,118 |
| OMAN RENTALS | 3,238 | 4,227 |
| OMAN OTHER | 14,123 | 15,170 |
| **EMIRATES** | | |
| EMIRATES RENTALS | 9,994 | 7,934 |
| CONSULTANTS EMIRATES | 27,523 | 42,063 |
| OTHER EMIRATES | 6,986 | 26,824 |
| SPONSOR EMIRATES | - | - |
| *Total* | **507,420** | **602,126** |
| Other liabilities | 832 | 926 |
| **TOTAL:** | **523,471** | **645,014** |

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

| **Breakdown of trade payables** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Related parties: | | |
| a) Current | 3,270 | 10,277 |
| *Total* | **3,270** | **10,277** |
| Domestic payables: | | |
| a) Current | 12,781 | 31,685 |
| *Total* | **12,781** | **31,685** |
| Foreign payables: | | |
| a) Current | 507,420 | 603,052 |
| *Total* | **507,420** | **603,052** |
| **TOTAL** | ***523,471*** | ***645,014*** |

### 9.5. Price risk

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

### 9.6. Liquidity risk

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

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

current liquidity ratio (ratio of current assets and current liabilities), indicating the amount of RSD of current assets covering each RSD of current liabilities;

quick liquidity ratio (ratio of liquid assets, including total current assets minus inventories and prepayments and accrued income; and current liabilities), which indicates the amount of liquid assets in RSD covering each RSD of current liabilities;

cash liquidity ratio (ratio of cash increased by cash equivalents and current liabilities), which indicates the amount of cash assets in RSD covering each RSD of current liabilities; and

net current assets (the difference in value between current assets and current liabilities).

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

| **Liquidity ratios** | **Satisfactory general** | ***2020*** | ***2019*** |
|---|---|---|---|
| Current liquidity ratio | 2 : 1 | 3.33:1 | 2.94:1 |
| Quick liquidity ratio | 1 : 1 | 2.98:1 | 2.65:1 |
| Cash liquidity ratio | | 0.38:1 | 0.28:1 |
| ***Net current assets (in RSD thousand)*** | | **2,120,756** | **2,364,417** |

## 9.7. Capital risk management

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

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

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

| **Profitability indicators** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Net profit/loss | 408,294 | 417,345 |
| Average capital: | | |
| a) Capital - beginning of the year | 4,042,965 | 3,610,058 |
| b) Capital - end of year | 3,781,408 | 4,042,965 |
| **Total** | *3,912,187* | *3,826,512* |
| **Yield rate - end of the year** | ***10.44%*** | ***10.91%*** |

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

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

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

| **Financial structure indicators** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Liabilities | 911,834 | 1,221,654 |
| Total assets | 5,429,565 | 6,148,843 |
| **Share of borrowing in total sources of assets** | *0.17* | *0.20* |
| Long-term assets: | | |
| a) Capital | 3,781,408 | 4,042,965 |
| b) Long-term provisions and long-term liabilities | 736,323 | 825,205 |
| Total | *4,517,731* | *4,868,170* |
| Total assets | 5,429,565 | 6,148,843 |
| **Share of long-term in total sources of assets** | **0.83:1** | **0.79:1** |

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

Net indebtedness shall mean the difference between:
- total (long and short-term) financial liabilities of the Parent Company (total liabilities minus capital, long-term provisions and deferred tax assets of the Parent Company); and
- cash and cash equivalents.

| **The parameters for calculating the net debt ratio to total capital** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Net debt: | | |
| a) Liabilities | 911,834 | 1,221,654 |
| b) Cash and cash equivalents | 342,970 | 334,133 |
| *Total* | *568,864* | *887,521* |
| Capital | 3,781,408 | 4,042,965 |
| **Net debt to total capital ratio** | **1:6.65** | **1:4.56** |

## 10. PRIOR PERIOD ERRORS, ERROR MATERIALITY AND OPENING BALANCE ADJUSTMENT

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

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

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

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

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

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

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

## INCOME STATEMENT

## 11. OPERATING INCOME

### Sales of goods and services

| **Breakdown of income from the sale of products and services** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Income from the sale of products and services to parents and subsidiaries on domestic market | 176 | 173 |
| Income from the sale of products and services to other related parties on domestic markets | 2,187 | 2,574 |
| Income from the sale of products and services on domestic market | 783,603 | 1,092,790 |
| Income from the sale of products and services on foreign market | 3,656,087 | 4,576,688 |
| **TOTAL** | **4,442,053** | **5,672,225** |

All revenues of the Company are those originated from contracts with customers.

Income from design, consulting and engineering services recognized during the period ending 31 December 2020 amount to RSD 4,442,053 thousand.

As at 31 December 2020, the total transaction price of unfulfilled (or partially unfulfilled) obligations in the performance of design, consulting and engineering services amounts to RSD 8,589,693 thousand and it will be realized during the remaining period of concluded service contracts. Management expects that 55% of the transaction price allocated to unfulfilled (or partially unfulfilled) execution obligations at the end of 2020 or RSD 4,675,090 thousand will be recognized as revenue during the next reporting period. The remaining 45% or RSD 3,908,759 thousand will be recognized in the financial year 2021. As permitted by the transitional provisions in IFRS 15, the transaction price of outstanding (or partially outstanding) performance obligations as at 31 December 2019 has not been disclosed. The transaction price of outstanding performance obligations and the time of revenue recognition are not disclosed for performance obligations recognized in the amount in which the Company is entitled to an invoice.

The total incomes incurred with 12 largest customers that individually participate with more than 10% of the Company's revenues for 2020 amount to RSD 2,969,818 thousand (2019: 12 customers with revenues of RSD 3,198,654 thousand).

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

| **Name** | **Income from service rendered** |
|---|---|
| **SERBIA** | |
| Related parties | 2,363 |
| EPS | 427,556 |
| SHANGHAI ELECTRIC | 120,736 |
| Other | 93,027 |
| CNIM | 130,539 |
| **Ministry** | 11,745 |
| **TOTAL** SERBIA | **785,966** |
| QATAR | |
| Kahrama | 1,159,806 |
| **Other** | 633,906 |
| OMAN | |
| OETC | 302,969 |
| PAEW | 232,290 |
| OWSC | 11,220 |
| **Other** | 15,593 |
| EMIRATES | |
| DEWA | 406,265 |
| MERRAS | 90,282 |
| FEWA | 87,713 |
| OTHER | 410,185 |
| TRANSCO | 272,900 |
| **Other** | **32,958** |
| **ABROAD** | **3,656,087** |

## 12. COSTS OF MATERIAL, FUEL AND ENERGY

| **Breakdown of costs of material, fuel and energy** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| b) Other material (overhead) | 38,998 | 43,683 |
| d) Costs of one-off write-down of tools and inventory | 731 | 1,458 |
| *Total* | ***39,729*** | ***45,141*** |
| Fuel and energy: | | |
| a) Fuel | 46,268 | 67,115 |
| b) Electric and thermal energy | 25,315 | 28,939 |
| *Total* | ***71,583*** | ***96,054*** |
| **TOTAL** | **111,312** | **141,195** |

Costs allocated by the companies are as followed:

| | |
|---|---|
| **BAHREIN** | **225** |
| **EMIRATES** | **29,305** |
| **ENTEL** | **24,380** |
| **QATAR** | **38,302** |
| **OMAN** | **19,100** |
| | **111,312** |

## 13. SALARIES, COMPENSATION AND OTHER PERSONAL EXPENSES

| **Breakdown of salaries, compensation and other personal expenses** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Gross salaries | 2,581,621 | 3,141,277 |
| Payroll taxes and contributions payable by the employer | 69,483 | 74,322 |
| Autorship agreements | 4,705 | 22,900 |
| Occasional and periodical job contracts | 6,008 | 5,557 |
| Remunerations to the Board of Directors and Supervisory Board members | 385 | 2,241 |
| Other personnel expenses and remunerations | 58,503 | 77,241 |
| **TOTAL** | **2,720,705** | **3,323,538** |

Costs allocated by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **919,175** |
| **ENTEL** | **479,328** |
| **QATAR** | **952,795** |
| **OMAN** | **369,407** |
| | **2,720,705** |

**Other personal expenses** amounting to RSD 58,503 thousand relate to:

| | |
|---|---|
| Employee travel expenses - home to work travel and vice versa | 5,385 |
| Tax duties – first-salary programm | 18 |
| Business trip reimbursement – accommodation costs | 22 |
| Business trip reimbursement – per diems | 8,839 |
| Employee reimbursement for use of private cars for official purposes | 12 |
| Compensation to employees for accommodation and meals in the field | 1,361 |
| Per diems abroad | 1,088 |
| Troskovi nocenja u inostranstvu (hotel) | 3,386 |
| Employee travel expenses abroad | 6 |
| Food at work allowances | 33,743 |
| Solidarity assistance for child birth, new mothers | 3,134 |
| Support when an employee passes away | 403 |
| Other, gifts for 08 March, birth of a child ... | 1,106 |

## 14. COSTS OF PRODUCTIVE SERVICES

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

| **Breakdown of the costs of productive services** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Own-work and goods capitalised | 317,358 | 421,155 |
| Transportation costs | 137,043 | 246,351 |
| Maintenance | 19,524 | 23,524 |
| Rental expenses | 216,799 | 261,811 |
| Fairs | - | 24,716 |
| Advertising and marketing | 7,046 | 7,254 |
| Other services | 25,337 | 20,837 |
| **TOTAL** | **723,107** | **1,005,648** |

Costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **138,022** |
| **ENTEL** | **106,533** |
| **QATAR** | **47,424** |
| **OMAN** | **25,379** |
| | **317,358** |

Travel costs incurred by the companies are as follows:

| | |
|---|---|
| **BAHREIN** | **3** |
| **EMIRATES** | **48,535** |
| **ENTEL** | **16,487** |
| **QATAR** | **54,851** |
| **OMAN** | **17,167** |
| | **137,043** |

Maintenance costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **1,230** |
| **ENTEL** | **1,110** |
| **QATAR** | **13,100** |
| **OMAN** | **4,084** |
| | **19,524** |

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

| | |
|---|---|
| **BAHRAIN** | **1,214** |
| **EMIRATES** | **54,574** |
| **QATAR** | **147,441** |
| **OMAN** | **13,570** |
| | **216,799** |

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

Advertising costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **190** |
| **ENTEL** | **6,401** |
| **QATAR** | **141** |
| **OMAN** | **314** |
| | **7,046** |

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

Other costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **1,637** |
| **ENTEL** | **21,032** |
| **QATAR** | **1,093** |
| **OMAN** | **1,575** |
| | **25,337** |

## 15. DEPRECIATION, AMORTISATION AND PROVISIONS

| **Breakdown of depreciation/amortisation** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Depreciation of intangible assets | 2,184 | 2,953 |
| Depreciation of property, plant and equipment | 57,293 | 62,385 |
| *Total* | 59,477 | 65,338 |
| Provision costs: | | |
| Provisions for compensations and other employee benefits | 41,131 | 36,254 |
| Other provision | - | 187,384 |
| *Total* | 41,131 | 223,638 |
| **TOTAL** | **100,608** | **288,976** |

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

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

| | |
|---|---:|
| **EMIRATES** | **194** |
| **ENTEL** | **1,275** |
| **QATAR** | **383** |
| **OMAN** | **332** |
| | **2,184** |

Depreciation costs of PPE by the companies are as follows:

| | |
|---|---:|
| **BAHREIN** | **2** |
| **EMIRATI** | **3,251** |
| **ENTEL** | **18,928** |
| **QATAR** | **11,301** |
| **OMAN** | **23,811** |
| | **57,293** |

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

Costs incurred by the companies are as follows:

| | |
|---|---:|
| **ENTEL** | **840** |
| **QATAR** | **18,692** |
| **OMAN** | **21,599** |
| | **41,131** |

## 16. NON-MATERIAL COSTS

| **Breakdown of non-material costs** | *In RSD thousand* | |
|---|---:|---:|
| | *2020* | *2019* |
| Costs of non-productive services | 282,071 | 342,370 |
| Entertainment | 12,395 | 18,099 |
| Insurance premium costs | 55,026 | 50,841 |
| Bank charges | 31,096 | 32,142 |
| Membership fees | 2,014 | 1,240 |
| Taxes | 18,515 | 19,225 |
| Other non-material costs | 70,471 | 88,180 |
| **TOTAL** | **471,588** | **552,097** |

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

Costs incurred by the companies are as follows:

| | |
|---|---|
| **BAHRAIN** | **509** |
| **EMIRATES** | **22,357** |
| **ENTEL** | **9,002** |
| **QATAR** | **243,390** |
| **OMAN** | **6,813** |
| | **282,071** |

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

Costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **1,004** |
| **ENTEL** | **7,544** |
| **QATAR** | **2,550** |
| **OMAN** | **1,297** |
| | **12,395** |

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

Costs incurred by the companies are as follows:

| | |
|---|---|
| **BAHRAIN** | **718** |
| **EMIRATES** | **35,908** |
| **ENTEL** | **4,500** |
| **QATAR** | **5,274** |
| **OMAN** | **8,626** |
| | **55,026** |

Out of the total presented bank **charges and bank services**: the amount of RSD 6,312 relates to payment operations in 2020, and the amount of RSD 24,784 relates to costs of bank services (costs of issuing bank guarantees) in 2020.

Costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **12,139** |
| **ENTEL** | **2,633** |
| **QATAR** | **9,751** |
| **OMAN** | **261** |
| | **24,784** |

**Membership fees** in RSD 2,024 thousand almost entirely relate to the various membership fees necessary for working abroad.

Within **taxes**, the following costs are presented: property taxes, city development land fee, etc. The major portion of these costs relates to the property tax amounting in 2020 to RSD 2,282 thousand.

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

Costs incurred by the companies are as follows:

| | |
|---|---|
| **ENTEL** | **3,419** |
| **OMAN** | **15,096** |
| | **18,515** |

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

Costs incurred by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **9,688** |
| **ENTEL** | **37,397** |
| **QATAR** | **18,721** |
| **OMAN** | **4,665** |
| | **70,471** |

## 17. FINANCIAL INCOME AND EXPENSES

### 17.1 Financial income

| **Breakdown of financial income** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Financial income from parents and subsidiaries | - | 24 |
| Financial income from other related parties | 3 | 11 |
| Income from profit share of associated legal entities and joint ventures | 6,638 | 6,895 |
| Other financial income: | | |
| b) Other financial income | 55,909 | 63,003 |
| Interest income (from third parties) | 44,498 | 11,134 |
| Foreign exchange differences and income arising from the effects of foreign currency clause | 621 | 716 |
| **TOTAL** | **107,669** | **83,783** |

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

Income from participation in subsidiaries' profit in 2020 in the amount of RSD 6,638 thousand is the income from the attributable dividend for 2020 for the purchased 20% of share of ENERGOPLAST LTD.

Other financial income incurred in 2020 amounting to RSD 55,909 thousand of the company “Perl garden“, which rents villas for the account and on behalf of the owners.

### 17.2 Financial expenses

| Breakdown of financial expenses | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Financial expenses from transactions with parents and subsidiaries | - | - |
| Financial expenses from transactions with other related parties | - | 33 |
| Expenses from participation in loss of associate and joint ventures | 1 | - |
| Other financial expenses | | - |
| Interest expense (to third parties) | 865 | 1,550 |
| Foreign exchange losses and expenses arising from effects of foreign exchange clause (to third parties) | 662 | 1,425 |
| **TOTAL** | **1,528** | **3,008** |

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

## 18. OTHER INCOME AND EXPENSES

### 18.1 Other income

| Breakdown of other income | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Gains on sales of intangible assets and PPE | 497 | 355 |
| Collected priory written-off receivables | - | 1,181 |
| Surpluses | 38 | - |
| Collected priory written-off receivables | 7,490 | - |
| Gains from abolition of long term and short term provision | 49,660 | 83,774 |
| Other sundry income | 3,827 | 467 |
| **TOTAL** | **61,512** | **85,777** |

The greater figure within the item other income in the amount of RSD 49,660 thousand refers to the abolition of part of provisions: in Serbia in the amount of RSD 35,542 for the project Pancevo and in the company Qatar for the project Phase 11 of RSD 14,118 thousand.

Other sundry income in the amount of RSD 3,827 thousand relates to figure arose from collection of legal actions.

### 18.2 Other expenses

| Breakdown of other expenses | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Losses on the sale and disposal of intangible assets, property, plant and equipment | 290 | 1,555 |
| Direct write-off of receivables | 33,713 | 45,321 |
| Other sundry expenses | 14,038 | 21,247 |
| **TOTAL** | **48,041** | **68,123** |

Losses on disposal of property in Serbia in the amount to RSD 290 thousand relate IT equipment and office furniture.

Expenses from direct write-off of receivables in the amount of RSD 33,138 thousand relate to Qatar Company and arose from receivables older than 3 years. Remaining amount of RSD 575 thousand was created in the company in Oman.

The greatest figure within the item **other sundry expenses** refers to grants for humanitarian, cultural and health issues and in 2020 and amounted to RSD 11,860 thousand, for donations RSD 1,950 thousand.

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

| **Net gain from discontinued operations** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Net gain of discontinued operations | - | - |
| Net (loss) of discontinued operations | - | 11,371 |
| **TOTAL** | **0** | **11,371** |

## 20. PROFIT BEFORE TAX

| **Breakdown of gross result** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Operating income | 4,442,053 | 5,672,225 |
| Operating expenses | 4,127,320 | 5,311,454 |
| **Operating result** | **314,733** | **360,771** |
| Financial income | 107,669 | 83,783 |
| Financial expenses | 1,528 | 3,008 |
| **Financial result** | **106,141** | **80,775** |
| Other income | 61,512 | 85,777 |
| Other expenses | 48,042 | 68,123 |
| **Result of other income and expenses** | **13,470** | **17,654** |
| Net loss from discontinued operations, changes in accounting policies and prior period error adjustments | - | 11,371 |
| **TOTAL INCOME** | **4,611,234** | **5,841,785** |
| **TOTAL EXPENSES** | **4,176,890** | **5,393,956** |
| **GAIN/LOSSES BEFORE TAX** | **434,344** | **447,829** |

## 21. INCOME TAX AND NET PROFIT

| Breakdown of income tax and net profit | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Profit/(loss) before tax | 434,344 | 447,829 |
| Adjustment and correction of income/(expenses) in the tax balance | (10,743) | 91,773 |
| **Taxable profit/ (loss)** | **423,601** | **539,602** |
| **Remaining portion of taxable profit** | **423,601** | **539,602** |
| **Tax base** | **423,601** | **539,602** |
| Calculated tax (15% of the tax base) | 63,540 | 80,940 |
| **Total decrease of the calculated tax** | **63,540** | **80,940** |
| Profit/loss before tax | 434,344 | 447,829 |
| Tax expense of the period | 26,676 | 31,282 |
| Deferred tax expense/income of the period | 626 | 798 |
| **Net profit/(loss)** | **408,294** | **417,345** |

## 22. EARNINGS PER SHARE

| Indicator | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Net profit | 408,294 | 417,345 |
| Average number of shares during the year | 422,495 | 422,495 |
| **Earning per share (in RSD)** | **966** | **988** |

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

The weighted average number of shares for 2020 amounts to 422,495, so that the earnings per share amount to RSD 966.

**BALANCE SHEET**

**23. INTANGIBLE ASSETS**

| **Item** | Concessions, patents, licenses, software and other rights<br>Acc. (011+012) |
|---|---|
| **<u>Cost</u>** | |
| **Opening balance as of 1 January 2020** | 61,666 |
| Restated opening balance | |
| Additions | |
| Exchange differences | (3,728) |
| Other increase / (decrease) | |
| **As of 31 December 2020** | **57,938** |
| **<u>Accumulated depreciation</u>** | |
| **Opening balance as of 1 January 2020** | 57,526 |
| Restated opening balance | |
| Charges in the year | 2,953 |
| Exchange differences | (4,426) |
| Other increase / (decrease) | |
| **As of 31 December 2020** | **56,053** |
| **<u>Net book value</u>** | **1,885** |

## 24. PROPERTY, PLANT AND EQUIPMENT

24.1 Property, plant and equipment, without investment property

| Item | Buildings | Plant and equipment | Other PPE | Property, plant and equipment under construction | Total PPE |
|---|---|---|---|---|---|
| | Acc. (022) | Acc. (023) | Acc. (025) | Acc. (026) | Group 02 |
| **Cost or valuation** | | | | | |
| **Opening balance as of 1 January 2020** | 884,045 | 366,604 | - | 34,338 | 1,284,987 |
| Restated opening balance | | | | | - |
| Additions | | 18,685 | 289 | | 18,974 |
| Disposals | | (18,375) | | | (18,375) |
| Exchange differences | (34,363) | (22,846) | | | (57,209) |
| Other increase / (decrease) | | | | | - |
| **Other transfer from/(to) – from advances and other** | **849,682** | **344,068** | **289** | **34,338** | **1,228,377** |
| **Accumulated depreciation** | | | | | |
| **Opening balance as of 1 January 2020** | 83,502 | 199,786 | - | - | 283,288 |
| Charges in the year | 18,683 | 43,702 | | | 62,385 |
| Disposals | | (18,375) | | | (18,375) |
| Exchange differences | (6,873) | (19,556) | | | (26,429) |
| Other increase / (decrease) | | | | | - |
| **Charges in the year** | **95,312** | **205,557** | **-** | **-** | **300,869** |
| **Net book value** | **754,370** | **138,511** | **289** | **34,338** | **927,508** |

As of 31 December 2020, the assessment of the residual value and the remaining useful life of property and equipment with significant carrying values. From the standpoint of depreciation charges, in comparison with the prior year, there were no relevant changes in 2020 on the depreciation of building due to change in residual value.

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

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

### Office building Energoprojekt

Office building Energoprojekt is stated at fair value as of 31 December 2020, in the amount of RSD 480,174 thousand.

In 2020, depreciation costs were recorded. The useful life of the above mentioned “building” is 100 years (the remaining useful life is 61 years).

The office building in Oman is not appraised in respect of domicile regulations, its useful life is 25 years and it is considered that residual value after that will be zero.

The value of that item on 31 December 2020 is RSD 274,196 thousand and annual depreciation was RSD 14,431 thousand.

**New acquisitions** in the amount of RSD 18,685 thousand relate to procurement:

- *in Serbia of RSD 14,268 thousand:*
    - vehicles of RSD 4,723 thousand;
    - computers of RSD 9,023 thousand; and
    - other assets of RSD 522 thousand.
- *in companies:*
    - ❖ Qatar RSD 2,647 thousand:
        - computers of RSD 630 thousand; and
        - other assets of RSD 2,017 thousand.
    - ❖ Oman of RSD 1,626 thousand:
        - vehicles of RSD 1,480 thousand; and
        - computers of RSD 146 thousand.
    - ❖ Emirates:
        - computers of RSD 144 thousand.

**Disposals of plant and equipment** in the amount of RSD 18,375 relate to:

- *Serbia*
    - vehicles of RSD 614 thousand;
    - computers of RSD 9,179 thousand; and
    - other assets of RSD 783 thousand.
- *Qatar*
    - computers of RSD 1,464 thousand; and
    - other assets of RSD 14 thousand.
- *Oman*
    - vehicles of RSD RSD 4,811 thousand;
    - computers of RSD 398 thousand; and
    - other assets of RSD 436 thousand.
- *Emirates*
    - computers of RSD 224 thousand; and
    - other assets of RSD 452 thousand.

## 25. LONG-TERM FINANCIAL PLACEMENTS

| Breakdown of long-term financial placements | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Equity investments into associate and joint ventures | 104,598 | 101,472 |
| Long-term placements abroad | 111,021 | 137,896 |
| **TOTAL** | **215,619** | **239,368** |

**Equity investments**

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

The Parent Company has a 20% stake in u Enegoplast Ltd., amounting to RSD 104,598 thousand.

**Other long-term financial placements**

Other long-term placements abroad relate to:

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

Allocated by the companies:

| | |
|---|---|
| **EMIRATES** | **86,892** |
| **QATAR** | **23,340** |
| **OMAN** | **789** |
| | **111,021** |

**Deposits for bank guarantees** in the amount of RSD 93,189 thousand relate to Qatar company in RSD 72,034 thousand and to Energoconsult L.L.C. in RSD 21,155 thousand.

**Other long-term financial placements** relate to deposits for rented apartments in companies and for workers' visas abroad. The amount of RSD 5,170 thousand refers to deposits for rented apartments, by companies: in Qatar in RSD 2,184 thousand, Energoconsult L.L.C. in RSD 2,197 thousand and in Oman RSD 789 thousand.

The amount of RSD 12,662 thousand refers to deposits for workers' visas in the company Energoconsult L.L.C..

## 26. LONG-TERM RECEIVABLES

| Breakdown of long-term receivables | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Other long-term receivables | 1,251,964 | 1,318,295 |
| **TOTAL** | **1,251,964** | **1,318,295** |

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

The breakdown of receivables for retention as of 31 December 2020, by company, is as follows:

- Qatar in RSD 926,611 thousand – projects KAHRAMA;
- Oman in RSD 71,902 thousand.

By buyers:

| | |
|---|---|
| **OETC** | **44,924** |
| **PAEW** | **25,918** |
| **OWSC** | **531** |
| **Other** | **529** |
| | **71,902** |

Company ENERGOCONSULT L.L.C in RSD 253,451 thousand

By buyers:

| | |
|---|---|
| OTHER | **115,571** |
| TRANSCO | **5,261** |
| MERASS | **8,452** |
| DEWA | **124,167** |
| **Total** | **253,451** |

## 27. INVENTORIES

| Breakdown of inventories | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| b) Advances paid for inventories and services to other related parties | 6,179 | - |
| e) Advances paid for services | 7,967 | 10,213 |
| **TOTAL** | **14,146** | **10,213** |

Summary of advances paid is shown in the table below:

| | |
|---|---|
| Energoprojekt - Holding Plc. Beograd | 6,179 |
| PU Parking Servis Beograd | 37 |
| Rapsody Travel Ltd. Beograd | 3,165 |
| Posta Zemun Beograd | 9 |
| Moore Stephens Ltd. Beograd | 183 |
| Ibrahim Yousuf Fakroo - Villa Ain Khaled Qatar | 4,573 |
| | **14,146** |

## 28. TRADE RECEIVABLES

| **Breakdown of trade receivables** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Domestic - parent and subsidiaries | | |
| Domestic - other related parties | 542 | 208 |
| Domestic trade receivables | 180,516 | 254,701 |
| Foreign trade receivables | 996,382 | 1,477,452 |
| **TOTAL** | **1,177,440** | **1,732,361** |

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

The Parent Company has no collateral arising from sales.

The average collection period for design, consulting and engineering is 30 days. Outstanding trade receivables are no-interest-bearing.

There were no changes in assessment methods or significant assumptions made during the current reporting period.

As stated in Note 7.13. for the calculation of impairment of receivables from related parties and other receivables (Note 30), the Company applies the general approach and expected credit losses over the life of instruments, ie 12-month expected credit losses for financial assets that do not contain a significant financing component. For the purpose of identifying impairment indicators, ie the criterion that it is necessary to calculate the expected credit losses for assets classified in stage 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 parties.

The Company applies a group estimate of the calculation of impairment for the purpose of measuring credit losses, ie for receivables from third parties (including receivables from the state, state companies and state bodies, where the state is predominantly in the role of investors), which includes receivables from customers in the country, abroad, as well as accruals and deferrals that have the category of financial assets and long-term receivables - retention (Note 26), including contractual financial assets in accordance with IFRS 15, or receivables from uninvoiced income with these persons, which are not subject to individual assessment.

Calculation of parameters applied was performed on the basis of data on historian collection by the largest companies operating within Energorpojekt. The applied parameters (PD and LGD) were calculated from data on 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, as well as accruals and deferrals.

Accounts receivable by the companies are as follows:

| | |
|---|---:|
| **EMIRATES** | **422,666** |
| **ENTEL** | **181,058** |
| **QATAR** | **392,068** |
| **OMAN** | **181,648** |
| | **1,177,440** |

The company Energoconsult L.L.C. in RSD 422,666 thousand and the major buyers are:

| | |
|---|---:|
| TRANSCO | 27,980 |
| OTHER | 10,445 |
| DEWA Contracts | 117,939 |
| MERASS | 37,430 |
| Developers | 198,606 |
| FEWA | 30,266 |
| | 422,666 |

The company Energoprojekt Entel L.L.C., Oman in RSD 181,648 thousand and the major buyers are:

| | |
|---|---:|
| OETC | 66,874 |
| PAEW | 109,853 |
| OWSC | 1,418 |
| OTHER | 3,502 |
| | 181,648 |

The company in Qatar in RSD 392,068 thousand and the major buyers are:

| | |
|---|---:|
| KAHRAMA | 221,346 |
| OTHER | 170,722 |
| | 392,068 |

The Company in the country, Serbia the amount of receivables is RSD 181,058 thousand and the major buyers are.

| | |
|---|---|
| JP EPS | 134,158 |
| TEPSCO | 2,574 |
| Beocista | 13,025 |
| OTHER | 12,711 |
| CNIM | 18,590 |
| | 181,058 |

## 29. RECEIVABLES FROM SPECIFIC OPERATIONS

| **Receivables from specific operations** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Other receivables from other legal entities | - | 221 |
| **TOTAL** | **-** | ***221*** |

## 30. OTHER RECEIVABLES

| **Breakdown of other receivables** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Receivables from employees | 82,813 | 96,944 |
| Receivables for overpaid income tax | 6,469 | - |
| Receivables for refundable salary compensations | 2,393 | 638 |
| **TOTAL** | **91,675** | **97,582** |

Within the item receivables from employees in the amount of RSD 82,813 thousand is severance pay paid in advance to free-lancer workers in Qatar in amount of RSD 59,485 thousand and in Oman in RSD 23,328 thousand, in accordance with local regulations.

## 31. SHORT-TERM FINANCIAL PLACEMENTS

| **Breakdown of short-term financial placements** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Other short-term financial placements: | 1,109,632 | 1,060,233 |
| **TOTAL** | **1,109,632** | **1,060,233** |

**Other short-term placements** include deposited funds with commercial banks and it is not possible to terminate contractual agreement at any time. They amounted to RSD 1,109,632 thousand, based on deposited funds with: banks in Serbia in RSD 30,000 thousand, at interest rate of 0.90% per annum, in Energoprojekt Entel Qatar: RSD 914,347 thousand, at interest rate between 1.1% per annum and in Energo Consult LLC Abu Dhabi, UAE: RSD 165,285 thousand, at interest rate between 0.80% and 1.15% per annum.

## 32. CASH AND CASH EQUIVALENTS

| **Breakdown of cash and cash equivalents** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| **In RSD:** | | |
| Current account | 10,546 | 4,624 |
| Petty cash | 488 | 418 |
| *Total* | **11,034** | **5,042** |
| **In foreign currency:** | | |
| Foreign currency account | 330,723 | 327,330 |
| Petty cash | 1,213 | 1,761 |
| *Total* | 331,936 | 329,091 |
| **TOTAL** | **342,970** | **334,133** |

Cash and cash equivalents are held with banks with S&P long-term credit rating, as follows:

| **Breakdown of cash and cash equivalents** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| | | |
| A | 34,726 | 4,370 |
| A- | 206,576 | 263,861 |
| BBB- | 83,988 | 43,434 |
| BB | 2,674 | 2,287 |
| BB- | 15,006 | 20,181 |
| **Total** | **342,970** | **334,133** |

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

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

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

The amounts allocated by the companies are as follows:

| | |
|---|---|
| **BAHRAIN** | **80,574** |
| **EMIRATES** | **128,074** |
| **ENTEL** | **117,327** |
| **QATAR** | **15,006** |
| **OMAN** | **342,970** |
| | **80,574** |

## 33. VALUE ADDED TAX, PREPAYMENTS AND ACCRUED INCOME

| **Value Added Tax** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Value added tax | 83 | 97 |
| **TOTAL** | **83** | **97** |

## 34. PREPAYMENTS AND ACCRUED INCOME

| **Breakdown of prepayments and accrued income** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| **Prepaid expenses:** | | |
| Parent company and subsidiaries | 166 | 164 |
| Prepaid rental expenses | 37,979 | 48,114 |
| Prepaid insurance premiums | 22,707 | 28,693 |
| Prepaid advertising and marketing costs | 130 | - |
| Other prepaid expenses | 8,074 | 7,066 |
| *Total* | 69,056 | 84,037 |
| Receivables for uninvoiced income | 227,587 | 266,464 |
| **TOTAL** | **296,643** | **350,501** |

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

The amounts allocated by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **13,541** |
| **QATAR** | **20,776** |
| **OMAN** | **3,662** |
| | **37,979** |

The amount of **prepaid insurance premiums** relate to prepaid expenses of project and health insurance of employees at work.

| | |
|---|---|
| **EMIRATES** | **5,291** |
| **ENTEL** | **11,138** |
| **QATAR** | **3,867** |
| **OMAN** | **2,411** |
| | **22,707** |

**Other pre-paid expenses** in the amount of RSD 8,074 thousand relate to pre-paid scholarships and subscriptions for magazines.

The amounts allocated by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **817** |
| **ENTEL** | **3,756** |
| **QATAR** | **2,446** |
| **OMAN** | **1,055** |
| | **8,074** |

**Receivables for uninvoiced income** are invoiced in 2020 and works related to 2020 in accordance with IFRS 15.

The amounts allocated by the companies are as follows:

| | |
|---|---|
| **ENTEL** | **12,804** |
| **QATAR** | **214,783** |
| | **227,587** |

## 35. EQUITY

| Item | Core capital | Reserves | Revalued reserves | Unrealised gains / loss on AFS securities | Retained earnings | Total |
|---|---|---|---|---|---|---|
| ***Opening balance as of 01 January 2019*** | *173,223* | *23,931* | *357,600* | *49,944* | *3,005,360* | *3,610,058* |
| Net profit for year | | | | | 417,345 | 417,345 |
| Total comprehensive result for 2019 | 173,223 | 23,931 | 357,600 | 49,944 | 3,422,705 | 4,027,403 |
| Adjustments | | 17 | 237 | (26,058) | 41,366 | 15,562 |
| Profit distribution | | | | | | |
| ***As of 31 December 2019*** | ***173,223*** | ***23,948*** | ***357,837*** | ***23,886*** | ***3,464,071*** | ***4,042,965*** |
| Net profit for year | | | | | 408,284 | 408,284 |
| c) Other - leveling of present value, IAS 12, etc. | | | | | 0 | 0 |
| Total – total comprehensive income | | | | | 0 | 0 |
| Total comprehensive result for 2020 | 173,223 | 23,948 | 357,837 | 23,886 | 3,872,355 | 4,451,249 |
| Adjustments | | (104) | (3,478) | (45,900) | (267,603) | (317,085) |
| Profit distribution | | | | | (352,756) | (352,756) |
| ***As of 31 December 2020*** | ***173,223*** | ***23,844*** | ***354,359*** | ***(22,014)*** | ***3,251,996*** | ***3,781,408*** |

### 35.1 Core capital

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

According to the records of the Central Securities Depository ISIN RSEPEN 41315, the registered balance of ownership of shares of Energoprojekt Entel Plc. as of 31 December 2020 is presented in the following tables:

| **Breakdown of core capital** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Share capital: | 173,223 | 173,223 |
| a) parent company, subsidiaries and other related parties Energoprojekt Holding 100% | 173,223 | 173,140 |
| b) Share capital - external OTHER SHAREHOLDERS | - | 83 |
| **TOTAL** | ***173,223*** | ***173,223*** |

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

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

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

### 35.2 Reserves

| **Breakdown of reserves** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Legal reserves | 22,744 | 22,744 |
| Statutory and other reserves | 1,100 | 1,204 |
| **TOTAL** | ***23,844*** | ***23,948*** |

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

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

| Breakdown in revluation reserves arising from revaluation of intangible assets, PPE | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| a) Revaluation reserves from revaluation of property - Energoprojekt building | 333,126 | 333,126 |
| b) Revaluation reserves from revaluation of other property | 14,815 | 16,226 |
| *Total* | 347,941 | 349,352 |
| Revaluation reserves from revaluation of investment property | | - |
| Other | 6,418 | 8,485 |
| **TOTAL** | **354,359** | **357,837** |

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

| Breakdown of non-revaluated gains from securities and other components of other comprehensive income (debit accounts of account 33 except 330) | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Gains or losses from translation of financial statements from foreign operations | (22,014) | 23,886 |
| **TOTAL** | **(22,014)** | **23,886** |

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

### 35.5 Retained earnings

| Breakdown of retained earnings | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Retained earnings from prior years: | | |
| a) balance as of 1 January | 3,464,071 | 3,005,360 |
| b) adjustments of profit for income tax | 6,079 | (27,937) |
| c) other adjustments (IAS 12, etc.) | (11,295) | - |
| d) foreign exchange differences | (313,995) | 25,154 |
| Energoplast | 51,598 | 44,149 |
| e) distribution of profit | (352,756) | - |
| *Total* | 2,843,702 | 3,046,726 |
| Retained earnings of the current year | 408,294 | 417,345 |
| **TOTAL** | **3,251,996** | **3,464,071** |

## 36. LONG-TERM PROVISIONS

| Breakdown of long-term provisions | Warranty period expenses | Compensations and other employee benefits | TOTAL |
|---|---|---|---|
| **Balance as of 1 January 2019** | 487,888 | 219,307 | 707,195 |
| Additional charge | 187,384 | 36,254 | 223,638 |
| Exchange differences | 6,185 | 3,057 | 9,242 |
| Utilised during the year | (83,589) | (32,011) | (115,600) |
| **Balance as of 31 December 2019** | **597,868** | **226,607** | **824,475** |
| Additional charge | - | 41,131 | 41,131 |
| Exchange differences | (37,278) | (19,106) | (56,384) |
| Utilised during the year | (42,355) | (40,006) | (82,361) |
| Reversal of unused amounts | (49,660) | | (49,660) |
| **Balance as of 31 December 2020** | **468,575** | **208,626** | **677,201** |

### 36.1 Provisions for employee benefits and other employee benefits

**Provisions for wages and other employee benefits** (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31 December 2020.

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

Decrease of the provision amount based on current retirement bonus values (by 6.91%) in the balance sheet as at 31.12.2020 in comparison to the retirement bonus values in the balance sheet as at 31.12.2019, was the result of several changed factors:

- on one hand, changes of some factors affect the increase of the provision amount (increase in the average expected retirement bonus by 9.21%); and
- on the other hand, changes of some factors affect the decrease of the provision amount (a decrease in the total number of employees by 11.69% and reduction the average years of service in the Company to 3.3%).

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

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

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

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

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

The rate of **4.5%** was accepted as the **annual discount rate**.

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

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

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 12-years RSD securities issued on 01.12.2020 was 3.85%. Increased adopted discount rate compared to yield is a consequence of the fact that average maturity of benchmark securities is lower than average maturity of the benefits in question, and thus in the manner provided for in paragraph 86, IAS 19, the yield curve was extrapolated.

**The annual expected salary growth in the Republic of Serbia** was planned at the level of **2.5%.**

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

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

The target inflation of 3% has been foreseen in the Memorandum for several years, but in real states it is generally lower (in 2020 - 1.3%; in 2019 – 1.5%; in 2018 – 2%; in 2017 - 3%; in 2016 - 1.6% and in 2015 - 1.5%). Therefore, it is more realistic to plan inflation 1.5 percentage point lower than the target.

From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period, realistically achievable.

If the inflation rate would change in the future, the applied logic would result in the change of nominal wages, but also in the discount rate (that is predominantly defined by the inflation rate), so that the change would not lead to the change in results presented in this document. The methodology used, indicating the long-term planned annual growth of wages in the Republic of Serbia of 2.5% and long-term annual discount rate of 4.5%, assumes the same, unchanged inflation rate in future. This assumption is requested in the paragraph 78 of IAS 19.

### 36.2 Long-term provisions for costs during the warranty period

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

## 37. LONG-TERM LIABILITIES

| Breakdown of long-term liabilities | Interest rate | In RSD thousand | |
|---|---|---|---|
| | | 2020 | 2019 |
| Finance lease liabilities | 5% | - | 730 |
| **TOTAL** | | **-** | **730** |

## 38. SHORT-TERM LIABILITIES

| Breakdown of short-term liabilities | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Other short-term financial liabilities | 666 | 930 |
| **TOTAL** | **666** | **930** |

Liabilities arising from finance lease are payable for a period of 5 years with an interest rate of 5%. As collateral for timely settlement of liabilities arising from finance lease. The amount of RSD 666 thousand is a portion of liabilities due within one year.

## 39. RECEIVED ADVANCES, DEPOSITS AND RETAINERS

| Breakdown of received advances, deposits and retainers | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Advances received from other legal entities in the country | 9,040 | 25,803 |
| Advances received from other legal entities abroad | 26,02 | 48,996 |
| **TOTAL** | **35,069** | **74,799** |

Summary of advances received is shown in the table below.

| | |
|---|---|
| Shanghai Electric Group | 7,128 |
| Beo cista energija d.o.o | 619 |
| Basaid Wind d.o.o | 1,293 |
| Wirtschaft und Infrastruktur GmbH Co Planungs KG | 3,534 |
| Eureteq Qatar | 13,455 |
| Dewa U Dubai | 9,040 |
| | **35,069** |

## 40. ACCOUNTS PAYABLE

| Breakdown of accounts payable | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| 1. Suppliers - parent and subsidiaries in the country | 0 | 3,524 |
| 3. Suppliers - other related parties in the country | 3,270 | 6,753 |
| 5. Domestic trade payables | 11,949 | 31,685 |
| 6. Foreign trade payables | 507,420 | 602,126 |
| 7. Other accounts payables | 832 | 926 |
| **TOTAL** | **523,471** | **645,014** |

Trade payables are non-interest bearing.

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

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

Trade payables by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **44,503** |
| **ENTEL** | **16,051** |
| **QATAR** | **427,152** |
| **OMAN** | **35,765** |
| | **523,471** |

## 41. OTHER SHORT-TERM LIABILITIES

| Breakdown of short-term liabilities | In RSD thousand | |
|---|---|---|
| | 2020 | 2019 |
| Liabilities for salaries and compensations | 210,222 | 363,765 |
| Other liabilities: | | |
| b) dividends paid | 6,907 | 6,995 |
| d) towards employees | 20,653 | 18,641 |
| e) liabilities to the director and members of the management and supervisory board | 20 | 150 |
| h) other | - | 6 |
| **TOTAL** | **237,802** | **389,557** |

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

Amounts by the companies are as follows:

| | |
|---|---|
| **EMIRATES** | **64,115** |
| **ENTEL** | **42,893** |
| **QATAR** | **56,572** |
| **OMAN** | **46,642** |
| | **210,222** |

Liabilities for unpaid dividends of RSD 6,907 thousand (due to the failure of shareholders to open accounts for their securities). The amount of RSD 1,733 thousand refers to unpaid dividend for 2017, while remaining amount relates to other years when the company paid dividend.

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

## 42. VALUE ADDED TAX PAYABLE

| **Value added tax payables** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Value added tax payables | 15,302 | 18,393 |
| **TOTAL** | **15,302** | **18,393** |

## 43. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER CHARGES

| **Liabilities for other taxes, contributions and other charges** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Income tax liability from the result | - | 10,788 |
| Other liabilities for other taxes, contributions and other duties | 1,816 | 2,787 |
| **TOTAL** | **1,816** | **13,575** |

## 44. ACCRUALS AND DEFERRED INCOME

| **Accruals and deferred income** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Other | 97,707 | 78,656 |
| **TOTAL** | **97,707** | **78,656** |

Accruals are deferred in the amount of RSD 73,773 thousand liabilities for retention of our subcontractors for the project Mega Tanks in Qatar, while the amount of RSD 23,933 thousand refers to Serbia according to the application of IFRS 15.

"Other accruals and deferred income relate to contractual obligations for design, consulting and engineering contracts and shows balance of liabilities to customers. They arise if a certain milestone charge exceeds revenue prior recognized according to subtraction method. Apart from the above, there were no significant changes within contractual obligation. "

## 45. DEFERRED TAX ASSETS AND LIABILITIES

| **Deferred tax liabilities** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Deferred tax liabilities | 59,122 | 59,749 |
| **TOTAL** | **59,122** | **59,749** |

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

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

According to movements in deferred tax assets and liabilities in 2020, it can be concluded that in the net effect there was a decrease in deferred tax liabilities compared to previous year by RSD 627 thousand.

## 46. RECONCILIATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The Parent Company has performed the reconciliation of accounts receivable and payable with the balance as of 31 December 2020. Elektroprivreda Srbije (EPS) unlawfully challenged the amount of RSD 48,937,500 for which the first-instance court decision was awarded in behalf of Entel. EPS complained and now the case is at Appeal court. During 2020, no hearing was held due to the illness of the judge and due to Covid 19, and thus we hope that the verdict will be made in 2021.

## 47. MORTGAGES CREDITED/DEBITED TO THE GROUP - DOHA BANK

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

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

**Mortgages registered against the Company are:**

- Mortgage on business building Energoprojekt

Pursuant to the Decision made by Energoprojekt Holding Shareholders Assembly dated 15 January 2020, and according to the bank arrangements made with:

- Erste Bank Plc. Novi Sad in the amount of EUR 32,200,000.00 under the Multi-Purpose Framework Limit Agreement No. OLC003/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Hidroinženjering, Energoprojekt Industrija and Energoprojekt Energodata);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 5,100,000.00 under the Revolving Line Agreement for issuing bank guarantees no. RL 0028/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema);
- Unicredit Bank Serbia Plc. Belgrade in the amount of EUR 8,688,287.47 under the Short-term Loan Agreement No. RL 0029/20 (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema);
- OTP Bank Serbia in the amount of EUR 14,159,060.12 under the General Agreement on Short-Term Multipurpose Revolving Line no. 01/13, with following Annexes (mortgage borrower Energoprojekt Holding and debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Hidroinženjering); and
- OTP Bank Serbia in the amount of EUR 3,218,846.31 under the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2125/16, with following Annexes (debtor Energoprojekt Hidroinženjering, mortgage borrower Energoprojekt Holding and joint debtors: Energoprojekt Visokogradnja, Energoprojekt Niskogradnja and Energoprojekt Oprema).

on 19 March 2020, on Energoprojekt office building, executive out-of-court mortgage was established. The property is registered in the List of Properties No. 2652, CM Novi Beograd. The mortgage was established in favour of creditors in question and in accordance with Line Statement of the Energoprojekt Holding Plc. certified by competent authority comply with the Serbian Mortgage Law dated 31 January 2020.

Credit indebtedness of Energoprojekt Holding plc. and other debtors to banks was reduced as of 30 December 2020, and at the beginning of 2021 the Agreements, ie Annexes in respect of banking arrangements were concluded for:

- Mortgage on business building Energoprojekt with the following banks:
    - Erste Bank Plc. Novi Sad in the amount of EUR 27,000,000.00 under Annex no. 1 of the Multi-Purpose Framework Limit Agreement no. OVLC003/20;
    - Unicredit Bank Serbia plc. Belgrade in the amount of EUR 436,190.46 under Annex no. 1 of the Revolving Line Agreement for issuing bank guarantees no. RL 0028/20;
    - Unicredit Bank Serbia plc. Belgrade in the amount of EUR 3,688,287.47 under Annex no. 1 of the Short-term Loan Agreement No. RL 0029/20;
    - OTP Bank Serbia Plc. in the amount of EUR 9,949,000.00 under the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2818/21; and
    - OTP Bank Serbia Plc. in the amount of EUR 3,218,000.00 under the Framework Agreement on Issuance of Bank Guarantees, Letters of Credit and Binding Letters of Intent no. OUG 2820/21;

In respect to afore-noted on 30 March 2021, a request to the Republic Geodetic Authority - Real Estate Cadastre Service of New Belgrade for registration of an executive out-of-court mortgage of the first range on the Energoprojekt business building, was submitted. The mortgage is placed in favor of creditors in question. The Line Statement of the Energoprojekt Holding Plc. was certified by competent authority and in line with the Serbian Mortgage Law.

## 48. OFF-BALANCE SHEET ASSETS AND LIABILITIES

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

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

| **Breakdown of off-balance sheet assets and liabilities** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Sureties, guarantees and other rights | 2,005,172 | 2,794,628 |
| **TOTAL** | **2,005,172** | **2,794,628** |

The amount of RSD 2,005,172 thousand is the amount for the bid guarantees issued and performance guarantees in the Entel's companies in Qatar, Oman, Emirates and Serbia.

The amount allocates by companies is as follow:

| | |
|---|---|
| **EMIRATES** | **704,940** |
| **ENTEL** | **201,402** |
| **QATAR** | **1,097,260** |
| **OMAN** | **1,570** |
| | **2,005,172** |

## 49. RELATED PARTY TRANSACTIONS

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

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

| ***Breakdown of receivables and liabilities incurred with related parties*** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| Receivables: | | |
| **Other related parties:** | | |
| EP VISOKOGRADNJA | 429 | 208 |
| EP INDUSTRIJA | - | - |
| EP HIDROINŽENJERING | - | - |
| EP NISKOGRADNJA | 113 | - |
| ENERGOPLAST | 39,943 | 39,943 |
| ***Total*** | **40,485** | **40,151** |
| Liabilities: | | |
| **Subsidiaries:** | | |
| · EP ARHITEKTURA I URBANIZAM | 695 | |
| · EP HOLDING | - | 3,524 |
| · EP ENERGODATA | | |
| · EP INDUSTRIJA | 2,493 | 1,763 |
| · EP HIDROINŽENJERING | 82 | 4,990 |
| ***Total*** | **3,270** | **10,277** |
| ***TOTAL*** | **43,755** | **50,428** |

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

| ***Breakdown of income from related parties*** | *In RSD thousand* | |
|---|---|---|
| | *2020* | *2019* |
| **Income:** | | |
| **Other related parties:** | | |
| · EP HOLDING | 176 | 197 |
| · EP INDUSTRIJA | 670 | 1,028 |
| · EP HIDROINŽENJERING | 1,026 | 1,210 |
| · EP NISKOGRADNJA | 141 | |
| · EP VISOKOGRADNJA | 353 | 347 |
| ***Total income*** | **2,366** | **2,782** |

## 50. LITIGATIONS

### Energoprojekt Entel Plc. Litigation report as of 31 December 2020:

| No. | Plaintiff | Defendant | Basis | Amount of Claim In RSD | Competent Court |
|---|---|---|---|---|---|
| 1. | EP Entel Plc. | JP EPS (RB Kolubara) | Debt by invoices | RSD 48,937,500.00 | Commercial Court in Belgrade |
| 2. | Paripović Duško | EP Entel Plc., as second of four defendants | Compensation – injury at work | RSD 1,300,000.00 | Basic Court in Pozarevac |
| 3. | Martinoli Marko, Đurović and Siniša Kisić | EP Entel Plc. | Denouncing the Assembly's decision | No value | Commercial Court in Belgrade |
| 4. | Veljko Perišić, Siniša Kisić and others | EP Entel Plc. | Determining the value of shares | | Commercial Court in Belgrade |
| 5. | Siniša Kisić and others | EP Entel Plc. | Compensation for damage | RSD 66,488,842.92 | Commercial Court in Belgrade |

## 51. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events after the balance sheet date that have a materially significant impact on the financial statements prepared for the year 31 December 2020.

## 52. GOING CONCERN

In preparing financial statements, management has assessed that the Company is able to continue its operations for an indefinite period of time, in accordance with going concern principle.

The financial statements are prepared in accordance with going concern principle.

Considering the Company's operations in the past 15 years, the management has determined that the business was profitable and financial resources easily available. Consequently, it can be concluded, even without a detailed analysis, that the Company has justified accounting treatment in respect of going concern.

Belgrade, 19 March 2021

| | |
|---|---|
| Authorised person for<br>Preparation the Financial Statements | Director |