# Annual Report of Energoprojekt Holding Plc. for the year 2018

Belgrade, April 2019

Pursuant to Articles 50 and 51 of the Law on Capital Market (RS Official Gazette, No. 31/2011, 112/2015 and 108/2016) and pursuant to Article 3 of the Rulebook on Contents, Form and Method of Publication of Annual, Half-Yearly and Quarterly Reports of Public Companies (RS Official Gazette, No. 14/2012, 5/2015 and 24/2017), **Energoprojekt Holding Plc. based in Belgrade, registration No.: 07023014 hereby publishes the following:**

# ANNUAL REPORT FOR 2018

## C O N T E N T S

1. FINANCIAL STATEMENTS OF ENERGOPROJEKT HOLDING Plc. FOR THE YEAR 2018 (Balance Sheet, Income Statement, Report on Other Income, Cash Flow Statement, Statement of Changes in Equity, Notes to the Financial Statements)

Name ENERGOPROJEKT HOLDING PLC

**BALANCE SHEET**
**as at 31.12.2018.**

RSD thousand

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | **ASSETS** | | | | | |
| 00 | **A. SUBSCRIBED CAPITAL UNPAID** | 0001 | | - | - | - |
| | **B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)** | 0002 | | 7.021.054 | 8.393.406 | - |
| 01 | I. INTANGIBLES (0004+0005+0006+0007+0008+0009) | 0003 | | 4.681 | 7.871 | - |
| 010 & part 019 | 1. Investments in development | 0004 | - | - | - | - |
| 011, 012 & part 019 | 2. Concessions, patents, licenses, trademarks and service marks, software and other rights | 0005 | 21. | 4.681 | 7.871 | - |
| 013 & part 019 | 3. Goodwill | 0006 | - | - | - | - |
| 014 & part 019 | 4. Other intangible assets | 0007 | - | - | - | - |
| 015 & part 019 | 5. Intangible assets in progress | 0008 | - | - | - | - |
| 016 & part 019 | 6. Advances paid on intangible assets | 0009 | - | - | - | - |
| 02 | II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018) | 0010 | | 1.933.237 | 2.228.973 | - |
| 020, 021 & part 029 | 1. Land | 0011 | - | - | - | - |
| 022 & part 029 | 2. Buildings | 0012 | 22. | 1.305.656 | 1.313.771 | - |
| 023 & part 029 | 3. Plant and equipment | 0013 | 22. | 27.119 | 37.043 | - |
| 024 & part 029 | 4. Investment property | 0014 | 22. | 555.515 | 556.822 | - |
| 025 & part 029 | 5. Other property, plant and equipment | 0015 | 22. | 283 | 283 | - |
| 026 & part 029 | 6. Property, plant and equipment in progress | 0016 | 22. | - | 276.390 | - |
| 027 & part 029 | 7. Investments in property, plant and equipment, not owned | 0017 | 22. | - | - | - |
| 028 & part 029 | 8. Advances paid on property, plant and equipment | 0018 | 22. | 44.664 | 44.664 | - |
| 03 | III. NATURAL ASSETS (0020+0021+0022+0023) | 0019 | | - | - | - |
| 030, 031 & part 039 | 1. Forests and growing crops | 0020 | - | - | - | - |
| 032 & part 039 | 2. Livestock | 0021 | - | - | - | - |
| 037 & part 039 | 3. Natural assets in progress | 0022 | - | - | - | - |
| 038 & part 039 | 4. Advances paid for natural assets | 0023 | - | - | - | - |
| 04, excl. 047 | IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033) | 0024 | | 5.083.136 | 6.156.562 | - |
| 040 & part 049 | 1. Shares in subsidiaries | 0025 | 23.1. | 4.837.763 | 5.057.719 | - |
| 041 & part 049 | 2. Shares in affiliated companies and joint ventures | 0026 | 23.1. | 29.550 | 29.550 | - |
| 042 & part 049 | 3. Shares in other companies and other available for sale securities | 0027 | 23.1. | 43.347 | 117.662 | - |
| part 043, part 044 & part 049 | 4. Long term investments in parent companies and subsidiaries | 0028 | 23.2. | 171.259 | 950.334 | - |
| part 043, part 044 & part 049 | 5. Long term investments in other affiliated companies | 0029 | - | - | - | - |
| part 045 & part 049 | 6. Long term investments, domestic | 0030 | - | - | - | - |
| part 045 & part 049 | 7. Long term investments, foreign countries | 0031 | - | - | - | - |
| 046 & part 049 | 8. Securities held to maturity | 0032 | - | - | - | - |
| 048 & part 049 | 9. Other long term financial investments | 0033 | 23.2. | 1.217 | 1.297 | - |
| 05 | V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041) | 0034 | | - | - | - |
| 050 & part 059 | 1. Receivables from parent company and subsidiaries | 0035 | - | - | - | - |
| 051 & part 059 | 2. Receivables from other affiliated companies | 0036 | - | - | - | - |
| 052 & part 059 | 3. Receivables from credit sales | 0037 | - | - | - | - |
| 053 & part 059 | 4. Receivables from financial leasing contracts | 0038 | - | - | - | - |
| 054 & part 059 | 5. Receivables from pledged assets | 0039 | - | - | - | - |
| 055 & part 059 | 6. Bad debts and uncollectible claims | 0040 | - | - | - | - |
| 056 & part 059 | 7. Other long term receivables | 0041 | - | - | - | - |
| 288 | **C. DEFERRED TAX ASSETS** | 0042 | - | - | - | - |
| | **D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)** | 0043 | | 3.311.790 | 1.706.754 | - |
| Class 1 | I. INVENTORIES (0045+0046+0047+0048+0049+0050) | 0044 | | 6.425 | 6.766 | - |
| 10 | 1. Material ,parts, tools and small inventories | 0045 | - | - | - | - |
| 11 | 2. Work and services in progress | 0046 | - | - | - | - |
| 12 | 3. Finished products | 0047 | - | - | - | - |
| 13 | 4. Goods | 0048 | - | - | - | - |
| 14 | 5. Fixed assets for sale | 0049 | - | - | - | - |
| 15 | 6. Advances paid for inventories and services | 0050 | 24. | 6.425 | 6.766 | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20 | II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058) | 0051 | | 765.794 | 689.346 | - |
| 200 & part 209 | 1. Local buyers - parent company and subsidiaries | 0052 | 25. | 763.077 | 688.367 | - |
| 201 & part 209 | 2. Foreign buyers - parent company and subsidiaries | 0053 | - | - | - | - |
| 202 & part 209 | 3. Local buyers - other affiliated companies | 0054 | 25. | 705 | 705 | - |
| 203 & part 209 | 4. Foreign buyers - other affiliated companies | 0055 | - | - | - | - |
| 204 & part 209 | 5. Local buyers | 0056 | 25. | 2.012 | 274 | - |
| 205 & part 209 | 6. Foreign buyers | 0057 | - | - | - | - |
| 206 & part 209 | 7. Other receivables from sales | 0058 | - | - | - | - |
| 21 | III. RECEIVABLES FROM SPECIAL TRANSACTIONS | 0059 | 26. | 7.094 | 98.204 | - |
| 22 | IV. OTHER RECEIVABLES | 0060 | 27. | 125.071 | 76.816 | - |
| 236 | V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET | 0061 | - | - | - | - |
| 23 excl. 236 & 237 | VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067) | 0062 | | 1.795.477 | 191.499 | - |
| 230 & part 239 | 1. Short term loans and investments - parent company and subsidiaries | 0063 | 28. | 906.583 | 33.212 | - |
| 231 & part 239 | 2. Short term loans and investments - other affiliated companies | 0064 | 28. | 157.836 | 158.208 | - |
| 232 & part 239 | 3. Short term credits and loans, domestic | 0065 | - | - | - | - |
| 233 & part 239 | 4. Short term credits and loans, foreign countries | 0066 | - | - | - | - |
| 234, 235, 238 & part 239 | 5. Other short term financial investments | 0067 | 28. | 731.058 | 79 | - |
| 24 | VII. CASH AND CASH EQUIVALENTS | 0068 | 29. | 200.519 | 251.917 | - |
| 27 | VIII. VALUE ADDED TAX | 0069 | - | - | - | - |
| 28 excl. 288 | IX. PREPAYMENTS AND ACCRUED INCOME | 0070 | 30. | 411.410 | 392.206 | - |
| | **E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)** | 0071 | | **10.332.844** | **10.100.160** | - |
| 88 | **F. OFF-BALANCE SHEET ASSETS** | 0072 | 39. | 22.683.687 | 27.017.299 | - |
| | **LIABILITIES** | | | | | |
| | **A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)** | 0401 | | 9.094.008 | 8.529.997 | - |
| 30 | I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410) | 0402 | | 7.128.301 | 7.128.301 | - |
| 300 | 1. Share capital | 0403 | 31.1. | 5.574.959 | 5.574.959 | - |
| 301 | 2. Shares of limited liability companies | 0404 | - | - | - | - |
| 302 | 3. Investments | 0405 | - | - | - | - |
| 303 | 4. State owned capital | 0406 | - | - | - | - |
| 304 | 5. Socially owned capital | 0407 | - | - | - | - |
| 305 | 6. Shares of cooperatives | 0408 | - | - | - | - |
| 306 | 7. Issuing premium | 0409 | 31.1. | 1.526.164 | 1.526.164 | - |
| 309 | 8. Other share capital | 0410 | 31.1. | 27.178 | 27.178 | - |
| 31 | II. SUBSCRIBED CAPITAL UNPAID | 0411 | - | - | - | - |
| 047 & 237 | III. TREASURY SHARES REPURCHASED | 0412 | 31.2. | 49.827 | 49.827 | - |
| 32 | IV. RESERVES | 0413 | 31.3. | 214.881 | 214.881 | - |
| 330 | V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT | 0414 | 31.4. | 784.634 | 782.098 | - |
| 33 excl. 330 | VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330) | 0415 | - | - | - | - |
| 33 excl. 330 | VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330) | 0416 | 31.5. | 4.208 | 18.881 | - |
| 34 | VIII. RETAINED EARNINGS (0418+0419) | 0417 | | 1.020.227 | 473.425 | - |
| 340 | 1. Retained earnings from previous years | 0418 | 31.6. | 256.754 | 34.492 | - |
| 341 | 2. Retained earnings from current year | 0419 | 31.6. | 763.473 | 438.933 | - |
| | IX. NON-CONTROLLING INTEREST | 0420 | - | - | - | - |
| 35 | **X. LOSSES (0422+0423)** | 0421 | | - | - | - |
| 350 | 1. Losses from previous years | 0422 | - | - | - | - |
| 351 | 2. Losses from current year | 0423 | - | - | - | - |
| | **B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)** | 0424 | | 2.812 | 2.735 | - |
| 40 | I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431) | 0425 | | 2.812 | 2.735 | - |
| 400 | 1. Provisions for warranty costs | 0426 | - | - | - | - |
| 401 | 2. Provisions for recovery of natural resources | 0427 | - | - | - | - |
| 403 | 3. Provisions for restructuring costs | 0428 | - | - | - | - |
| 404 | 4. Provisions for wages and other employee benefits | 0429 | 32. | 2.812 | 2.735 | - |
| 405 | 5. Provisions for legal expenses | 0430 | - | - | - | - |
| 402 & 409 | 6. Other long term provisions | 0431 | - | - | - | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 41 | II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440) | 0432 | | - | - | - |
| 410 | 1. Liabilities convertible into capital | 0433 | - | - | - | - |
| 411 | 2. Liabilities to parent company and subsidiaries | 0434 | - | - | - | - |
| 412 | 3. Liabilities to other affiliated companies | 0435 | - | - | - | - |
| 413 | 4. Liabilities for issued securities for more than one year | 0436 | - | - | - | - |
| 414 | 5. Long term credits and loans, domestic | 0437 | - | - | - | - |
| 415 | 6. Long term credits and loans, foreign countries | 0438 | - | - | - | - |
| 416 | 7. Long term liabilities from financial leasing | 0439 | - | - | - | - |
| 419 | 8. Other long term liabilities | 0440 | - | - | - | - |
| 498 | **C. DEFERRED TAX LIABILITIES** | 0441 | 38. | 154.137 | 152.082 | - |
| 42 to 49 (excl. 498) | **D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)** | 0442 | | 1.081.887 | 1.415.346 | - |
| 42 | I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449) | 0443 | | 898.427 | 1.251.192 | - |
| 420 | 1. Short term loans from parent company and subsidiaries | 0444 | - | - | - | - |
| 421 | 2. Short term loans from other affiliated companies | 0445 | - | - | - | - |
| 422 | 3. Short term credits and loans, domestic | 0446 | 33.1. | 898.279 | 1.251.072 | - |
| 423 | 4. Short term credits and loans, foreign countries | 0447 | - | - | - | - |
| 427 | 5. Liabilities from fixed assets and assets from discontinued operations available for sale | 0448 | - | - | - | - |
| 424,425,426 & 429 | 6. Other short term financial liabilities | 0449 | 33.2. | 148 | 120 | - |
| 430 | II. RECEIVED ADVANCES, DEPOSITS AND BONDS | 0450 | 34. | 51.076 | 40.731 | - |
| 43 excl. 430 | III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458) | 0451 | | 12.159 | 36.057 | - |
| 431 | 1. Suppliers - parent company and subsidiaries, local | 0452 | 35. | 977 | 24.780 | - |
| 432 | 2. Suppliers - parent company and subsidiaries, foreign countries | 0453 | 35. | - | 2.962 | - |
| 433 | 3. Suppliers - other affiliated companies, local | 0454 | - | - | - | - |
| 434 | 4. Suppliers - other affiliated companies, foreign countries | 0455 | - | - | - | - |
| 435 | 5. Suppliers, local | 0456 | 35. | 5.182 | 6.325 | - |
| 436 | 6. Suppliers, foreign countries | 0457 | 35. | 3.117 | 1.990 | - |
| 439 | 7. Other operating liabilities | 0458 | 35 | 2.883 | - | - |
| 44, 45 & 46 | IV. OTHER SHORT TERM LIABILITIES | 0459 | 36. | 42.105 | 35.937 | - |
| 47 | V. VALUE ADDED TAX | 0460 | 37.1. | 4.700 | 6.768 | - |
| 48 | VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE | 0461 | 37.2. | 45.839 | 752 | - |
| 49 excl. 498 | VII. ACCRUED EXPENSES AND DEFERRED INCOME | 0462 | 37.3. | 27.581 | 43.909 | - |
| | D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)≥0 = (0441+0424+0442-0071) ≥0 | 0463 | | - | - | - |
| | **E. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0** | 0464 | | **10.332.844** | **10.100.160** | - |
| 89 | **F. OFF-BALANCE LIABILITIES** | 0465 | 39. | 22.683.687 | 27.017.299 | - |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Name ENERGOPROJEKT HOLDING PLC

# INCOME STATEMENT
## from 01.01. until 31.12.2018.

RSD thousand

| Account class, account | DESCRIPTION | EDP | Note No. | Total | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | **A. INCOME FROM NORMAL ACTIVITIES** | | | | |
| 60 to 65, excl. 62 & 63 | **A. OPERATING INCOME (1002+1009+1016+1017)** | 1001 | | **341.959** | **440.253** |
| 60 | I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008) | 1002 | | - | - |
| 600 | 1. Income from sale of goods to parent company and subsidiaries on local market | 1003 | - | - | - |
| 601 | 2. Income from sale of goods to parent company and subsidiaries on foreign markets | 1004 | - | - | - |
| 602 | 3. Income from sale of goods to other affiliated companies on local market | 1005 | - | - | - |
| 603 | 4. Income from sale of goods to other affiliated companies on foreign markets | 1006 | - | - | - |
| 604 | 5. Income from sale of goods on local market | 1007 | - | - | - |
| 605 | 6. Income from sale of goods on foreign markets | 1008 | - | - | - |
| 61 | II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015) | 1009 | | 315.956 | 416.018 |
| 610 | 1. Income from sale of finished products and services to parent company and subsidiaries on local market | 1010 | 9.1. | 315.898 | 415.941 |
| 611 | 2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets | 1011 | - | - | - |
| 612 | 3. Income from sale of finished products and services to other affiliated companies on local market | 1012 | - | - | - |
| 613 | 4. Income from sale of finished products and services to other affiliated companies on foreign markets | 1013 | - | - | - |
| 614 | 5. Income from sale of finished products and services on local market | 1014 | 9.1. | 58 | 77 |
| 615 | 6. Income from sale of finished products and services on foreign markets | 1015 | - | - | - |
| 64 | III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC. | 1016 | - | - | - |
| 65 | IV. OTHER OPERATING INCOME | 1017 | 9.2. | 26.003 | 24.235 |
| | **EXPENSES FROM NORMAL ACTIVITIES** | | - | | |
| 55 to 55, 62 & 63 | **B. OPERATING EXPENSES (1019-1020-1021+1022+1023+ 1024+1025+1026+1027+1028+1029) ≥ 0** | 1018 | | 362.247 | 431.736 |
| 50 | I. COST PRICE OF GOODS SOLD | 1019 | - | - | - |
| 62 | II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE | 1020 | - | - | - |
| 630 | III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS | 1021 | - | - | - |
| 631 | IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS | 1022 | - | - | - |
| 51 excl. 513 | V. MATERIAL COSTS | 1023 | 10. | 5.582 | 7.373 |
| 513 | VI. FUEL AND ENERGY COSTS | 1024 | 10. | 20.299 | 22.640 |
| 52 | VII. EMPLOYEE EXPENSES AND BENEFITS | 1025 | 11. | 202.695 | 226.508 |
| 53 | VIII. PRODUCTION SERVICE COSTS | 1026 | 12. | 56.538 | 67.173 |
| 540 | IX. DEPRECIATION EXPENSES | 1027 | 13. | 20.817 | 22.597 |
| 541 to 549 | X. PROVISION EXPENSES | 1028 | 13. | 216 | 517 |
| 55 | XI. INTANGIBLE EXPENSES | 1029 | 14. | 56.100 | 84.928 |
| | **C. OPERATING INCOME (1001-1018) ≥ 0** | 1030 | | - | 8.517 |
| | **D. OPERATING LOSSES (1018-1001) ≥ 0** | 1031 | | 20.288 | - |
| 66 | **E. FINANCIAL REVENUES (1033+1038+1039)** | 1032 | | 628.645 | 608.855 |
| 66, excl. 662, 663 & 664 | I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037) | 1033 | | 615.557 | 540.376 |
| 660 | 1. Financial income from parent company and subsidiaries | 1034 | 15.1. | 605.737 | 530.377 |
| 661 | 2. Financial income from other affiliated companies | 1035 | 15.1. | 9.752 | 9.945 |
| 665 | 3. Share of profits in associated companies and joint ventures | 1036 | - | - | - |
| 669 | 4. Other financial revenues | 1037 | 15.1. | 68 | 54 |
| 662 | II. INTEREST INCOME (THIRD PARTY) | 1038 | 15.1. | 9.165 | 2.117 |
| 663 & 664 | III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY) | 1039 | 15.1. | 3.923 | 66.362 |
| 56 | **F. FINANCIAL EXPENSES (1041+1046+1047)** | 1040 | | 37.209 | 147.024 |
| 56, excl. 562, 563 & 564 | I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045) | 1041 | | 5.167 | 78.773 |
| 560 | 1. Financial expenses from transactions with parent company and subsidiaries | 1042 | 15.2. | 4.638 | 69.594 |
| 561 | 2. Financial expenses from transactions with other affiliated companies | 1043 | 15.2. | 529 | 9.179 |
| 565 | 3. Share of losses in affiliated companies and joint ventures | 1044 | - | - | - |
| 566 & 569 | 4. Other financial expenditure | 1045 | - | - | - |
| 562 | II. INTEREST EXPENSES (THIRD PARTY) | 1046 | 15.2. | 30.564 | 32.070 |
| 563 & 564 | III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY) | 1047 | 15.2. | 1.478 | 36.181 |
| | **G. FINANCIAL GAINS (1032-1040)** | 1048 | | 591.436 | 461.831 |
| | **H. FINANCIAL LOSSES (1040-1032)** | 1049 | | - | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 683 & 685 | **I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT** | 1050 | - | - | - |
| 583 & 585 | **J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT** | 1051 | - | - | - |
| 67 & 68, excl. 683 & 685 | **K. OTHER INCOME** | 1052 | 16.1. | 274.396 | 410 |
| 57 & 58, excl. 583 & 585 | **L. OTHER EXPENSES** | 1053 | 16.2. | 37.582 | 31.883 |
| | **M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)** | 1054 | | 807.962 | 438.875 |
| | **N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)** | 1055 | | - | - |
| 69-59 | **O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS** | 1056 | 17. | 2.232 | - |
| 59-69 | **P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS** | 1057 | 17. | - | 112 |
| | **Q. PROFIT BEFORE TAX (1054-1055+1056-1057)** | 1058 | 18. | 810.194 | 438.763 |
| | **R. LOSSES BEFORE TAX (1055-1054+1057-1056)** | 1059 | - | - | - |
| | **S. INCOME TAX** | | - | | |
| 721 | I. TAXABLE EXPENSES FOR THE PERIOD | 1060 | - | 45.113 | - |
| part 722 | II. DEFERRED TAX EXPENSES FOR THE PERIOD | 1061 | - | 1.608 | - |
| part 722 | III. DEFERRED TAX INCOME FOR THE PERIOD | 1062 | - | - | 170 |
| 723 | **T. MANAGEMENT EARNINGS** | 1063 | - | - | - |
| | **U. NET PROFIT (1058-1059-1060-1061+1062-1063)** | 1064 | 19. | **763.473** | **438.933** |
| | **V. NET LOSSES (1059-1058+1060+1061-1062+1063)** | 1065 | - | - | - |
| | I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS | 1066 | - | - | - |
| | II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER | 1067 | - | - | - |
| | III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS | 1068 | - | - | - |
| | IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER | 1069 | - | - | - |
| | V. EARNINGS PER SHARE | | - | | |
| | 1. Basic earnings per share | 1070 | - | - | - |
| | 2. Reduced (diluted) earnings per share | 1071 | - | - | - |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt ... Beograd

**Name** ENERGOPROJEKT HOLDING PLC

## STATEMENT OF OTHER RESULTS
## from 01.01. until 31.12.2018.

RSD thousand

| Account class, account | DESCRIPTION | EDP | Amount | |
|---|---|---|---|---|
| | | | Current year | Previous year |
| 1 | 2 | 3 | 5 | 6 |
| | **A. NET OPERATING RESULTS** | | | |
| | I. NET PROFIT (EDP 1064) | 2001 | 763.473 | 438.933 |
| | II. NET LOSSES (EDP 1065) | 2002 | | |
| | **B. OTHER COMPREHENSIVE RESULTS OR LOSSES** | | | |
| | **a) Items not reclassifiable in the balance sheet in future periods** | | | |
| 330 | 1. Change of revaluation of intangibles, property, plant and equipment | | | |
| | a) increase in revaluation reserves | 2003 | 2.983 | |
| | b) decrease in revaluation reserves | 2004 | | |
| 331 | 2. Actuarial gains or losses from defined income plans | | | |
| | a) gains | 2005 | | |
| | b) losses | 2006 | | |
| 332 | 3. Gains and losses from equity instrument investments | | | |
| | a) gains | 2007 | | |
| | b) losses | 2008 | | |
| 333 | 4. Gains and losses from share of other comprehensive profits and losses of affiliates | | | |
| | a) gains | 2009 | | |
| | b) losses | 2010 | | |
| | **b) Items that may be reclassified in the balance sheet in future periods** | | | |
| 334 | 1. Gains and losses from translation of financial statements for foreign operations | | | |
| | a) gains | 2011 | | |
| | b) losses | 2012 | | |
| 335 | 2. Gains and losses from hedging of net investments in foreign operations | | | |
| | a) gains | 2013 | | |
| | b) losses | 2014 | | |
| 336 | 3. Gains and losses from cash flow hedging | | | |
| | a) gains | 2015 | | |
| | b) losses | 2016 | | |
| 337 | 4. Gains and losses from available for sale securities | | | |
| | a) gains | 2017 | 14.673 | 10.103 |
| | b) losses | 2018 | | 115 |
| | I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0 | 2019 | 17.656 | 9.988 |
| | II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0 | 2020 | | |
| | III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD | 2021 | 447 | |
| | IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0 | 2022 | 17.209 | 9.988 |
| | V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0 | 2023 | | |
| | **C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD** | | | |
| | I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0 | 2024 | 780.682 | 448.921 |
| | II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0 | 2025 | | |
| | **D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0** | 2026 | | |
| | 1. Payable to majority shareholders | 2027 | | |
| | 2. Payable to non-controlling shareholders | 2028 | | |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

**Name** ENERGOPROJEKT HOLDING PLC

## CASH FLOW STATEMENT
**from 01.01. until 31.12.2018.**

RSD thousand

| Description | EDP | Total | |
|---|---|---|---|
| | | Current year | Previous year |
| 1 | 2 | 3 | 4 |
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **I. Cash inflow from operating activities ( 1 to 3)** | 3001 | **476.806** | **537.757** |
| 1. Sales and prepayments | 3002 | 437.448 | 450.600 |
| 2. Interests from operating activities | 3003 | - | - |
| 3. Other inflow from normal operations | 3004 | 39.358 | 87.157 |
| **II. Cash outflow from operating activities ( 1 to 5)** | 3005 | **529.925** | **711.093** |
| 1. Payments to suppliers and prepayments | 3006 | 201.873 | 262.846 |
| 2. Employee expenses and benefits | 3007 | 198.221 | 221.014 |
| 3. Interests paid | 3008 | 31.340 | 30.771 |
| 4. Income tax | 3009 | 5.708 | 4.691 |
| 5. Payments based on other public revenues | 3010 | 92.783 | 191.771 |
| **III. Net cash inflow from operating activities (I-II)** | 3011 | - | - |
| **IV. Net cash outflow from operating activities (II-I)** | 3012 | **53.119** | **173.336** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **I. Cash inflow from investing activities (1 to 5 )** | 3013 | **1.449.820** | **597.902** |
| 1. Sale of shares and stocks (net inflow) | 3014 | 864.218 | - |
| 2. Sale of intangible investments, property, plant, equipment and natural assets | 3015 | 5.575 | 84.867 |
| 3. Other financial investments (net inflow) | 3016 | - | - |
| 4. Interest received from investment activities | 3017 | 16.508 | 4.438 |
| 5. Dividends received | 3018 | 563.519 | 508.597 |
| **II. Cash outflow from investing activities (1 to 3)** | 3019 | **865.126** | **376.493** |
| 1. Purchase of shares and stocks (net outflow) | 3020 | - | 8.321 |
| 2. Purchase of intangible investments, property, plant, equipment and natural assets | 3021 | 29.117 | 331.338 |
| 3. Other financial investments (net outflow) | 3022 | 836.009 | 36.834 |
| **III. Net cash inflow from investing activities (I-II)** | 3023 | **584.694** | **221.409** |
| **IV. Net cash outflow from investing activities (II-I)** | 3024 | - | - |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **I. Cash inflow from financing activities ( 1 to 5)** | 3025 | - | **668.836** |
| 1. Equity increase | 3026 | - | - |
| 2. Long term loans (net inflow) | 3027 | - | - |
| 3. Short term loans (net inflow) | 3028 | - | 668.836 |
| 4. Other long term liabilities | 3029 | - | - |
| 5. Other short term liabilities | 3030 | - | - |
| **II. Cash outflow from financing activities (1 to 6 )** | 3031 | **584.147** | **584.544** |
| 1. Repurchase of own shares and stocks | 3032 | - | 124.148 |
| 2. Long term loans (net outflow) | 3033 | - | - |
| 3. Short term loans (net outflow) | 3034 | 350.635 | - |
| 4. Other liabilities | 3035 | 16.570 | 242.745 |
| 5. Financial leasing | 3036 | - | - |
| 6. Dividends paid | 3037 | 216.942 | 217.651 |
| **III. Net cash inflow from financing activities ( I -II)** | 3038 | - | **84.292** |
| **D. Net cash outflow from financing activities (II-I)** | 3039 | **584.147** | - |
| **E. TOTAL CASH INFLOW (3001+3013+3025)** | 3040 | **1.926.626** | **1.804.495** |
| **F. TOTAL CASH OUTFLOW (3005+3019+3031)** | 3041 | **1.979.198** | **1.672.130** |
| **G. NET CASH INFLOW ( 3040-3041 )** | 3042 | - | **132.365** |
| **H. NET CASH OUTFLOW (3041-3040)** | 3043 | **52.572** | - |
| **I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD** | 3044 | 251.917 | 128.791 |
| **J. EXCHANGE RATE GAINS FROM CASH TRANSLATION** | 3045 | 1.174 | - |
| **K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION** | 3046 | - | 9.239 |
| **L. CASH BALANCE AT END OF REPORTING PERIOD ( 3042-3043+3044+3045-3046)** | 3047 | **200.519** | **251.917** |

Belgrade,

Legal Representative of the Company

Date: 19.02.2019.

Energoprojekt Holding a.d. Beograd

Name ENERGOPROJEKT HOLDING PLC

**STATEMENT OF CHANGES IN EQUITY**
**as at 31.12.2018.**

| No. | DESCRIPTION | Equity component | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EDP | 30 Equity capital | EDP | 31 Subscribed capital unpaid | EDP | 32 Provisions | EDP | 35 Losses | EDP | 047 & 237 Treasury shares repurchased | EDP | 34 Retained earnings | EDP | 330 Revaluation reserves | EDP | 331 Actuarial gains or losses |
| 1 | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | 8 | | 9 | | 10 |
| 1 | **Opening balance on 01.01.2017.** a) debit balance | 4001 | - | 4019 | - | 4037 | - | 4055 | - | 4073 | - | 4091 | - | 4109 | - | 4127 | - |
| | b) credit balance | 4002 | 7.202.622 | 4020 | - | 4038 | 134.881 | 4056 | - | 4074 | - | 4092 | 331.164 | 4110 | 782.098 | 4128 | - |
| 2 | **Adjustment for materially significant errors and changes in accounting policies** a) adjustment of debit balance | 4003 | - | 4021 | - | 4039 | - | 4057 | - | 4075 | - | 4093 | - | 4111 | - | 4129 | - |
| | b) adjustment of credit balance | 4004 | - | 4022 | - | 4040 | - | 4058 | - | 4076 | - | 4094 | - | 4112 | - | 4130 | - |
| 3 | **Adjustment of opening balance on 01.01.2017.** a) adjustment of debit balance (1a+2a-2b) ≥ 0 | 4005 | - | 4023 | - | 4041 | - | 4059 | - | 4077 | - | 4095 | - | 4113 | - | 4131 | - |
| | b) adjustment of credit balance (1b-2a+2b) ≥ 0 | 4006 | 7.202.622 | 4024 | - | 4042 | 134.881 | 4060 | - | 4078 | - | 4096 | 331.164 | 4114 | 782.098 | 4132 | - |
| 4 | **Changes in previous 2017. year** a) debit balance activity | 4007 | 74.321 | 4025 | - | 4043 | - | 4061 | - | 4079 | 49.827 | 4097 | 296.672 | 4115 | - | 4133 | - |
| | b) credit balance activity | 4008 | - | 4026 | - | 4044 | 80.000 | 4062 | - | 4080 | - | 4098 | 438.933 | 4116 | - | 4134 | - |
| 5 | **Closing balance previous year at 31.12.2017.** a) debit balance (3a+4a-4b) ≥ 0 | 4009 | - | 4027 | - | 4045 | - | 4063 | - | 4081 | 49.827 | 4099 | - | 4117 | - | 4135 | - |
| | b) credit balance (3b-4a+4b) ≥ 0 | 4010 | 7.128.301 | 4028 | - | 4046 | 214.881 | 4064 | - | 4082 | - | 4100 | 473.425 | 4118 | 782.098 | 4136 | - |
| 6 | **Adjustment for materially significant errors and changes in accounting policies** a) adjustment of debit balance | 4011 | - | 4029 | - | 4047 | - | 4065 | - | 4083 | - | 4101 | - | 4119 | - | 4137 | - |
| | b) adjustment of credit balance | 4012 | - | 4030 | - | 4048 | - | 4066 | - | 4084 | - | 4102 | - | 4120 | - | 4138 | - |
| 7 | **Adjustment of opening balance current year at 01.01.2018.** a) adjustment of debit balance (5a+6a-6b) ≥ 0 | 4013 | - | 4031 | - | 4049 | - | 4067 | - | 4085 | 49.827 | 4103 | - | 4121 | - | 4139 | - |
| | b) adjustment of credit balance (5b-6a+6b) ≥ 0 | 4014 | 7.128.301 | 4032 | - | 4050 | 214.881 | 4068 | - | 4086 | - | 4104 | 473.425 | 4122 | 782.098 | 4140 | - |
| 8 | **Changes in current 2018. year** a) debit balance activity | 4015 | - | 4033 | - | 4051 | - | 4069 | - | 4087 | - | 4105 | 216.671 | 4123 | 447 | 4141 | - |
| | b) credit balance activity | 4016 | - | 4034 | - | 4052 | - | 4070 | - | 4088 | - | 4106 | 763.473 | 4124 | 2.983 | 4142 | - |
| 9 | **Closing balance at 31.12.2018.** a) debit balance (7a+8a-8b) ≥ 0 | 4017 | - | 4035 | - | 4053 | - | 4071 | - | 4089 | 49.827 | 4107 | - | 4125 | - | 4143 | - |
| | b) credit balance (7b-8a+8b) ≥ 0 | 4018 | 7.128.301 | 4036 | - | 4054 | 214.881 | 4072 | - | 4090 | - | 4108 | 1.020.227 | 4126 | 784.634 | 4144 | - |

Belgrade,

Date: 19.02.2019.

**Name** ENERGOPROJEKT HOLDING PLC

RSD thousand

| No. | DESCRIPTION | Other results component | | | | | | | | | | EDP | Total capital [Σ(row 1b col.3 to col.15) - Σ(row 1a col.3 to col.15)] ≥ 0 | EDP | Losses exceeding capital [Σ(row 1a col.3 to col.15) - Σ(row 1b col.3 to col.15)] ≥ 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EDP | 332 Gains and losses from equity instrument investments | EDP | 333 Gains and losses from share of other profits and losses of affiliates | EDP | 334 & 335 Gains and losses from foreign operations and translation of financial statements | EDP | 336 Gains and losses from cash flow hedging | EDP | 337 Gains and losses from available for sale securities | | | | |
| 1 | 2 | | 11 | | 12 | | 13 | | 14 | | 15 | | 16 | | 17 |
| 1 | **Opening balance on 01.01.2017.** | | | | | | | | | | | | | | |
| | a) debit balance | 4145 | - | 4163 | - | 4181 | - | 4199 | - | 4217 | 28.869 | 4235 | 8.421.896 | 4244 | - |
| | b) credit balance | 4146 | - | 4164 | - | 4182 | - | 4200 | - | 4218 | - | | | | |
| 2 | **Adjustment for materially significant errors and changes in accounting policies** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance | 4147 | - | 4165 | - | 4183 | - | 4201 | - | 4219 | - | 4236 | | 4245 | - |
| | b) adjustment of credit balance | 4148 | - | 4166 | - | 4184 | - | 4202 | - | 4220 | - | | | | |
| 3 | **Adjustment of opening balance on 01.01.2017.** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance (1a+2a-2b) ≥ 0 | 4149 | - | 4167 | - | 4185 | - | 4203 | - | 4221 | 28.869 | 4237 | 8.421.896 | 4246 | - |
| | b) adjustment of credit balance (1b-2a+2b) ≥ 0 | 4150 | - | 4168 | - | 4186 | - | 4204 | - | 4222 | - | | | | |
| 4 | **Changes in previous 2017. year** | | | | | | | | | | | | | | |
| | a) debit balance activity | 4151 | - | 4169 | | 4187 | - | 4205 | - | 4223 | 115 | 4238 | | 4247 | |
| | b) credit balance activity | 4152 | - | 4170 | | 4188 | - | 4206 | - | 4224 | 10.103 | | | | |
| 5 | **Closing balance previous year at 31.12.2017.** | | | | | | | | | | | | | | |
| | a) debit balance (3a+4a-4b) ≥ 0 | 4153 | - | 4171 | - | 4189 | - | 4207 | - | 4225 | 18.881 | 4239 | 8.529.997 | 4248 | - |
| | b) credit balance (3b-4a+4b) ≥ 0 | 4154 | - | 4172 | - | 4190 | - | 4208 | - | 4226 | - | | | | |
| 6 | **Adjustment for materially significant errors and changes in accounting policies** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance | 4155 | - | 4173 | - | 4191 | - | 4209 | - | 4227 | - | 4240 | | 4249 | - |
| | b) adjustment of credit balance | 4156 | - | 4174 | - | 4192 | - | 4210 | - | 4228 | - | | | | |
| 7 | **Adjustment of opening balance current year at 01.01.2018.** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance (5a+6a-6b) ≥ 0 | 4157 | - | 4175 | - | 4193 | - | 4211 | - | 4229 | 18.881 | 4241 | 8.529.997 | 4250 | - |
| | b) adjustment of credit balance (5b-6a+6b) ≥ 0 | 4158 | - | 4176 | - | 4194 | - | 4212 | - | 4230 | - | | | | |
| 8 | **Changes in current 2018. year** | | | | | | | | | | | | | | |
| | a) debit balance activity | 4159 | - | 4177 | - | 4195 | - | 4213 | - | 4231 | - | 4242 | | 4251 | - |
| | b) credit balance activity | 4160 | - | 4178 | - | 4196 | - | 4214 | - | 4232 | 14.673 | | | | |
| 9 | **Closing balance at 31.12.2018.** | | | | | | | | | | | | | | |
| | a) debit balance (7a+8a-8b) ≥ 0 | 4161 | - | 4179 | - | 4197 | - | 4215 | - | 4233 | 4.208 | 4243 | 9.094.008 | 4252 | - |
| | b) credit balance (7b-8a+8b) ≥ 0 | 4162 | - | 4180 | - | 4198 | - | 4216 | - | 4234 | - | | | | |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt Holding a.d. Beograd

ENERGOPROJEKT
HOLDING p.l.c.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR 2018**

Belgrade, 2019

**CONTENTS**

# 1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is a public joint stock company with the core business activity 6420 - holding operations.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 - other law and 5/2015, 44/2018 and 95/2018) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on 16 March 2012 and by passing the Articles of Association on the General Assembly meeting on 12.01.2012. The decisions, and in this regard data changes entered into the register, have been duly registered.

Pursuant to the decisions made by the General Assembly on 28 June 2013 and on 17 June 2014, the Statute of the Company was changed. The change was registered in the Company Register of the Serbian Business Registers Agency.

**General Company Data**

| | |
|---|---|
| *Head Office* | Beograd, Bulevar Mihaila Pupina 12 |
| *Registration Number* | 07023014 |
| *Registered business code and name of the business activity* | 6420 – holding company |
| *Tax Identification Number* | 100001513 |

According to the registration with the Serbian Business Registers Agency, **Company core business activity** is the activity of holding companies (6420).

The Company is the parent company that owns a larger number of subsidiaries at home and abroad, as well as a joint company (joint venture) and associate in the country.

**Company's subsidiary companies in the country** are as follows:

- Energoprojekt Visokogradnja Plc.;
- Energoprojekt Niskogradnja Plc.;
- Energoprojekt Oprema Plc.;
- Energoprojekt Hidroinzenjering Plc.;
- Energoprojekt Urbanizam i arhitektura Plc.;
- Energoprojekt Energodata Plc.;
- Energoprojekt Industrija Plc.;
- Energoprojekt Entel Plc.;
- Energoprojekt Promet Ltd. and
- Energoprojekt Sunnyville Ltd.
- Energoprojekt Park 11 Ltd.

Since 2010, the Energoprojekt Promet Ltd. has been dormant company. The liquidation ex officio is in process, since the financial statements starting from the financial statements for 2017 of Energoprojekt Promet Ltd. have not been submitted to the Serbian Business Registers Agency.

On 13 March 2018, the Company sold its entire share of Energoprojekt Garant Plc. (92.94%). In this regard, from that date income and expenses incurred with the entity are recorded within the item of revenues and expenditures incurred with other legal entities (until 13 March 2018, the transactions were recorded within the revenues and expenditures incurred with subsidiaries) - Note 23.1. On 28 December 2018, with the Business Entities Register - Serbian Business Registers Agency, the legal status change – merge; merger of Energoprojekt Garant Plc. to the Sava Neživotno osiguranje Plc. and its deletion from the Register was registered. In this matter, as of the balance sheet date, all receivables due to Energoprojekt Garant were transferred to receivables to Sava Neživotno osiguranje a.d.o..

**Subsidiary companies abroad - international companies are as follows:**

- Zambia Engineering and Contracting Company Limited, Zambia,
- Energoprojekt Holding Guinea S.A, Guinea,
- I.N.E.C. Engineering Company Limited, Great Britain,
- Encom GmbH Consulting, Engineering &Trading, Germany,
- Dom 12 S.A.L, Lebanon,
- Energo (Private) Limited, Zimbabwe and
- Energo Kaz Limited, Kazakhstan.

**Company's affiliated company (joint venture) in the country is:**

- Enjub Ltd.

**The affiliated company in the country is:**

- Closed-end fund Fima Southern Europe Activist Plc. Belgrade - in liquidation.

The following table contains data on the ownership share in subsidiaries as of 31 December 2018.

| *Equity investments in subsidiary legal entities* | |
|---|---|
| *Name of subsidiary company* | *% ownership* |
| *In the country:* | |
| Energoprojekt Visokogradnja Plc. | 100.00 |
| Energoprojekt Niskogradnja Plc. | 100.00 |
| Energoprojekt Oprema Plc. | 67.87 |
| Energoprojekt Hidroinženjering Plc. | 100.00 |
| Energoprojekt Urbanizam i arhitektura Plc. | 100.00 |
| Energoprojekt Energodata Plc. | 100.00 |
| Energoprojekt Industrija Plc. | 62.77 |
| Energoprojekt Entel Plc. | 86.26 |
| Energoprojekt Promet Ltd. | 100.00 |
| Energoprojekt Sunnyville Ltd. | 100.00 |
| Energoprojekt Park 11 Ltd. | 100.00 |

| *Equity investments in subsidiary legal entities* | |
|---|---|
| *Name of subsidiary company* | *% ownership* |
| *Abroad:* | |
| Zambia Engineering and Contracting Company Limited, Zambia | 100.00 |
| Energoprojekt Holding Guinee S.A, Guinea | 100.00 |
| I.N.E.C. Engineering Company Limited, Great Britain | 100.00 |
| Encom GmbH Consulting, Engineering & Trading, Germany | 100.00 |
| Dom 12 S.A.L, Lebanon | 100.00 |
| Energo (private) Limited, Zimbabwe | 100.00 |
| Energo Kaz Ltd., Kazakhstan | 100.00 |

Ownership share of the Company in other affiliated legal entities in the country is presented in the following table.

| *Equity share in other affiliated legal entities in the country* | |
|---|---|
| *Name of the joint company* | *% ownership* |
| Enjub Ltd. | 50.00 |
| *Name of the affiliated company* | *% ownership* |
| Closed-end fund Fima Southern Europe Activist Plc. Belgrade - in liquidation | 30.45 |

In addition to the above listed subsidiaries and other affiliated legal entities, the Company has its representative office in Baghdad, Iraq as well, which has been in the dormant status since 2015.

The Company is, according to criteria specified by the Law on accounting and auditing, classified as a **medium-sized legal entity**.

**The average number of employees** with the Company in the reporting period, based on the actual number of employees at the end of each month, is 75 (as at 31 December 2017: 75).

The company's shares are listed on the Belgrade Stock Exchange and these are traded in a regulated stock market – "Prime listing".

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from 1 January till 31 December 2018** that were approved by the Supervisory Board of the Company on the 28 February 2019, at the 44$^{th}$ meeting and that are subject to an audit by an external auditor.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

Comparative information are the audited financial statements of the Company for the year 2017.

The Company's management assesses that the Company continues to operate for an indefinite period of time and does not expect significant changes in the business, and thus the Company's financial statements for 2018 are prepared in accordance with the going concern.

## 2. MANAGEMENT STRUCTURE

**Key management of the Company** for the reporting year 2018 included the following persons:

- Stojan Čolakov - General Manager,
- Vladimir Višnjić - Executive Manager for finances, accounting and plan,
- Milan Mamula - Executive Manager for legal affairs and
- Bogdan Uzelac - Executive Manager for operations.

## 3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at 31 December 2018 is presented in the Note 31.1.

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

Financial statements of the Company were prepared in compliance with the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018 - hereinafter: the Law).

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

- The Framework for the preparation and presentation of financial statements,
- International Accounting Standards - IAS,
- International Financial Reporting Standards - IFRS and related Interpretations, issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these Standards and the related Interpretations, as approved by the International Accounting Standards Committee, the translation of which was adopted and published by the Ministry in charge of finances.

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014). These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

Chart of Accounts and content of accounts in the Chart of Accounts were prescribed by the Rules on Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014).

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

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

Among the legal acts comprising the internal regulations of the Company, in preparation of the financial statements of the Company, the Rules on Accounting and Accounting Policies of the Company, as adopted on 27 November 2015 by the Executive Board of the Company, was used. In addition to the above listed, other internal acts of the Company were used, such as, for example, the Collective Agreement of Energoprojekt Holding Plc. regulating employment in the country.

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

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

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

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

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018) , the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 - “Presentation of Financial Statements“; and

- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

In addition to the above stated, some deviations were due to the different publishing dates of the Standards and the relevant Interpretations thereof, which are subject to continuous modifications, and the effective dates when these Standards and relevant Interpretations thereof come into force in the Republic of Serbia. Thus, for example, the deviations from the Standards came as the consequence of the fact that the published Standards and relevant Interpretations, which came into force, have not yet been officially translated or adopted in the Republic of Serbia; as the consequence of the fact that the published Standards and relevant Interpretations have not yet came into force; or as the consequence of some other reasons beyond effective control or influence of the Company, that has not significantly impacted the financial position of the Company and the results of its operations.

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

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

- Amendments to IAS 32 “Financial Instruments: Presentation” - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting (effective for the annual periods beginning on or after 1 January, 2014);
- IFRIC 21 “Levies” (effective for the annual periods beginning on or after 1 January, 2014);

- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July, 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) and interpretations to standards are part of the IASB’s annual improvements project “Cycle 2010-2012”, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July, 2014);
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) and interpretations to standards are part of the IASB’s annual improvements project “Cycle 2011-2013” published by

IASB in December 2013, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July, 2014);

- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January, 2016;
- IFRS 14 "Accounts regulatory prepayments" - effective for annual periods beginning on or after 1 January, 2016;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January, 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January, 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January, 2017);
- Amendments to various standards (IAS 28, IAS 40 and IFRS 2) will enter into force on 1 January 2018;
- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, relating to the classification and measurement of financial assets. Standard eliminates the existing categories of IAS 39 – Assets held to maturity, available for sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
  In accordance with IFRS 9, financial assets will be classified into one of two categories listed at initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset will be recognized at amortized cost if the following two criteria are met: assets related to the business model, which aims to apply the agreed cash flows and contractual terms provide a basis for payment on certain dates the cash flows that are solely the collection of principal and interest on the principal outstanding. All other assets will be valued at fair value.

Gains and losses on valuation of financial assets at fair value will be recognized in the income statement, except for investments in equity instruments with non trading, where IFRS 9 permits, at initial recognition, the selection of unchangeable later that all changes in fair value recognized in within other gains and losses in the statement of comprehensive income. The amount thus be recognized within the statement of comprehensive income will not be able later to be recognized in the income statement;

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

*Published Standards and Interpretations that have not yet come into force*

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

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

## 5. ACCOUNTING PRINCIPLES

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

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

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

The **Consistency Principle** means that the valuation method for assets and changes in assets, liabilities, capital, income, expenses and business results, that is, for the Company’s balance items, remains the same over a longer period. If, for example changes are implemented due to required harmonization with the legislation, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The **Prudence Principle** means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over Form Principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

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

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

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

## 6. PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE

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

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

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

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

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

**The materiality** of an error is valuated pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements.

Materially significant errors are valuated pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1,5% of the total income in the previous year**.

## 7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

### 7.1 Valuation

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

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

Within the context of valuation, the business policy of the Company is to disclose information **on the fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. Despite all the above, the Company pays close attention to these problems and its management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

### 7.2 Effects of Foreign Exchange Rates

**Transactions in foreign currency**, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the transaction date.

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

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

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

**Official Middle Exchange Rates of the National Bank of Serbia**

| *Currency* | *31.12.2018* | *31.12.2017* |
|---|---|---|
| | *Amount in RSD* | |
| 1 EUR | 118.1946 | 118.4727 |
| 1 USD | 103,3893 | 99.1155 |
| 1 GBP | 131.1816 | 133.4302 |

### 7.3 Revenues

**Revenues** in accordance with IAS 18 - Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues, other revenues (including also revenues from the property value adjustment), and income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors.

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

For the purpose of financial reporting, within the operating revenues in Income Statement no income from the own use of products, services and merchandize and income from the change in value of products, services and merchandize (increases, i.e., decreases in the value of inventories of unfinished and finished products and unfinished services), and instead operating expenses are corrected by such amounts in the Income Statement.

Income from the sales of merchandize is recognized when the following conditions are met cumulatively:

- The company has transferred to the buyer significant risks and benefits from the ownership of the product and goods,
- The company does not keep the share in management of the product sold and merchandize that is usually related to ownership, nor does it keep the control over products and goods sold,
- The amount of income cannot be measured in a reliable manner,
- Economic benefit for the Company related to such transaction is probable, and
- Costs incurred or cost that will be incurred in such transactions can be measured in a reliable manner.

Operating revenues from provision of services, in compliance with the relevant provisions of IAS 18 - Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date*. The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the economic benefit for the Company related to such transaction is probable, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

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

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

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

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

### 7.4. Expenses

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

Expenses include operating expenses, financial expenses, other expenses (including impairment-related expenses for other assets measured at fair value through Income Statement) and operating loss from the discontinuing operations, effects of change in accounting policy and corrections of prior period errors.

**Operating expenses** include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

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

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

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

Within operating **loss from discontinuing operations, effects of changes in accounting policy, corrections of prior period errors and transfer of expenses**, expenses according to the names of accounts comprising this groups are presented and the transfer of total expenses at the end of accounting period, which are for the purposes of financial reporting presented in net effect, after offsetting against relevant income.

### 7. 5 Interest and Other Borrowing Costs

**Borrowing costs** include interest and other costs borne by the Company in relation to the borrowing of funds. Based on relevant provisions IAS 23 - Borrowing costs, Interest and other borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the acquisition, construction or production or a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost) of that asset.

### 7.6 Income Tax

**Income tax** is recorded in Company books as the sum of:

- The current tax; and
- The deferred tax.

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

*The deferred tax includes:*

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

For assets that are subject to depreciation, deferred tax assets are recognized for all deductible temporary differences between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

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

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

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

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

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

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

**Taxable temporary difference** arises in cases where a certain expense is recognized from the taxation aspect, while from the accounting aspect it will be recognized in the Company books in the following periods.

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

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.
The amount of deferred tax liability is determined by applying the prescribed (or expected) tax rate on the Company profit on the amount of taxable temporary difference that is determined as at the Balance Sheet date.

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

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

### 7.7 Intangible Assets

**Intangible assets** are assets without identifiable physical substance, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc.

The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

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

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

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

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

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

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

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

**Initial measuring of intangible assets** is performed at its cost (purchase price).

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

### 7.8 Property, Plant and Equipment

**Property, plant and equipment** are tangible assets that are: used in production, supply of goods and services, for rental to others or for administrative purpose; and which are expected to be used for more than one accounting period.

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

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost) of the item can be reliably measured.

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

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

a) Land,
b) Facilities,
c) Plants and equipment, and
d) Other.

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

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

**Measuring of subsequent expenses for property, plant and equipment** is performed when:

- It is a case of the investments that extend the useful life of the use of such asset,
- It increases the capacity,
- It improves the asset, whereby the quality of product is improved, or
- It reduces the production costs compared with the costs prior to such investment.

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

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

### 7. 9 Lease

**Lease** is an agreement according to which the lessor transfers the right to use the object of lease to the lessee for an agreed period of time in exchange for a single payment or for a series of payments.

In case of a **financial lease** (lease whereby all the risks and benefits related to ownership of the assets are essentially transferred, and upon expiry of the lease period, the property right may, but does not necessarily need to, be transferred), in compliance with the provisions of the IAS 17 - Leases, the lessee performs the **initial measurement** by recognizing the lease as an asset and liability in their Balance Sheet, according to the amounts of its fair value at the beginning of the lease, or according to the present value of the minimum payments for the lease, whichever is lower. The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in arm's length transaction.

In calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or as the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset identical to the lease.

All initial direct expenses borne by the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to periods within the leasing term and a constant periodic interest rate is applied to the outstanding balance.

In case of **business (operational) lease** (the lease whereby all the risks and benefits related to the ownership of the assets are not essentially transferred), the lease payments are recognized as expense, and in general at the linear basis during the lease period.

### 7.10 Amortisation of Intangible Assets, Property, Plant and Equipment

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

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

**The amount to be depreciated**, or the acquisition price or some other amount used as a substitute for the acquisition price in financial statements of the Company, reduced by the residual value (remaining value) is to be systematically allocated over the lifetime of the asset.

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

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

- When there is an obligation of a third party to purchase intangible asset at the end of its useful life, or
- When there is an active market for the intangible asset, with the presumption that such market will exist at the end of the useful lifetime of the asset as well, when the residual value may be determined by referring to such market.

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

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

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

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

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

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

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

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

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

### 7.11 Impairment of Intangible Assets, Property, Plant and Equipment

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

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

**Recoverable amount** is the higher amount of:

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

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

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

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

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

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

### 7.12 Investment Property

**An investment property** is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- The sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 - Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost) can be measured reliably.

**An investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to an already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as an asset, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost) of that expenditure can be measured reliably. In the opposite case, the subsequent expenditure is presented as an operating expense in the period in which it was incurred.

After the initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

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

**Investment properties *are not subject to the calculation of depreciation or to the valuation of the decrease in value of the property.***

Investment property is not recognized as such any more upon the disposal thereof or if it is not in use any more and no future benefits are expected from the disposal thereof. Gains or losses from decommissioning or disposal of investment property are recognized in Income Statement in the year in which the asset was disposed of or decommissioned.

### 7.13 Inventories

**Inventories** are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

**Inventories are** (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost) and
- Net realizable value.

**The purchase price** (cost) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

The costs of **purchase of materials and goods** as basis for the valuation of inventories of materials and goods, include the cost price, import duties and other fiscal expenditure (other than the recoverable tax amounts, such as the input value added tax), transportation costs, handling costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted on the occasion of determining the purchase costs.

*Valuation of material and goods inventories spent* is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items, spare parts and servicing equipment), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

**Conversion costs and other costs incurred in bringing the inventories to their present location and condition** are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labour costs, direct material costs and indirect costs, or general production costs and non-production costs and borrowing costs.

**Net realizable value** is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

### 7.14 Non-Current Assets Held for Sale

The Company recognizes and presents a non-current asset (or available group of assets) as an **asset held for sale** in compliance with IFRS 5 - Non-Current Assets Held for Sale and Discontinuing Operations if its accounting value can primarily be recovered by means of a sales transaction and not by means of its further use. To fulfil this requirement:

- The asset (or group for disposal) must be available for immediate sale in the current condition, solely under the usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very probable.

A non-current asset recognized as an asset held for sale is to be **measured** (presented) at a lower value than:

- The accounting value, and
- The fair value reduced by the costs of sale.

*The accounting value* is the present (non-write off) value stated in business books of the Company.

*The fair value* is the amount at which the asset may be traded between knowledgeable and willing parties in an at arm’s length transaction, or the market value on the date of sale.

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

Non-current assets held for sale are not depreciated.

Written-off assets, as well as assets with insignificant non-write off value will not be recognized as assets held for sale.

### 7.15 Financial Instruments

**Financial instruments** include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is conditional upon their classification that is to be performed by the Company in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified by provisions of IAS 39:

- Financial assets at fair value through income statement,
- Held-to-maturity financial assets (investments),
- Loans (credits) and receivables, and
- Financial assets available for sale.

**Financial assets or liabilities at fair value** through income statement include financial assets and liabilities the changes in fair value of which are recorded as revenues or expenses in the income statement.

A financial asset or liability classified in this category must fulfil either one of the following conditions:

- Classified as held for trading, or
- After initial recognition, it will be classified and stated as a financial asset (liability) through income statement.

A financial asset of liability is classified as held for sale, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (other than the derivate as a *hedging instrument*).

The Company may indicate that a financial instrument is disclosed through the income statement only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valuated based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

**Held-to-maturity financial assets (investments)** are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intents and may hold to maturity, excluding those marked by the Company at fair value through the income statement account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

**Loans (credits) and receivables** are non-derivative financial assets of the Company with fixed or identifiable payments and fixed maturity that are not quoted in an active market, other than:

- The assets that the Company intends to sell immediately or within a short period of time and that would then be classified as assets held for sale;
- The assets marked by the Company at fair value through the income statement after initial recognition;
- The assets marked by the Company as available for sale after their initial recognition, or
- The assets for which the owner cannot recover the entire amount of their initial investment to any significant degree, which will be classified as assets available for sale.

**Available-for-sale financial assets** are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

On the occasion of the **initial measurement** of a financial instrument, the Company performs the measurement at fair value through income statement increased, in case that the financial instrument has not been marked for measurement at fair value with changes of fair value through income statement, by the transaction costs that are directly attributable to the acquisition thereof.

**Subsequent measurement of financial instruments** is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- Loans and receivables, measured at amortized cost using the effective interest method;
- Financial assets (investments) held-to-maturity, measured at amortized cost using the effective interest method; and
- Investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

**The fair value** of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through income statement. Available-for-sale financial instruments are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

**Amortized cost** is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

### 7.16 Cash and Cash Equivalents

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

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

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

### 7.17 Short-Term Receivables

**Short term receivables** from the sale of products, goods and services to related parties and other legal and physical persons in the country and abroad, as well as the receivables on other bases (receivables for interest and dividend, receivables from employees, receivables from state authorities and organizations, receivables from overpaid taxes and contributions, etc., expected to be realized within 12 months from the balance sheet date.

*Short term trade receivables from the sale* are measured by the cost stated in the issued invoice, and subsequently at invoice value reduced by the correction of value based on uncollectible receivables. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are presented as gains and losses from exchange posted in revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of realisability and probability of default for all receivables or if receivables have any decrease in value.

In the **assessment of the decrease in value**, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valuated. If there is no evidence, valuators will use their experience and sound judgment in the valuation of the collectability of receivables.

If there is a decrease in the value of receivables, the following steps are taken:

- Indirect write-off, or
- Direct write-off.

*Indirect write-off of receivables* for which the Company is debited is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables on the value adjustment account, upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal of the expert services in the course of the year, is made by the Executive Board of the Company.

*Direct write-off of receivables* is performed based on the assessment of Company management if there is almost no probability of recovery (in cases where the receivables are outdated, debtors are bankrupt, etc.). The decision on direct write-off of receivables, after consideration and upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal by the expert services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balances as at the balance sheet date, i.e., during the year.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

### 7.18 Financial Investments

**Short term investments** refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

As for other assets that are presented as short-term assets, Company securities the realization (collection) of which is expected within the period of one year from the balance sheet date are also presented within the short-term financial investments. Thus, for example, securities that are classified as securities held to maturity are presented as short-term financial investments - the portion thereof that will mature within the period of one year.

**Long-term financial investments** include investments in long-term financial assets, such as: the long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 - Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company’s books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 - Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established.

The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

**7.19 Liabilities**

**A liability** is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

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

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

In addition to the above, the *prudence principle* is applied in valuation, which means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. However, the prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), since in such case the financial statements would not be impartial and would therefore be unreliable.

Liabilities include: long-term liabilities (liabilities to related parties; long-term loans and credits in the country and abroad, liabilities for long-term securities, liabilities for financial lease and other long-term liabilities); short-term financial liabilities (short-term credits and loans from related parties, short-term credits and loans in the country and abroad, a portion of the long-term credits and loans, as well as other liabilities with maturity up to one year and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

*Short-term liabilities* are liabilities expected to be settled within one year from the balance sheet date including the part *of long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

For liabilities presented in a foreign currency, as well as for the liabilities with foreign currency clause, calculation in functional currency is performed at the middle exchange rate on the transaction date. The change in exchange rate until the settlement date is presented as positive (negative) differences in exchange rate. Liabilities in a foreign currency are calculated on the balance sheet date by using the exchange rate valid as at the balance sheet date, and any differences in exchange rates are recognized as income or expenses of that period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

### 7.20 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

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

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

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

**Contingent liability** is:

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

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

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

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

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

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

### 7.21 Employee Benefit

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

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

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the IAS 19 - Employee benefits are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

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

**Retirement bonus** is paid by the Company to employees in compliance with the newly amended provisions of the Collective Agreement, which were brought in line with the legal provisions (in the amount of two average gross salaries in the Republic of Serbia in accordance with the latest published data of the Republic authority in charge of statistics).

### 7.22 Information on Business Segments

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

## 8. FINANCIAL RISKS

Uncertainty in future events is among the basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

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

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

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

- Credit risk,
- Market risk and
- Liquidity risk.

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

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

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

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management.

Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following will be presented below:

- Company financial risk profile, or the assessment of the financial risks' structure and level that the Company is exposed to in the course of its operations;
- Measures undertaken to manage the identified financial risks that the Company is exposed to; and
- Capital risk management, which, despite not specifically considered as a financial risk belonging to any of the individual financial risks' category, significantly affects the risk levels of each of the risk types considered.

**8.1 Credit Risk**

**A credit risk** is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.
Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following data is presented in the Tables below:

- The structure of short-term receivables with no impairment in value;
- The structure of short-term receivables with impairment in value; and
- Aging structure of short-term receivables with no impairment.

| **Structure of short-term receivables with no impairment in value** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Trade receivables:* | | |
| a) Buyers domestic - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | 678.761 | 493.963 |
| Energoprojekt Niskogradnja Plc. | | 60.819 |
| Energoprojekt Hidroinženjering Plc. | 18.571 | 24.448 |
| Energoprojekt Entel Plc. | 647 | 30.512 |
| Energoprojekt Energodata Plc. | 10.111 | 14.408 |
| Energoprojekt Industrija Plc. | 615 | 20.870 |
| Energoprojekt Urbanizam i Arhitektura Plc. | | 16.534 |
| Energoprojekt Oprema Plc. | | |
| Energoprojekt Garant Plc. | | 261 |
| Energoprojekt Sunnyville Ltd. | 33.775 | 26.199 |
| Energoprojekt Park 11 Ltd. | 20.597 | 353 |
| Enjub Ltd. | 705 | 705 |
| *Subtotal* | *763.782* | *689.072* |
| b) Buyers domestic (external) | 2.012 | 274 |
| ***Subtotal*** | ***765.794*** | ***689.346*** |
| *Receivables from specific operations (note 26):* | | |
| a) Receivables from specific operations - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | 2.321 | 90.203 |
| Energoprojekt Niskogradnja Plc. | 771 | 666 |
| Energoprojekt Hidroinženjering Plc. | 615 | 456 |
| Energoprojekt Entel Plc. | 39 | |
| Energoprojekt Energodata Plc. | | 1 |
| Energoprojekt Industrija Plc. | 22 | 16 |
| Energoprojekt Urbanizam i Arhitektura Plc. | 33 | |
| Energoprojekt Oprema Plc. | 25 | |
| Energoprojekt Garant Plc. | | 438 |
| Energoprojekt Sunnyville Ltd. | | 2.162 |
| Zambia Engineering and Contracting Company Limited, Zambia | 836 | |
| I.N.E.C. Engineering Company Limited, Velika Britanija | 359 | |
| Enjub Ltd. | 2.071 | 2.047 |
| *Subtotal* | *7.092* | *95.989* |
| b) Receivables from specific operations - other legal entities | 2 | 2.215 |
| ***Subtotal*** | ***7.094*** | ***98.204*** |
| *Other receivables (Note 27):* | | |
| a) Other receivables - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | *11.447* | |
| Energoprojekt Niskogradnja Plc. | | |
| Energoprojekt Energodata Plc. | *4* | |
| Energoprojekt Sunnyville Ltd. | *21.199* | |
| Enjub Ltd. | 74.413 | 64.819 |
| *Subtotal* | *107.063* | *64.819* |
| b) other receivables - other legal entities | 18.008 | 11.997 |
| ***Subtotal*** | ***125.071*** | ***76.816*** |
| **TOTAL** | ***897.959*** | ***864.366*** |

Buyers domestic - subsidiaries pertain to receivables based on service agreements, lease agreements and other to subsidiaries. According to the Service Agreements, except from Energoprojekt Entel, the Company was presented with blank bills of exchange with authorization as collaterals.

According to buyers domestic - other related parties, the Company do not present collaterals as security instruments.

According to Buyers domestic (externally), the Company has presented security instruments from Jerry Catering Service Ltd. (3 bills of exchange signed with authorization for filling and collection) and Sava Neživotno osiguranje Plc. (2 bills of exchange signed with authorization for filling and collection), while from other buyers in the country (externally) the Company does not have bail security instruments.

| **Aging structure of short-term receivables with no impairment** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Related parties:* | | |
| a) Current | 124,817 | 80,404 |
| b) up to 30 days | 13,723 | 20,568 |
| c) 30 - 60 days | 14,157 | 14,968 |
| d) 60 - 90 days | 13,716 | 31,617 |
| e) 90 - 365 days | 112,188 | 159,215 |
| f) over 365 days | 599,336 | 543,108 |
| ***Subtotal*** | ***877,937*** | ***849,880*** |
| *Domestic buyers:* | | |
| a) current | 1,341 | 2,459 |
| b) up to 30 days | 673 | |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | |
| e) 90 - 365 days | | |
| f) over 365 days | | 30 |
| ***Subtotal*** | ***2,014*** | ***2,489*** |
| *Other:* | | |
| a) current | 17,370 | 10,899 |
| b) up to 30 days | 89 | 133 |
| c) 30 - 60 days | 88 | 202 |
| d) 60 - 90 days | 88 | 124 |
| e) 90 - 365 days | 373 | 553 |
| f) over 365 days | - | 86 |
| ***Subtotal*** | ***18,008*** | ***11,997*** |
| **TOTAL** | ***897,959*** | ***864,366*** |

### 8.2. Market Risk

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

The market risk includes three risk types:

- The currency risk,
- The interest risk and
- The price 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 financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

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

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

| *Assets in EUR* | | *Liabilities in EUR* | |
|---|---|---|---|
| *31.12.2018* | *31.12.2017* | *31.12.2018* | *31.12.2017* |
| **28,804,316** | **21,830,289** | **8,291,583** | **11,342,652** |

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies.

The sensitivity rate of 10% presents the valuation of maximum reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, *appreciation of the national currency* would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities.

Therefore, all variables remaining unchanged, *depreciation of the national currency* would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

| **Sensitivity analysis of results in case of depreciation of the national currency 10%** | *in RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| **NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD** | **242,449** | **124,250** |

**The interest risk** is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The interest-bearing structure of **financial assets and liabilities** of the Company with fluctuating interest rate at the balance sheet date is presented in the following Table.

| **Interest bearing structure of financial assets and liabilities with fluctuating interest rate** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Interest-bearing financial assets with fluctuating interest rate: | | |
| Short term loans granted to related parties | 157,836 | 158,208 |
| **TOTAL** | **157,836** | **158,208** |
| Interest-bearing financial liabilities with fluctuating interest rate: | | |
| short-term loans | 827,362 | 710,836 |
| **TOTAL** | **827,362** | **710,836** |
| **DIFFERENCE** | **(669,526)** | **(552,628)** |

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to the positive effects of net interest income.

Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, *the interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

Due to the presented changes in Company's financial assets and liabilities with fluctuating interest rates, the sensitivity analysis of the Company to the interest rate growth of 1% is presented in the following Table. The 1% sensitivity rate is the estimate of potentially reasonably expected interest rate fluctuations.

| **The sensitivity analysis of results in case of interest rate growth of 1%** | *in RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| **NET EFFECT ON THE CURRENT PERIOD RESULTS** | **(6,695)** | **(5,526)** |

The sensitivity analysis has showed that the negative change in interest rates (of 1%) has an effect on the change in business results, since the interest bearing financial liabilities with fluctuating interest rates significantly exceed the interest bearing financial assets with fluctuating interest rate, and it can thus be concluded that the **Company is exposed to the interest risk**.

In relation to the potential interest risks related to financial obligations, the supplier *risk management policy* as applied in the Company shall be briefly presented below.

As presented in the Table, the interest-bearing structure of financial obligations with fluctuating interest rate, trade payables to suppliers (obligations related to the invoices issued and to non-invoiced obligations), are not included in the group.

The basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default*.

The key Suppliers according to the obligations as at the balance sheet date are presented in the following Table.

| **Structure of liabilities to suppliers** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Suppliers in the country and abroad - subsidiaries and other related parties* | | |
| Energoprojekt Visokogradnja Plc. | 683 | 23,524 |
| Encom GmbH Consulting, Engineering&Trading, Germany | | 2,962 |
| Energoprojekt Energodata Plc. | | 954 |
| Energoprojekt Urbanizam i arhitektura Plc. | 294 | 98 |
| Other | | 204 |
| ***Subtotal*** | ***977*** | ***27,742*** |
| *Suppliers in the country (externally):* | | |
| SE Elektroprivreda Srbije, Beograd | 1,117 | 795 |
| UC „Beogradske elektrane“, Beograd | 899 | 918 |
| Algotech Ltd. | 506 | 339 |
| Dedinje Ltd. | 421 | 423 |
| Tabulir Komerc Ltd. | 197 | 233 |
| Dexy CO Kids Ltd. | 175 | 191 |
| Lawyer Ljiljana Gnjatović | 172 | 172 |
| Jugomil d.o.o. | 157 | |
| other | 1,538 | 3,254 |
| ***Subtotal*** | ***5,182*** | ***6,325*** |
| *Suppliers abroad (externally):* | | |
| International Air Transport Association (*IATA*) | 3,117 | 1,990 |
| Other | | |
| ***Svega*** | ***3,117*** | ***1,990*** |
| **UKUPNO** | ***9,276*** | ***36,057*** |

Trade payables to Suppliers were broken down and presented by aging structure in the following Table.

| **Aging structure of trade payables to suppliers** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Related parties:* | | |
| a) current | 977 | 2,919 |
| b) up to 30 days | | 98 |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | 1,729 |
| e) 90 - 365 days | | 20,034 |
| f) over 365 days | | 2,962 |
| ***Subtotal*** | ***977*** | ***27,742*** |
| *Suppliers in the country:* | | |
| a) current | 4,171 | 3,970 |
| b) up to 30 days | 502 | 1,613 |
| c) 30 - 60 days | 509 | 641 |
| d) 60 - 90 days | | 45 |
| e) 90 - 365 days | | 56 |
| f) over 365 days | | |
| ***Subtotal*** | ***5,182*** | ***6,325*** |
| *Suppliers abraod:* | | |
| a) current | 3,117 | 1,990 |
| b) up to 30 days | | |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | |
| e) 90 - 365 days | | |
| f) over 365 days | | |
| ***Subtotal*** | ***3117*** | ***1990*** |
| **TOTAL** | ***9,276*** | ***36,057*** |

According to the contractual agreements and for securing payment, the Company placed to SE Elektroprivreda Srbije, 4 blank bills of exchange with a "no protest" clause.

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

### 8.3 Liquidity Risk

**Liquidity risk** is a risk of having difficulties to fulfil due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The most important liquidity indicators for the Company are presented in the following Table, and specifically:

- Current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following Table.

| **Liquidity Indicators** | Satisfactory general standards | *2018* | *2017* |
|---|---|---|---|
| General liquidity ratio | 2:1 | 3.06:1 | 1.21:1 |
| Rigorous ratio | 1:1 | 3.06:1 | 1.20:1 |
| Operating cash flow ratio | | 0.19:1 | 0.18:1 |
| Net working capital (in RSD 000) | Positive value | 2,229,903 | 291,408 |

The results of the ration analysis indicate that the Company was liquidity during 2018, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore, we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;
- The management performs continuous monitoring of Company’s liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

**8.4 Capital Risk Management**

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *return on (average) equity (ROE)* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

| **Profitability indicators** | *In RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| Net profit | 763,473 | 438,933 |
| Average capital | | |
| a) capital at the beginging of year | 8,529,997 | 8,421,896 |
| b) capital at the end of year | 9,094,008 | 8,529,997 |
| **Total** | *8,812,003* | *8,475,947* |
| **Average return rate on own capital at the end of year** | ***8.66%*** | ***5.18%*** |

Financial structure adequacy is reflected in the amounts and type of debts.

The most important indicators of the Company’s financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- The ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

| Financial structure Indicator | In RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Liabilities | 1,081,887 | 1,415,346 |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of borrowed funds to total assets** | **0.10 : 1** | **0.14 : 1** |
| Long term assets: | | |
| a) capital | 9,094,008 | 8,529,997 |
| b) long term provision and liabilities | 156,949 | 154,817 |
| Subtotal | *9,250,957* | *8,684,814* |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of long term to total assets** | **0.90 : 1** | **0.86 : 1** |

**The net debt** shows how much each dinar of net debt is covered by the Company's capital.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) plus Loss Above Equity, and
- Cash and cash equivalents.

| Parameters for the net debt to capital ratio | u 000 dinara | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Net debt: | | |
| a) Liabilities | 1,081,887 | 1,415,346 |
| b) Cash and cash equivalents | 200,519 | 251,917 |
| *Total* | *881,368* | *1,163,429* |
| Capital | 9,094,008 | 8,529,997 |
| **Net debt to capital ratio** | **1 : 10.32** | **1 : 7.33** |

## INCOME STATEMENT

## 9. OPERATING INCOME

### 9.1 Income from Sale of Products and Services

Structure of income from the sale of products and services is presented in the following table.

| Structure of income from sale of products and services | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Income from sale of finished products and services to parent company and subsidiaries on local market | 315.898 | 415.941 |
| Income from sale of finished products and services on local market | 58 | 77 |
| Income from sale of finished products and services on foreign markets | | |
| **TOTAL** | ***315.956*** | ***416.018*** |

**Income from sale of finished products and services to parent companies and subsidiaries on local market** are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 315,898 thousand

Structure of income from sale of finished products and services to and subsidiaries on local market is presented in the table below.

| Structure of income from the sale of finished products and services to subsidiaries on local market | In RSD 000 | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Energoprojekt Garant Plc. | | 2.331 |
| Energoprojekt Visokogradnja Plc. | 77.824 | 118.513 |
| Energoprojekt Niskogradnja Plc. | 103.739 | 125.708 |
| Energoprojekt Hidroinženjering Plc. | 12.772 | 15.301 |
| Energoprojekt Entel Plc. | 41.108 | 70.412 |
| Energoprojekt Energodata Plc. | 5.639 | 6.065 |
| Energoprojekt Industrija Plc. | 6.138 | 6.462 |
| Energoprojekt Urbanizam i arhitektura Plc. | 3.150 | 3.769 |
| Energoprojekt Oprema Plc. | 44.508 | 53.528 |
| Energoprojekt Sunnyville Ltd. | 4.139 | 13.558 |
| Energoprojekt Park 11 Ltd. | 16.881 | 294 |
| **TOTAL** | ***315.898*** | ***415.941*** |

**Income from sale of finished products and services on local** market in the amount of RSD 58 thousand generated by the sale of airline tickets.

### 9.2 Other Operating Income

| Structure of other operating income | u 000 dinara | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Incomes from the rent collected from parent, subsidiary and other affiliated companies | 14.392 | 19.528 |
| Incomes from the rent collected from other legal entities on local market | 11.402 | 4.646 |
| Other operating income (externally) | 209 | 61 |
| **TOTAL** | ***26.003*** | ***24.235*** |

**Incomes from the rent collected from parent, subsidiary and other affiliated companies** amounting to RSD 14,392 thousand, were generated based on:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 13,096;
- rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 864 thousand (up to 13 March 2018 – Note 1); and
- rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 432 thousand.

**Incomes from the rent collected from other legal entities on local marke**t amounting to RSD 11,402 thousand were generated primarily from leasing of:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since August 2017 to the Jerry Catering Service Ltd. for RSD 7,737 thousand; and
- portion of the Energoprojekt building, which has been rented since 14 March 2018 to the Energoprojekt Garant Company for RSD 3,416 thousand (Note 1).

## 10. MATERIAL COSTS AND FUEL AND ENERGY COSTS

| **Structure of material cost and fuels and energy costs** | *u 000 dinara* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Material costs: | | |
| a) Costs of other materials (overheads) | 5.582 | 7.305 |
| b) Costs of one-off write-off of tools and inventory | | 68 |
| *Subtotal* | *5.582* | *7.373* |
| Fuel and energy costs: | | |
| a) Costs of fuel | 958 | 2.342 |
| b) Costs of electrical energy and heatings | 19.341 | 20.298 |
| *Subtotal* | *20.299* | *22.640* |
| **TOTAL** | ***25.881*** | ***30.013*** |

**Costs of other material (overheads)** amounting to RSD 5,582 thousand refer to the costs of office supplies amounting to RSD 1,959 thousand, professional and expert literature, magazines, etc., amounting to RSD 1,245 thousand and other material costs amounting to RSD 2,378 thousand.

## 11. EMPLOYEE EXPENSES AND BENEFITS

| Structure of employee expenses and benefits | *u 000 dinara* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Expenses of wages and fringe benefits (gross) | 147.547 | 173.375 |
| Taxes and contributions on wages and contributions on wages payable by employer | 23.782 | 23.854 |
| Service agreements contributions | 3.775 | 4.032 |
| Copyright agreements contributions | 334 | 332 |
| Costs of contributions for contract fees for temporary and periodical engagement | 2.169 | 1.448 |
| Considerations to General Manager and/or Management and Supervisory Board members | 12.766 | 12.926 |
| Other personnel expenses and fringe benefits | 12.322 | 10.541 |
| **TOTAL** | ***202.695*** | ***226.508*** |
| Average number of employees | 75 | 75 |

**Other personnel expenses** and fringe benefits amounting to RSD 12,322 thousand refer to the business trips' expenses amounting to RSD 9,389 thousand, Company expenses for employee commuting reimbursements amounting to RSD 2,742 thousand and other employee compensations amounting to RSD 191 thousand.

## 12. PRODUCTION SERVICE COSTS

| Structure of production service costs | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Service of outputs | | |
| Transportation services cost | 2.746 | 3.803 |
| Repairs and maintenance services' costs | 36.932 | 34.395 |
| Rental costs | 54 | 339 |
| Trade fairs' costs | 65 | 54 |
| Advertising costs | 1.589 | 12.334 |
| Other service costs | 15.152 | 16.248 |
| **TOTAL** | ***56.538*** | ***67.173*** |

**Transportation services' costs** in the amount of RSD 2,746 thousand refer to the landline costs and mobile phone costs, internet services, taxi services, parking services for cars, toad tolls, etc.

**Repairs and maintenance services costs** amounting to RSD 36,932 thousand pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 34,424 thousand and to the ongoing maintenance of equipment amounting to RSD 2,376 thousand.

**Advertising costs** amounting to RSD 1,589 thousand pertain to the sponsorships expenses in the amount of RSD 643 thousand (primarily, 25th Kopaonik Business Forum in the amount of RSD 593 thousand), costs of corporate review and annual report on the Company's operations in the amount of RSD 886 thousand and other advertising costs in the amount of RSD 60 thousand.

**Costs of other services** amounting to RSD 15,152 thousand refer to the photocopying costs and costs of technical and operational support: RSD 7,296 thousand mostly provided by the Energoprojekt Energodata Company in amount of RSD 6,969 thousand, in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other; licenses' costs: RSD 4,218 thousand; utility services: RSD 2,817 thousand, occupational safety and car registration expenses: RSD 821 thousand.

## 13. DEPRECIATION EXPENSES AND PROVISION EXPENSES

| **Structure of depreciation expenses and provision** | *In RSD 000* | |
|---|---|---|
| | *01.01.-31.12. 2018.* | *01.01.-31.12. 2017.* |
| Depreciation expenses: | | |
| a) Depreciation of intangible assets (Note 21) | 3.190 | 3.174 |
| b) Depreciation of property, plant and equipment (Note 22) | 17.627 | 19.423 |
| *Total* | *20.817* | *22.597* |
| Provisions expenses | | |
| Provisions for employee expenses and benefits | 216 | 517 |
| *Total* | *216* | *517* |
| **TOTAL** | ***21.033*** | ***23.114*** |

As of 31.12.2018, the evaluation of residual value and remaining useful life of property and equipment with significant carrying amounts was done. The effect of changes in accounting estimates influenced depreciation costs for 2018, and consequently carrying amount as of 31.12.2018.

Provisions for employee expenses and benefits amount to RSD 216 thousand (Notes 32).

## 14. INTANGIBLE EXPENSES

| Structure of intangible expenses | In RSD 000 | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Intangible expenses | 20.591 | 24.308 |
| Expense account | 5.781 | 8.060 |
| Insurance premiums expenses | 1.723 | 2.037 |
| Payment operations' expenses | 3.963 | 7.745 |
| Membership fee expenses | 1.166 | 2.737 |
| Tax duties | 19.474 | 26.539 |
| Other non-operating expenses | 3.402 | 13.502 |
| **TOTAL** | ***56.100*** | ***84.928*** |

**Intangible expenses** amounting to RSD 20,591 thousand pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

**Expense accounts** amounting to RSD 5,781 thousand primarily relate to the catering services.

**Insurance premium expenses** amounting to RSD 1,723 thousand refer to the insurance of property and persons.

**Payment operations expenses** amounting to RSD 3,963 thousand pertain to the local payment operations costs dominantly from loan fees and bank guarantees.

**Membership fee expenses** amounting to RSD 1,166 thousand relate to membership fees to the Serbian Chamber of Commerce in the amount of RSD 429 thousand, as well as membership fees to other chambers and associations.

**Tax duties** in the amount of RSD 19,474 thousand refer predominantly to the property tax amounting to RSD 18,782 thousand.

**Other intangible expenses** amounting to RSD 3,402 predominantly refer to costs of printing Energoprojekt magazine in the amount of RSD 1,467 thousand, taxes and court expenses in the amount of RSD 1,014 thousand and the cost of participation in financing salaries of persons with disabilities in the amount of RSD 416 thousand.

## 15. FINANCIAL INCOME AND FINANCIAL EXPENSE

### 15.1 Financial Income

| Structure of financial income | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Financial income from transactions with parent companies and subsidiaries | 605.737 | 530.377 |
| Financial income from other affiliated companies | 9.752 | 9.945 |
| Income from dividends | 68 | 54 |
| *Total financial income from the affiliated companies and other financial income* | *615.557* | *540.376* |
| Interest income (third party) | 9.165 | 2.117 |
| Exchange rate gains and positive currency clause effects (third party) | 3.923 | 66.362 |
| **TOTAL** | ***628.645*** | ***608.855*** |

**Financial income from transactions with parent companies and subsidiaries** amounting to RSD 605,737 thousand refer to interest income from subsidiaries amounting to RSD 49,124 thousand, income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 806 thousand and to the income from the profit share (dividends) in the amount of RSD 555,807 thousand from the following subsidiaries:

- Energoprojekt Entel Plc. in the amount of RSD 431,877 thousand; and
- Energoprojekt Niskogradnja Plc. in the amount of RSD 123,930 thousand.

**Financial income from other affiliated companies** in the amount of RSD 9,752 thousand entirely relates to the interest income from the joint venture Enjub Ltd.

**Income from dividends** in the amount of RSD 68 thousand relates to the Dunav osiguranje Plc..

**Interest income (third party)** in the amount of RSD 9,165 thousand dominantly refers to the interest calculated on the term deposits in RSD 9,153 thousand.

**Exchange rate gains and positive currency clause effects (third party)** in the amount of RSD 3,923 thousand pertain to the positive differences in exchange rates in the amount of RSD 1,681 thousand (dominantly on the term deposits: RSD 1,612 thousand) and income from the effects of foreign currency clause in the amount of RSD 2,242 thousand (predominantly from the effects of foreign currency clause originated from liabilities from borrowings from banks in the amount of RSD 1,694 thousand).

### 15.2 Financial Expense

| Structure of financial expenses | In RSD 000 | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Finacial expenses from transactions with parent company and subsidiaries | 4.638 | 69.594 |
| Financial expenses from other affiliated companies | 529 | 9.179 |
| *Total financial expense incurred from affiliated companies and other financial expenses* | *5.167* | *78.773* |
| Interest expenses (third party) | 30.564 | 32.070 |
| Exchange rate losses and negative currency clause effects (third party) | 1.478 | 36.181 |
| **TOTAL** | ***37.209*** | ***147.024*** |

**Financial expenses from transactions with parent companies and subsidiaries** in the amount of RSD 4,638 thousand dominantly pertain to the expenses incurred from the effects of foreign currency clauses from subsidiaries in the amount of RSD 4,637 thousand, mostly based on long-term loans in the amount of RSD 2,041 thousand (Energoprojekt Sunnyville, Energoprojekt Niskogradnja and Energoprojekt Visokogradnja) and sales receivables in the amount of RSD 1,656 thousand (primarily, Energoprojekt Visokogradnja: 1.497 thousand RSD).

**Financial expenses from other affiliated companies** in the amount of RSD 529 thousand pertain to the expenses incurred from the effects of foreign currency clauses from joint venture Enjub Ltd, based on loans and interest on loans.

**Interest expense (third party)** in the amount of RSD 30,564 thousand relate primarily to the interest expense from domestic loans in amount of RSD 30,559 thousand granted by the Erste bank, VTB Bank, Societe Generale Bank, Komercijalna Banka and Banca Intesa.

**Exchange rate losses and negative currency clause effect (third party)** in the amount of RSD 1,478 thousand refer to foreign exchange losses in the amount of RSD 590 thousand and costs from effects of foreign currency clause in the amount of RSD 888 thousand, of which the largest portion relates to effects of foreign currency clause from receivable from non-invoiced revenue based on construction of the embassy in Abuja of RSD 882 thousand.

## 16. OTHER INCOME AND OTHER EXPENSES

### 16.1 Other Income

| Structure of other income | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Gains on sale of intangible assets, property, plant and equipment | 95.262 | 221 |
| Gains on sale of shares and securities | 178.452 | |
| Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result | | 7 |
| Other not mentioned income | 682 | 182 |
| **TOTAL** | ***274.396*** | ***410*** |

**Gains on sale of intangible assets, property, plant and equipment** in the amount of RSD RSD 95,262 thousand relate to transfer of land as non-performing share at market value by the decision of Supervisory Board of the Company.

**Gains on sale of shares and securities** in the amount of RSD 178,452 thousand relate to revenues from sale of equity shares with Energoprojekt Garant in the amount of RSD 146,011 thousand and Beogradsko Mešovito Preduzeće Plc., Belgrade in the amount of RSD 32,441 thousand (Note 23.1).

**Other not mentioned income** in the amount of RSD 682 thousand dominantly pertain to income from reimbursement of funds in the name of paid educational expenses of employee based on unilateral termination of the Employment Contract in the amount of RSD 433 thousand and income from sale of old paper in the amount of RSD 218 thousand.

### 16.2 Other Expenses

| Structure of other expenses | *In RSD 000* | |
|---|---|---|
| | *01.01.-31.12. 2018.* | *01.01.-31.12. 2017.* |
| Losses incurred from shelving and sale of intangible assets, property, plant and equipment | 14 | 1.295 |
| Expense from direct write-off of receivables | 27.218 | 39 |
| Other not mentioned expense | 7.151 | 7.710 |
| Impairment of property, plant and equipment | 3.199 | 22.839 |
| **TOTAL** | ***37.582*** | ***31.883*** |

**Expenses from direct write-off of receivables** in the amount of RSD 27,218 thousand dominantly refer to Energoprojekt Urbanizam i Arhitektura company in the amount of RSD 27,185 thousand and related to direct write-off of part of receivable in accordance with the loan agreement in RSD 15,550 thousand RSD (Note 28), interest on loan in RSD 976 thousand (Note 27) and invoices for services from previous years in the amount of RSD 10,659 thousand (Note 25). The amounts were recorded in accordance with the decision of the Executive Board of the Company which was made due difficult business conditions that Energoprojekt Urbanizam i Arhitektura faced with.

**Other not mentioned expenses** in the amount of RSD 7,151 thousand pertain to the donations granted in the amount of RSD 6.819 thousand (mostly Office for Kosovo and Metohija - construction of two houses for the housing-vulnerable population: RSD 6,522 thousand) and expenses for sports purposes in the amount of RSD 332 thousand.

**Impairment of property, plant and equipment** in the amount of RSD 3.199 thousand relates to the adjustment of the fair value of the complex "Samački hotel" (Note 22).

## 17. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS

| **Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year** | *in RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | 2,232 | |
| Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | | 112 |
| **TOTAL** | ***2,232*** | ***(112)*** |

**Net profit from discontinued operations, effects of change in accounting policy and corrections of errors from previous years** in the amount of RSD 2,232 thousand relate to the subsequently determined income, i.e. expenses from the previous period in the amounts that are not significant and based on those provided recognition at the expense of, or for behalf of current period.

## 18. PROFIT / LOSS BEFORE TAX

| Structure of gross result | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12.2018.* | *01.01.- 31.12.2017.* |
| Operating income | 341.959 | 440.253 |
| Operating expenses | 362.247 | 431.736 |
| **Operating result** | **(20.288)** | **8.517** |
| Financial income | 628.645 | 608.855 |
| Financial expenses | 37.209 | 147.024 |
| **Financial result** | **591.436** | **461.831** |
| Income from value adjustment of other assets disclosed at fair value through income statement | | |
| Other income | 274.396 | 410 |
| Expenses from value adjustment of other assets disclosed at fair value through income statement | | |
| Other expenses | 37.582 | 31.883 |
| **Result from other income and expenses** | **236.814** | **(31.473)** |
| Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | 2.232 | |
| Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | | 112 |
| **TOTAL INCOME** | **1.247.232** | **1.049.518** |
| **TOTAL EXPENSES** | **437.038** | **610.755** |
| **PROFIT/LOSS BEFORE TAX** | **810.194** | **438.763** |

## 19. NET PROFIT

| Structure of net profit | *in RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Profit/(loss) before tax | 810,194 | 438,763 |
| Tax expense for period | 45,113 | |
| Deferred tax loss of the period | 1,608 | (170) |
| **Net profit** | ***763,473*** | ***438,933*** |

Estimated income tax duty for the year 2018 amounts to RSD 45,113 thousand (Note 37.2), and it was not deducting for income tax credit of RSD 16,173 thousand (Note 27). The final income tax duty for 2018 will be determined within the statutory deadline (June 2019).

## 20. EARNINGS PER SHARE

| **Indicator** | *in RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Net profit | 763,473 | 438,933 |
| The weighted average number of shares during the year | 10,833,592 | 10,833,592 |
| **Earnings per share (in RSD)** | ***70.47*** | ***40.52*** |

Earnings per share is calculated by dividing the profit for ordinary shareholders by the average weighted number of ordinary shares in circulation for the period.

## BALANCE SHEET

## 21. INTANGIBLES ASSETS

In RSD 000

| Structure of intangible assets | Software | Concessions, licenses, trademarks, rights | Intangible assets in process | Advances for intangible assets | Total |
|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | |
| **Opening balance 01.01.2017.** | 16.170 | | 7 | | **16.177** |
| Restated opening balance | | | | | |
| Transfers from / on | | 1.842 | (1.842) | | |
| Additions | | | 1.835 | | **1.835** |
| Disposals | | | | | |
| **As of 31.12.2017** | **16.170** | **1.842** | | | **18.012** |
| Restated opening balance | | | | | |
| Transfers from / on | | | | | |
| Additions | | | | | |
| Disposals | | | | | |
| **As of 31.12.2018** | **16.170** | **1.842** | | | **18.012** |
| ***Accumulated depreciation*** | | | | | |
| **Opening balance** | 6.967 | | | | **6.967** |
| Restated opening balance | | | | | |
| Chanrges in the year | 3.005 | 169 | | | **3.174** |
| Disposals | | | | | |
| Impairments | | | | | |
| **As of 31.12.2017** | **9.972** | **169** | | | **10.141** |
| Restated opening balance | | | | | |
| Chanrges in the year | 3.006 | 184 | | | **3.190** |
| Disposals | | | | | |
| Impairments | | | | | |
| **As of 31.12.2018** | **12.978** | **353** | | | **13.331** |
| ***Net book value*** | | | | | |
| **As of 31.12.2017** | ***6.198*** | ***1.673*** | | | ***7.871*** |
| **As of 31.12.2018** | ***3.192*** | ***1.489*** | | | ***4.681*** |

## 22. PROPERTY, PLANT AND EQUIPMENT

In RSD 000

| Structure of property, plant and equipment | Buildings | Plant and equipment | Investment property | Other PPE | PPE under construction | Advances for PPE | Total |
|---|---|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | | | |
| **Opening balance** | **1,325,585** | **114,215** | **590,198** | **283** | | **46,749** | **2,077,030** |
| Restated opening balance | | | | | | | |
| Additions during the year | | | | | 355,073 | 8,944 | **364,017** |
| Increase by transfer of investment under construction | | 14,403 | 73,424 | | (87,827) | | |
| Other transfers from / to | | | | | 9,144 | (9,144) | |
| Disposals | | (11,946) | (83,961) | | | | **(95,907)** |
| Gains/(loss) included in Other result (acc.330) | | | | | | | |
| Gains/(loss) included in Income Statement | | | (22,839) | | | | **(22,839)** |
| Exchange differences | | | | | | (1,885) | **(1,885)** |
| Other increase / (decrease) | | | | | | | |
| **As of 31.12.2017** | **1,325,585** | **116,672** | **556,822** | **283** | **276,390** | **44,664** | **2,320,416** |
| Restated opening balance | | | | | | | |
| Additions during the year | | | | | 7,294 | 800 | **8,094** |
| Increase by transfer of investment under construction | | 2,194 | 1,892 | | (4,086) | | |
| Other transfers from / to | | | | | 800 | (800) | |
| Disposals | | (8,338) | | | | | **(8,338)** |
| Gains/(loss) included in Other result (acc.330) | 2,983 | | | | | | **2,983** |
| Gains/(loss) included in Income Statement | | | (3,199) | | | | **(3,199)** |
| Exchange differences | | | | | | | |
| Other increase / (decrease) | (22,912) | | | | (280,398) | | **(303,310)** |
| **As of 31.12.2018** | **1,305,656** | **110,528** | **555,515** | **283** | | **44,664** | **2,016,646** |
| ***Accumulated depreciation*** | | | | | | | |
| **Opening balance** | | **82,030** | | | | | **82,030** |
| Restated opening balance | | | | | | | |
| Charges in the years | 11,814 | 7,609 | | | | | **19,423** |
| Disposals | | (10,010) | | | | | **(10,010)** |
| Other increase / (decrease) | | | | | | | |
| **As of 31.12.2017** | **11,814** | **79,629** | | | | | **91,443** |
| Restated opening balance | | | | | | | |
| Charges in the years | 11,098 | 6,529 | | | | | **17,627** |
| Disposals | | (2,749) | | | | | **(2,749)** |
| Other increase / (decrease) | (22,912) | | | | | | **(22,912)** |
| **As of 31.12.2018** | | **83,409** | | | | | **83,409** |
| ***Net book value*** | | | | | | | |
| **As of 31.12.2017** | ***1,313,771*** | ***37,043*** | ***556,822*** | ***283*** | ***276,390*** | ***44,664*** | ***2,228,973*** |
| **As of 31.12.2018** | ***1,305,656*** | ***27,119*** | ***555,515*** | ***283*** | | ***44,664*** | ***1,933,237*** |

On 31 December 2018 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. Effect of changes in accounting estimates affected depreciation costs for 2018, and that, consequently carrying value of assets as of 31 December 2018 (Note 13).

**Assessment of Fair Value of "Buildings"**

The fair value of "buildings" is usually the market value thereof that is established through valuation performed by independent qualified valuators based on market evidence.

In cases where there are no evidence of the fair value of the property in the market, due to the specific nature of the building and because such items are rarely put on sale, the Company performs valuation of fair value of the property by using the income approach or the depreciated replacement cost approach.

The Company in its business books registered **"Office building Energoprojekt"** carried at revalued amount at the assessment date.

The appraisal of fair value of the Energoprojekt office building as at 31 December 2018 in the amount of RSD 1,305,656 thousand was performed by an external independent qualified valuator by using the comparative method (it was performed by completely eliminating the correction of its value in the amount of RSD 22,912 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 2,983 thousand).

Starting from the revalued amount of the item as of 31.12.2017, as well as based on the assessment of the determined residual value as at 31.12.2018 and determined useful lifetime of the building (100 years; the remaining useful life as at 31.12.2018: 63 years), the amortization costs for the building over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 11,098 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the Table.

*in RSD thousand*

| No. | Building | Opening balance | Residual value as at the balance sheet date | Remaining useful life | Depreciation | Gains/(losses) included in Report on Other Income | Closing balance |
|---|---|---|---|---|---|---|---|
| 1 | Energoprojekt office building | 1,313,771 | 602,370 | 63 | 11,098 | 2,983 | 1,305,656 |
| | **TOTAL** | ***1,313,771*** | ***602,370*** | ***63*** | ***11,098*** | ***2,983*** | ***1,305,656*** |

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 529,803 thousand.

**Advances for property** in the amount of RSD 44,664 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria.

As of 31.12.2018, over the Company's real estate and equipment no mortgage or pledge were established in order to ensure timely settlement of financial obligations.

In respect of **Investment Property** the following figures are recognised in the Income Statement:

| **Income and expenses in respect of investment property recognised in the Income statement** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Rental incomes (Note 9.2) | 20.833 | 18.382 |
| Direct operating costs arising from investment property that generated rental income during the year: | | |
| Complex building „Samački hotel“ | 5.866 | 25.783 |
| Office facility "Stari Merkator" | | 1.529 |

Adjustment of the opening and closing balance of the fair value of investment property is presented in the following Table.

| No. | Investment property | Opening balance | Increases, (purchases, additional investments and etc.) | Decreases (sales, disposals and etc.) | Gains / (loss) included in the Income Statement | Closing balance |
|---|---|---|---|---|---|---|
| 1 | Complex "Samački hotel" | 556,822 | 1,892 | | (3,199) | 555,515 |
| | **TOTAL** | ***556,822*** | ***1,892*** | | ***(3,199)*** | ***555,515*** |

In its books, the Company posted the fair value of its investment property in the amount of RSD 555,515 thousand relating to complex "Samački hotel" area of 8,034.00 m², with using right of city construction land area of 18,598.00 m², 24 Batajnički drum, Zemun..

Valuation of the fair value of complex "Samački hotel" as at 31.12.2018 was performed by external independent, qualified valuator with recognized and relevant professional qualifications and recent relevant work experience with relevant location and category of investment property appraised. In valuation of the fair value, the external independent qualified valuator used the cost approach for the building (due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location) and comparative approach for land.

Income amounting to RSD 20,833 thousand was generated from the rent of the property to the Energoprojekt Visokogradnja and Jerry Catering Service Ltd. in the reporting period (Note 9.2).

As at the balance sheet date, there are no limitations pertaining to the sales potential of the investment property, nor any limitations pertaining to generating income from the property disposal.

## 23. LONG-TERM FINANCIAL INVESTMENTS

| Structure of long term financial investments | In RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Shares in subsidiaries | 5.552.828 | 5.772.783 |
| Shares in affiliated companies and joint ventures | 30.613 | 30.613 |
| Shares in other companies and other available for sale securities | 126.098 | 215.087 |
| Long-term investments in parent companies and subsidiaries | 171.259 | 950.334 |
| Other long-term financial investments | 1.217 | 1.297 |
| *Total* | *5.882.015* | *6.970.114* |
| *Impairment* | (798.879) | (813.552) |
| **TOTAL** | ***5.083.136*** | ***6.156.562*** |

### 23.1 Share Investments

Equity investments relate to investments in shares and stocks as shown in the following Table.

| Structure of share investment | % shares | In RSD 000 | |
|---|---|---|---|
| | | 31.12.2018 | 31.12.2017 |
| ***Equity shares with subsidiaries*** | | | |
| Energoprojekt Visokogradnja Plc. | 100,00% | 1.835.167 | 1.833.315 |
| Energoprojekt Niskogradnja Plc. | 100,00% | 1.104.981 | 1.104.904 |
| Energoprojekt Oprema Plc. | 67,87% | 121.316 | 121.316 |
| Energoprojekt Hidroinženjering Plc. | 100,00% | 427.626 | 427.626 |
| Energoprojekt Urbanizam i arhitektura Plc. | 100,00% | 192.642 | 192.642 |
| Energoprojekt Energodata Plc. | 100,00% | 194.862 | 194.862 |
| Energoprojekt Industrija Plc. | 62,77% | 61.209 | 61.209 |
| Energoprojekt Entel Plc. | 86,26% | 216.422 | 216.422 |
| Energoprojekt Garant Plc. | | | 597.545 |
| Energoprojekt Sunnyville Ltd. | 100,00% | 2.500 | 2.500 |
| Energoprojek Park 11 Ltd. | 100,00% | 375.660 | |
| I.N.E.C. Engineering Company Limited, Great Britain | 100,00% | 70.311 | 70.311 |
| Encom GmbH Consulting, Engineering & Trading, Germany | 100,00% | 3.493 | 3.493 |
| Dom 12 S.A.L., Lebanon | 100,00% | 924.749 | 924.749 |
| Energo Kaz Ltd., Kazakhstan | 100,00% | 101 | 101 |
| Zambia Engineering and Contracting Company Limited, Zambia | 100,00% | 587 | 587 |
| Energoprojekt Holding Guinee S.A., Gvinea | 100,00% | 1.628 | 1.628 |
| Energoprojekt (Malezija) Sdn. Bhd., Kuala Lumpur | 100,00% | 19.574 | 19.574 |
| *Impairments* | | *(715.065)* | *(715.065)* |
| ***Total*** | | ***4.837.763*** | ***5.057.719*** |
| ***Share in affiliated companies and joint ventures*** | | | |
| Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria | 40,00% | 1.063 | 1.063 |
| End investment fund Fima Southern Europe Activist ad Beograd - in liquidation | 30,45% | 16.000 | 16.000 |
| Enjub Ltd. | 50,00% | 13.550 | 13.550 |
| *Impairments* | | *(1.063)* | *(1.063)* |
| ***Total*** | | ***29.550*** | ***29.550*** |
| ***Share in other companies and other available for sale securities*** | | | |
| Beogradsko mešovito preduzeće Plc., Beograd | | | *88.988* |
| Dunav osiguranje Plc. | *0,01%* | *5.814* | *5.814* |
| Jubmes banka Plc. | *1,41%* | *120.176* | *120.176* |
| Beogradska berza Plc. | *0,12%* | *100* | *100* |
| Poljoprivredna banka Agrobanka Plc. Beograd - in bankruptcy | *0,36%* | *7* | *7* |
| Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy | *0,0005%* | *1* | *1* |
| Pinki Zemun Plc. | *0,004%* | | |
| *Impairments* | | *(82.751)* | *(97.424)* |
| ***Total*** | | ***43.347*** | ***117.662*** |
| **TOTAL** | | ***4.910.660*** | ***5.204.931*** |

Equity investments for which impairment was performed are presented in the following Table.

| **Share investment - impairment** | *In RSD 000* | | |
|---|---|---|---|
| | *Gross investment amount* | *Impairment* | *Net investment amount* |
| ***Shares in subsidiaries:*** | | | |
| Energoprojekt Visokogradnja Plc. | 1,835,167 | (641,633) | 1,193,534 |
| Energoprojekt Urbanizam i arhitektura Plc. | 192,642 | (44,277) | 148,365 |
| I.N.E.C. Engineering Company Limited, Great Britain | 70,311 | (7,953) | 62,358 |
| Energoprojekt Holding Guinee S.A., Guinea | 1,628 | (1,628) | - |
| Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur | 19,574 | (19,574) | - |
| ***Total*** | ***2,119,322*** | ***(715,065)*** | ***1,404,257*** |
| ***Shares in affiliated companies and joint ventures:*** | | | |
| Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria | 1,063 | (1,063) | - |
| ***Total*** | ***1,063*** | ***(1,063)*** | ***0*** |
| ***Share in other legal entities and other securities available for sale:*** | | | |
| Banks, financial organisations and other legal entities: | | | |
| Dunav osiguranje a.d.o. | 5,814 | (5,155) | 659 |
| Jubmes banka Plc. | 120,176 | (77,588) | 42,588 |
| Agrobanka Plc. Beograd - in bankruptcy | 7 | (7) | - |
| Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy | 1 | (1) | - |
| ***Total*** | ***125,998*** | ***(82,751)*** | ***43,247*** |
| **TOTAL** | ***2,246,383*** | ***(798,879)*** | ***1,447,504*** |

Share investments are long-term investments in shares and stocks of subsidiaries and affiliates, joint ventures, banks and insurance companies (securities available for sale), as well as in other companies.

**Share investments in subsidiaries, affiliates and joint ventures** are disclosed in compliance with the method for disclosing investments at cost. Company recognizes revenues in the amount received from the distribution of retained earnings of the investment user incurred after the acquisition date.

Increase in share investment in Energoprojekt Visokogradnja and Energoprojekt Niskogradnja in 2018 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 1,929 thousand as the difference in share price, costs of court proceedings, with accrued penalty interest.

Pursuant to the Share Purchase Agreement (concluded on 15.11.2017 between the Company and Sava Re Pozavarovalnica Sava Plc.), the Company sold its entire equity share with company Energoprojekt Garant of 92.94% (Note 16.1), through a block transaction that was realized on the Belgrade Stock Exchange on 09.03.2018. Prior to sales, the announcement of notice of non-existence intention to implement a takeover bid was issued. The issue determined intention to alienate 146,155 shares of the Energoprojekt Garant owned by the Company. The transaction was settled on 13.03.2018. Trading was carried out on the basis of the prior approval of the National Bank of Serbia, whereby the acquirer was granted the acquisition.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,632 thousand was performed on 31 December 2014 in compliance with IAS 36 - Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at 31.12.2014.

Impairment of share investment in subsidiaries and affiliated companies abroad (Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur; Energoprojekt Holding Guinee S.A., Guinea; I.N.E.C. Engineering Company Limited, Great Britain, and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria) was performed in 2004 in compliance with the initial implementation of IAS provisions.

Share investment in Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria were completely impaired because in addition to the fact that these Companies have no assets, they do not perform any business activities for a number of years now. The process of their dissolution in compliance with the local legislation has not been concluded yet.

**Share in other companies and other available for sale securities** are measured at market (fair) value, if it is possible to determine it.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily from sales of 180 shares of the Beogradsko Mešovito Preduzeće Plc., Belgrade to the company Luella Enterprises Company LIM, Cyprus (Note 16.1) on 14.03.2018; and due to value adjustments of securities in securities portfolio of the Company (Jubmes banka Plc. and Dunav osiguranje Plc.), with their fair value on the secondary securities market as of the financial statements preparation date (recorded through the impairment account equity shares and gains/loss on securities available for sale).

The Company has made equity investments in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at 31.12.2018:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 1,250.00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 10,500.00 per share.

The Company has made equity investments in the following legal entities:

- Belgrade Stock Exchange Plc.: 5 shares at RSD 20.000,00 per share, totalling RSD 100,000.00;
- Agricultural Bank Agrobanka Plc. Belgrade – in bankruptcy: 15 shares at RSD 500.00 per share, totalling RSD 7,500.00, which was impaired according to the inventory count on 31.12.2016,
- Beogradska industrija piva, slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy: 47 shares at RSD 29.78 per share, totalling RSD 1,400, which was impaired according to the inventory count on 31.12.2016; and
- Pinki - Zemun Plc.: 3 shares at RSD 52.00 per share, totaling RSD 156.00.

Maximum exposure to credit risk as at the financial statements date is the fair value of debt securities classified as available-for-sale.

Financial assets available for sale are presented in RSD.

### 23.2 Long-Term Financial Investments

| **Structure of long-term financial investments** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018.* | *31.12.2017.* |
| Long-term investments in parent companies and subsidiaries | 171.259 | 950.334 |
| *Impairment provision* | | |
| *Total* | *171.259* | *950.334* |
| Other long term financial investments: | | |
| Housing loans granted to employees: | 1.217 | 1.297 |
| *Impairment provision* | | |
| *Total* | *1.217* | *1.297* |
| **TOTAL** | ***172.476*** | ***951.631*** |

**Long-term financial investments in parent companies and subsidiaries** in the amount of RSD 171,259 thousand entirely refer to the Energoprojekt Park 11 for granted long-term loan in the amount of RSD 166,773 thousand (under the Loan Agreement No. 208 dated 20.07.2018, due on 31.12.2020) and with interest on the loan in the amount of RSD 4,486 thousand (which is calculated in accordance with the " arm's length" principle for 2018, which equals 3.42% annually).

The above Companies provided 2 (two) signed solo promissory notes to be filled out by beneficiary and for the entire amount of their loans, as collaterals for loan repayment.

Decrease in long-term financial investment to parent company and subsidiaries by RSD 779.075 thousand is the result: on the one hand of reduction from partial loan collection and compensation of the remaining portion of the loan from Energoprojekt Niskogradnja and transfer of long-term loans (with interest) granted to Energoprojekt Visokogradnja and Energoprojekt Sunnyville on part that is current due up to a year (Note 27 and 28) and, on the other hand, increase from granted loan to Energoprojekt Park 11.

**The long-term housing loans granted to employees** that are presented among other long-term financial investments refer to four interest-free housing credits granted to employees, two of which were granted on 10.06.1992 for the repayment period of 38.5 years, and the remaining two loans were granted on 28.11.1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. Given that by the preparation of the financial statements date, relevant data for computing revaluation instalment for period 01.07.2018 - 31.12.2018 was not announced, the revaluation was not performed on 31.12.2018. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 77 thousand (Note 28).

## 24. INVENTORIES

| **Structure of inventories** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Advances paid for inventories and services:* | | |
| a) Advances paid for inventories and services to parent companies and subsidiaries | 301 | |
| b) Advances paid for material, spare parts and inventory | 338 | 308 |
| c) Advances paid for services | 5,786 | 6,458 |
| *Total* | *6,425* | *6,766* |
| *Impairment provision* | | |
| **TOTAL** | ***6,425*** | ***6,766*** |

**Advances paid for inventories and services to parent companies and subsidiaries** in the amount of RSD 301 thousand, entirely relate to paid advance to Energoprojekt Urbanizam i Arhitektura for the preparation of part of urban project for construction of residential and commercial buildings in Block 26.

**Advances paid for materials, spare parts and inventory** in the amount of RSD 338 thousand relate to advance payments to suppliers for purchase of materials (fuel, etc.).

**Advances paid for services** in the amount of RSD 5,786 thousand mainly refer to advance payments to the company Ringier Axel Springer Ltd. in the amount of RSD 4,800 thousand (terminated Agreement on use of advertising space and submitted request for repayment of funds paid in advance in March 2018, while in April 2018 a claim was filed - Note 43), Belgrade Stock Exchange in RSD 620 thousand (primarily for annual fee for trading in shares in 2019) and Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 354 thousand (first installment for fee for audit of financial statements for 2018).

## 25. RECEIVABLES FROM SALES

| Structure of receivables from sales | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Local buyers - parent company and subsidiaries | 763,077 | 688,367 |
| Local buyers - other affiliated companies | 705 | 705 |
| Local buyers (externally) | 2,012 | 274 |
| *Impairment provision* | | |
| **TOTAL** | ***765,794*** | ***689,346*** |

**Local buyers - parent companies and subsidiaries** refer to the receivables based on Service Agreements, Lease Agreements and other concluded with subsidiary companies. According to service agreements made, the Company, beside from Energoporjekt Entel, was presented with blank solo promissory notes to be filled out by beneficiary as collaterals for collection.

Structure of local buyers - parent companies and subsidiaries is presented in the following table.

| Structure of receivables from sale | In RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Local buyers - parent company and subsidiaries:* | | |
| Energoprojekt Visokogradnja Plc. | 678,761 | 493,963 |
| Energoprojekt Niskogradnja Plc. | | 60,819 |
| Energoprojekt Entel Plc. | 647 | 30,512 |
| Energoprojekt Sunnyville Ltd. | 33,775 | 26,199 |
| Energoprojekt Hidroinženjering Plc. | 18,571 | 24,448 |
| Energoprojekt Industrija Plc. | 615 | 20,870 |
| Energoprojekt Urbanizam i arhitektura Plc. | | 16,534 |
| Energoprojekt Energodata Plc. | 10,111 | 14,408 |
| Energoprojekt Park 11 Ltd. | 20,597 | 353 |
| Energoprojekt Garant Plc. | | 261 |
| ***Total*** | ***763,077*** | ***688,367*** |
| *Local buyers - other affiliated companies* | | |
| Enjub Ltd. | 705 | 705 |
| ***Total*** | ***705*** | ***705*** |
| *Local buyers - externally* | 2,012 | 274 |
| ***Total*** | ***2,012*** | ***274*** |
| **TOTAL** | ***765,794*** | ***689,346*** |

Pursuant to the Decision of the Executive Board dated 31.12.2018, the write-off of receivables from Energoprojekt Urbanizam i Arhitektura in the amount of RSD 10,659 thousand was made on the basis of the Service Agreements made in previous years (Note 16.2) due to difficult business conditions.

The Company has not been presented with any collection collaterals for **local buyers - other affiliated companies**.

**Local buyers - (externally),** the Company presented security instruments from Jerry Catering Service Ltd. (3 blank solo signed bills with authorization for completing and collecting) and Sava Non-life insurance Plc. (2 blank solo bills with authorization for completing and collecting), while from other local buyers (externally) the Company does not present any collaterals.

Increase in receivables from sale in relation to previous year primarily relates to change in accounting treatment of receivables from leases from subsidiaries (Energoprojekt Visokogradnja and Energoprojekt Sunnyville), which as of 31.12.2017 was recorded within the item Receivables from specific transactions (Note 26).

Receivables from sale and other receivables from sale bear no interest.

Other Receivables from Sales positions do not include any impaired assets. Accounting value of receivables from sales is equivalent to their fair value.

## 26. RECEIVABLES FROM SPECIAL TRANSACTIONS

| **Structure of receivables from special transactions** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Receivables from special transactions from parent companies and subsidiaries | 5,021 | 93,942 |
| Receivables from special transactions from other affiliated companies | 2,071 | 2,047 |
| Receivables from special transactions from other companies | 2 | 2,215 |
| *Impairment provision* | | |
| **TOTAL** | ***7,094*** | ***98,204*** |

**Receivable from special transactions from parent companies and subsidiaries** in the amount of RSD 5,021 thousand predominantly relate to receivable from re-charged air tickets in the amount of RSD 3,284 thousand (Energoprojekt Visokogradnja: RSD 1,941 thousand, Energoprojekt Niskogradnja: RSD 771 thousand and Energoprojekt Hidroinzenjering: RSD 572 thousand).

Decrease in receivables from specific transactions in relation to the previous year was recorded primarily due to changes in accounting treatment of receivables from leases from subsidiaries, which are from 01.01.2018 recorded within the item Receivables from sale (Note 25).

The structure of receivables from special transactions by legal entities is presented in Note 8.1.

The following table contain information on the change in impairment provisions for receivables from special transactions.

| **Changes in impairment provisions for receivables from special transactions** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Balance as at 01.01. | | 868 |
| Additional impairment provision | | |
| Direct write-off of the previously impaired receivables | | (868) |
| FX gains and losses | | |
| **TOTAL** | | ***0*** |

## 27. OTHER RECEIVABLES

| **Structure of other receivables:** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Interest and dividends receivables: | | |
| a) Interest and dividend receivable from parent companies and subsidiaries | 32.650 | |
| b) Interest and dividend receivable from affiliated companies | 74.413 | 64.819 |
| *Total* | *107.063* | *64.819* |
| Receivables from employees | 514 | 3 |
| Receivables for overpaid profit tax | 16.173 | 10.465 |
| Recevables for overpaid other taxes and contributions | | 111 |
| Receivables for fringe benefits' returns | 780 | 1.418 |
| Other receivables | 541 | |
| *Impairment provision* | | |
| **TOTAL** | ***125.071*** | ***76.816*** |

**Structure of interest and dividend receivables** in the amount of RSD 107,063 thousand is presented in the following table.

| **Structure of interest and dividend receivables** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Interest receivables from parent company and subsidiaries:* | | |
| Energoprojekt Visokogradnja Plc. | 11,447 | |
| Energoprojekt Urbanizam i arhitektura Plc. | | |
| Energoprojekt Energodata Plc. | 4 | |
| Energoprojekt Sunnyville Ltd. | 21,199 | |
| *Total* | *32,650* | *0* |
| *Interest receivables from other affiliates companies:* | | |
| Enjub Ltd. | 74,413 | 64,819 |
| *Total* | *74,413* | *64,819* |
| **TOTAL** | ***107,063*** | ***64,819*** |

Pursuant to the Decision of the Executive Board of the Company as of 31.12.2018, the write-off of interest receivables on short-term loan from Energoprojekt Urbanizam i arhitektura in the amount of RSD 976 thousand was made due to difficult business conditions (Note 16.2.).

Increase in interest receivable from parent company and subsidiaries by RSD 32,650 thousand refers to interest on short-term loans in the amount of RSD 7,650 thousand and to interest receivables on long-term loans that are due up to a year in the amount of RSD 25,000 thousand.

**Receivables for overpaid profit tax** in the amount of RSD 16,173 thousand relate to payment of income tax after the tax return for 2017.

The Company assessed the income tax liability for 2018 in the amount of RSD 45,113 thousand (Note 37.2), which was not charged to the tax on profit as at 31.12.2018, given that the final tax return for 2018 will be submitted within the legal deadline (in June 2019).

**Receivables for fringe benefits' returns** in the amount of RSD 780 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

## 28. SHORT-TERM FINANCIAL INVESTMENTS

| **Structure of short term financial investments** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Short-term loans and investments - parent companies and subsidiaries | 906.583 | 33.212 |
| Short-term loans and investments - other affiliated companies | 157.836 | 158.208 |
| Short-term loans and investments in the country | | |
| Short-term loans and investments abroad | | |
| Portion of long-term financial investments with maturity date up to one year: | | |
| a) Portion of long-term financial investments in parent company and subsidiaries with maturity date up to one year | 730.981 | |
| b) Portion of other long-term financial investments with maturity date up to one year (Note 23.2) | 77 | 79 |
| *Total* | *731.058* | *79* |
| *Impairment provision* | | |
| **TOTAL** | ***1.795.477*** | ***191.499*** |

**Short-term loans and investments - subsidiaries and other affiliated companies** pertain to the loans approved with maturity dates up to 12 months (with interest rate which is calculated for subsidiaries in accordance with the principle of "arm's length" for the year they are granted), as presented in the following table below.

| no. | Borrower and Agreement no. | Original currency | Loan amount in original currency in 000 | Remained amount from loan in original currency in 000 | Remained amount from loan in RSD 000 | Due date | Interest rate |
|---|---|---|---|---|---|---|---|
| **1** | **EP Energodata Plc.** | | | | | | |
| | Debt Rescheduling Agreement no. 13 | EUR | 945 | 945 | 111.722 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Loan Agreement 349 | EUR | 60 | 60 | 7.092 | 31.01.2019 | 3.10% ann. |
| | Loan Agreement 353 | RSD | 2.000 | 2.000 | 2.000 | 31.03.2019 | 5.84% ann. |
| **2** | **EP Urbanizam i arhitektura Plc.** | | | | | | |
| | Debt Rescheduling Agreement no. 20 | EUR | 135 | 135 | 15.918 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| **3** | **EP Oprema Plc.** | | | | | | |
| | Loan Agreement no. 302 | EUR | 1.800 | 1.337 | 158.046 | 28.02.2019 | 3.,10% ann. |
| | Loan Agreement no. 311 | EUR | 800 | 800 | 94.555 | 06.03.2019 | 3.10% ann. |
| | Annex 1 on LA no. 326 | EUR | 140 | 140 | 16.547 | 18.03.2019 | 3.10% ann. |
| **4** | **EP Visokogradnja Plc.** | | | | | | |
| | Annex 3 on LA no. 141 | EUR | 2.000 | 2.000 | 236.389 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Annex 2 on LA no. 186 | EUR | 200 | 200 | 23.639 | 20.12.2019 | 3.10% ann. |
| | Annex 2 on LA no. 205 | EUR | 590 | 590 | 69.735 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Loan Agreement no. 300 | RSD | 5.160 | 5.160 | 5.160 | 23.11.2019 | 5.84% ann. |
| **5** | **EP Sunnyville Ltd.** | | | | | | |
| | Annex 2 on LA no. 300 | EUR | 1.403 | 1.403 | 165.780 | 30.06.2019 | 3.10% ann. |
| ***Total subsidiaries*** | | EUR | 8.073 | 7.610 | ***906.583*** | | |
| | | RSD | 7.160 | 7.160 | | | |
| **1** | **Enjub Ltd.** | | | | | | |
| | Annex no. 11 on LA no. 367 | EUR | 137 | 137 | 16.252 | 31.12.2019 | 3M Euribor + 6.5% ann. |
| | Annex no. 7 on LA no. 115 | EUR | 1.198 | 1.198 | 141.584 | 31.12.2019 | 3M Euribor + 6.5% ann. |
| ***Total other affiliated companies*** | | EUR | ***1.335*** | ***1.335*** | ***157.836*** | | |
| **TOTAL** | | ***EUR*** | ***9.408*** | ***8.945*** | ***1.064.419*** | | |
| | | ***RSD*** | ***7.160*** | ***7.160*** | | | |

Increase in short-term loans and investments – parent company and subsidiaries by RSD 873,371 thousand is the result of net effect, on the one hand:

- increases in short-term loans granted to Energoprojekt Oprema, Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Sunnyville in the amount of RSD 888,995 thousand and, on the other hand,
- reduction from write-off of part of loan granted to Energoprojekt Urbanizam i arhitektura in the amount of RSD 15,550 thousand (Note 16.1) and loss in exchange in the amount of RSD 74 thousand for the amount of loan by initial balance.

Pursuant to the Decision of the Executive Board of the Company, as of 31.12.2018. maturity loans are:

- Energoprojekt Energodata – Debt Rescheduling Agreement determines: that the amount of accrued but unpaid interest increases principal of the loan, extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Urbanizam i Arhitektura - Debt Rescheduling Agreement determines: (after write-off of part of the loan under Debt Rescheduling Agreement No. 378 in the amount of RSD 15,550 thousand, in accordance with decision of the Executive Board of the Company due to the difficult business conditions - Note 16.2), extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Visokogradnja – extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Oprema - extension of maturity for three months (the interest remained in line with the principle of "arm's length" for 2018); and
- Enjub Ltd. - extension of maturity for one year.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries, except for loan granted to Energoprojekt Oprema under the Loan Agreement no. 302 and the Company has 4 (four) signed solo blanks bills.

As collaterals for loan repayment pursuant to:

- Annex No. 11 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,252 thousand (EUR 137 thousand), the Company has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment; and
- Annex No. 7 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 141,584 thousand (EUR 1,198 thousand), a mortgage bond was issued (mortgage has not been registered) for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina Street (Note 40).

**Portion of long-term financial investments in parent company and subsidiaries with maturity up to one year** relate to granted long-term loans that are due for a year (with interest rate calculated in accordance with the arm's length principle for 2018), as shown in the following table.

| No. | Borrower and Loan Agreement no | Amount of loan in RSD 000 | Remained amount of loan in EUR 000 | Remained amount of loan in RSD 000 | Due date | Interest rate |
|---|---|---|---|---|---|---|
| 1 | **EP Visokogradnja Plc.** | | | | | |
| | Annex 1 on LA no. 210 | 1,317 | 1,317 | 155,594 | 31.12.2019 | 3.42% ann. |
| 2 | **EP Sunnyville Ltd.** | | | | | |
| | Debt Rescheduling Agreement no. 375 | 4,868 | 4,868 | 575,387 | 31.12.2019. | 3.42% ann. |
| **TOTAL** | | ***6,185*** | ***6,185*** | ***730,981*** | | |

**Portion of other long-term financial investments with maturity of up to one year** in the amount of RSD 77 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 23.2).

## 29. CASH AND CASH EQUIVALENTS

| **Structure of cash and cash equivalents** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Current (business) account | 41,049 | 10,346 |
| Restricted cash and letters of credit | | 98 |
| Foreign currency account | 4,734 | 169 |
| Foreign currency petty cash | | |
| | | |
| a) Short-term term deposits | 154,661 | 241,304 |
| b) Other cash | 75 | |
| *Total* | *154,736* | *241,304* |
| **TOTAL** | ***200,519*** | ***251,917*** |

Within the Company’s **the current (business) accounts and foreign currency accounts**, cash held with business banks locally and abroad (with Banca Intesa, Unicredt Bank, Addiko Bank, Jubmes Bank, AIK Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Erste Bank, Komercijalna Bank, Sberbank, Eurobank Srbija, NLB Bank, Banka Postanska Stedionica, Api Bank, Direktna Banka and the Trade Bank of Iraq).

**Short term deposits** in the amount of RSD 154,661 thousand refer to the short term deposits held with business banks in the country (Societe Generale Bank, Addiko Bank, Unicredit Bank) to 3 months’ terms, with interest rate ranging from 1.12% to 1.35% annually on EUR, 2.70% on USD and 2.62% on RSD with the option to terminate the term deposit contract at any given moment. The term deposits are in RSD, EUR and USD specifically: RSD 15,000 thousand, EUR 864 thousand, and USD 363 thousand.

## 30. PREPAYMENTS AND DEFERRED EXPENSES

| Structure of prepayments and deferred expenses | In RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Prepayments:* | | |
| a) Prepaid expenses - parent company and subsidiaries | 872 | 1.916 |
| c) Prepaid subscriptions for expert and professional publications | 576 | 489 |
| c) Prepaid insurance premiums | 716 | 133 |
| *Total* | *2.164* | *2.538* |
| *Receivables for accrued non-invoiced income:* | | |
| a) Receivables for accrued non-invoiced income - parent company and subsidiaries | | |
| b) Receivables for accrued non-invoiced income - other affiliated companies | 374.943 | 375.825 |
| *Total* | *374.943* | *375.825* |
| *Other prepayments and deferred expenses:* | | |
| a) Deferred value added tax | 11.429 | 410 |
| b) Other prepayments and deferred expenses | 22.874 | 13.433 |
| *Total* | *34.303* | *13.843* |
| **TOTAL** | ***411.410*** | ***392.206*** |

**Prepaid expenses - parent companies and subsidiaries** in the amount of RSD 872 thousand entirely refer to Energoprojekt Energodata, dominantly to prepayments for licensing costs.

**Prepaid insurance premiums** in respect of insurance of property and persons in the amount of RSD 716 thousand mostly relate to Energoprojekt Garant in the amount of RSD 464 thousand.

**Receivables for accrued non-invoiced income** in the amount of RSD 374,943 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00.

**Deferred value added tax** is reported amount of VAT in the reporting year according to which deduction of previous tax is generated in the following accounting period.

Deferred VAT includes: VAT from invoices related to reporting period but received after tax return for December 2018 and presented VAT from accounting approvals issued in 2019 related to transactions made in 2018.

**Other prepayments and deferred income** in the amount of RSD 34,303 thousand relate primarily to receivables arising from disputed services made in 2017 by the Ringier Axel Springer Plc. in the amount of RSD 13,200 thousand (in April 2018 a claim was filed - Note 43) and to development of the location Block 45 facility C and Blok 70 facility C in the amount of RSD 8,585 thousand (treatment of the payment will be regulated in the following period).

## 31. CAPITAL

*In RSD 000*

| | Share capital | Other issued capital | Share issue premium | Redeemed own shares | Reserves | Revalued reserves | Unrealised gains/loss on AFS securities | Undistributed profit | Total |
|---|---|---|---|---|---|---|---|---|---|
| ***Opening balance as of 01.01.2017*** | *5.574.959* | *27.178* | *1.600.485* | | *134.881* | *782.098* | *(28.869)* | *331.164* | 8.421.896 |
| Net profit for the year | | | | | | | | 438.933 | 438.933 |
| Other comprehensive income | | | | | | | | | |
| a) Change in fair value of financial assets available for sale | | | | | | | 9.988 | | 9.988 |
| b) Revaluation | | | | | | | | | |
| c) Other - adjustment of net value IAS 12 and other | | | | | | | | | |
| Total - other comprehensive result | | | | | | | 9.988 | | 9.988 |
| Total comprehensive result for 2017 | | | | | | | 9.988 | 438.933 | 448.921 |
| Adjustments | | | | | | | | | |
| Increase in share capital | | | | | | | | | |
| Profit distribution | | | | | 80.000 | | | (296.672) | (216.672) |
| Other - own shares | | | (74.321) | (49.827) | | | | | (124.148) |
| ***As of 31.12.2017*** | ***5.574.959*** | ***27.178*** | ***1.526.164*** | ***(49.827)*** | ***214.881*** | ***782.098*** | ***(18.881)*** | ***473.425*** | ***8.529.997*** |
| Net profit for the year | | | | | | | | 763.473 | 763.473 |
| Other comprehensive income | | | | | | | | | |
| a) Change in fair value of financial assets available for sale | | | | | | | 14.673 | | 14.673 |
| b) Revaluation | | | | | | 2.983 | | | 2.983 |
| c) Other - adjustment of net value IAS 12 and other | | | | | | (447) | | | (447) |
| Total - other comprehensive result | | | | | | 2.536 | 14.673 | | 17.209 |
| Total comprehensive result for 2018 | | | | | | 2.536 | 14.673 | 763.473 | 780.682 |
| Adjustments | | | | | | | | | |
| Increase in share capital | | | | | | | | | |
| Profit distribution | | | | | | | | (216.671) | (216.671) |
| Other - own shares | | | | | | | | | |
| ***As of 31.12.2018*** | ***5.574.959*** | ***27.178*** | ***1.526.164*** | ***(49.827)*** | ***214.881*** | ***784.634*** | ***(4.208)*** | ***1.020.227*** | ***9.094.008*** |

### 31.1 Equity Capital

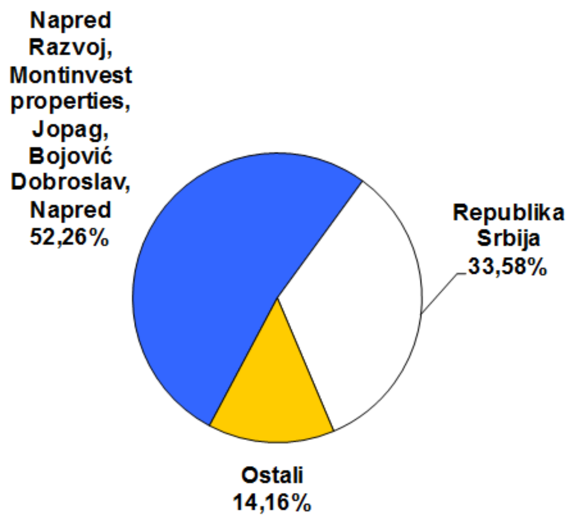
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at 31.12.2018 is as follows:

| | No. of shares | % of total issue |
|---|---|---|
| **Shares owned by physical persons** | **751,017** | **6.87** |
| **Shares owned by legal persons** | **9,797,135** | **89.62** |
| - Republic of Serbia | 3,671,205 | 33,58 |
| - Other legal entities | 6,125,930 | 56,04 |
| **Aggregate (custody) account** | **383,140** | **3.50** |
| **Total no. of shares** | **10,931,292** | **100** |

| No. of shareholders with | No of persons | | | No. of shares | | | % of total issue | | |
|---|---|---|---|---|---|---|---|---|---|
| equity investments | domestic | foreign | total | domestic | foreign | total | domestic | foreign | total |
| Up to 5% | 3,637 | 171 | 3,808 | 1,380,354 | 224,269 | 1,604,623 | 12.63% | 2.05% | 14.68% |
| 5% to 10% | 1 | 1 | 2 | 564,699 | 560,731 | 1,125,430 | 5.17% | 5.13% | 10.30% |
| More than 10% to 25% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 25% to 33% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 33% to 50% | 2 | 0 | 2 | 8,201,239 | 0 | 8,201,239 | 75.03% | 0.00% | 75.03% |
| More than 50% to 66% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 66% to 75% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 75% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| Total no. | 3,640 | 172 | 3,812 | 10,146,292 | 785,000 | 10,931,292 | 92.82% | 7.18% | 100.00% |

Order of top 10 shareholders as per the no. of shares/votes:

| Name | No. of shares | % of total issue |
|---|---|---|
| Napred Razvoj Plc Novi Beograd | 4,530,034 | 41,44% |
| Republic of Serbia | 3,671,205 | 33.58% |
| Montinvest Properties l.l.c. | 564,699 | 5,17% |
| Jopag AG | 560,731 | 5,13% |
| Tezoro broker PLC – summery account | 228,196 | 2.09% |
| Energoprojekt Holding PLC | 97,700 | 0.89% |
| Tezoro broker PLC | 81,150 | 0.74% |
| Global Macro Capital Opportuni | 74,772 | 0.68% |
| East Capital – East Capital Balk | 66,850 | 0.61% |
| Raiffeisen Bank Plc. – custody rnks | 61,995 | 0.57% |




Structure of equity capital is presented in the following table below.

| Structure of equity capital | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Share capital:* | | |
| a) Share capital in parent companies, subsidiaries and other affiliated companies | | |
| b) Share capital (externally) | 5,574,959 | 5,574,959 |
| *Total* | *5,574,959* | *5,574,959* |
| Issuing premiums | 1,526,164 | 1,526,164 |
| Other share capital | 27,178 | 27,178 |
| **TOTAL** | ***7,128,301*** | ***7,128,301*** |

**Share capital** consists of 10,931,292 ordinary shares with nominal value of RSD 510.00 (RSD 5,574,959 thousand) and nominal book value of RSD 831.92.

Share capital - ordinary shares include founding shares and shares issued during operations which carry management right, right to a share of the shareholding company's profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association, i.e., decision on share issue.

The company's shares are prime-listed on the Belgrade Stock Exchange.

**Issuing premium** of RSD 1,526,164 is positive difference between the achieved selling price per share and the nominal value of such shares, which is the result of the conversion of shares of the Energoprojekt System subsidiaries into Company shares at the par value of 1:1 in 2006, in the amount of RSD 1,363,471 thousand and repurchase and sale of own shares in the period from 2006 to 2011 in the amount of RSD 237,014 thousand and on the basis of the purchase of own shares at value above nominal in 2017 in the amount of RSD 74,321 thousand for which the previous balance of the emission premium was reduced (Note 31.2).

**Other share capital** was created by the reposting of non-business assets sources in 2005 and it amounts to RSD 27,178 thousand.

### 31.2 Purchased own shares

| Structure of purchased own shares | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Purchased own shares | 49,827 | 49,827 |
| **TOTAL** | **49,827** | **49,827** |

Pursuant to the Decision by the Supervisory Board to acquire own shares on a regulated market made on February 13, 2017, the Company acquired 97,700 of own shares on the Belgrade Stock Exchange (which amounts to 0.89376% of the total number of shares with voting rights) with nominal value of RSD 49,827 thousand.

### 31.3 Reserves

| Structure of reserves | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Legal reserves | 23,185 | 23,185 |
| Statutory and other reserves | 111,696 | 111,696 |
| Other reserves | 80,000 | 80,000 |
| **TOTAL** | **214,881** | **214,881** |

**Legal reserves** were mandatorily formed until 2004, by incremental annual payments of a minimum of 5% of the profits until the reserves' level reaches at least 10% of the equity capital.

In compliance with the Company's Statute, statutory reserves were made until 2011 and the shareholders determined the amount of such reserves at the General Meeting, which could not be less than 5% of the net profit.

According to Article 282, paragraph 4, item 2 of the Law on Business Companies and pursuant to the Decision of the Shareholders Assembly from 2017, a **dedicated reserves** in the amount of RSD 80,000 thousand for acquiring own shares for distribution to employees with the Company, or to affiliated company, or for rewarding members of the Executive and Supervisory Board, were created.

### 31.4 Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

| Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Revaluation reserves based on revaluation of property - Energoprojekt building | 784,634 | 782,098 |
| **TOTAL** | ***784,634*** | ***782,098*** |

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position, in the amount of RSD 784,634 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at 31.12.2018 in the amount of RSD 824,556 thousand;
- Levelling of the present value per m² of the Energoprojekt building in the amount of RSD 98,543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 - Income Taxes, in the amount of RSD 138,465 thousand.

Changes in revaluation reserves from revaluation of business building Energoprojekt, compared to the previous year in the amount of RSD 2,536 thousand, refers to:

- increase - the effect of fair value assessment of the Energoprojekt business building on 31.12., in the amount of RSD 2,983 thousand (Note 22) and
- decrease from application of IAS 12 - Income Taxes (15% of the effect of fair value assessment of the Energoprojekt business building on 31.12.2018) in the amount of RSD 447 thousand (Note 38).

**31.5 Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330)**

| **Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Unrealized losses on securities available for sale | 4,208 | 18,881 |
| **TOTAL** | ***4,208*** | ***18,881*** |

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 14,673 thousand pertain adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (Note 23.1.).

### 31.6 Retained Earnings

| Structure of retained earnings | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Retained earnings from previous years:* | | |
| a) Balance as at 1 January of the reporting period | 473,425 | 331,164 |
| b) Correction of profit based on income tax | | |
| c) Profit distribution | (216,671) | (296,672) |
| *Total* | 256,754 | 34,492 |
| Retained earnings from current years | 763,473 | 438,933 |
| **TOTAL** | ***1,020,227*** | ***473,425*** |

In 48th ordinary General Meeting of the Company held on 14.06.2018, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at 31.12.2017, in the amount of RSD 473,425 thousand in the following manner:

- for dividend payment, gross amount of RSD 20,00 per share to Company shareholders, or in the total amount of RSD 216,671 thousand;
- remaining portion of the profit in the amount of RSD 256,754 thousand is retained undistributed.

Dividend was paid to the Company shareholders on November 2018.

Undistributed profit from the current year in the amount of RSD 763,473 thousand relates to Company's net income generated in the reporting period.

## 32. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

- Where the Company has a (legal or actual) liability incurred as a result of a past event;
- Where it is probable that the resource containing economic value will necessarily be deployed to settle a liability; and
- Where the liability amount can be measured reliably.

Structure of long-term provisions is presented in the following table.

| Structure of long term provisions | Provisions for wages and other employee benefits | Other long term provision | TOTAL |
|---|---|---|---|
| **Opening balance as of 01.01.2017** | 2.347 | | 2.347 |
| Additional provision | 517 | | 517 |
| Utilised in the year | (129) | | (129) |
| Cancellation of unused amount | | | |
| **As of 31.12.2017** | 2.735 | | 2.735 |
| Additional provision | 216 | | 216 |
| Utilised in the year | (139) | | (139) |
| Cancellation of unused amount | | | |
| **As of 31.12.2018** | **2.812** | | **2.812** |

**Provisions for wages and other employee benefits** (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31.12.2018.

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

Decrease of the provision amount based on current retirement bonus values (by 4.31%) in the balance sheet as at 31.12.2018 in comparison to the retirement bonus values in the balance sheet as at 31.12.2017, was the result of several changed factors:

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

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

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

- Firstly, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to retirement bonus, as well as the period during which this bonus will be paid out;

- Secondly, considering provisions of the Company Collective Agreement, the bonus amount was appraised for each year of service indicated on the balance sheet date; and
- Thirdly, the discount factor, representing the discount rate to expected salary growth ratio, was used to determine the present value of the expected retirement bonus outflows.

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

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

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

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

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 10.07.2018 was 4.85%; while the annual yield on five-years RSD securities issued on 11.09.2018 was 3.74%. By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19, a realistic annual yield of 4% was adopted.

**The annual expected salary growth in the Republic of Serbia** was planned at the level of 4%.

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

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

The provision will thus be estimated according to the planned annual inflation rate of 3%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the

Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia "Fiscal Strategy for 2018 with Projections for 2019 and 2020), realistically achievable.

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

## 33. SHORT-TERM FINANCIAL LIABILITIES

| **Structure of short term financial liabilities** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Short term credits and loans domestic | 898,279 | 1,251,072 |
| *Other short term financial liabilities:* | | |
| a) a) Portion of long-term liabilities with maturity date up to one year | | |
| b) Other | 148 | 120 |
| *Total* | 148 | 120 |
| **TOTAL** | ***898,427*** | ***1,251,192*** |

### 33.1 Short-Term Credits and Loans Domestic

| **Structure of short-term credits and loans domestic** | Interest rate | *in RSD 000* | |
|---|---|---|---|
| | | *31.12.2018* | *31.12.2017* |
| *Short-term loans granted by banks domestically:* | | | |
| a) RSD loans | | | |
| b) Loans with foreign currency clause | *3M Euribor + 2.90% p.a., 3M Euribor + 3.00% p.a., 2.80% p.a.* | 898,279 | 1,251,072 |
| **TOTAL** | | ***898,279*** | ***1,251,072*** |

**Short-term loans from banks in the country with a currency clause** (EUR 7,600 thousand) in the amount of in the amount of RSD 898.279 thousand relate to loans granted by:

- Erste Bank Plc. in the amount of RSD 590.973 thousand (EUR 5,000 thousand) with the interest rate of 3M Euribor + 2.90% per annum. 6 blank promissory notes of the Company and 6 blank promissory notes of the Energoprojekt Niskogradnja were provided as collaterals for loan repayment;

- Komercijalna Banka Plc. in the amount of RSD 236,389 thousand (EUR 2,000 thousand), with interest rate of 3M Euribor + 3.00% per annum. 15 blank promissory notes of the Company and 15 blank promissory notes of Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Energodata were provided as collaterals for loan repayment; and
- Societe Generale Bank Plc. in the amount of RSD 70,917 thousand (EUR 600 thousand) with the interest rate of 2.80% per annum. 5 blank promissory notes of the Company, Energoprojekt Niskogradnja, Energoprojekt Visokogradnja and Energoprojekt Hidroinzenjering and 3 blank promissory notes of the Energoprojekt Oprema were provided as collaterals for loan repayment;

### 33.2 Other Short-Term Financial Liabilities

| **Structure of long-term liabilities with maturity dates up to one year** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Current portion | | |
| Other short-term financial liabilities | 148 | 120 |
| **TOTAL** | ***148*** | ***120*** |

**Other short-term financial liabilities** amounting to RSD 148 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards. The liabilities were settled in January 2019.

## 34. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

| **Structure of received advances, deposed and cautions** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Received advances from parent company and subsidiaries | | 2.816 |
| Received advances from other legal entities in the country | 51.043 | 37.915 |
| Received deposed money from other legal entities in the | 33 | |
| **TOTAL** | ***51.076*** | ***40.731*** |

**Received advance from other legal entities in the country** in the amount of RSD 51,043 thousand predominantly relate to received advance from Jerry Catering Service Ltd., Beograd Company in RSD 51,007 thousand under the Annex I on the contract (no. 123/1583 from 10.04.2017) on long-term lease (15 years) a part of office space measuring 935.56 m² located within the complex "Samački hotel", no. 24 Batajnički drum, Zemun.

## 35. OPERATING LIABILITIES

| **Structure of operating liabilities** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Suppliers: | | |
| Suppliers - parent company and subsidiaries, local | 977 | 24.780 |
| Suppliers - parent company and subsidiaries, foreign countries | | 2.962 |
| Suppliers - other affiliated companies abroad | | |
| Suppliers, local | 5.182 | 6.325 |
| Suppliers, foreign countries | 3.117 | 1.990 |
| *Total* | *9.276* | *36.057* |
| Other operating liabilities | 2.883 | |
| **TOTAL** | ***12.159*** | ***36.057*** |

Total amount of liabilities from operations broken down per currencies are presented in the following table.

| **Structure of operating liabilities per currencies** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| RSD | 8,982 | 11,234 |
| EUR | 3,177 | 24,823 |
| GBP | | |
| **TOTAL** | ***12,159*** | ***36,057*** |

The structure of liabilities to suppliers by legal entities is presented under Note 8.2.

Geographic distribution of suppliers is as follows:

| **Geographic distribution of suppliers** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Suppliers, local (subsidiaries and other legal entities) | 6,159 | 31,105 |
| Suppliers, foreign countries (subsidiaries): | | |
| Europe | | 2,962 |
| *Total* | - | 2,962 |
| Suppliers, foreign countries (other legal entities): | | |
| Europe | 3,117 | 1,990 |
| *Total* | 3,117 | 1,990 |
| *Value adjustment* | | |
| **TOTAL** | ***9,276*** | ***36,057*** |

**Other operating liabilities** in the amount of RSD 2,883 thousand arose from issued credit notes to subsidiaries resulting from the difference between the final price of the services provided by the Company to its subsidiaries - determined on costs incurred in 2018 and the orientation prices - established from planned costs for 2018.

## 36. OTHER SHORT-TERM LIABILITIES

| **Structure of other short-term liabilities** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Liabilities from specific opeerations: | | |
| a) Other legal entities | | |
| *Total* | - | - |
| Liabilities for wages, fringe benefits and compensations | 13.033 | 14.308 |
| *Other liabilities:* | | |
| a) Liabilities for interest and financing costs | | |
| b) Liabilities for dividends | 27.439 | 20.065 |
| c) Liabilities to employeees | 218 | 227 |
| d) Liabilities to General Manager, or to management and Supervisory Board members | 652 | 711 |
| e) Liabilities to physical persons on contractual obligations | 356 | 201 |
| f) Other various liabilities | 407 | 425 |
| *Total* | *29.072* | *21.629* |
| **TOTAL** | ***42.105*** | ***35.937*** |

**Liabilities for wages, fringe benefits and compensations** in the amount of RSD 13,033 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2019.

**Liabilities for dividends** in the amount of RSD 27,439 thousand pertain to the liabilities based on the decision of the Assembly of Shareholders from 2018 on profit distribution in the amount of RSD 5,032 thousand and for dividends' payment from previous years in the amount of RSD 22,407 thousand, which have not yet been paid to date due to unresolved property - legal issues (inheritance disputes, etc.). and unopened accounts of shareholders.

**Other various liabilities** in the amount of RSD 407 thousand predominantly pertain to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.) in RSD 371 thousand.

Company Management is of the opinion that the disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

## 37. LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME

### 37.1 Liabilities for Value Added Tax

| Liabilities for value added tax | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Liabilities for value added tax | 4,700 | 6,768 |
| **TOTAL** | ***4,700*** | ***6,768*** |

**Liabilities for value added tax** pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2019.

### 37.2 Liabilities for Other Taxes, Contributions and Fees Payable

| Liabilities for other taxes, contributions and fees payable | *in RSD thousand* | |
|---|---|---|
| | *31.12.2017* | *31.12.2017* |
| Liabilities for profit tax | 45,113 | - |
| Liabilities for other taxes, contributions and fees payable | 726 | 752 |
| **TOTAL** | ***45,839*** | ***752*** |

**Estimated liability for profit tax** for 2018 is RSD 45,113 thousand and the same, as at the balance sheet date, is not impaired by the amount of receivables for overpaid profit tax in the amount of RSD 16,173 thousand (Note 27). Offsetting the final profit tax liability for 2018 with the amount of receivables from overpaid profit tax, and settling the remaining amount of profit tax liability after the final tax return for the year 2018 will be executed within the legal deadline (June 2019).

**Liabilities for other taxes, contributions and fees** payable in the amount of RSD 726 thousand mainly pertain to the contributions for considerations to Supervisory Board members: RSD 380 thousand, contributions for remunerations based on service contracts and copyright contract: RSD 164 thousand, liabilities for income tax on dividends: RSD 97 thousand, contributions for remunerations based on temporary service contracts: RSD 35 thousand, liability for participation in financing persons with disabilities: RSD 35 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 726 thousand, the amount of RSD 629 was settled in January 2019 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends - Note 36).

### 37.3 Accrued Expenses and Deferred Income

| Accrued expenses and deferred income | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Pre-calculated expenses:* | | |
| a) Pre-calculated expenses - parent company, subsidiaries and other affiliated companies | 25,715 | 24,490 |
| b) Pre-calculated expenses - other legal entities | 6 | 44 |
| *Total* | *25,721* | *24,534* |
| Other accrued expenses and deferred income | 1,860 | 19,375 |
| **TOTAL** | ***27,581*** | ***43,909*** |

**Precalculated expenses - parent company, subsidiaries and other affiliated companies** in the amount of RSD 25,715 thousand predominantly refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till 30.06.2015 in RSD 24,432 thousand, based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

**Other accruals** in the amount of RSD 1,860 thousand relate to calculated interest on taken loans from domestic banks.

## 38. DEFERRED TAX ASSETS AND LIABILITIES

| Deferred tax assets and liabilities | *in RSD 000* | |
|---|---|---|
| | *31.12.208* | *31.12.2017* |
| Deferred tax assets | 2,273 | 1,932 |
| Deferred tax liabilities | 156,410 | 154,014 |
| **Net effect of deferred tax assets (liabilities)** | **(154,137)** | **(152,082)** |

**Deferred tax assets** are the income tax amounts recoverable in future periods based on *deductible temporary differences.*

A deductible temporary difference is generated in cases where a company’s balance sheet contains already disclosed expense on certain bases, which will be recognized from the tax aspect in the following periods. Deferred tax assets are verified on 31 December and are recognized only if it is considering probable that the deferred tax assets will probably be used to reduce a taxable income in the future period.

The amount of deferred tax assets is calculated by multiplying the amount of deductible temporary difference at the end of the year by the Company’s corporate income tax rate (15%).

**Deferred tax liabilities** disclosed as at 31 December refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (in compliance with the IAS/IFRS and other provisions) and provisions that define tax depreciation (in compliance with the Law on Corporate Income Tax), the Company shall pay higher amount of income tax in the future period than it would pay if the actually disclosed accounting depreciation would be acknowledged by tax legislation. For this reason, the Company recognizes the deferred tax liability, which represents income tax payable once that the Company "recovers" the accounting value of the assets.

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

Changes in balance of deferred tax assets during the reporting and reference years were as follows:

*In RSD 000*

| **Deferred tax liabilities** | Tax value exceeding the book value in intangible assets, plants and equipment | Capital losses in investment property | Provisions for retirement bonuses | Unpaid public revenues | Employee benefits accrued but unpaid in the tax period | Total |
|---|---|---|---|---|---|---|
| **Opening balance as of 31.12.2017** | **1.574** | **1.073** | **352** | **8** | **29** | **3.036** |
| Debit/credit to Income Statement | (99) | (1.073) | 58 | 6 | 4 | **(1.104)** |
| Direct debit to capital | | | | | | |
| **As of 31.12.2017** | **1.475** | | **410** | **14** | **33** | **1.932** |
| Debit/credit to Income Statement | 337 | | 11 | (6) | (1) | **341** |
| Direct debit to capital | | | | | | |
| **As of 31.12.2018** | **1.812** | | **421** | **8** | **32** | **2.273** |

Changes in balance of deferred tax liabilities during the reporting and reference years were as follows:

| **Deferred tax liabilities** | Book value exceeding tax value in property | Capital gains in investment property | Total |
|---|---|---|---|
| **Opening balance as of 31.12.2017** | **148,174** | **7,114** | **155,288** |
| Debit/(credit) to Income Statement | 61 | (1,335) | (1,274) |
| Direct debit to capital | | | |
| **As of 31.12.2017** | **148,235** | **5,779** | **154,014** |
| Debit/(credit) to Income Statement | 615 | 1,781 | 2,396 |
| Direct debit to capital | | | |
| **As of 31.12.2018** | **148,850** | **7,560** | **156,410** |

A summary of changes in balance of deferred tax liabilities of the Company is presented in the following tables.

| **Balance and changes in balance of deferred tax liabilities** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Balance of deferred tax liabilities at the end of the previous year | 152,082 | 152,252 |
| Balance of deferred tax liabilities at the end of the current year | 154,137 | 152,082 |
| **Changes in balance of deferred tax liabilities** | **2,055** | **(170)** |

| **Changes in balance of deferred tax liabilities** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Deferred tax expenses of the period | 1,608 | (170) |
| Revaluation reserves | 447 | |
| Undistributed profit of the previous year | | |
| **TOTAL** | **2,055** | **(170)** |

Based on the change in the balance of deferred tax assets and deferred tax liabilities in 2018, it can be concluded that in net effect there was increase in the balance of deferred tax liabilities compared with the previous year amounting to RSD 2,055 thousand, charged against:

- net results for 2018 (deferred tax expenses of period) in the amount of RSD 1.608 thousand and
- capital (revaluation reserve) in the amount of RSD 447 thousand from recording the increase in the value of Energoprojekt office building by RSD 2.983 thousand (Note 22 and 31.4).

## 39. OFF-BALANCE SHEET ASSETS AND LIABILITIES

In compliance with the relevant statutory provisions (Rules on Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs), disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, presented in the following Table, are neither assets nor liabilities of the Company, but are primarily presented for information purposes.

Structure of off-balance sheet assets and liabilities is presented in the following table.

| Structure of off-balance sheet assets and liabilities | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Provided sureties and guarantees | 19,898,629 | 22,671,425 |
| Provided mortgages and other rights | 2,500 | 2,500 |
| Received mortgages and other rights | 16,252 | 16,290 |
| Other off-balance sheet assets / liabilities | 2,766,306 | 4,327,084 |
| **TOTAL** | ***22,683,687*** | ***27,017,299*** |

**Provided sureties and guarantees** amounting to RSD 19,898,629 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 12,318,655 thousand;
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 7,577,019 thousand for projects: BBVA - Peru amounting to RSD 1,447,450 thousand, Banco Financiero - Peru amounting to RSD 1,033,893 thousand and Deponija Vinča – Serbia amounting to RSD 5,095,676 thousand; and
- Guarantee provided by Unicredit Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 2,955 thousand, which expires on 23.10.2019 and renewed annually.

To provide guarantees, sureties and corporate guarantees, the Company concluded agreements with subsidiary companies based on which the Company is the guarantor and based on which it received respective collaterals from the subsidiaries involved (Company's bills of exchange).

**Provided mortgages and other rights** in the amount of RSD 2,500 thousand relate to the pledge on 100% stake in the share capital of Energoprojekt Sunnyville Ltd. (Note 40).

**Received mortgages and other rights** amounting to RSD 16,252 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 40).

**Other off-balance sheet assets/liabilities** amounting to RSD 2,766,306 thousand include the following:

- The right to use the municipal construction land - in Block 26 in Novi Beograd, amounting to RSD 2,735,133 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand;

- Unused construction facilities in Budva that were directly written-off in the inventory count as at 31.12.2014 and presented in the off-balance records without any value;
- Contingent liability - tax on absolute rights transfer (as a payer in accordance with the Law), under the Agreement on sale of real estate in Palmira Toljatija street in New Belgrade in the amount of RSD 731 thousand. The obligation was transferred to the solidary guarantee - the buyer NBA Investment Ltd., who concluded with the Tax Administration an agreement on deferred payment of the tax on 12 equal monthly installments.

## 40. MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY

**Mortgages registered against the Company** relating to the pledge given to the 100% stake in the share capital of Energoprojekt Sunnyville Ltd., for securing receivable from Erste Bank Plc, Novi Sad on the basis of long-term construction loan granted to Energoprojekt Sunnyville Ltd.

**Mortgages registered in favour of the Company are as follows:**

- As collateral to secure the repayment of loan pursuant to the Annex No. 11 of the Loan Agreement No. 367, in the amount of RSD 16,252 thousand (EUR 137 thousand), granted by the Company to Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 7 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 141,584 thousand (EUR 1,198 thousand), there is a lien statement (mortgage was not registered) provided for the real property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

## 41. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company, with the highest percentage, reconciled its domestic trade receivables/payables, as well as bank statements as at 31.12.2018.

According to the information available to the Company (authorised Open Item Statement (OIS)), as of the financial statements date, the following account balance of receivables and liabilities were not reconciled:

- Unreconciled relations with the company Jerry Catering Service Ltd. in the amount of RSD 10,701 thousand (the Company shows less amount of net liabilities in it's books) were created with regard that the company Jerry Catering Service Ltd. did not:
  - translate advances in 2017 (opening balance in the Company's books was translated as of 31.12.2017, while from 01.01.2018, according to IFRAC 22, the Company did not translate advances);
  - the states were recorded at gross principle (it does not deduct its claim on the basis of advance payments by the amount of VAT), and given that
  - did not record lease documentation for December 2018 in the reporting year; and

- Unreconciled relations with the Republic of Serbia Securities Commission in the amount of RSD 2,799 thousand, given that the Company, in accordance with its accounting policies, entered the amount for fee for submitting a request for approval of announcement of the takeover bid for Energoprojekt Entel shares against current period expense in the moment of payment, while the same amount was recorded by the Securities Commission within obligations for received advance.

## 42. TRANSACTIONS WITH RELATED PARTIES

In compliance with the requirements from the IAS 24 - Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below.

From the point of view **of the related parties**, transactions resulting in revenues and expenses in the income statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets and liabilities within it) in the balance sheet:

| **Income and expenses incurred with related parties** | *In RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| *Income:* | . | |
| a) EP Garant Plc. | 865 | 52,610 |
| b) EP Visokogradnja Plc. | 102,495 | 135,091 |
| c) EP Niskogradnja Plc. | 234,245 | 193,472 |
| d) EP Hidroinženjering Plc. | 12,783 | 15,321 |
| e) EP Entel Plc. | 472,985 | 340,186 |
| f) EP Energodata Plc. | 8,144 | 6,116 |
| g) EP Industrija Plc. | 6,143 | 6,512 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 4,133 | 4,585 |
| j) EP Oprema Plc. | 46,757 | 181,984 |
| k) EP Sunnyville Ltd. | 25,785 | 29,465 |
| l) EP Park 11 d.o.o. | 21,681 | 379 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | 10 | 125 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 9,752 | 9,945 |
| *Total* | *945,778* | *975,791* |
| *Expenses:* | | |
| a) EP Garant Plc. | 491 | 1,840 |
| b) EP Visokogradnja Plc. | 10,719 | 39,767 |
| c) EP Niskogradnja Plc. | 5,661 | 15,496 |
| d) EP Hidroinženjering Plc. | 43 | 950 |
| e) EP Entel Plc. | 237 | 199 |
| f) EP Energodata Plc. | 15,762 | 20,750 |
| g) EP Industrija Plc. | 50 | 998 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 27,926 | 2,000 |
| j) EP Oprema Plc. | 14,502 | 14,749 |
| k) EP Sunnyville Ltd. | 1,496 | 24,272 |
| l) EP Park 11 Ltd. | 24 | 120 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 529 | 9,178 |
| *Total* | *77,440* | *130,319* |

| **Receivables and liabilities with related parties** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Receivables:* | | |
| a) EP Garant Plc. | | 699 |
| b) EP Visokogradnja Plc. | 1.183.045 | 740.125 |
| c) EP Niskogradnja Plc. | 770 | 254.155 |
| d) EP Hidroinženjering Plc. | 19.186 | 24.904 |
| e) EP Entel Plc. | 686 | 30.512 |
| f) EP Energodata Plc. | 130.929 | 16.078 |
| g) EP Industrija Plc. | 637 | 20.887 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 16.252 | 48.077 |
| j) EP Oprema Plc. | 269.173 | |
| k) EP Sunnyville Ltd. | 796.141 | 605.102 |
| l) EP Park 11 Ltd. | 191.856 | 25.317 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | 359 | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 235.025 | 225.779 |
| r) Zambia Engineering and Contracting Company Limited, Zambia | 836 | |
| *Total* | *2.844.895* | *1.991.635* |
| *Liabilities:* | | |
| a) EP Garant Plc. | | 591 |
| b) EP Visokogradnja Plc. | 683 | 23.525 |
| c) EP Niskogradnja Plc. | 2.471 | |
| d) EP Hidroinženjering Plc. | | |
| e) EP Entel Plc. | | 17 |
| f) EP Energodata Plc. | | 954 |
| g) EP Industrija Plc. | 14 | |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 693 | 98 |
| j) EP Oprema Plc. | | 2.412 |
| k) EP Sunnyville Ltd. | | |
| l) EP Park 11 Ltd. | | |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | | 2.962 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | | |
| r) Zambia Engineering and Contracting Company Limited, Zambia | | |
| *Total* | *3.861* | *30.559* |

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date.

Liabilities to the related parties arise primarily from the purchase transactions and have maturity periods from 5 to 30 days following the purchase date. Presented liabilities are exclusive of interest accrued.

The Company has not provided any payment collaterals for liabilities owed to related parties.

## 43. COMMITMENTS AND CONTINGENCIES

**Contingent liabilities** that can potentially result in an outflow of economic benefits of the Company can primarily arise from the lawsuits. Contingent **liabilities arising from lawsuits** are primarily reflected in the potential completion of lawsuits against the Company, yet no liability or provision was recorded in the balance sheet.

The number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case are presented in the following Table. The disclosed lawsuits' amounts with the contingent liability as at 31.12.2018 include only the principal amount per case.

| Plaintiff | First instance procedure | Second instance procedure | Third instance procedure | Total |
|---|---|---|---|---|
| *No. of lawsuits* | | | | |
| Physical person | 7 | 3 | | 10 |
| Legal entity | 3 | 1 | | 4 |
| Physical person and legal entity | 1 | | | 1 |
| **TOTAL** | **11** | **4** | **0** | **15** |
| *In RSD thousand* | | | | |
| Physical person | 900 | 32,814 | | 33,714 |
| Legal entity | 188,510 | | | 188,510 |
| Physical person and legal entity | | | | |
| **TOTAL** | **189,410** | **32,814** | **0** | **222,224** |

Additional details on lawsuits in which the Company is involved as the defendant are presented in the following Table.

| Plaintiff | Basis for legal action | Contingent liability in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Sreta Ivanišević | Compensation for expropriated property (Bežanija) | Uncertain | Uncertain |
| Vladan and Tomislav Krdžić | Damage compensation (for the value of free shares that they did not acquire) | 444 | Unfounded, the first instance verdict dismissed the claim, decision on the appeal is pending |
| Goran Rakić | Establishment of ownership right on the land under building for legalization purposes | Amount not determined | Ungrounded |
| Pavle, Radmila and Milan Kovačević | Compensation for expropriated land (Block 26) | Amount not determined | Uncertain |
| Rajko Ljubojević | Expropriation of land from 1957 | 32,370 | Uncertain |
| Radovanac Aleksandar and Nenad | Moving out from barracks | Amount not determined | Ungrounded |
| Alco Investments Holding LTd. Cyprus | Establishment of the nullity of Annex 1, No. 1 of the Contract on joint construction (Block 26) | Without any value | Ungrounded in relation to Energoprojekt Holding Plc. |
| Marko Martinoli, Activist Ltd., Activeast ltd. | The forced purchase of shares Energoprojekt Entel Plc. | 176,745 | Ungrounded in relation to Energoprojekt Holding Plc. |
| Nikola Malbaša, Marko Martinoli and other minority shareholders Energoprojekt Industrija Plc. | The forced purchase of shares Energoprojekt Industrija Plc. | 280,427 | Ungrounded in relation to Energoprojekt Holding Plc. |
| Dekada Export-Import KFT Budapest | Determination the nullity of the contract of assignment of the Company's receivables to Vivand BT and Real Estate Option Contract | Uncertain | Uncertain |
| Republic of Serbia | Denouncing the decision of the Shareholders Assembly dated 12.12.2017, with a proposal for provisional measure | Without any value | Uncertain |
| Edmond Gašpar, Gojko Babić, Petar Rajačić | Forced purchase of shares of Energoprojekt Industrija Plc. | 9,193 | Ungrounded in relation to Energoprojekt Holding Plc. |

| Plaintiff | Basis for legal action | Contingent liability in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Energoprojekt Oprema Plc. | Determining ownership rights on 261 shares of Beogradsko Mesovito Preduzece Plc. | 188,510 | Uncertain |
| Zoran Petrović | Annulment of the decision on termination of employment service contract | Not defined | Uncertain |
| Zoran Petrović | Compensation for damages | 900 | Uncertain |

At the beginning of 2019, the Company made with Energoprojekt Oprema a Settlement Agreement, that determines out-of-court settlement for establishing the ownership right of Energoprojekt Oprema to 261 shares of the Beogradsko Mesovito Preduzece Plc. The Company's liability in this regard was settled by the implementation of compensation as of 31.12.2018. Pursuant to the provisions of the Agreement, Energoprojekt Oprema will withdraw the lawsuit in this dispute.

In addition to the presented court disputes in which the Company is the respondent party, there is a dispute with New Company d.o.o. Branch IN Hotel. This Company is registered as the right holder of the property, so there is a claim to determination of property rights over hotel built there. In this procedure, the Company is a passive rival, therefore there are no potential obligations, but by lawsuit, for formal reasons, it is covered.

**Contingent assets** that can potentially result in economic benefits for the Company may primarily arise based on the lawsuits in which the Company is involved as the plaintiff.

Contingent **assets arising from lawsuits leads** to the potential for completion of lawsuits in favour of the Company, yet no receivables were recorded in the balance sheet and no economic benefit has been recorded in any other manner (such as, for example, by reducing value of an unjustified advance payment, etc.).

The number and estimated values of lawsuits and litigations in which the Company acts as the plaintiff are presented in the following Table.

| Defendant | First instance procedure | Second instance procedure | Total |
|---|---|---|---|
| *No. of lawsuits* | | | |
| Physical person | | | |
| Legal entity | 1 | 6 | 7 |
| **TOTAL** | **1** | **6** | **7** |
| *In RSD thousand* | | | |
| Physical person | | | |
| Legal entity | 18,000 | | 18,000 |
| **TOTAL** | **18,000** | | **18,000** |

Additional details on lawsuits in which the Company acts as the plaintiff are presented in the following Table.

| Defendant | Basis for legal action | Contingency amount in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro | Determining of the ideal ownership share in the Park hotel in Budva | The value has not been determined | Grounded |
| RS Securities Commission | Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc. | Without any value | Uncertain |

| Defendant | Basis for legal action | Contingency amount in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| RS Securities Commission | Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's final decision, whereby it was interrupted proceedings to decide on the request for publication of the takeover bid Energoprojekt Entel Plc. | Without any value | Uncertain |
| Ringier Axel Springer Ltd. | Determination of nullity of the contract and return of paid advance | 18,000 | Uncertain |

In addition to the presented legal actions in which the Company in involved as the plaintiff, there is a court actions: legal proceedings against the City of Belgrade, Republic of Serbia and BG Hall Ltd. for debt from work carried out by Energoprojekt Visokogradnja on the facility "Arena", which was contracted by the Energoprojekt Holding Corporations. According to the above litigation a final judgment has obtained to BG Hall Ltd., while the claim against the City of Belgrade, Republic of Serbia refused. The Company has declared against this decision Audit. After the Company's audit was adopted, the procedure in minority part has required law in relation to BG Hall Ltd., and in the remaining part, the first instance procedure is in progress towards BG Hall Ltd. and the City of Belgrade.

## 44. POST BALANCE SHEET EVENTS

There were no significant business events from the balance date to the date of publication of the said statements, which would require disclosure or exert any impact on the authenticity of the disclosed financial statements, beside aforementioned non-adjusting events.

In Belgrade,

19 February 2019

Legal representative

Stojan Čolakov
M.Sc.C.E.

ENERGOPROJEKT HOLDING p.l.c.

## 2. INDEPENDENT AUDITOR'S REPORT (complete report)

# ENERGOPROJEKT HOLDING PLC, BELGRADE

Financial Statements for the
Year 2018
and
Independent Auditor's Report

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

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MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

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

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF ENERGOPROJEKT HOLDING PLC, BELGRADE**

**Report on the Financial Statements**

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF ENERGOPROJEKT HOLDING PLC, BELGRADE –** *continued*

Opinion

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

*Belgrade, 07 March 2019*

*„MOORE STEPHENS*
*Revizija i Računovodstvo" Ltd., Belgrade*

*Bogoljub Aleksić*
*Managing Partner*

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

**Name** ENERGOPROJEKT HOLDING PLC

## BALANCE SHEET
as at 31.12.2018.

RSD thousand

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | **ASSETS** | | | | | |
| 00 | **A. SUBSCRIBED CAPITAL UNPAID** | 0001 | | - | - | - |
| | **B. NON-CURRENT ASSETS (0003+0010+0019+0024+0034)** | 0002 | | 7.021.054 | 8.393.406 | - |
| 01 | I. INTANGIBLES (0004+0005+0006+0007+0008+0009) | 0003 | | 4.681 | 7.871 | - |
| 010 & part 019 | 1. Investments in development | 0004 | - | - | - | - |
| 011, 012 & part 019 | 2. Concessions, patents, licenses, trademarks and service marks, software and other rights | 0005 | 21. | 4.681 | 7.871 | - |
| 013 & part 019 | 3. Goodwill | 0006 | - | - | - | - |
| 014 & part 019 | 4. Other intangible assets | 0007 | - | - | - | - |
| 015 & part 019 | 5. Intangible assets in progress | 0008 | - | - | - | - |
| 016 & part 019 | 6. Advances paid on intangible assets | 0009 | - | - | - | - |
| 02 | II. PROPERTY, PLANT AND EQUIPMENT (0011+0012+0013+0014+0015+0016+0017+0018) | 0010 | | 1.933.237 | 2.228.973 | - |
| 020, 021 & part 029 | 1. Land | 0011 | - | - | - | - |
| 022 & part 029 | 2. Buildings | 0012 | 22. | 1.305.656 | 1.313.771 | - |
| 023 & part 029 | 3. Plant and equipment | 0013 | 22. | 27.119 | 37.043 | - |
| 024 & part 029 | 4. Investment property | 0014 | 22. | 555.515 | 556.822 | - |
| 025 & part 029 | 5. Other property, plant and equipment | 0015 | 22. | 283 | 283 | - |
| 026 & part 029 | 6. Property, plant and equipment in progress | 0016 | 22. | - | 276.390 | - |
| 027 & part 029 | 7. Investments in property, plant and equipment, not owned | 0017 | 22. | - | - | - |
| 028 & part 029 | 8. Advances paid on property, plant and equipment | 0018 | 22. | 44.664 | 44.664 | - |
| 03 | III. NATURAL ASSETS (0020+0021+0022+0023) | 0019 | | - | - | - |
| 030, 031 & part 039 | 1. Forests and growing crops | 0020 | - | - | - | - |
| 032 & part 039 | 2. Livestock | 0021 | - | - | - | - |
| 037 & part 039 | 3. Natural assets in progress | 0022 | - | - | - | - |
| 038 & part 039 | 4. Advances paid for natural assets | 0023 | - | - | - | - |
| 04, excl. 047 | IV. LONG TERM FINANCIAL INVESTMENTS (0025+0026+0027+0028+0029+0030+0031+0032+0033) | 0024 | | 5.083.136 | 6.156.562 | - |
| 040 & part 049 | 1. Shares in subsidiaries | 0025 | 23.1. | 4.837.763 | 5.057.719 | - |
| 041 & part 049 | 2. Shares in affiliated companies and joint ventures | 0026 | 23.1. | 29.550 | 29.550 | - |
| 042 & part 049 | 3. Shares in other companies and other available for sale securities | 0027 | 23.1. | 43.347 | 117.662 | - |
| part 043, part 044 & part 049 | 4. Long term investments in parent companies and subsidiaries | 0028 | 23.2. | 171.259 | 950.334 | - |
| part 043, part 044 & part 049 | 5. Long term investments in other affiliated companies | 0029 | - | - | - | - |
| part 045 & part 049 | 6. Long term investments, domestic | 0030 | - | - | - | - |
| part 045 & part 049 | 7. Long term investments, foreign countries | 0031 | - | - | - | - |
| 046 & part 049 | 8. Securities held to maturity | 0032 | - | - | - | - |
| 048 & part 049 | 9. Other long term financial investments | 0033 | 23.2. | 1.217 | 1.297 | - |
| 05 | V. LONG TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041) | 0034 | | - | - | - |
| 050 & part 059 | 1. Receivables from parent company and subsidiaries | 0035 | - | - | - | - |
| 051 & part 059 | 2. Receivables from other affiliated companies | 0036 | - | - | - | - |
| 052 & part 059 | 3. Receivables from credit sales | 0037 | - | - | - | - |
| 053 & part 059 | 4. Receivables from financial leasing contracts | 0038 | - | - | - | - |
| 054 & part 059 | 5. Receivables from pledged assets | 0039 | - | - | - | - |
| 055 & part 059 | 6. Bad debts and uncollectible claims | 0040 | - | - | - | - |
| 056 & part 059 | 7. Other long term receivables | 0041 | - | - | - | - |
| 288 | **C. DEFERRED TAX ASSETS** | 0042 | - | - | - | - |
| | **D. OPERATING ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)** | 0043 | | 3.311.790 | 1.706.754 | - |
| Class 1 | I. INVENTORIES (0045+0046+0047+0048+0049+0050) | 0044 | | 6.425 | 6.766 | - |
| 10 | 1. Material ,parts, tools and small inventories | 0045 | - | - | - | - |
| 11 | 2. Work and services in progress | 0046 | - | - | - | - |
| 12 | 3. Finished products | 0047 | - | - | - | - |
| 13 | 4. Goods | 0048 | - | - | - | - |
| 14 | 5. Fixed assets for sale | 0049 | - | - | - | - |
| 15 | 6. Advances paid for inventories and services | 0050 | 24. | 6.425 | 6.766 | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20 | II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058) | 0051 | | 765.794 | 689.346 | - |
| 200 & part 209 | 1. Local buyers - parent company and subsidiaries | 0052 | 25. | 763.077 | 688.367 | - |
| 201 & part 209 | 2. Foreign buyers - parent company and subsidiaries | 0053 | - | - | - | - |
| 202 & part 209 | 3. Local buyers - other affiliated companies | 0054 | 25. | 705 | 705 | - |
| 203 & part 209 | 4. Foreign buyers - other affiliated companies | 0055 | - | - | - | - |
| 204 & part 209 | 5. Local buyers | 0056 | 25. | 2.012 | 274 | - |
| 205 & part 209 | 6. Foreign buyers | 0057 | - | - | - | - |
| 206 & part 209 | 7. Other receivables from sales | 0058 | - | - | - | - |
| 21 | III. RECEIVABLES FROM SPECIAL TRANSACTIONS | 0059 | 26. | 7.094 | 98.204 | - |
| 22 | IV. OTHER RECEIVABLES | 0060 | 27. | 125.071 | 76.816 | - |
| 236 | V. FINANCIAL ASSETS ASSESSED AT FAIR VALUE THROUGH BALANCE SHEET | 0061 | - | - | - | - |
| 23 excl. 236 & 237 | VI. SHORT TERM FINANCIAL INVESTMENTS(0063+0064+0065+0066+0067) | 0062 | | 1.795.477 | 191.499 | - |
| 230 & part 239 | 1. Short term loans and investments - parent company and subsidiaries | 0063 | 28. | 906.583 | 33.212 | - |
| 231 & part 239 | 2. Short term loans and investments - other affiliated companies | 0064 | 28. | 157.836 | 158.208 | - |
| 232 & part 239 | 3. Short term credits and loans, domestic | 0065 | - | - | - | - |
| 233 & part 239 | 4. Short term credits and loans, foreign countries | 0066 | - | - | - | - |
| 234, 235, 238 & part 239 | 5. Other short term financial investments | 0067 | 28. | 731.058 | 79 | - |
| 24 | VII. CASH AND CASH EQUIVALENTS | 0068 | 29. | 200.519 | 251.917 | - |
| 27 | VIII. VALUE ADDED TAX | 0069 | - | - | - | - |
| 28 excl. 288 | IX. PREPAYMENTS AND ACCRUED INCOME | 0070 | 30. | 411.410 | 392.206 | - |
| | **E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)** | 0071 | | **10.332.844** | **10.100.160** | - |
| 88 | **F. OFF-BALANCE SHEET ASSETS** | 0072 | 39. | 22.683.687 | 27.017.299 | - |
| | **LIABILITIES** | | | | | |
| | **A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)** | 0401 | | 9.094.008 | 8.529.997 | - |
| 30 | I. EQUITY CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410) | 0402 | | 7.128.301 | 7.128.301 | - |
| 300 | 1. Share capital | 0403 | 31.1. | 5.574.959 | 5.574.959 | - |
| 301 | 2. Shares of limited liability companies | 0404 | - | - | - | - |
| 302 | 3. Investments | 0405 | - | - | - | - |
| 303 | 4. State owned capital | 0406 | - | - | - | - |
| 304 | 5. Socially owned capital | 0407 | - | - | - | - |
| 305 | 6. Shares of cooperatives | 0408 | - | - | - | - |
| 306 | 7. Issuing premium | 0409 | 31.1. | 1.526.164 | 1.526.164 | - |
| 309 | 8. Other share capital | 0410 | 31.1. | 27.178 | 27.178 | - |
| 31 | II. SUBSCRIBED CAPITAL UNPAID | 0411 | - | - | - | - |
| 047 & 237 | III. TREASURY SHARES REPURCHASED | 0412 | 31.2. | 49.827 | 49.827 | - |
| 32 | IV. RESERVES | 0413 | 31.3. | 214.881 | 214.881 | - |
| 330 | V. REVALUATION RESERVES FROM REVALUATION OF INTANGIBLES, PROPERTY, PLANT AND EQUIPMENT | 0414 | 31.4. | 784.634 | 782.098 | - |
| 33 excl. 330 | VI. UNREALISED GAINS FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (credit balance under account class 33 excl. 330) | 0415 | - | - | - | - |
| 33 excl. 330 | VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULT (debit balance under account class 33 excl. 330) | 0416 | 31.5. | 4.208 | 18.881 | - |
| 34 | VIII. RETAINED EARNINGS (0418+0419) | 0417 | | 1.020.227 | 473.425 | - |
| 340 | 1. Retained earnings from previous years | 0418 | 31.6. | 256.754 | 34.492 | - |
| 341 | 2. Retained earnings from current year | 0419 | 31.6. | 763.473 | 438.933 | - |
| | IX. NON-CONTROLLING INTEREST | 0420 | - | - | - | - |
| 35 | **X. LOSSES (0422+0423)** | 0421 | | - | - | - |
| 350 | 1. Losses from previous years | 0422 | - | - | - | - |
| 351 | 2. Losses from current year | 0423 | - | - | - | - |
| | **B. LONG TERM PROVISIONS AND LIABILITIES (0425+0432)** | 0424 | | 2.812 | 2.735 | - |
| 40 | I. LONG TERM PROVISIONS (0426+0427+0428+0429+0430+0431) | 0425 | | 2.812 | 2.735 | - |
| 400 | 1. Provisions for warranty costs | 0426 | - | - | - | - |
| 401 | 2. Provisions for recovery of natural resources | 0427 | - | - | - | - |
| 403 | 3. Provisions for restructuring costs | 0428 | - | - | - | - |
| 404 | 4. Provisions for wages and other employee benefits | 0429 | 32. | 2.812 | 2.735 | - |
| 405 | 5. Provisions for legal expenses | 0430 | - | - | - | - |
| 402 & 409 | 6. Other long term provisions | 0431 | - | - | - | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | | |
|---|---|---|---|---|---|---|
| | | | | Current year | Previous year | |
| | | | | | Closing balance on 31.12. 2016. | Opening balance on 01.01.2016. |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 41 | II. LONG TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440) | 0432 | | - | - | - |
| 410 | 1. Liabilities convertible into capital | 0433 | - | - | - | - |
| 411 | 2. Liabilities to parent company and subsidiaries | 0434 | - | - | - | - |
| 412 | 3. Liabilities to other affiliated companies | 0435 | - | - | - | - |
| 413 | 4. Liabilities for issued securities for more than one year | 0436 | - | - | - | - |
| 414 | 5. Long term credits and loans, domestic | 0437 | - | - | - | - |
| 415 | 6. Long term credits and loans, foreign countries | 0438 | - | - | - | - |
| 416 | 7. Long term liabilities from financial leasing | 0439 | - | - | - | - |
| 419 | 8. Other long term liabilities | 0440 | - | - | - | - |
| 498 | **C. DEFERRED TAX LIABILITIES** | 0441 | 38. | 154.137 | 152.082 | - |
| 42 to 49 (excl. 498) | **D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)** | 0442 | | 1.081.887 | 1.415.346 | - |
| 42 | I. SHORT TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449) | 0443 | | 898.427 | 1.251.192 | - |
| 420 | 1. Short term loans from parent company and subsidiaries | 0444 | - | - | - | - |
| 421 | 2. Short term loans from other affiliated companies | 0445 | - | - | - | - |
| 422 | 3. Short term credits and loans, domestic | 0446 | 33.1. | 898.279 | 1.251.072 | - |
| 423 | 4. Short term credits and loans, foreign countries | 0447 | - | - | - | - |
| 427 | 5. Liabilities from fixed assets and assets from discontinued operations available for sale | 0448 | - | - | - | - |
| 424,425,426 & 429 | 6. Other short term financial liabilities | 0449 | 33.2. | 148 | 120 | - |
| 430 | II. RECEIVED ADVANCES, DEPOSITS AND BONDS | 0450 | 34. | 51.076 | 40.731 | - |
| 43 excl. 430 | III. OPERATING LIABILITIES (0452+0453+0454+0455+0456+0457+0458) | 0451 | | 12.159 | 36.057 | - |
| 431 | 1. Suppliers - parent company and subsidiaries, local | 0452 | 35. | 977 | 24.780 | - |
| 432 | 2. Suppliers - parent company and subsidiaries, foreign countries | 0453 | 35. | - | 2.962 | - |
| 433 | 3. Suppliers - other affiliated companies, local | 0454 | - | - | - | - |
| 434 | 4. Suppliers - other affiliated companies, foreign countries | 0455 | - | - | - | - |
| 435 | 5. Suppliers, local | 0456 | 35. | 5.182 | 6.325 | - |
| 436 | 6. Suppliers, foreign countries | 0457 | 35. | 3.117 | 1.990 | - |
| 439 | 7. Other operating liabilities | 0458 | 35 | 2.883 | - | - |
| 44, 45 & 46 | IV. OTHER SHORT TERM LIABILITIES | 0459 | 36. | 42.105 | 35.937 | - |
| 47 | V. VALUE ADDED TAX | 0460 | 37.1. | 4.700 | 6.768 | - |
| 48 | VI. OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE | 0461 | 37.2. | 45.839 | 752 | - |
| 49 excl. 498 | VII. ACCRUED EXPENSES AND DEFERRED INCOME | 0462 | 37.3. | 27.581 | 43.909 | - |
| | D. LOSSES EXCEEDING CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402)≥0 = (0441+0424+0442-0071) ≥0 | 0463 | | - | - | - |
| | **E. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0** | 0464 | | **10.332.844** | **10.100.160** | - |
| 89 | **F. OFF-BALANCE LIABILITIES** | 0465 | 39. | 22.683.687 | 27.017.299 | - |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt Holding a.d. Beograd

Name ENERGOPROJEKT HOLDING PLC

# INCOME STATEMENT
## from 01.01. until 31.12.2018.

RSD thousand

| Account class, account | DESCRIPTION | EDP | Note No. | Total | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | **A. INCOME FROM NORMAL ACTIVITIES** | | | | |
| 60 to 65, excl. 62 & 63 | **A. OPERATING INCOME (1002+1009+1016+1017)** | 1001 | | **341.959** | **440.253** |
| 60 | I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008) | 1002 | | - | - |
| 600 | 1. Income from sale of goods to parent company and subsidiaries on local market | 1003 | - | - | - |
| 601 | 2. Income from sale of goods to parent company and subsidiaries on foreign markets | 1004 | - | - | - |
| 602 | 3. Income from sale of goods to other affiliated companies on local market | 1005 | - | - | - |
| 603 | 4. Income from sale of goods to other affiliated companies on foreign markets | 1006 | - | - | - |
| 604 | 5. Income from sale of goods on local market | 1007 | - | - | - |
| 605 | 6. Income from sale of goods on foreign markets | 1008 | - | - | - |
| 61 | II. INCOME FROM SALE OF PRODUCTS AND SERVICES (1010+1011+1012+1013+1014+1015) | 1009 | | 315.956 | 416.018 |
| 610 | 1. Income from sale of finished products and services to parent company and subsidiaries on local market | 1010 | 9.1. | 315.898 | 415.941 |
| 611 | 2. Income from sale of finished products and services to parent company and subsidiaries on foreign markets | 1011 | - | - | - |
| 612 | 3. Income from sale of finished products and services to other affiliated companies on local market | 1012 | - | - | - |
| 613 | 4. Income from sale of finished products and services to other affiliated companies on foreign markets | 1013 | - | - | - |
| 614 | 5. Income from sale of finished products and services on local market | 1014 | 9.1. | 58 | 77 |
| 615 | 6. Income from sale of finished products and services on foreign markets | 1015 | - | - | - |
| 64 | III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS, ETC. | 1016 | - | - | - |
| 65 | IV. OTHER OPERATING INCOME | 1017 | 9.2. | 26.003 | 24.235 |
| | **EXPENSES FROM NORMAL ACTIVITIES** | | - | | |
| 55 to 55, 62 & 63 | **B. OPERATING EXPENSES (1019-1020-1021+1022+1023+ 1024+1025+1026+1027+1028+1029) ≥ 0** | 1018 | | 362.247 | 431.736 |
| 50 | I. COST PRICE OF GOODS SOLD | 1019 | - | - | - |
| 62 | II. INCOME FROM USE OF OWN PRODUCTS AND MERCHANDISE | 1020 | - | - | - |
| 630 | III. INCREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS | 1021 | - | - | - |
| 631 | IV. DECREASE IN INVENTORIES OF INTERMEDIATE AND FINISHED GOODS AND SERVICES IN PROGRESS | 1022 | - | - | - |
| 51 excl. 513 | V. MATERIAL COSTS | 1023 | 10. | 5.582 | 7.373 |
| 513 | VI. FUEL AND ENERGY COSTS | 1024 | 10. | 20.299 | 22.640 |
| 52 | VII. EMPLOYEE EXPENSES AND BENEFITS | 1025 | 11. | 202.695 | 226.508 |
| 53 | VIII. PRODUCTION SERVICE COSTS | 1026 | 12. | 56.538 | 67.173 |
| 540 | IX. DEPRECIATION EXPENSES | 1027 | 13. | 20.817 | 22.597 |
| 541 to 549 | X. PROVISION EXPENSES | 1028 | 13. | 216 | 517 |
| 55 | XI. INTANGIBLE EXPENSES | 1029 | 14. | 56.100 | 84.928 |
| | **C. OPERATING INCOME (1001-1018) ≥ 0** | 1030 | | - | 8.517 |
| | **D. OPERATING LOSSES (1018-1001) ≥ 0** | 1031 | | 20.288 | - |
| 66 | **E. FINANCIAL REVENUES (1033+1038+1039)** | 1032 | | 628.645 | 608.855 |
| 66, excl. 662, 663 & 664 | I. FINANCIAL INCOME FROM AFFILIATED COMPANIES AND OTHER FINANCIAL REVENUES (1034+1035+1036+1037) | 1033 | | 615.557 | 540.376 |
| 660 | 1. Financial income from parent company and subsidiaries | 1034 | 15.1. | 605.737 | 530.377 |
| 661 | 2. Financial income from other affiliated companies | 1035 | 15.1. | 9.752 | 9.945 |
| 665 | 3. Share of profits in associated companies and joint ventures | 1036 | - | - | - |
| 669 | 4. Other financial revenues | 1037 | 15.1. | 68 | 54 |
| 662 | II. INTEREST INCOME (THIRD PARTY) | 1038 | 15.1. | 9.165 | 2.117 |
| 663 & 664 | III. EXCHANGE RATE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY) | 1039 | 15.1. | 3.923 | 66.362 |
| 56 | **F. FINANCIAL EXPENSES (1041+1046+1047)** | 1040 | | 37.209 | 147.024 |
| 56, excl. 562, 563 & 564 | I. FINANCIAL EXPENSES FROM TRANSACTIONS WITH AFFILIATED COMPANIES AND OTHER FINANCIAL EXPENDITURE (1042+1043+1044+1045) | 1041 | | 5.167 | 78.773 |
| 560 | 1. Financial expenses from transactions with parent company and subsidiaries | 1042 | 15.2. | 4.638 | 69.594 |
| 561 | 2. Financial expenses from transactions with other affiliated companies | 1043 | 15.2. | 529 | 9.179 |
| 565 | 3. Share of losses in affiliated companies and joint ventures | 1044 | - | - | - |
| 566 & 569 | 4. Other financial expenditure | 1045 | - | - | - |
| 562 | II. INTEREST EXPENSES (THIRD PARTY) | 1046 | 15.2. | 30.564 | 32.070 |
| 563 & 564 | III. EXCHANGE RATE LOSSES AND NEGATIVE CURRENCY CLAUSE EFFECTS (THIRD PARTY) | 1047 | 15.2. | 1.478 | 36.181 |
| | **G. FINANCIAL GAINS (1032-1040)** | 1048 | | 591.436 | 461.831 |
| | **H. FINANCIAL LOSSES (1040-1032)** | 1049 | | - | - |

| Account class, account | DESCRIPTION | EDP | Note No. | Total | |
|---|---|---|---|---|---|
| | | | | Current year | Previous year |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 683 & 685 | **I. INCOME FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT** | 1050 | - | - | - |
| 583 & 585 | **J. EXPENSES FROM VALUE ADJUSTMENT OF OTHER ASSETS DISCLOSED AT FAIR VALUE THROUGH INCOME STATEMENT** | 1051 | - | - | - |
| 67 & 68, excl. 683 & 685 | **K. OTHER INCOME** | 1052 | 16.1. | 274.396 | 410 |
| 57 & 58, excl. 583 & 585 | **L. OTHER EXPENSES** | 1053 | 16.2. | 37.582 | 31.883 |
| | **M. INCOME FROM NORMAL OPERATIONS BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)** | 1054 | | 807.962 | 438.875 |
| | **N. LOSSES FROM NORMAL OPERATIONS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)** | 1055 | | - | - |
| 69-59 | **O. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS** | 1056 | 17. | 2.232 | - |
| 59-69 | **P. NET LOSSES FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS** | 1057 | 17. | - | 112 |
| | **Q. PROFIT BEFORE TAX (1054-1055+1056-1057)** | 1058 | 18. | 810.194 | 438.763 |
| | **R. LOSSES BEFORE TAX (1055-1054+1057-1056)** | 1059 | - | - | - |
| | **S. INCOME TAX** | | - | | |
| 721 | I. TAXABLE EXPENSES FOR THE PERIOD | 1060 | - | 45.113 | - |
| part 722 | II. DEFERRED TAX EXPENSES FOR THE PERIOD | 1061 | - | 1.608 | - |
| part 722 | III. DEFERRED TAX INCOME FOR THE PERIOD | 1062 | - | - | 170 |
| 723 | **T. MANAGEMENT EARNINGS** | 1063 | - | - | - |
| | **U. NET PROFIT (1058-1059-1060-1061+1062-1063)** | 1064 | 19. | **763.473** | **438.933** |
| | **V. NET LOSSES (1059-1058+1060+1061-1062+1063)** | 1065 | - | - | - |
| | I. NET PROFIT PAYABLE TO MINORITY SHAREHOLDERS | 1066 | - | - | - |
| | II. NET PROFIT PAYABLE TO MAJORITY SHAREHOLDER | 1067 | - | - | - |
| | III. NET LOSSES ATTRIBUTABLE TO MINORITY SHAREHOLDERS | 1068 | - | - | - |
| | IV. NET LOSSES ATTRIBUTABLE TO MAJORITY SHAREHOLDER | 1069 | - | - | - |
| | V. EARNINGS PER SHARE | | - | | |
| | 1. Basic earnings per share | 1070 | - | - | - |
| | 2. Reduced (diluted) earnings per share | 1071 | - | - | - |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt Industrija a.d. Beograd

**Name** ENERGOPROJEKT HOLDING PLC

# STATEMENT OF OTHER RESULTS
## from 01.01. until 31.12.2018.

RSD thousand

| Account class, account | DESCRIPTION | EDP | Amount | |
|---|---|---|---|---|
| | | | Current year | Previous year |
| 1 | 2 | 3 | 5 | 6 |
| | **A. NET OPERATING RESULTS** | | | |
| | I. NET PROFIT (EDP 1064) | 2001 | 763.473 | 438.933 |
| | II. NET LOSSES (EDP 1065) | 2002 | | |
| | **B. OTHER COMPREHENSIVE RESULTS OR LOSSES** | | | |
| | **a) Items not reclassifiable in the balance sheet in future periods** | | | |
| 330 | 1. Change of revaluation of intangibles, property, plant and equipment | | | |
| | a) increase in revaluation reserves | 2003 | 2.983 | |
| | b) decrease in revaluation reserves | 2004 | | |
| 331 | 2. Actuarial gains or losses from defined income plans | | | |
| | a) gains | 2005 | | |
| | b) losses | 2006 | | |
| 332 | 3. Gains and losses from equity instrument investments | | | |
| | a) gains | 2007 | | |
| | b) losses | 2008 | | |
| 333 | 4. Gains and losses from share of other comprehensive profits and losses of affiliates | | | |
| | a) gains | 2009 | | |
| | b) losses | 2010 | | |
| | **b) Items that may be reclassified in the balance sheet in future periods** | | | |
| 334 | 1. Gains and losses from translation of financial statements for foreign operations | | | |
| | a) gains | 2011 | | |
| | b) losses | 2012 | | |
| 335 | 2. Gains and losses from hedging of net investments in foreign operations | | | |
| | a) gains | 2013 | | |
| | b) losses | 2014 | | |
| 336 | 3. Gains and losses from cash flow hedging | | | |
| | a) gains | 2015 | | |
| | b) losses | 2016 | | |
| 337 | 4. Gains and losses from available for sale securities | | | |
| | a) gains | 2017 | 14.673 | 10.103 |
| | b) losses | 2018 | | 115 |
| | I. OTHER COMPREHENSIVE GROSS PROFIT (2003+2005+2007+2009+2011+2013+2015+2017) - (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0 | 2019 | 17.656 | 9.988 |
| | II. OTHER COMPREHENSIVE GROSS LOSSES (2004+2006+2008+2010+2012+2014+2016+2018) - (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0 | 2020 | | |
| | III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD | 2021 | 447 | |
| | IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0 | 2022 | 17.209 | 9.988 |
| | V. NET OTHER COMPREHENSIVE LOSSES (2020-2019+2021) ≥ 0 | 2023 | | |
| | **C. TOTAL COMPREHENSIVE NET RESULTS FOR THE PERIOD** | | | |
| | I. TOTAL COMPREHENSIVE NET PROFIT (2001-2002+2022-2023) ≥ 0 | 2024 | 780.682 | 448.921 |
| | II. TOTAL COMPREHENSIVE NET LOSSES (2002-2001+2023-2022) ≥ 0 | 2025 | | |
| | **D. TOTAL COMPREHENSIVE NET PROFIT OR LOSSES (2027+2028) = AOP 2024 ≥ 0 or AOP 2025 > 0** | 2026 | | |
| | 1. Payable to majority shareholders | 2027 | | |
| | 2. Payable to non-controlling shareholders | 2028 | | |

Belgrade,

Legal Representative of the Company

Date: 19.02.2019.

**Name** ENERGOPROJEKT HOLDING PLC

## CASH FLOW STATEMENT
**from 01.01. until 31.12.2018.**

RSD thousand

| Description | EDP | Total | |
|---|---|---|---|
| | | Current year | Previous year |
| 1 | 2 | 3 | 4 |
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **I. Cash inflow from operating activities ( 1 to 3)** | 3001 | **476.806** | **537.757** |
| 1. Sales and prepayments | 3002 | 437.448 | 450.600 |
| 2. Interests from operating activities | 3003 | - | - |
| 3. Other inflow from normal operations | 3004 | 39.358 | 87.157 |
| **II. Cash outflow from operating activities ( 1 to 5)** | 3005 | **529.925** | **711.093** |
| 1. Payments to suppliers and prepayments | 3006 | 201.873 | 262.846 |
| 2. Employee expenses and benefits | 3007 | 198.221 | 221.014 |
| 3. Interests paid | 3008 | 31.340 | 30.771 |
| 4. Income tax | 3009 | 5.708 | 4.691 |
| 5. Payments based on other public revenues | 3010 | 92.783 | 191.771 |
| **III. Net cash inflow from operating activities (I-II)** | 3011 | - | - |
| **IV. Net cash outflow from operating activities (II-I)** | 3012 | **53.119** | **173.336** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **I. Cash inflow from investing activities (1 to 5 )** | 3013 | **1.449.820** | **597.902** |
| 1. Sale of shares and stocks (net inflow) | 3014 | 864.218 | - |
| 2. Sale of intangible investments, property, plant, equipment and natural assets | 3015 | 5.575 | 84.867 |
| 3. Other financial investments (net inflow) | 3016 | - | - |
| 4. Interest received from investment activities | 3017 | 16.508 | 4.438 |
| 5. Dividends received | 3018 | 563.519 | 508.597 |
| **II. Cash outflow from investing activities (1 to 3)** | 3019 | **865.126** | **376.493** |
| 1. Purchase of shares and stocks (net outflow) | 3020 | - | 8.321 |
| 2. Purchase of intangible investments, property, plant, equipment and natural assets | 3021 | 29.117 | 331.338 |
| 3. Other financial investments (net outflow) | 3022 | 836.009 | 36.834 |
| **III. Net cash inflow from investing activities (I-II)** | 3023 | **584.694** | **221.409** |
| **IV. Net cash outflow from investing activities (II-I)** | 3024 | - | - |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **I. Cash inflow from financing activities ( 1 to 5)** | 3025 | - | **668.836** |
| 1. Equity increase | 3026 | - | - |
| 2. Long term loans (net inflow) | 3027 | - | - |
| 3. Short term loans (net inflow) | 3028 | - | 668.836 |
| 4. Other long term liabilities | 3029 | - | - |
| 5. Other short term liabilities | 3030 | - | - |
| **II. Cash outflow from financing activities (1 to 6 )** | 3031 | **584.147** | **584.544** |
| 1. Repurchase of own shares and stocks | 3032 | - | 124.148 |
| 2. Long term loans (net outflow) | 3033 | - | - |
| 3. Short term loans (net outflow) | 3034 | 350.635 | - |
| 4. Other liabilities | 3035 | 16.570 | 242.745 |
| 5. Financial leasing | 3036 | - | - |
| 6. Dividends paid | 3037 | 216.942 | 217.651 |
| **III. Net cash inflow from financing activities ( I -II)** | 3038 | - | **84.292** |
| **D. Net cash outflow from financing activities (II-I)** | 3039 | **584.147** | - |
| **E. TOTAL CASH INFLOW (3001+3013+3025)** | 3040 | **1.926.626** | **1.804.495** |
| **F. TOTAL CASH OUTFLOW (3005+3019+3031)** | 3041 | **1.979.198** | **1.672.130** |
| **G. NET CASH INFLOW ( 3040-3041 )** | 3042 | - | **132.365** |
| **H. NET CASH OUTFLOW (3041-3040)** | 3043 | **52.572** | - |
| **I. CASH BALANCE AT BEGINNING OF REPORTING PERIOD** | 3044 | 251.917 | 128.791 |
| **J. EXCHANGE RATE GAINS FROM CASH TRANSLATION** | 3045 | 1.174 | - |
| **K. EXCHANGE RATE LOSSES FROM CASH TRANSLATION** | 3046 | - | 9.239 |
| **L. CASH BALANCE AT END OF REPORTING PERIOD ( 3042-3043+3044+3045-3046)** | 3047 | **200.519** | **251.917** |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt Holding a.d. Beograd

Name ENERGOPROJEKT HOLDING PLC

**STATEMENT OF CHANGES IN EQUITY**
**as at 31.12.2018.**

| No. | DESCRIPTION | EDP | 30 Equity capital | EDP | 31 Subscribed capital unpaid | EDP | 32 Provisions | EDP | 35 Losses | EDP | 047 & 237 Treasury shares repurchased | EDP | 34 Retained earnings | EDP | 330 Revaluation reserves | EDP | 331 Actuarial gains or losses |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity component | | | | | | | | | | | | | | | |
| 1 | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | 8 | | 9 | | 10 |
| 1 | **Opening balance on 01.01.2017.** a) debit balance | 4001 | - | 4019 | - | 4037 | - | 4055 | - | 4073 | - | 4091 | - | 4109 | - | 4127 | - |
| | b) credit balance | 4002 | 7.202.622 | 4020 | - | 4038 | 134.881 | 4056 | - | 4074 | - | 4092 | 331.164 | 4110 | 782.098 | 4128 | - |
| 2 | **Adjustment for materially significant errors and changes in accounting policies** a) adjustment of debit balance | 4003 | - | 4021 | - | 4039 | - | 4057 | - | 4075 | - | 4093 | - | 4111 | - | 4129 | - |
| | b) adjustment of credit balance | 4004 | - | 4022 | - | 4040 | - | 4058 | - | 4076 | - | 4094 | - | 4112 | - | 4130 | - |
| 3 | **Adjustment of opening balance on 01.01.2017.** a) adjustment of debit balance (1a+2a-2b) ≥ 0 | 4005 | - | 4023 | - | 4041 | - | 4059 | - | 4077 | - | 4095 | - | 4113 | - | 4131 | - |
| | b) adjustment of credit balance (1b-2a+2b) ≥ 0 | 4006 | 7.202.622 | 4024 | - | 4042 | 134.881 | 4060 | - | 4078 | - | 4096 | 331.164 | 4114 | 782.098 | 4132 | - |
| 4 | **Changes in previous 2017. year** a) debit balance activity | 4007 | 74.321 | 4025 | - | 4043 | - | 4061 | - | 4079 | 49.827 | 4097 | 296.672 | 4115 | - | 4133 | - |
| | b) credit balance activity | 4008 | - | 4026 | - | 4044 | 80.000 | 4062 | - | 4080 | - | 4098 | 438.933 | 4116 | - | 4134 | - |
| 5 | **Closing balance previous year at 31.12.2017.** a) debit balance (3a+4a-4b) ≥ 0 | 4009 | - | 4027 | - | 4045 | - | 4063 | - | 4081 | 49.827 | 4099 | - | 4117 | - | 4135 | - |
| | b) credit balance (3b-4a+4b) ≥ 0 | 4010 | 7.128.301 | 4028 | - | 4046 | 214.881 | 4064 | - | 4082 | - | 4100 | 473.425 | 4118 | 782.098 | 4136 | - |
| 6 | **Adjustment for materially significant errors and changes in accounting policies** a) adjustment of debit balance | 4011 | - | 4029 | - | 4047 | - | 4065 | - | 4083 | - | 4101 | - | 4119 | - | 4137 | - |
| | b) adjustment of credit balance | 4012 | - | 4030 | - | 4048 | - | 4066 | - | 4084 | - | 4102 | - | 4120 | - | 4138 | - |
| 7 | **Adjustment of opening balance current year at 01.01.2018.** a) adjustment of debit balance (5a+6a-6b) ≥ 0 | 4013 | - | 4031 | - | 4049 | - | 4067 | - | 4085 | 49.827 | 4103 | - | 4121 | - | 4139 | - |
| | b) adjustment of credit balance (5b-6a+6b) ≥ 0 | 4014 | 7.128.301 | 4032 | - | 4050 | 214.881 | 4068 | - | 4086 | - | 4104 | 473.425 | 4122 | 782.098 | 4140 | - |
| 8 | **Changes in current 2018. year** a) debit balance activity | 4015 | - | 4033 | - | 4051 | - | 4069 | - | 4087 | - | 4105 | 216.671 | 4123 | 447 | 4141 | - |
| | b) credit balance activity | 4016 | - | 4034 | - | 4052 | - | 4070 | - | 4088 | - | 4106 | 763.473 | 4124 | 2.983 | 4142 | - |
| 9 | **Closing balance at 31.12.2018.** a) debit balance (7a+8a-8b) ≥ 0 | 4017 | - | 4035 | - | 4053 | - | 4071 | - | 4089 | 49.827 | 4107 | - | 4125 | - | 4143 | - |
| | b) credit balance (7b-8a+8b) ≥ 0 | 4018 | 7.128.301 | 4036 | - | 4054 | 214.881 | 4072 | - | 4090 | - | 4108 | 1.020.227 | 4126 | 784.634 | 4144 | - |

Belgrade,

Date: 19.02.2019.

**Name** ENERGOPROJEKT HOLDING PLC

RSD thousand

| No. | DESCRIPTION | Other results component | | | | | | | | | | EDP | Total capital [Σ(row 1b col.3 to col.15) - Σ(row 1a col.3 to col.15)] ≥ 0 | EDP | Losses exceeding capital [Σ(row 1a col.3 to col.15) - Σ(row 1b col.3 to col.15)] ≥ 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EDP | 332 Gains and losses from equity instrument investments | EDP | 333 Gains and losses from share of other profits and losses of affiliates | EDP | 334 & 335 Gains and losses from foreign operations and translation of financial statements | EDP | 336 Gains and losses from cash flow hedging | EDP | 337 Gains and losses from available for sale securities | | | | |
| 1 | 2 | | 11 | | 12 | | 13 | | 14 | | 15 | | 16 | | 17 |
| 1 | **Opening balance on 01.01.2017.** | | | | | | | | | | | | | | |
| | a) debit balance | 4145 | - | 4163 | - | 4181 | - | 4199 | - | 4217 | 28.869 | 4235 | 8.421.896 | 4244 | - |
| | b) credit balance | 4146 | - | 4164 | - | 4182 | - | 4200 | - | 4218 | - | | | | |
| 2 | **Adjustment for materially significant errors and changes in accounting policies** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance | 4147 | - | 4165 | - | 4183 | - | 4201 | - | 4219 | - | 4236 | | 4245 | - |
| | b) adjustment of credit balance | 4148 | - | 4166 | - | 4184 | - | 4202 | - | 4220 | - | | | | |
| 3 | **Adjustment of opening balance on 01.01.2017.** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance (1a+2a-2b) ≥ 0 | 4149 | - | 4167 | - | 4185 | - | 4203 | - | 4221 | 28.869 | 4237 | 8.421.896 | 4246 | - |
| | b) adjustment of credit balance (1b-2a+2b) ≥ 0 | 4150 | - | 4168 | - | 4186 | - | 4204 | - | 4222 | - | | | | |
| 4 | **Changes in previous 2017. year** | | | | | | | | | | | | | | |
| | a) debit balance activity | 4151 | - | 4169 | | 4187 | - | 4205 | - | 4223 | 115 | 4238 | | 4247 | |
| | b) credit balance activity | 4152 | - | 4170 | | 4188 | - | 4206 | - | 4224 | 10.103 | | | | |
| 5 | **Closing balance previous year at 31.12.2017.** | | | | | | | | | | | | | | |
| | a) debit balance (3a+4a-4b) ≥ 0 | 4153 | - | 4171 | - | 4189 | - | 4207 | - | 4225 | 18.881 | 4239 | 8.529.997 | 4248 | - |
| | b) credit balance (3b-4a+4b) ≥ 0 | 4154 | - | 4172 | - | 4190 | - | 4208 | - | 4226 | - | | | | |
| 6 | **Adjustment for materially significant errors and changes in accounting policies** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance | 4155 | - | 4173 | - | 4191 | - | 4209 | - | 4227 | - | 4240 | | 4249 | - |
| | b) adjustment of credit balance | 4156 | - | 4174 | - | 4192 | - | 4210 | - | 4228 | - | | | | |
| 7 | **Adjustment of opening balance current year at 01.01.2018.** | | | | | | | | | | | | | | |
| | a) adjustment of debit balance (5a+6a-6b) ≥ 0 | 4157 | - | 4175 | - | 4193 | - | 4211 | - | 4229 | 18.881 | 4241 | 8.529.997 | 4250 | - |
| | b) adjustment of credit balance (5b-6a+6b) ≥ 0 | 4158 | - | 4176 | - | 4194 | - | 4212 | - | 4230 | - | | | | |
| 8 | **Changes in current 2018. year** | | | | | | | | | | | | | | |
| | a) debit balance activity | 4159 | - | 4177 | - | 4195 | - | 4213 | - | 4231 | - | 4242 | | 4251 | - |
| | b) credit balance activity | 4160 | - | 4178 | - | 4196 | - | 4214 | - | 4232 | 14.673 | | | | |
| 9 | **Closing balance at 31.12.2018.** | | | | | | | | | | | | | | |
| | a) debit balance (7a+8a-8b) ≥ 0 | 4161 | - | 4179 | - | 4197 | - | 4215 | - | 4233 | 4.208 | 4243 | 9.094.008 | 4252 | - |
| | b) credit balance (7b-8a+8b) ≥ 0 | 4162 | - | 4180 | - | 4198 | - | 4216 | - | 4234 | - | | | | |

Belgrade,

Date: 19.02.2019.

Legal Representative of the Company

Energoprojekt Holding a.d. * Beograd *

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR 2018**

Belgrade, 2019

**CONTENTS**

# 1. COMPANY BACKGROUND

Energoprojekt Holding Plc. Belgrade (hereinafter: the Company) is a public joint stock company with the core business activity 6420 - holding operations.

The Company harmonized its operations with the Companies Law (RS Official Gazette No. 36/2011, 99/2011, 83/2014 - other law and 5/2015, 44/2018 and 95/2018) by passing the Decision on Harmonization of Company's Articles of Association with the Companies Law adopted on the General Assembly meeting on 16 March 2012 and by passing the Articles of Association on the General Assembly meeting on 12.01.2012. The decisions, and in this regard data changes entered into the register, have been duly registered.

Pursuant to the decisions made by the General Assembly on 28 June 2013 and on 17 June 2014, the Statute of the Company was changed. The change was registered in the Company Register of the Serbian Business Registers Agency.

**General Company Data**

| | |
|---|---|
| *Head Office* | Beograd, Bulevar Mihaila Pupina 12 |
| *Registration Number* | 07023014 |
| *Registered business code and name of the business activity* | 6420 – holding company |
| *Tax Identification Number* | 100001513 |

According to the registration with the Serbian Business Registers Agency, **Company core business activity** is the activity of holding companies (6420).

The Company is the parent company that owns a larger number of subsidiaries at home and abroad, as well as a joint company (joint venture) and associate in the country.

**Company's subsidiary companies in the country** are as follows:

- Energoprojekt Visokogradnja Plc.;
- Energoprojekt Niskogradnja Plc.;
- Energoprojekt Oprema Plc.;
- Energoprojekt Hidroinzenjering Plc.;
- Energoprojekt Urbanizam i arhitektura Plc.;
- Energoprojekt Energodata Plc.;
- Energoprojekt Industrija Plc.;
- Energoprojekt Entel Plc.;
- Energoprojekt Promet Ltd. and
- Energoprojekt Sunnyville Ltd.
- Energoprojekt Park 11 Ltd.

Since 2010, the Energoprojekt Promet Ltd. has been dormant company. The liquidation ex officio is in process, since the financial statements starting from the financial statements for 2017 of Energoprojekt Promet Ltd. have not been submitted to the Serbian Business Registers Agency.

On 13 March 2018, the Company sold its entire share of Energoprojekt Garant Plc. (92.94%). In this regard, from that date income and expenses incurred with the entity are recorded within the item of revenues and expenditures incurred with other legal entities (until 13 March 2018, the transactions were recorded within the revenues and expenditures incurred with subsidiaries) - Note 23.1. On 28 December 2018, with the Business Entities Register - Serbian Business Registers Agency, the legal status change – merge; merger of Energoprojekt Garant Plc. to the Sava Neživotno osiguranje Plc. and its deletion from the Register was registered. In this matter, as of the balance sheet date, all receivables due to Energoprojekt Garant were transferred to receivables to Sava Neživotno osiguranje a.d.o..

**Subsidiary companies abroad - international companies are as follows:**

- Zambia Engineering and Contracting Company Limited, Zambia,
- Energoprojekt Holding Guinea S.A, Guinea,
- I.N.E.C. Engineering Company Limited, Great Britain,
- Encom GmbH Consulting, Engineering &Trading, Germany,
- Dom 12 S.A.L, Lebanon,
- Energo (Private) Limited, Zimbabwe and
- Energo Kaz Limited, Kazakhstan.

**Company's affiliated company (joint venture) in the country is:**

- Enjub Ltd.

**The affiliated company in the country is:**

- Closed-end fund Fima Southern Europe Activist Plc. Belgrade - in liquidation.

The following table contains data on the ownership share in subsidiaries as of 31 December 2018.

| *Equity investments in subsidiary legal entities* | |
|---|---|
| *Name of subsidiary company* | *% ownership* |
| *In the country:* | |
| Energoprojekt Visokogradnja Plc. | 100.00 |
| Energoprojekt Niskogradnja Plc. | 100.00 |
| Energoprojekt Oprema Plc. | 67.87 |
| Energoprojekt Hidroinženjering Plc. | 100.00 |
| Energoprojekt Urbanizam i arhitektura Plc. | 100.00 |
| Energoprojekt Energodata Plc. | 100.00 |
| Energoprojekt Industrija Plc. | 62.77 |
| Energoprojekt Entel Plc. | 86.26 |
| Energoprojekt Promet Ltd. | 100.00 |
| Energoprojekt Sunnyville Ltd. | 100.00 |
| Energoprojekt Park 11 Ltd. | 100.00 |

| *Equity investments in subsidiary legal entities* | |
|---|---|
| *Name of subsidiary company* | *% ownership* |
| *Abroad:* | |
| Zambia Engineering and Contracting Company Limited, Zambia | 100.00 |
| Energoprojekt Holding Guinee S.A, Guinea | 100.00 |
| I.N.E.C. Engineering Company Limited, Great Britain | 100.00 |
| Encom GmbH Consulting, Engineering & Trading, Germany | 100.00 |
| Dom 12 S.A.L, Lebanon | 100.00 |
| Energo (private) Limited, Zimbabwe | 100.00 |
| Energo Kaz Ltd., Kazakhstan | 100.00 |

Ownership share of the Company in other affiliated legal entities in the country is presented in the following table.

| *Equity share in other affiliated legal entities in the country* | |
|---|---|
| *Name of the joint company* | *% ownership* |
| Enjub Ltd. | 50.00 |
| *Name of the affiliated company* | *% ownership* |
| Closed-end fund Fima Southern Europe Activist Plc. Belgrade - in liquidation | 30.45 |

In addition to the above listed subsidiaries and other affiliated legal entities, the Company has its representative office in Baghdad, Iraq as well, which has been in the dormant status since 2015.

The Company is, according to criteria specified by the Law on accounting and auditing, classified as a **medium-sized legal entity**.

**The average number of employees** with the Company in the reporting period, based on the actual number of employees at the end of each month, is 75 (as at 31 December 2017: 75).

The company's shares are listed on the Belgrade Stock Exchange and these are traded in a regulated stock market – "Prime listing".

The financial statements that are subject of these Notes are the **financial statements of the Company for the period from 1 January till 31 December 2018** that were approved by the Supervisory Board of the Company on the 28 February 2019, at the 44$^{th}$ meeting and that are subject to an audit by an external auditor.

Approved financial statements may subsequently be modified pursuant to the legislation in force.

Comparative information are the audited financial statements of the Company for the year 2017.

The Company's management assesses that the Company continues to operate for an indefinite period of time and does not expect significant changes in the business, and thus the Company's financial statements for 2018 are prepared in accordance with the going concern.

## 2. MANAGEMENT STRUCTURE

**Key management of the Company** for the reporting year 2018 included the following persons:

- Stojan Čolakov - General Manager,
- Vladimir Višnjić - Executive Manager for finances, accounting and plan,
- Milan Mamula - Executive Manager for legal affairs and
- Bogdan Uzelac - Executive Manager for operations.

## 3. OWNERSHIP STRUCTURE

According to records of the Central Securities Depository, the registered ownership structure of the Company as at 31 December 2018 is presented in the Note 31.1.

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

Financial statements of the Company were prepared in compliance with the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018 - hereinafter: the Law).

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

- The Framework for the preparation and presentation of financial statements,
- International Accounting Standards - IAS,
- International Financial Reporting Standards - IFRS and related Interpretations, issued by the International Financial Reporting Interpretations Committee, subsequent amendments to these Standards and the related Interpretations, as approved by the International Accounting Standards Committee, the translation of which was adopted and published by the Ministry in charge of finances.

The Company financial statements were presented in the form and with the content specified by the provisions of the Rules on the Contents and Form of Financial Statements' Forms submitted by Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014). These Rules, among other things, laid down the form and content of individual positions in the Balance Sheet, Income Statement, Other Comprehensive Income Report, Cash Flow Statement, Statement of Changes in Equity and Notes to Financial Statements. Pursuant to the above mentioned Rules, amounts in RSD thousands are to be presented in these forms.

Chart of Accounts and content of accounts in the Chart of Accounts were prescribed by the Rules on Chart of Accounts and Contents of Accounts in the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014).

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

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

Among the legal acts comprising the internal regulations of the Company, in preparation of the financial statements of the Company, the Rules on Accounting and Accounting Policies of the Company, as adopted on 27 November 2015 by the Executive Board of the Company, was used. In addition to the above listed, other internal acts of the Company were used, such as, for example, the Collective Agreement of Energoprojekt Holding Plc. regulating employment in the country.

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

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

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

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

- Pursuant to the Law on Accounting (RS Official Gazette, No. 62/2013 and 30/2018) , the financial statements in the Republic of Serbia are to be presented in the format stipulated by the Rules on the Contents and Form of the Financial Statements Forms for Companies, Cooperatives and Entrepreneurs (RS Official Gazette, No. 95/2014 and 144/2014), which deviates from the presentation and names of certain general purpose financial statements, as well as from the presentation of certain balance positions stipulated by the Revised IAS 1 - "Presentation of Financial Statements"; and

- Off-balance assets and off-balance liabilities were presented in the Balance Sheet form. According to the IFRS definition, these items are neither assets, nor liabilities.

In addition to the above stated, some deviations were due to the different publishing dates of the Standards and the relevant Interpretations thereof, which are subject to continuous modifications, and the effective dates when these Standards and relevant Interpretations thereof come into force in the Republic of Serbia. Thus, for example, the deviations from the Standards came as the consequence of the fact that the published Standards and relevant Interpretations, which came into force, have not yet been officially translated or adopted in the Republic of Serbia; as the consequence of the fact that the published Standards and relevant Interpretations have not yet came into force; or as the consequence of some other reasons beyond effective control or influence of the Company, that has not significantly impacted the financial position of the Company and the results of its operations.

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

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

- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Exemption of subsidiaries from consolidation under IFRS 10 (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for the annual periods beginning on or after 1 January, 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting (effective for the annual periods beginning on or after 1 January, 2014);
- IFRIC 21 "Levies" (effective for the annual periods beginning on or after 1 January, 2014);

- Amendments to IAS 19, Employee Benefits - Defined benefit plans (effective for annual periods beginning on or after 1 July, 2014);
- Amendments to various standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) and interpretations to standards are part of the IASB's annual improvements project "Cycle 2010-2012", primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July, 2014);
- Amendments to various standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40) and interpretations to standards are part of the IASB's annual improvements project "Cycle 2011-2013" published by

IASB in December 2013, primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 July, 2014);

- Amendments to IFRS 11 "Joint Arrangements" - Accounting for acquisition of participation in joint businesses (effective for annual periods beginning on or after 1 January, 2016;
- IFRS 14 "Accounts regulatory prepayments" - effective for annual periods beginning on or after 1 January, 2016;
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Interpretation of the accepted methods of depreciation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Industrial plants (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - The sale or transfer of assets between the investor and its associates or joint ventures (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28 "Investments in Associates and Joint Ventures" - investing companies: exception of application for consolidation (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" - Initiative for disclosure (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to various standards "Improvements IFRS" (for period from 2012 to 2014), which are the result of Project annual improvement IFRS (IFRS 5, IFRS 7, IAS 19, IAS 34) primarily through the elimination of inconsistencies and explanations of the text (effective for annual periods beginning on or after 1 January, 2016);
- Amendments to IAS 7 "Cash Flow Statement" - request for disclosures that allow users to assess changes in liabilities arising from financing activities (effective from 1 January, 2017);
- Clarifications related to IAS 12 "Income Tax" aimed in reduction of diversity in practice when it is about deferred tax assets arise from unrealized losses (effective from 1 January, 2017);
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January, 2017);
- Amendments to various standards (IAS 28, IAS 40 and IFRS 2) will enter into force on 1 January 2018;
- IFRS 9 “Financial Instruments” and subsequent amendments, which replaces the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, relating to the classification and measurement of financial assets. Standard eliminates the existing categories of IAS 39 – Assets held to maturity, available for sale and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
  In accordance with IFRS 9, financial assets will be classified into one of two categories listed at initial recognition: financial assets measured at amortized cost or financial assets measured at fair value. A financial asset will be recognized at amortized cost if the following two criteria are met: assets related to the business model, which aims to apply the agreed cash flows and contractual terms provide a basis for payment on certain dates the cash flows that are solely the collection of principal and interest on the principal outstanding. All other assets will be valued at fair value.

Gains and losses on valuation of financial assets at fair value will be recognized in the income statement, except for investments in equity instruments with non trading, where IFRS 9 permits, at initial recognition, the selection of unchangeable later that all changes in fair value recognized in within other gains and losses in the statement of comprehensive income. The amount thus be recognized within the statement of comprehensive income will not be able later to be recognized in the income statement;

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

*Published Standards and Interpretations that have not yet come into force*

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

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

## 5. ACCOUNTING PRINCIPLES

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

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

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

The **Consistency Principle** means that the valuation method for assets and changes in assets, liabilities, capital, income, expenses and business results, that is, for the Company’s balance items, remains the same over a longer period. If, for example changes are implemented due to required harmonization with the legislation, reasoning for the change must be provided and the effects are disclosed according to the professional regulations concerning the change in valuation methods.

The **Prudence Principle** means applying a certain level of caution when preparing financial statements of the Company, so that the property and revenues are not overstated and obligations and expenses are not understated. The Prudence Principle, however, should not imply conscious, unrealistic decrease in revenues and capital of the Company or conscious, unrealistic increase of expenses and liabilities of the Company. Namely, The Framework for Preparation and Presentation of Financial Statements clearly states that the Prudence Principle should not result in the forming of substantial hidden reserves, deliberate reduction of property of revenues, or deliberate exaggeration of liabilities or expenses causing the financial statements to become impartial and therefore unreliable.

The **Substance over Form Principle** means that, when recording the company's transactions, and consequently in preparing the financial reports, the accounting treatment should be based on the substance of the transactions and their economic reality and not just their legal form.

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

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

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

## 6. PRIOR PERIOD ERRORS, MATERIAL ERRORS AND CORRECTION OF OPENING BALANCE

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

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

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

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

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

**The materiality** of an error is valuated pursuant to provisions of the Framework for the preparation and presentation of financial reports that state that materiality may imply that omission or false accounting entries may affect economic decisions of users adopted based on financial statements.

Materially significant errors are valuated pursuant to relevant provisions from the Framework for the preparation and presentation of financial statements. Materiality is defined in the Company with respect to the significance of the error considering total revenues. A materially significant error is an error that for itself or together with other errors **exceeds 1,5% of the total income in the previous year**.

## 7. OVERVIEW OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

### 7.1 Valuation

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

The most important valuations refer to the impairment of financial and non-financial assets and definition of assumptions, necessary for actuarial calculation of long-term compensations to employees based on the retirement bonus.

Within the context of valuation, the business policy of the Company is to disclose information **on the fair value** of assets and liabilities, if the fair value varies significantly from the accounting value. In the Republic of Serbia, a reliable valuation of the fair value of assets and liabilities presents a common problem due to an insufficiently developed financial market, lack of stability and liquidity in sales and purchases of, for example, financial assets and liabilities, and sometimes unavailability of market information. Despite all the above, the Company pays close attention to these problems and its management performs continuous valuations, considering the risks. If it is established that the recoverable (fair or value in use) value of assets in business books of the Company was overstated, the adjustment of value is applied.

### 7.2 Effects of Foreign Exchange Rates

**Transactions in foreign currency**, upon initial recognition, are registered in dinar counter value by applying the official middle exchange rate on the transaction date.

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

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

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

**Official Middle Exchange Rates of the National Bank of Serbia**

| *Currency* | *31.12.2018* | *31.12.2017* |
|---|---|---|
| | *Amount in RSD* | |
| 1 EUR | 118.1946 | 118.4727 |
| 1 USD | 103,3893 | 99.1155 |
| 1 GBP | 131.1816 | 133.4302 |

### 7.3 Revenues

**Revenues** in accordance with IAS 18 - Revenues comprise income from economic benefits in the respective period that lead to the increase in capital, other than the increase that relate to investments from existing equity holders, and are measured according to the fair value of received or claimed benefits.

Revenues include: operating revenues, financial revenues, other revenues (including also revenues from the property value adjustment), and income from the disposal of discontinuing operations, effects from change in accounting policy and correction of prior periods errors.

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

For the purpose of financial reporting, within the operating revenues in Income Statement no income from the own use of products, services and merchandize and income from the change in value of products, services and merchandize (increases, i.e., decreases in the value of inventories of unfinished and finished products and unfinished services), and instead operating expenses are corrected by such amounts in the Income Statement.

Income from the sales of merchandize is recognized when the following conditions are met cumulatively:

- The company has transferred to the buyer significant risks and benefits from the ownership of the product and goods,
- The company does not keep the share in management of the product sold and merchandize that is usually related to ownership, nor does it keep the control over products and goods sold,
- The amount of income cannot be measured in a reliable manner,
- Economic benefit for the Company related to such transaction is probable, and
- Costs incurred or cost that will be incurred in such transactions can be measured in a reliable manner.

Operating revenues from provision of services, in compliance with the relevant provisions of IAS 18 - Revenue, *revenues from a specific transaction are recognized by reference to the stage of completion of the transaction at the balance sheet date*. The transaction result may be reliably valuated: if the revenue amount may be reliably measured, if the economic benefit for the Company related to such transaction is probable, if the level of completion of the transaction at the balance sheet date may be reliably measured and if transaction-related expenses and transaction completion expenses may be reliably measured.

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

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

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

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

### 7.4. Expenses

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

Expenses include operating expenses, financial expenses, other expenses (including impairment-related expenses for other assets measured at fair value through Income Statement) and operating loss from the discontinuing operations, effects of change in accounting policy and corrections of prior period errors.

**Operating expenses** include: purchase price, material used, gross salaries, producing costs, non-material costs, depreciation and provisions, etc.

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

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

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

Within operating **loss from discontinuing operations, effects of changes in accounting policy, corrections of prior period errors and transfer of expenses**, expenses according to the names of accounts comprising this groups are presented and the transfer of total expenses at the end of accounting period, which are for the purposes of financial reporting presented in net effect, after offsetting against relevant income.

### 7. 5 Interest and Other Borrowing Costs

**Borrowing costs** include interest and other costs borne by the Company in relation to the borrowing of funds. Based on relevant provisions IAS 23 - Borrowing costs, Interest and other borrowing costs, borrowings are recognized as expenses at the moment of occurrence, unless they are directly attributed to the acquisition, construction or production or a certain asset (asset that needs significant time to be brought to working condition for its intended use or sale), in which case the interest and other borrowing costs are capitalized as a part of the purchase price (cost) of that asset.

### 7.6 Income Tax

**Income tax** is recorded in Company books as the sum of:

- The current tax; and
- The deferred tax.

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

*The deferred tax includes:*

- Deferred tax assets or
- Deferred tax liabilities.

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

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

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

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

For assets that are subject to depreciation, deferred tax assets are recognized for all deductible temporary differences between the accounting value of assets that are subject to depreciation and their tax base (values allocated to these assets for tax purposes). Deductible temporary differences exist if the accounting value of assets is less than their tax base. In that case, deferred tax assets are recognized, if it is estimated that there will be a taxable income in future periods for which the Company may use deferred tax assets.

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

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

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

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

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

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

**Taxable temporary difference** arises in cases where a certain expense is recognized from the taxation aspect, while from the accounting aspect it will be recognized in the Company books in the following periods.

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

A deductible temporary difference is stated at the balance sheet date by applying the prescribed tax rate of the income tax to the amount of the deductible temporary difference.
The amount of deferred tax liability is determined by applying the prescribed (or expected) tax rate on the Company profit on the amount of taxable temporary difference that is determined as at the Balance Sheet date.

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

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

### 7.7 Intangible Assets

**Intangible assets** are assets without identifiable physical substance, such as: licenses, concession, copyrights, investment in other properties, trademarks, etc.

The property fulfils criteria to be identified if: it is detachable or it can be detached from the Company and sold, transferred, licensed, rented or traded, separately or with a related contract, property or liability; or that derives from contractual and other legal rights, regardless if these rights are transferable or separable from the Company or other rights or obligations.

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

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

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

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

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

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

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

**Initial measuring of intangible assets** is performed at its cost (purchase price).

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

### 7.8 Property, Plant and Equipment

**Property, plant and equipment** are tangible assets that are: used in production, supply of goods and services, for rental to others or for administrative purpose; and which are expected to be used for more than one accounting period.

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

Property, plant and equipment are tangible assets: if it is probable that future economic benefits associated with the item will flow to the entity; and if the purchase price (cost) of the item can be reliably measured.

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

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

a) Land,
b) Facilities,
c) Plants and equipment, and
d) Other.

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

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

**Measuring of subsequent expenses for property, plant and equipment** is performed when:

- It is a case of the investments that extend the useful life of the use of such asset,
- It increases the capacity,
- It improves the asset, whereby the quality of product is improved, or
- It reduces the production costs compared with the costs prior to such investment.

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

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

### 7. 9 Lease

**Lease** is an agreement according to which the lessor transfers the right to use the object of lease to the lessee for an agreed period of time in exchange for a single payment or for a series of payments.

In case of a **financial lease** (lease whereby all the risks and benefits related to ownership of the assets are essentially transferred, and upon expiry of the lease period, the property right may, but does not necessarily need to, be transferred), in compliance with the provisions of the IAS 17 - Leases, the lessee performs the **initial measurement** by recognizing the lease as an asset and liability in their Balance Sheet, according to the amounts of its fair value at the beginning of the lease, or according to the present value of the minimum payments for the lease, whichever is lower. The *fair value* is the amount for which the lease can be exchanged between knowledgeable, willing parties in arm's length transaction.

In calculation of the present value of minimum payments for the lease, the discount rate is generally defined based on the interest rate included in the lease. If the interest rate cannot be determined, the incremental interest rate on the debt amount is used as the discount rate or as the expected interest rate the Company would pay in case of borrowed assets under similar conditions and similar guarantees for the purchase of the asset identical to the lease.

All initial direct expenses borne by the lessee are added to the amount that was recognized as the asset.

In case of **subsequent measurement**, the minimum lease payments should be divided between financial expenses and the reduction of outstanding obligations. The financial expenditure is allocated to periods within the leasing term and a constant periodic interest rate is applied to the outstanding balance.

In case of **business (operational) lease** (the lease whereby all the risks and benefits related to the ownership of the assets are not essentially transferred), the lease payments are recognized as expense, and in general at the linear basis during the lease period.

### 7.10 Amortisation of Intangible Assets, Property, Plant and Equipment

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

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

**The amount to be depreciated**, or the acquisition price or some other amount used as a substitute for the acquisition price in financial statements of the Company, reduced by the residual value (remaining value) is to be systematically allocated over the lifetime of the asset.

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

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

- When there is an obligation of a third party to purchase intangible asset at the end of its useful life, or
- When there is an active market for the intangible asset, with the presumption that such market will exist at the end of the useful lifetime of the asset as well, when the residual value may be determined by referring to such market.

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

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

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

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

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

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

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

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

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

### 7.11 Impairment of Intangible Assets, Property, Plant and Equipment

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

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

**Recoverable amount** is the higher amount of:

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

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

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

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

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

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

### 7.12 Investment Property

**An investment property** is a property held by the owner or the lessee in the financial lease in order to receive income from rentals or increase in capital value, or both, and not:

- To use it in the production, acquisition of goods and services or for administration purposes; or
- The sale within the scope of usual business activities.

The investment property is recognized, pursuant to IAS 40 - Investment property, as an asset: if there is a chance that the Company may have economic benefit in the future from that investment property; and if its purchase price (cost) can be measured reliably.

**An investment property should be measured initially** at its cost. Related expenses are included in the price.

Subsequent expenditure related to an already recognized investment property is attributed to the expressed amount of the investment property if it can be recognized as an asset, if it is likely that future economic benefits related to that expenditure will flow to the Company and if the purchase price (cost) of that expenditure can be measured reliably. In the opposite case, the subsequent expenditure is presented as an operating expense in the period in which it was incurred.

After the initial recognition, the **subsequent measurement of the investment property** is performed according to the fair value, meaning its market value or most probable value that can be achieved on the market at the balance sheet date.

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

**Investment properties *are not subject to the calculation of depreciation or to the valuation of the decrease in value of the property.***

Investment property is not recognized as such any more upon the disposal thereof or if it is not in use any more and no future benefits are expected from the disposal thereof. Gains or losses from decommissioning or disposal of investment property are recognized in Income Statement in the year in which the asset was disposed of or decommissioned.

### 7.13 Inventories

**Inventories** are assets: kept for sale in the usual line of activities, assets in production, but intended for sale; or primary and secondary materials used in the production or provision of services.

Inventories include: primary and secondary materials (including spare parts, tools and stock) used in the production, unfinished products that are being produced, finished products manufactured by the Company and goods.

**Inventories are** (pursuant to IAS 2 - Inventories) **measured** at lower value:

- The purchase price (cost) and
- Net realizable value.

**The purchase price** (cost) includes all:

- Purchase expenses,
- Conversion expenses and
- Other costs incurred in bringing the inventories to their present location and condition.

The costs of **purchase of materials and goods** as basis for the valuation of inventories of materials and goods, include the cost price, import duties and other fiscal expenditure (other than the recoverable tax amounts, such as the input value added tax), transportation costs, handling costs and other costs that are directly attributable to the purchase costs. Discounts, rebates and other similar items are deducted on the occasion of determining the purchase costs.

*Valuation of material and goods inventories spent* is performed by applying the **weighted average cost formulas**.

In the recognition of assets of lower value (for example small inventory items, spare parts and servicing equipment), upon its use, the entire value (100% write-off) is transferred to expenses of the respective period.

**Conversion costs and other costs incurred in bringing the inventories to their present location and condition** are important in the valuation of inventories of unfinished products and finished products. These costs include: direct labour costs, direct material costs and indirect costs, or general production costs and non-production costs and borrowing costs.

**Net realizable value** is the valuated price of sale within regular business activities reduced by completion costs and valuated costs necessary for the realization of the sale. The valuation of the net realizable value is performed based on the most reliable evidence available at the time of valuation with regard amounts that may be achieved.

The amount of any write-off of inventories to the net realizable value and all losses of inventories are recognized as expenses for the period when the write-off or loss occurred.

### 7.14 Non-Current Assets Held for Sale

The Company recognizes and presents a non-current asset (or available group of assets) as an **asset held for sale** in compliance with IFRS 5 - Non-Current Assets Held for Sale and Discontinuing Operations if its accounting value can primarily be recovered by means of a sales transaction and not by means of its further use. To fulfil this requirement:

- The asset (or group for disposal) must be available for immediate sale in the current condition, solely under the usual conditions for the sale of such property (or disposal group); and
- The sale of the asset must be very probable.

A non-current asset recognized as an asset held for sale is to be **measured** (presented) at a lower value than:

- The accounting value, and
- The fair value reduced by the costs of sale.

*The accounting value* is the present (non-write off) value stated in business books of the Company.

*The fair value* is the amount at which the asset may be traded between knowledgeable and willing parties in an at arm’s length transaction, or the market value on the date of sale.

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

Non-current assets held for sale are not depreciated.

Written-off assets, as well as assets with insignificant non-write off value will not be recognized as assets held for sale.

### 7.15 Financial Instruments

**Financial instruments** include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instrument and related accounting records is conditional upon their classification that is to be performed by the Company in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four possible types of financial instruments as specified by provisions of IAS 39:
- Financial assets at fair value through income statement,
- Held-to-maturity financial assets (investments),
- Loans (credits) and receivables, and
- Financial assets available for sale.

**Financial assets or liabilities at fair value** through income statement include financial assets and liabilities the changes in fair value of which are recorded as revenues or expenses in the income statement.

A financial asset or liability classified in this category must fulfil either one of the following conditions:
- Classified as held for trading, or
- After initial recognition, it will be classified and stated as a financial asset (liability) through income statement.

A financial asset of liability is classified as held for sale, if: it was acquired or created for sale or repurchase in the nearest future, a part of portfolio of identified financial instruments managed jointly and for which there is proof of recent short-term revenue model or derivate (other than the derivate as a *hedging instrument*).

The Company may indicate that a financial instrument is disclosed through the income statement only if relevant information is obtained, since the inconsistency of measurement or recognition that would occur in the measurement of assets or liabilities or recognition of gains or losses is eliminated or considerably prevented; or a group of financial assets, liabilities or both is managed and performances valuated based on the fair value in accordance with the risk management strategy or investment management strategy and the information on the group is internally collected accordingly and presented to the key management of the Company.

**Held-to-maturity financial assets (investments)** are non-derivative financial assets with fixed or identifiable payments and fixed maturity that the Company intents and may hold to maturity, excluding those marked by the Company at fair value through the income statement account after initial recognition or those marked as available-for-sale and those defined as loans and receivables.

**Loans (credits) and receivables** are non-derivative financial assets of the Company with fixed or identifiable payments and fixed maturity that are not quoted in an active market, other than:

- The assets that the Company intends to sell immediately or within a short period of time and that would then be classified as assets held for sale;
- The assets marked by the Company at fair value through the income statement after initial recognition;
- The assets marked by the Company as available for sale after their initial recognition, or
- The assets for which the owner cannot recover the entire amount of their initial investment to any significant degree, which will be classified as assets available for sale.

**Available-for-sale financial assets** are non-derivative financial assets marked as available-for-sale and not classified in any previously defined type of financial instruments.

On the occasion of the **initial measurement** of a financial instrument, the Company performs the measurement at fair value through income statement increased, in case that the financial instrument has not been marked for measurement at fair value with changes of fair value through income statement, by the transaction costs that are directly attributable to the acquisition thereof.

**Subsequent measurement of financial instruments** is performed at fair values, without deducting transaction costs that may arise from the sale or disposal of the instrument, the following financial assets excluded:

- Loans and receivables, measured at amortized cost using the effective interest method;
- Financial assets (investments) held-to-maturity, measured at amortized cost using the effective interest method; and
- Investments in capital instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and it is measured at cost.

**The fair value** of assets is the amount at which the asset can be traded for or liability settled between informed and willing parties as an independent transaction. If there is an active market for the financial instrument, the fair value is determined according to information obtained from that market; if there is no active market, the fair value is determined using valuation techniques specified in IAS 39. Positive (adverse) effects of the change of fair value are expressed as gain (loss) in the period of change, for financial instruments at fair value through income statement. Available-for-sale financial instruments are expressed within unrealized gain/losses based on available-for-sale securities up to the sales date, when the effect are transferred to gains (losses). An exception of the above are expenses related to permanent depreciation and gains (losses) in foreign currency that are recognized immediately as gain (losses) for financial instruments classified as available-for-sale.

**Amortized cost** is the present value of all expected future made or received cash payments during the expected life expectancy of a financial instrument. The discount method with the effective interest rate is applied in the calculation of the amortized cost of a financial instrument. Gains/losses from changes in the depreciated value of financial instruments are recognized as of the moment when the financial instrument is no longer recognized, unless a decrease in value was performed, in that case the loss is recognized immediately.

### 7.16 Cash and Cash Equivalents

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

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

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

### 7.17 Short-Term Receivables

**Short term receivables** from the sale of products, goods and services to related parties and other legal and physical persons in the country and abroad, as well as the receivables on other bases (receivables for interest and dividend, receivables from employees, receivables from state authorities and organizations, receivables from overpaid taxes and contributions, etc., expected to be realized within 12 months from the balance sheet date.

*Short term trade receivables from the sale* are measured by the cost stated in the issued invoice, and subsequently at invoice value reduced by the correction of value based on uncollectible receivables. If the cost on the invoice is stated in the foreign currency, translation to the functional currency is done by applying the average exchange rate ruling on the date of transaction. Changes in exchange rate from the date of transaction to the collection date are presented as gains and losses from exchange posted in revenues or against expenses. Receivables stated in the foreign currency as at the balance sheet date are translated by the ruling average exchange rate and gains and losses arose are booked as revenue or expense for that period.

At the balance sheet date, the Company performs an assessment of realisability and probability of default for all receivables or if receivables have any decrease in value.

In the **assessment of the decrease in value**, the Company has endured losses due to the decrease in value if there is objective proof (for example, large financial difficulties of the debtor, unusual breach of contract by the debtor, potential bankruptcy of the debtor, etc.) to support the decrease in value as a result of an event that took place after the initial recognition of assets and the respective loss affects estimated future cash flows from financial assets or group of financial assets that may be reliably valuated. If there is no evidence, valuators will use their experience and sound judgment in the valuation of the collectability of receivables.

If there is a decrease in the value of receivables, the following steps are taken:

- Indirect write-off, or
- Direct write-off.

*Indirect write-off of receivables* for which the Company is debited is performed on the value adjustment account. The decision on indirect write-off (value adjustment) of receivables on the value adjustment account, upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal of the expert services in the course of the year, is made by the Executive Board of the Company.

*Direct write-off of receivables* is performed based on the assessment of Company management if there is almost no probability of recovery (in cases where the receivables are outdated, debtors are bankrupt, etc.). The decision on direct write-off of receivables, after consideration and upon proposal by the Committee for Inventory of liabilities and receivables within the regular inventory, or upon proposal by the expert services in the course of the year, is adopted by the Executive Board of the Company.

The indirect and direct write-off of receivables is applied only based on relevant circumstances and the balances as at the balance sheet date, i.e., during the year.

Expected losses from future events, or events after the balance sheet date, regardless how probable, are not recognizable, but disclosed in Notes to financial statements.

### 7.18 Financial Investments

**Short term investments** refer to loans, securities and other short term investments with maturity date of one year from the balance sheet date.

Short-term financial investments include a part of granted long-term loans that are expected to be recovered within one year from the balance sheet date.

As for other assets that are presented as short-term assets, Company securities the realization (collection) of which is expected within the period of one year from the balance sheet date are also presented within the short-term financial investments. Thus, for example, securities that are classified as securities held to maturity are presented as short-term financial investments - the portion thereof that will mature within the period of one year.

**Long-term financial investments** include investments in long-term financial assets, such as: the long-term loans, securities and other long-term financial investments with maturity date over one year from the balance sheet date.

Shares in subsidiary companies and other affiliated companies, based on the relevant provisions of IAS 27 - Separate Financial Statements, investments in subsidiary companies, jointly controlled companies and associated legal entities are carried in the Company's books at their cost, in compliance with the cost method. If, however, in compliance with the provisions of IAS 36 - Impairment of Assets, it should be established that the recoverable amount of costs does not exceed the purchase (booking) price, the Company carries the equity investment amount at its recoverable amount, and the decrease (impairment) in equity investment is presented as an expense in the period in which such impairment was established.

The classification performed by the management of the Company according to the features of the financial investment (financial assets at fair value through the income statement, held-to-maturity financial assets (investments), loans (credits) and available-for-sale financial assets) is relevant for subsequent measurement of long-term financial investments.

### 7.19 Liabilities

**A liability** is a result of past transactions or events and the settlement of the liability implies usually a loss of economic benefits of the Company to comply with other party's request.

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

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

In addition to the above, the *prudence principle* is applied in valuation, which means applying caution in the valuation to prevent overstatement of the property and revenues and understatement of liabilities and expenses. However, the prudence principle should not result in forming of substantial hidden reserves (for example, as a result of deliberate overstatement of liabilities or expenses), since in such case the financial statements would not be impartial and would therefore be unreliable.

Liabilities include: long-term liabilities (liabilities to related parties; long-term loans and credits in the country and abroad, liabilities for long-term securities, liabilities for financial lease and other long-term liabilities); short-term financial liabilities (short-term credits and loans from related parties, short-term credits and loans in the country and abroad, a portion of the long-term credits and loans, as well as other liabilities with maturity up to one year and other short-term financial liabilities), short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

*Short-term liabilities* are liabilities expected to be settled within one year from the balance sheet date including the part *of long-term liabilities* and long-term liabilities are liabilities expected to be settled over a longer period.

For liabilities presented in a foreign currency, as well as for the liabilities with foreign currency clause, calculation in functional currency is performed at the middle exchange rate on the transaction date. The change in exchange rate until the settlement date is presented as positive (negative) differences in exchange rate. Liabilities in a foreign currency are calculated on the balance sheet date by using the exchange rate valid as at the balance sheet date, and any differences in exchange rates are recognized as income or expenses of that period.

Decrease of liability upon court order, out-of-court settlement etc. is applied by direct write-off.

### 7.20 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

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

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

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

**Contingent liability** is:

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

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

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

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

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

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

### 7.21 Employee Benefit

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

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

For the valuation of provisions based on contributions and other employee benefits, relevant provisions of the IAS 19 - Employee benefits are applied. Provisions for contributions and other employee benefits include, for example: provisions for non-due retirement benefits upon regular retirement and provisions for retirement bonus paid by the Company upon termination of employment prior to the retirement date or paid upon decision of the employee to take voluntary redundancy in exchange for those benefits.

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

**Retirement bonus** is paid by the Company to employees in compliance with the newly amended provisions of the Collective Agreement, which were brought in line with the legal provisions (in the amount of two average gross salaries in the Republic of Serbia in accordance with the latest published data of the Republic authority in charge of statistics).

### 7.22 Information on Business Segments

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

## 8. FINANCIAL RISKS

Uncertainty in future events is among the basic specificities of business operations under market conditions in an economic environment that is characterized by several possible or potential outcomes. Unpredictability of future events is one of basic particularities of operating in an open market environment characterized by several possible or potential outcomes.

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

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

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

- Credit risk,
- Market risk and
- Liquidity risk.

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

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

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

Considering limitations in the financial risk management that are characteristic of business on the Serbian market, it is clear that it is necessary to approach this issue in a proper manner as recognized by the Company's management.

Essentially, financial risk management in the Company should ensure that the *Company's risk profile* is always in compliance with *Company's tendency towards risks* or in compliance with an acceptable structure and risk level that the Company will take in order to implement its business strategies and achieve business goals.

The following will be presented below:

- Company financial risk profile, or the assessment of the financial risks' structure and level that the Company is exposed to in the course of its operations;
- Measures undertaken to manage the identified financial risks that the Company is exposed to; and
- Capital risk management, which, despite not specifically considered as a financial risk belonging to any of the individual financial risks' category, significantly affects the risk levels of each of the risk types considered.

### 8.1 Credit Risk

**A credit risk** is a risk of adverse effects to the financial result and capital of the Company due to debtor's failure to fulfil obligations towards the Company within the specified deadline.
Credit risks mean not only debtor-creditor relations that derive from sales of Company's products, but also credit risks that derive from other financial instruments such as receivables based on long-term and short-term financial investments.

The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.

The following data is presented in the Tables below:

- The structure of short-term receivables with no impairment in value;
- The structure of short-term receivables with impairment in value; and
- Aging structure of short-term receivables with no impairment.

| Structure of short-term receivables with no impairment in value | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Trade receivables:* | | |
| a) Buyers domestic - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | 678.761 | 493.963 |
| Energoprojekt Niskogradnja Plc. | | 60.819 |
| Energoprojekt Hidroinženjering Plc. | 18.571 | 24.448 |
| Energoprojekt Entel Plc. | 647 | 30.512 |
| Energoprojekt Energodata Plc. | 10.111 | 14.408 |
| Energoprojekt Industrija Plc. | 615 | 20.870 |
| Energoprojekt Urbanizam i Arhitektura Plc. | | 16.534 |
| Energoprojekt Oprema Plc. | | |
| Energoprojekt Garant Plc. | | 261 |
| Energoprojekt Sunnyville Ltd. | 33.775 | 26.199 |
| Energoprojekt Park 11 Ltd. | 20.597 | 353 |
| Enjub Ltd. | 705 | 705 |
| *Subtotal* | *763.782* | *689.072* |
| b) Buyers domestic (external) | 2.012 | 274 |
| ***Subtotal*** | ***765.794*** | ***689.346*** |
| *Receivables from specific operations (note 26):* | | |
| a) Receivables from specific operations - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | 2.321 | 90.203 |
| Energoprojekt Niskogradnja Plc. | 771 | 666 |
| Energoprojekt Hidroinženjering Plc. | 615 | 456 |
| Energoprojekt Entel Plc. | 39 | |
| Energoprojekt Energodata Plc. | | 1 |
| Energoprojekt Industrija Plc. | 22 | 16 |
| Energoprojekt Urbanizam i Arhitektura Plc. | 33 | |
| Energoprojekt Oprema Plc. | 25 | |
| Energoprojekt Garant Plc. | | 438 |
| Energoprojekt Sunnyville Ltd. | | 2.162 |
| Zambia Engineering and Contracting Company Limited, Zambia | 836 | |
| I.N.E.C. Engineering Company Limited, Velika Britanija | 359 | |
| Enjub Ltd. | 2.071 | 2.047 |
| *Subtotal* | *7.092* | *95.989* |
| b) Receivables from specific operations - other legal entities | 2 | 2.215 |
| ***Subtotal*** | ***7.094*** | ***98.204*** |
| *Other receivables (Note 27):* | | |
| a) Other receivables - subsidiaries and other related legal entities | | |
| Energoprojekt Visokogradnja Plc. | *11.447* | |
| Energoprojekt Niskogradnja Plc. | | |
| Energoprojekt Energodata Plc. | *4* | |
| Energoprojekt Sunnyville Ltd. | *21.199* | |
| Enjub Ltd. | 74.413 | 64.819 |
| *Subtotal* | *107.063* | *64.819* |
| b) other receivables - other legal entities | 18.008 | 11.997 |
| ***Subtotal*** | ***125.071*** | ***76.816*** |
| **TOTAL** | ***897.959*** | ***864.366*** |

Buyers domestic - subsidiaries pertain to receivables based on service agreements, lease agreements and other to subsidiaries. According to the Service Agreements, except from Energoprojekt Entel, the Company was presented with blank bills of exchange with authorization as collaterals.

According to buyers domestic - other related parties, the Company do not present collaterals as security instruments.

According to Buyers domestic (externally), the Company has presented security instruments from Jerry Catering Service Ltd. (3 bills of exchange signed with authorization for filling and collection) and Sava Neživotno osiguranje Plc. (2 bills of exchange signed with authorization for filling and collection), while from other buyers in the country (externally) the Company does not have bail security instruments.

| **Aging structure of short-term receivables with no impairment** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Related parties:* | | |
| a) Current | 124,817 | 80,404 |
| b) up to 30 days | 13,723 | 20,568 |
| c) 30 - 60 days | 14,157 | 14,968 |
| d) 60 - 90 days | 13,716 | 31,617 |
| e) 90 - 365 days | 112,188 | 159,215 |
| f) over 365 days | 599,336 | 543,108 |
| ***Subtotal*** | ***877,937*** | ***849,880*** |
| *Domestic buyers:* | | |
| a) current | 1,341 | 2,459 |
| b) up to 30 days | 673 | |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | |
| e) 90 - 365 days | | |
| f) over 365 days | | 30 |
| ***Subtotal*** | ***2,014*** | ***2,489*** |
| *Other:* | | |
| a) current | 17,370 | 10,899 |
| b) up to 30 days | 89 | 133 |
| c) 30 - 60 days | 88 | 202 |
| d) 60 - 90 days | 88 | 124 |
| e) 90 - 365 days | 373 | 553 |
| f) over 365 days | - | 86 |
| ***Subtotal*** | ***18,008*** | ***11,997*** |
| **TOTAL** | ***897,959*** | ***864,366*** |

### 8.2. Market Risk

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

The market risk includes three risk types:
- The currency risk,
- The interest risk and
- The price 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 financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in euros.

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

The following table contains, based on data from the foreign currency sub balance sheet, the book value for monetary assets and liabilities.

| *Assets in EUR* | | *Liabilities in EUR* | |
|---|---|---|---|
| *31.12.2018* | *31.12.2017* | *31.12.2018* | *31.12.2017* |
| **28,804,316** | **21,830,289** | **8,291,583** | **11,342,652** |

Considering differences in foreign currency sub balance sheets, the following table contains the sensitivity analysis related to the nominal exchange rate growth for dinar of 10% in comparison to foreign currencies.

The sensitivity rate of 10% presents the valuation of maximum reasonably expected changes in foreign currency exchange rates. The sensitivity analysis includes only cash assets, outstanding receivables and outstanding liabilities stated in foreign currency and their translation is adjusted at the end of the period for potential depreciation or appreciation of the functional currency against foreign currencies.

The analysis of the foreign currency sub balance sheet of the Company indicates that the Company is most sensitive to EUR exchange rate fluctuations. The sensitivity analysis was prepared on the premise of equal fluctuation of all relevant currencies.

All variables remaining unchanged, *appreciation of the national currency* would negatively affect current period results through net exchange rate losses between foreign currency assets and liabilities.

Therefore, all variables remaining unchanged, *depreciation of the national currency* would positively affect current period results through net exchange rate gains between foreign currency assets and liabilities.

| **Sensitivity analysis of results in case of depreciation of the national currency 10%** | *in RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| **NET EFFECT ON THE RESULTS IN THE CURRENT PERIOD** | **242,449** | **124,250** |

**The interest risk** is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk due to financial obligations related to loans with potentially fluctuating interest rates (Euribor).

The interest-bearing structure of **financial assets and liabilities** of the Company with fluctuating interest rate at the balance sheet date is presented in the following Table.

| **Interest bearing structure of financial assets and liabilities with fluctuating interest rate** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Interest-bearing financial assets with fluctuating interest rate: | | |
| Short term loans granted to related parties | 157,836 | 158,208 |
| **TOTAL** | **157,836** | **158,208** |
| Interest-bearing financial liabilities with fluctuating interest rate: | | |
| short-term loans | 827,362 | 710,836 |
| **TOTAL** | **827,362** | **710,836** |
| **DIFFERENCE** | **(669,526)** | **(552,628)** |

If other variables remain unchanged and if financial assets with fluctuating interest rate are greater than financial liabilities with fluctuating interest rate, the *interest rate growth* will have a positive effect on the current period results, due to the positive effects of net interest income.

Therefore, if other variables remain unchanged and if financial assets with fluctuating interest rate are less than financial liabilities with fluctuating interest rate, *the interest rate growth* would have an adverse effect on the current period results, due to adverse effects of net interest income.

Due to the presented changes in Company's financial assets and liabilities with fluctuating interest rates, the sensitivity analysis of the Company to the interest rate growth of 1% is presented in the following Table. The 1% sensitivity rate is the estimate of potentially reasonably expected interest rate fluctuations.

| **The sensitivity analysis of results in case of interest rate growth of 1%** | *in RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| **NET EFFECT ON THE CURRENT PERIOD RESULTS** | **(6,695)** | **(5,526)** |

The sensitivity analysis has showed that the negative change in interest rates (of 1%) has an effect on the change in business results, since the interest bearing financial liabilities with fluctuating interest rates significantly exceed the interest bearing financial assets with fluctuating interest rate, and it can thus be concluded that the **Company is exposed to the interest risk**.

In relation to the potential interest risks related to financial obligations, the supplier *risk management policy* as applied in the Company shall be briefly presented below.

As presented in the Table, the interest-bearing structure of financial obligations with fluctuating interest rate, trade payables to suppliers (obligations related to the invoices issued and to non-invoiced obligations), are not included in the group.

The basic fact that supports the applied approach is that suppliers usually do not apply default interest in case that the Company is in default. The fact that the default interest is not applied lies in the need to maintain long-term good business relationships between the supplier and the potentially good buyer. Therefore, *the Company is not exposed to any potential interest risks in case of default*.

The key Suppliers according to the obligations as at the balance sheet date are presented in the following Table.

| **Structure of liabilities to suppliers** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Suppliers in the country and abroad - subsidiaries and other related parties* | | |
| Energoprojekt Visokogradnja Plc. | 683 | 23,524 |
| Encom GmbH Consulting, Engineering&Trading, Germany | | 2,962 |
| Energoprojekt Energodata Plc. | | 954 |
| Energoprojekt Urbanizam i arhitektura Plc. | 294 | 98 |
| Other | | 204 |
| ***Subtotal*** | ***977*** | ***27,742*** |
| *Suppliers in the country (externally):* | | |
| SE Elektroprivreda Srbije, Beograd | 1,117 | 795 |
| UC „Beogradske elektrane“, Beograd | 899 | 918 |
| Algotech Ltd. | 506 | 339 |
| Dedinje Ltd. | 421 | 423 |
| Tabulir Komerc Ltd. | 197 | 233 |
| Dexy CO Kids Ltd. | 175 | 191 |
| Lawyer Ljiljana Gnjatović | 172 | 172 |
| Jugomil d.o.o. | 157 | |
| other | 1,538 | 3,254 |
| ***Subtotal*** | ***5,182*** | ***6,325*** |
| *Suppliers abroad (externally):* | | |
| International Air Transport Association (*IATA*) | 3,117 | 1,990 |
| Other | | |
| ***Svega*** | ***3,117*** | ***1,990*** |
| **UKUPNO** | ***9,276*** | ***36,057*** |

Trade payables to Suppliers were broken down and presented by aging structure in the following Table.

| **Aging structure of trade payables to suppliers** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Related parties:* | | |
| a) current | 977 | 2,919 |
| b) up to 30 days | | 98 |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | 1,729 |
| e) 90 - 365 days | | 20,034 |
| f) over 365 days | | 2,962 |
| ***Subtotal*** | ***977*** | ***27,742*** |
| *Suppliers in the country:* | | |
| a) current | 4,171 | 3,970 |
| b) up to 30 days | 502 | 1,613 |
| c) 30 - 60 days | 509 | 641 |
| d) 60 - 90 days | | 45 |
| e) 90 - 365 days | | 56 |
| f) over 365 days | | |
| ***Subtotal*** | ***5,182*** | ***6,325*** |
| *Suppliers abraod:* | | |
| a) current | 3,117 | 1,990 |
| b) up to 30 days | | |
| c) 30 - 60 days | | |
| d) 60 - 90 days | | |
| e) 90 - 365 days | | |
| f) over 365 days | | |
| ***Subtotal*** | ***3117*** | ***1990*** |
| **TOTAL** | ***9,276*** | ***36,057*** |

According to the contractual agreements and for securing payment, the Company placed to SE Elektroprivreda Srbije, 4 blank bills of exchange with a "no protest" clause.

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

### 8.3 Liquidity Risk

**Liquidity risk** is a risk of having difficulties to fulfil due obligations, maintaining the necessary scope and structure of the working capital and good creditworthiness.

The most important liquidity indicators for the Company are presented in the following Table, and specifically:

- Current ratio (ratio of working capital and short-term obligations) indicating the short-term liabilities coverage against working capital;
- Rigorous ratio (ratio of liquid assets that include total working capital reduced by inventories and active accruals; and short-term obligations), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow ratio (ratio of cash flow increased by cash equivalents and short-term obligations), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (difference in value between the working capital and short-term obligations).

Conclusions on liquidity indicators based on the ratio analysis means, among other things, their comparison to satisfactory general standards, also indicated in the following Table.

| **Liquidity Indicators** | Satisfactory general standards | *2018* | *2017* |
|---|---|---|---|
| General liquidity ratio | 2:1 | 3.06:1 | 1.21:1 |
| Rigorous ratio | 1:1 | 3.06:1 | 1.20:1 |
| Operating cash flow ratio | | 0.19:1 | 0.18:1 |
| Net working capital (in RSD 000) | Positive value | 2,229,903 | 291,408 |

The results of the ration analysis indicate that the Company was liquidity during 2018, meaning that it had no difficulties to fulfil due liabilities and maintain the necessary scope and structure of the working capital and good creditworthiness.

Therefore, we emphasize that:

- Considering the dynamic nature of Company's business, the finance department aims to maintain financing flexibility, which means, among other things, to keep existing lines of credit and expand them;
- The management performs continuous monitoring of Company’s liquidity reserves that include available unused lines of credit, cash and cash equivalents as well as liquid potentials according to expected cash flows.

### 8.4 Capital Risk Management

The aim of capital risk management is to keep Company's ability to operate indefinitely, in order to provide to Company's owners satisfactory profit whilst maintaining adequate structure of funding sources or good creditworthiness.

Though there are several criteria based on which conclusions on the long-term existence of the Company can be made, profitable operations and satisfactory financial structure are surely some of basic criteria. Though there are several criteria to draw conclusions on the going concern assumption, profitable operations and satisfactory financial structure are surely one of basic criteria.

The best **profitability** indicator is the *return on (average) equity (ROE)* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

| **Profitability indicators** | *In RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| Net profit | 763,473 | 438,933 |
| Average capital | | |
| a) capital at the begining of year | 8,529,997 | 8,421,896 |
| b) capital at the end of year | 9,094,008 | 8,529,997 |
| **Total** | *8,812,003* | *8,475,947* |
| **Average return rate on own capital at the end of year** | ***8.66%*** | ***5.18%*** |

Financial structure adequacy is reflected in the amounts and type of debts.

The most important indicators of the Company’s financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, showing coverage per dinar of the company's assets from borrowed sources; and
- The ratio of long-term funds to total assets, showing coverage per dinar of the company's assets from long-term sources.

| **Financial structure Indicator** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Liabilities | 1,081,887 | 1,415,346 |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of borrowed funds to total assets** | **0.10 : 1** | **0.14 : 1** |
| Long term assets: | | |
| a) capital | 9,094,008 | 8,529,997 |
| b) long term provision and liabilities | 156,949 | 154,817 |
| Subtotal | *9,250,957* | *8,684,814* |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of long term to total assets** | **0.90 : 1** | **0.86 : 1** |

**The net debt** shows how much each dinar of net debt is covered by the Company's capital.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company) plus Loss Above Equity, and
- Cash and cash equivalents.

| **Parameters for the net debt to capital ratio** | *u 000 dinara* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Net debt: | | |
| a) Liabilities | 1,081,887 | 1,415,346 |
| b) Cash and cash equivalents | 200,519 | 251,917 |
| *Total* | *881,368* | *1,163,429* |
| Capital | 9,094,008 | 8,529,997 |
| **Net debt to capital ratio** | **1 : 10.32** | **1 : 7.33** |

## INCOME STATEMENT

### 9. OPERATING INCOME

#### 9.1 Income from Sale of Products and Services

Structure of income from the sale of products and services is presented in the following table.

| **Structure of income from sale of products and services** | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Income from sale of finished products and services to parent company and subsidiaries on local market | 315.898 | 415.941 |
| Income from sale of finished products and services on local market | 58 | 77 |
| Income from sale of finished products and services on foreign markets | | |
| **TOTAL** | ***315.956*** | ***416.018*** |

**Income from sale of finished products and services to parent companies and subsidiaries on local market** are based on services rendered by the Company to its subsidiaries, in accordance with agreements approved and adopted by the competent management bodies of the Company and of the subsidiaries, in compliance with the relevant legal acts and these amounted to RSD 315,898 thousand

Structure of income from sale of finished products and services to and subsidiaries on local market is presented in the table below.

| Structure of income from the sale of finished products and services to subsidiaries on local market | In RSD 000 | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Energoprojekt Garant Plc. | | 2.331 |
| Energoprojekt Visokogradnja Plc. | 77.824 | 118.513 |
| Energoprojekt Niskogradnja Plc. | 103.739 | 125.708 |
| Energoprojekt Hidroinženjering Plc. | 12.772 | 15.301 |
| Energoprojekt Entel Plc. | 41.108 | 70.412 |
| Energoprojekt Energodata Plc. | 5.639 | 6.065 |
| Energoprojekt Industrija Plc. | 6.138 | 6.462 |
| Energoprojekt Urbanizam i arhitektura Plc. | 3.150 | 3.769 |
| Energoprojekt Oprema Plc. | 44.508 | 53.528 |
| Energoprojekt Sunnyville Ltd. | 4.139 | 13.558 |
| Energoprojekt Park 11 Ltd. | 16.881 | 294 |
| **TOTAL** | ***315.898*** | ***415.941*** |

**Income from sale of finished products and services on local** market in the amount of RSD 58 thousand generated by the sale of airline tickets.

### 9.2 Other Operating Income

| Structure of other operating income | u 000 dinara | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Incomes from the rent collected from parent, subsidiary and other affiliated companies | 14.392 | 19.528 |
| Incomes from the rent collected from other legal entities on local market | 11.402 | 4.646 |
| Other operating income (externally) | 209 | 61 |
| **TOTAL** | ***26.003*** | ***24.235*** |

**Incomes from the rent collected from parent, subsidiary and other affiliated companies** amounting to RSD 14,392 thousand, were generated based on:

- portion of the complex "Samački Hotel" complex in 24 Batajnički Drum, which has been rented since 2011 to the Energoprojekt Visokogradnja Company for RSD 13,096;
- rent of a portion of the Energoprojekt building, which has been rented since 2013 to the Energoprojekt Garant Company for RSD 864 thousand (up to 13 March 2018 – Note 1); and
- rent of a portion of the Energoprojekt building, which has been rented since 2016 to the Energoprojekt Sunnyville Company for RSD 432 thousand.

**Incomes from the rent collected from other legal entities on local marke**t amounting to RSD 11,402 thousand were generated primarily from leasing of:

- portion of the complex “Samački Hotel” complex in 24 Batajnički Drum, which has been rented since August 2017 to the Jerry Catering Service Ltd. for RSD 7,737 thousand; and
- portion of the Energoprojekt building, which has been rented since 14 March 2018 to the Energoprojekt Garant Company for RSD 3,416 thousand (Note 1).

## 10. MATERIAL COSTS AND FUEL AND ENERGY COSTS

| **Structure of material cost and fuels and energy costs** | *u 000 dinara* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Material costs: | | |
| a) Costs of other materials (overheads) | 5.582 | 7.305 |
| b) Costs of one-off write-off of tools and inventory | | 68 |
| *Subtotal* | *5.582* | *7.373* |
| Fuel and energy costs: | | |
| a) Costs of fuel | 958 | 2.342 |
| b) Costs of electrical energy and heatings | 19.341 | 20.298 |
| *Subtotal* | *20.299* | *22.640* |
| **TOTAL** | ***25.881*** | ***30.013*** |

**Costs of other material (overheads)** amounting to RSD 5,582 thousand refer to the costs of office supplies amounting to RSD 1,959 thousand, professional and expert literature, magazines, etc., amounting to RSD 1,245 thousand and other material costs amounting to RSD 2,378 thousand.

## 11. EMPLOYEE EXPENSES AND BENEFITS

| Structure of employee expenses and benefits | *u 000 dinara* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Expenses of wages and fringe benefits (gross) | 147.547 | 173.375 |
| Taxes and contributions on wages and contributions on wages payable by employer | 23.782 | 23.854 |
| Service agreements contributions | 3.775 | 4.032 |
| Copyright agreements contributions | 334 | 332 |
| Costs of contributions for contract fees for temporary and periodical engagement | 2.169 | 1.448 |
| Considerations to General Manager and/or Management and Supervisory Board members | 12.766 | 12.926 |
| Other personnel expenses and fringe benefits | 12.322 | 10.541 |
| **TOTAL** | ***202.695*** | ***226.508*** |
| Average number of employees | 75 | 75 |

**Other personnel expenses** and fringe benefits amounting to RSD 12,322 thousand refer to the business trips' expenses amounting to RSD 9,389 thousand, Company expenses for employee commuting reimbursements amounting to RSD 2,742 thousand and other employee compensations amounting to RSD 191 thousand.

## 12. PRODUCTION SERVICE COSTS

| Structure of production service costs | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Service of outputs | | |
| Transportation services cost | 2.746 | 3.803 |
| Repairs and maintenance services' costs | 36.932 | 34.395 |
| Rental costs | 54 | 339 |
| Trade fairs' costs | 65 | 54 |
| Advertising costs | 1.589 | 12.334 |
| Other service costs | 15.152 | 16.248 |
| **TOTAL** | ***56.538*** | ***67.173*** |

**Transportation services' costs** in the amount of RSD 2,746 thousand refer to the landline costs and mobile phone costs, internet services, taxi services, parking services for cars, toad tolls, etc.

**Repairs and maintenance services costs** amounting to RSD 36,932 thousand pertain primarily to investment maintenance of the Energoprojekt building amounting to RSD 34,424 thousand and to the ongoing maintenance of equipment amounting to RSD 2,376 thousand.

**Advertising costs** amounting to RSD 1,589 thousand pertain to the sponsorships expenses in the amount of RSD 643 thousand (primarily, 25th Kopaonik Business Forum in the amount of RSD 593 thousand), costs of corporate review and annual report on the Company's operations in the amount of RSD 886 thousand and other advertising costs in the amount of RSD 60 thousand.

**Costs of other services** amounting to RSD 15,152 thousand refer to the photocopying costs and costs of technical and operational support: RSD 7,296 thousand mostly provided by the Energoprojekt Energodata Company in amount of RSD 6,969 thousand, in multimedia presentations, updating and preparation of advertising and promo materials, graphic design services and other; licenses' costs: RSD 4,218 thousand; utility services: RSD 2,817 thousand, occupational safety and car registration expenses: RSD 821 thousand.

## 13. DEPRECIATION EXPENSES AND PROVISION EXPENSES

| **Structure of depreciation expenses and provision** | *In RSD 000* | |
|---|---|---|
| | *01.01.-31.12. 2018.* | *01.01.-31.12. 2017.* |
| Depreciation expenses: | | |
| a) Depreciation of intangible assets (Note 21) | 3.190 | 3.174 |
| b) Depreciation of property, plant and equipment (Note 22) | 17.627 | 19.423 |
| *Total* | *20.817* | *22.597* |
| Provisions expenses | | |
| Provisions for employee expenses and benefits | 216 | 517 |
| *Total* | *216* | *517* |
| **TOTAL** | ***21.033*** | ***23.114*** |

As of 31.12.2018, the evaluation of residual value and remaining useful life of property and equipment with significant carrying amounts was done. The effect of changes in accounting estimates influenced depreciation costs for 2018, and consequently carrying amount as of 31.12.2018.

Provisions for employee expenses and benefits amount to RSD 216 thousand (Notes 32).

## 14. INTANGIBLE EXPENSES

| Structure of intangible expenses | In RSD 000 | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Intangible expenses | 20.591 | 24.308 |
| Expense account | 5.781 | 8.060 |
| Insurance premiums expenses | 1.723 | 2.037 |
| Payment operations' expenses | 3.963 | 7.745 |
| Membership fee expenses | 1.166 | 2.737 |
| Tax duties | 19.474 | 26.539 |
| Other non-operating expenses | 3.402 | 13.502 |
| **TOTAL** | ***56.100*** | ***84.928*** |

**Intangible expenses** amounting to RSD 20,591 thousand pertain to the costs of attorney fees, consulting and intellectual services, professional training, financial statements' audit costs, education of employees, broker services, Belgrade Stock Exchange services, cleaning services and other costs.

**Expense accounts** amounting to RSD 5,781 thousand primarily relate to the catering services.

**Insurance premium expenses** amounting to RSD 1,723 thousand refer to the insurance of property and persons.

**Payment operations expenses** amounting to RSD 3,963 thousand pertain to the local payment operations costs dominantly from loan fees and bank guarantees.

**Membership fee expenses** amounting to RSD 1,166 thousand relate to membership fees to the Serbian Chamber of Commerce in the amount of RSD 429 thousand, as well as membership fees to other chambers and associations.

**Tax duties** in the amount of RSD 19,474 thousand refer predominantly to the property tax amounting to RSD 18,782 thousand.

**Other intangible expenses** amounting to RSD 3,402 predominantly refer to costs of printing Energoprojekt magazine in the amount of RSD 1,467 thousand, taxes and court expenses in the amount of RSD 1,014 thousand and the cost of participation in financing salaries of persons with disabilities in the amount of RSD 416 thousand.

## 15. FINANCIAL INCOME AND FINANCIAL EXPENSE

### 15.1 Financial Income

| Structure of financial income | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Financial income from transactions with parent companies and subsidiaries | 605.737 | 530.377 |
| Financial income from other affiliated companies | 9.752 | 9.945 |
| Income from dividends | 68 | 54 |
| *Total financial income from the affiliated companies and other financial income* | *615.557* | *540.376* |
| Interest income (third party) | 9.165 | 2.117 |
| Exchange rate gains and positive currency clause effects (third party) | 3.923 | 66.362 |
| **TOTAL** | ***628.645*** | ***608.855*** |

**Financial income from transactions with parent companies and subsidiaries** amounting to RSD 605,737 thousand refer to interest income from subsidiaries amounting to RSD 49,124 thousand, income from the effects of foreign exchange clauses and foreign exchange gains from subsidiaries amounting to RSD 806 thousand and to the income from the profit share (dividends) in the amount of RSD 555,807 thousand from the following subsidiaries:

- Energoprojekt Entel Plc. in the amount of RSD 431,877 thousand; and
- Energoprojekt Niskogradnja Plc. in the amount of RSD 123,930 thousand.

**Financial income from other affiliated companies** in the amount of RSD 9,752 thousand entirely relates to the interest income from the joint venture Enjub Ltd.

**Income from dividends** in the amount of RSD 68 thousand relates to the Dunav osiguranje Plc..

**Interest income (third party)** in the amount of RSD 9,165 thousand dominantly refers to the interest calculated on the term deposits in RSD 9,153 thousand.

**Exchange rate gains and positive currency clause effects (third party)** in the amount of RSD 3,923 thousand pertain to the positive differences in exchange rates in the amount of RSD 1,681 thousand (dominantly on the term deposits: RSD 1,612 thousand) and income from the effects of foreign currency clause in the amount of RSD 2,242 thousand (predominantly from the effects of foreign currency clause originated from liabilities from borrowings from banks in the amount of RSD 1,694 thousand).

### 15.2 Financial Expense

| Structure of financial expenses | In RSD 000 | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Finacial expenses from transactions with parent company and subsidiaries | 4.638 | 69.594 |
| Financial expenses from other affiliated companies | 529 | 9.179 |
| *Total financial expense incurred from affiliated companies and other financial expenses* | *5.167* | *78.773* |
| Interest expenses (third party) | 30.564 | 32.070 |
| Exchange rate losses and negative currency clause effects (third party) | 1.478 | 36.181 |
| **TOTAL** | ***37.209*** | ***147.024*** |

**Financial expenses from transactions with parent companies and subsidiaries** in the amount of RSD 4,638 thousand dominantly pertain to the expenses incurred from the effects of foreign currency clauses from subsidiaries in the amount of RSD 4,637 thousand, mostly based on long-term loans in the amount of RSD 2,041 thousand (Energoprojekt Sunnyville, Energoprojekt Niskogradnja and Energoprojekt Visokogradnja) and sales receivables in the amount of RSD 1,656 thousand (primarily, Energoprojekt Visokogradnja: 1.497 thousand RSD).

**Financial expenses from other affiliated companies** in the amount of RSD 529 thousand pertain to the expenses incurred from the effects of foreign currency clauses from joint venture Enjub Ltd, based on loans and interest on loans.

**Interest expense (third party)** in the amount of RSD 30,564 thousand relate primarily to the interest expense from domestic loans in amount of RSD 30,559 thousand granted by the Erste bank, VTB Bank, Societe Generale Bank, Komercijalna Banka and Banca Intesa.

**Exchange rate losses and negative currency clause effect (third party)** in the amount of RSD 1,478 thousand refer to foreign exchange losses in the amount of RSD 590 thousand and costs from effects of foreign currency clause in the amount of RSD 888 thousand, of which the largest portion relates to effects of foreign currency clause from receivable from non-invoiced revenue based on construction of the embassy in Abuja of RSD 882 thousand.

## 16. OTHER INCOME AND OTHER EXPENSES

### 16.1 Other Income

| Structure of other income | *In RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Gains on sale of intangible assets, property, plant and equipment | 95.262 | 221 |
| Gains on sale of shares and securities | 178.452 | |
| Income from effects of agreed risk protection, which cannot be disclosed under other comprehensive result | | 7 |
| Other not mentioned income | 682 | 182 |
| **TOTAL** | ***274.396*** | ***410*** |

**Gains on sale of intangible assets, property, plant and equipment** in the amount of RSD RSD 95,262 thousand relate to transfer of land as non-performing share at market value by the decision of Supervisory Board of the Company.

**Gains on sale of shares and securities** in the amount of RSD 178,452 thousand relate to revenues from sale of equity shares with Energoprojekt Garant in the amount of RSD 146,011 thousand and Beogradsko Mešovito Preduzeće Plc., Belgrade in the amount of RSD 32,441 thousand (Note 23.1).

**Other not mentioned income** in the amount of RSD 682 thousand dominantly pertain to income from reimbursement of funds in the name of paid educational expenses of employee based on unilateral termination of the Employment Contract in the amount of RSD 433 thousand and income from sale of old paper in the amount of RSD 218 thousand.

### 16.2 Other Expenses

| Structure of other expenses | *In RSD 000* | |
|---|---|---|
| | *01.01.-31.12. 2018.* | *01.01.-31.12. 2017.* |
| Losses incurred from shelving and sale of intangible assets, property, plant and equipment | 14 | 1.295 |
| Expense from direct write-off of receivables | 27.218 | 39 |
| Other not mentioned expense | 7.151 | 7.710 |
| Impairment of property, plant and equipment | 3.199 | 22.839 |
| **TOTAL** | ***37.582*** | ***31.883*** |

**Expenses from direct write-off of receivables** in the amount of RSD 27,218 thousand dominantly refer to Energoprojekt Urbanizam i Arhitektura company in the amount of RSD 27,185 thousand and related to direct write-off of part of receivable in accordance with the loan agreement in RSD 15,550 thousand RSD (Note 28), interest on loan in RSD 976 thousand (Note 27) and invoices for services from previous years in the amount of RSD 10,659 thousand (Note 25). The amounts were recorded in accordance with the decision of the Executive Board of the Company which was made due difficult business conditions that Energoprojekt Urbanizam i Arhitektura faced with.

**Other not mentioned expenses** in the amount of RSD 7,151 thousand pertain to the donations granted in the amount of RSD 6.819 thousand (mostly Office for Kosovo and Metohija - construction of two houses for the housing-vulnerable population: RSD 6,522 thousand) and expenses for sports purposes in the amount of RSD 332 thousand.

**Impairment of property, plant and equipment** in the amount of RSD 3.199 thousand relates to the adjustment of the fair value of the complex "Samački hotel" (Note 22).

## 17. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGE IN ACCOUNTING POLICIES AND ADJUSTMENTS OF ERRORS FROM PREVIOUS YEARS

| **Structure of net profit/loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year** | *in RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | 2,232 | |
| Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | | 112 |
| **TOTAL** | ***2,232*** | ***(112)*** |

**Net profit from discontinued operations, effects of change in accounting policy and corrections of errors from previous years** in the amount of RSD 2,232 thousand relate to the subsequently determined income, i.e. expenses from the previous period in the amounts that are not significant and based on those provided recognition at the expense of, or for behalf of current period.

## 18. PROFIT / LOSS BEFORE TAX

| Structure of gross result | In RSD 000 | |
|---|---|---|
| | 01.01.- 31.12.2018. | 01.01.- 31.12.2017. |
| Operating income | 341.959 | 440.253 |
| Operating expenses | 362.247 | 431.736 |
| **Operating result** | **(20.288)** | **8.517** |
| Financial income | 628.645 | 608.855 |
| Financial expenses | 37.209 | 147.024 |
| **Financial result** | **591.436** | **461.831** |
| Income from value adjustment of other assets disclosed at fair value through income statement | | |
| Other income | 274.396 | 410 |
| Expenses from value adjustment of other assets disclosed at fair value through income statement | | |
| Other expenses | 37.582 | 31.883 |
| **Result from other income and expenses** | **236.814** | **(31.473)** |
| Net profit from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | 2.232 | |
| Net loss from discontinued operations, effects of change in accounting policy and adjustment of errors from previous year | | 112 |
| **TOTAL INCOME** | **1.247.232** | **1.049.518** |
| **TOTAL EXPENSES** | **437.038** | **610.755** |
| **PROFIT/LOSS BEFORE TAX** | **810.194** | **438.763** |

## 19. NET PROFIT

| Structure of net profit | in RSD 000 | |
|---|---|---|
| | 01.01.- 31.12. 2018. | 01.01.- 31.12. 2017. |
| Profit/(loss) before tax | 810,194 | 438,763 |
| Tax expense for period | 45,113 | |
| Deferred tax loss of the period | 1,608 | (170) |
| **Net profit** | ***763,473*** | ***438,933*** |

Estimated income tax duty for the year 2018 amounts to RSD 45,113 thousand (Note 37.2), and it was not deducting for income tax credit of RSD 16,173 thousand (Note 27). The final income tax duty for 2018 will be determined within the statutory deadline (June 2019).

## 20. EARNINGS PER SHARE

| **Indicator** | *in RSD 000* | |
|---|---|---|
| | *01.01.- 31.12. 2018.* | *01.01.- 31.12. 2017.* |
| Net profit | 763,473 | 438,933 |
| The weighted average number of shares during the year | 10,833,592 | 10,833,592 |
| **Earnings per share (in RSD)** | ***70.47*** | ***40.52*** |

Earnings per share is calculated by dividing the profit for ordinary shareholders by the average weighted number of ordinary shares in circulation for the period.

# BALANCE SHEET

## 21. INTANGIBLES ASSETS

In RSD 000

| Structure of intangible assets | Software | Concessions, licenses, trademarks, rights | Intangible assets in process | Advances for intangible assets | Total |
|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | |
| **Opening balance 01.01.2017.** | 16.170 | | 7 | | **16.177** |
| Restated opening balance | | | | | |
| Transfers from / on | | 1.842 | (1.842) | | |
| Additions | | | 1.835 | | **1.835** |
| Disposals | | | | | |
| **As of 31.12.2017** | **16.170** | **1.842** | | | **18.012** |
| Restated opening balance | | | | | |
| Transfers from / on | | | | | |
| Additions | | | | | |
| Disposals | | | | | |
| **As of 31.12.2018** | **16.170** | **1.842** | | | **18.012** |
| ***Accumulated depreciation*** | | | | | |
| **Opening balance** | 6.967 | | | | **6.967** |
| Restated opening balance | | | | | |
| Chanrges in the year | 3.005 | 169 | | | **3.174** |
| Disposals | | | | | |
| Impairments | | | | | |
| **As of 31.12.2017** | **9.972** | **169** | | | **10.141** |
| Restated opening balance | | | | | |
| Chanrges in the year | 3.006 | 184 | | | **3.190** |
| Disposals | | | | | |
| Impairments | | | | | |
| **As of 31.12.2018** | **12.978** | **353** | | | **13.331** |
| ***Net book value*** | | | | | |
| **As of 31.12.2017** | ***6.198*** | ***1.673*** | | | ***7.871*** |
| **As of 31.12.2018** | ***3.192*** | ***1.489*** | | | ***4.681*** |

# 22. PROPERTY, PLANT AND EQUIPMENT

In RSD 000

| Structure of property, plant and equipment | Buildings | Plant and equipment | Investment property | Other PPE | PPE under construction | Advances for PPE | Total |
|---|---|---|---|---|---|---|---|
| ***Cost or valuation*** | | | | | | | |
| **Opening balance** | **1,325,585** | **114,215** | **590,198** | **283** | | **46,749** | **2,077,030** |
| Restated opening balance | | | | | | | |
| Additions during the year | | | | | 355,073 | 8,944 | **364,017** |
| Increase by transfer of investment under construction | | 14,403 | 73,424 | | (87,827) | | |
| Other transfers from / to | | | | | 9,144 | (9,144) | |
| Disposals | | (11,946) | (83,961) | | | | **(95,907)** |
| Gains/(loss) included in Other result (acc.330) | | | | | | | |
| Gains/(loss) included in Income Statement | | | (22,839) | | | | **(22,839)** |
| Exchange differences | | | | | | (1,885) | **(1,885)** |
| Other increase / (decrease) | | | | | | | |
| **As of 31.12.2017** | **1,325,585** | **116,672** | **556,822** | **283** | **276,390** | **44,664** | **2,320,416** |
| Restated opening balance | | | | | | | |
| Additions during the year | | | | | 7,294 | 800 | **8,094** |
| Increase by transfer of investment under construction | | 2,194 | 1,892 | | (4,086) | | |
| Other transfers from / to | | | | | 800 | (800) | |
| Disposals | | (8,338) | | | | | **(8,338)** |
| Gains/(loss) included in Other result (acc.330) | 2,983 | | | | | | **2,983** |
| Gains/(loss) included in Income Statement | | | (3,199) | | | | **(3,199)** |
| Exchange differences | | | | | | | |
| Other increase / (decrease) | (22,912) | | | | (280,398) | | **(303,310)** |
| **As of 31.12.2018** | **1,305,656** | **110,528** | **555,515** | **283** | | **44,664** | **2,016,646** |
| ***Accumulated depreciation*** | | | | | | | |
| **Opening balance** | | **82,030** | | | | | **82,030** |
| Restated opening balance | | | | | | | |
| Charges in the years | 11,814 | 7,609 | | | | | **19,423** |
| Disposals | | (10,010) | | | | | **(10,010)** |
| Other increase / (decrease) | | | | | | | |
| **As of 31.12.2017** | **11,814** | **79,629** | | | | | **91,443** |
| Restated opening balance | | | | | | | |
| Charges in the years | 11,098 | 6,529 | | | | | **17,627** |
| Disposals | | (2,749) | | | | | **(2,749)** |
| Other increase / (decrease) | (22,912) | | | | | | **(22,912)** |
| **As of 31.12.2018** | | **83,409** | | | | | **83,409** |
| ***Net book value*** | | | | | | | |
| **As of 31.12.2017** | ***1,313,771*** | ***37,043*** | ***556,822*** | ***283*** | ***276,390*** | ***44,664*** | ***2,228,973*** |
| **As of 31.12.2018** | ***1,305,656*** | ***27,119*** | ***555,515*** | ***283*** | | ***44,664*** | ***1,933,237*** |

On 31 December 2018 the residual value and the remaining useful lifetime for the property and equipment with significant accounting value were evaluated. Effect of changes in accounting estimates affected depreciation costs for 2018, and that, consequently carrying value of assets as of 31 December 2018 (Note 13).

**Assessment of Fair Value of “Buildings”**

The fair value of “buildings” is usually the market value thereof that is established through valuation performed by independent qualified valuators based on market evidence.

In cases where there are no evidence of the fair value of the property in the market, due to the specific nature of the building and because such items are rarely put on sale, the Company performs valuation of fair value of the property by using the income approach or the depreciated replacement cost approach.

The Company in its business books registered **"Office building Energoprojekt"** carried at revalued amount at the assessment date.

The appraisal of fair value of the Energoprojekt office building as at 31 December 2018 in the amount of RSD 1,305,656 thousand was performed by an external independent qualified valuator by using the comparative method (it was performed by completely eliminating the correction of its value in the amount of RSD 22,912 thousand, while reducing its purchase price to the revalorized amount and by posting it under the Revaluation Reserves Adjustment Account in the amount of RSD 2,983 thousand).

Starting from the revalued amount of the item as of 31.12.2017, as well as based on the assessment of the determined residual value as at 31.12.2018 and determined useful lifetime of the building (100 years; the remaining useful life as at 31.12.2018: 63 years), the amortization costs for the building over the reporting period (bearing in mind the residual value that is lower than the revalorized value thereof), is RSD 11,098 thousand.

Adjustment of the opening and closing balance of the value of buildings is presented in the Table.

*in RSD thousand*

| No. | Building | Opening balance | Residual value as at the balance sheet date | Remaining useful life | Depreciation | Gains/(losses) included in Report on Other Income | Closing balance |
|---|---|---|---|---|---|---|---|
| 1 | Energoprojekt office building | 1,313,771 | 602,370 | 63 | 11,098 | 2,983 | 1,305,656 |
| | **TOTAL** | ***1,313,771*** | ***602,370*** | ***63*** | ***11,098*** | ***2,983*** | ***1,305,656*** |

If the revaluated items had been presented by using the acquisition price method, their current value would amount to RSD 529,803 thousand.

**Advances for property** in the amount of RSD 44,664 thousand refer to the advance paid to the Republic of Serbia for the purchase of properties in Uganda, Peru and Nigeria.

As of 31.12.2018, over the Company’s real estate and equipment no mortgage or pledge were established in order to ensure timely settlement of financial obligations.

In respect of **Investment Property** the following figures are recognised in the Income Statement:

| **Income and expenses in respect of investment property recognised in the Income statement** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Rental incomes (Note 9.2) | 20.833 | 18.382 |
| Direct operating costs arising from investment property that generated rental income during the year: | | |
| Complex building „Samački hotel“ | 5.866 | 25.783 |
| Office facility “Stari Merkator” | | 1.529 |

Adjustment of the opening and closing balance of the fair value of investment property is presented in the following Table.

| **No.** | **Investment property** | **Opening balance** | **Increases, (purchases, additional investments and etc.)** | **Decreases (sales, disposals and etc.)** | **Gains / (loss) included in the Income Statement** | **Closing balance** |
|---|---|---|---|---|---|---|
| 1 | Complex "Samački hotel" | 556,822 | 1,892 | | (3,199) | 555,515 |
| | **TOTAL** | ***556,822*** | ***1,892*** | | ***(3,199)*** | ***555,515*** |

In its books, the Company posted the fair value of its investment property in the amount of RSD 555,515 thousand relating to complex "Samački hotel" area of 8,034.00 m², with using right of city construction land area of 18,598.00 m², 24 Batajnički drum, Zemun..

Valuation of the fair value of complex "Samački hotel" as at 31.12.2018 was performed by external independent, qualified valuator with recognized and relevant professional qualifications and recent relevant work experience with relevant location and category of investment property appraised. In valuation of the fair value, the external independent qualified valuator used the cost approach for the building (due to the specific characteristics of the property subject to appraisal, and due to the fact that there is no offer of similar facilities for sale/rent in the market, on a similar location) and comparative approach for land.

Income amounting to RSD 20,833 thousand was generated from the rent of the property to the Energoprojekt Visokogradnja and Jerry Catering Service Ltd. in the reporting period (Note 9.2).

As at the balance sheet date, there are no limitations pertaining to the sales potential of the investment property, nor any limitations pertaining to generating income from the property disposal.

## 23. LONG-TERM FINANCIAL INVESTMENTS

| **Structure of long term financial investments** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Shares in subsidiaries | 5.552.828 | 5.772.783 |
| Shares in affiliated companies and joint ventures | 30.613 | 30.613 |
| Shares in other companies and other available for sale securities | 126.098 | 215.087 |
| Long-term investments in parent companies and subsidiaries | 171.259 | 950.334 |
| Other long-term financial investments | 1.217 | 1.297 |
| *Total* | *5.882.015* | *6.970.114* |
| *Impairment* | (798.879) | (813.552) |
| **TOTAL** | ***5.083.136*** | ***6.156.562*** |

### 23.1 Share Investments

Equity investments relate to investments in shares and stocks as shown in the following Table.

| Structure of share investment | % shares | In RSD 000 | |
|---|---|---|---|
| | | 31.12.2018 | 31.12.2017 |
| ***Equity shares with subsidiaries*** | | | |
| Energoprojekt Visokogradnja Plc. | 100,00% | 1.835.167 | 1.833.315 |
| Energoprojekt Niskogradnja Plc. | 100,00% | 1.104.981 | 1.104.904 |
| Energoprojekt Oprema Plc. | 67,87% | 121.316 | 121.316 |
| Energoprojekt Hidroinženjering Plc. | 100,00% | 427.626 | 427.626 |
| Energoprojekt Urbanizam i arhitektura Plc. | 100,00% | 192.642 | 192.642 |
| Energoprojekt Energodata Plc. | 100,00% | 194.862 | 194.862 |
| Energoprojekt Industrija Plc. | 62,77% | 61.209 | 61.209 |
| Energoprojekt Entel Plc. | 86,26% | 216.422 | 216.422 |
| Energoprojekt Garant Plc. | | | 597.545 |
| Energoprojekt Sunnyville Ltd. | 100,00% | 2.500 | 2.500 |
| Energoprojek Park 11 Ltd. | 100,00% | 375.660 | |
| I.N.E.C. Engineering Company Limited, Great Britain | 100,00% | 70.311 | 70.311 |
| Encom GmbH Consulting, Engineering & Trading, Germany | 100,00% | 3.493 | 3.493 |
| Dom 12 S.A.L., Lebanon | 100,00% | 924.749 | 924.749 |
| Energo Kaz Ltd., Kazakhstan | 100,00% | 101 | 101 |
| Zambia Engineering and Contracting Company Limited, Zambia | 100,00% | 587 | 587 |
| Energoprojekt Holding Guinee S.A., Gvinea | 100,00% | 1.628 | 1.628 |
| Energoprojekt (Malezija) Sdn. Bhd., Kuala Lumpur | 100,00% | 19.574 | 19.574 |
| *Impairments* | | *(715.065)* | *(715.065)* |
| ***Total*** | | ***4.837.763*** | ***5.057.719*** |
| ***Share in affiliated companies and joint ventures*** | | | |
| Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria | 40,00% | 1.063 | 1.063 |
| End investment fund Fima Southern Europe Activist ad Beograd - in liquidation | 30,45% | 16.000 | 16.000 |
| Enjub Ltd. | 50,00% | 13.550 | 13.550 |
| *Impairments* | | *(1.063)* | *(1.063)* |
| ***Total*** | | ***29.550*** | ***29.550*** |
| ***Share in other companies and other available for sale securities*** | | | |
| Beogradsko mešovito preduzeće Plc., Beograd | | | *88.988* |
| Dunav osiguranje Plc. | *0,01%* | *5.814* | *5.814* |
| Jubmes banka Plc. | *1,41%* | *120.176* | *120.176* |
| Beogradska berza Plc. | *0,12%* | *100* | *100* |
| Poljoprivredna banka Agrobanka Plc. Beograd - in bankruptcy | *0,36%* | *7* | *7* |
| Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy | *0,0005%* | *1* | *1* |
| Pinki Zemun Plc. | *0,004%* | | |
| *Impairments* | | *(82.751)* | *(97.424)* |
| ***Total*** | | ***43.347*** | ***117.662*** |
| **TOTAL** | | ***4.910.660*** | ***5.204.931*** |

Equity investments for which impairment was performed are presented in the following Table.

| Share investment - impairment | *In RSD 000* | | |
|---|---|---|---|
| | *Gross investment amount* | *Impairment* | *Net investment amount* |
| ***Shares in subsidiaries:*** | | | |
| Energoprojekt Visokogradnja Plc. | 1,835,167 | (641,633) | 1,193,534 |
| Energoprojekt Urbanizam i arhitektura Plc. | 192,642 | (44,277) | 148,365 |
| I.N.E.C. Engineering Company Limited, Great Britain | 70,311 | (7,953) | 62,358 |
| Energoprojekt Holding Guinee S.A., Guinea | 1,628 | (1,628) | - |
| Energoprojekt (Malesia) Sdn. Bhd., Kuala Lumpur | 19,574 | (19,574) | - |
| ***Total*** | ***2,119,322*** | ***(715,065)*** | ***1,404,257*** |
| ***Shares in affiliated companies and joint ventures:*** | | | |
| Necco Nigerian Engenering and Construction CO LTD, Kano, Nigeria | 1,063 | (1,063) | - |
| ***Total*** | ***1,063*** | ***(1,063)*** | ***0*** |
| ***Share in other legal entities and other securities available for sale:*** | | | |
| Banks, financial organisations and other legal entities: | | | |
| Dunav osiguranje a.d.o. | 5,814 | (5,155) | 659 |
| Jubmes banka Plc. | 120,176 | (77,588) | 42,588 |
| Agrobanka Plc. Beograd - in bankruptcy | 7 | (7) | - |
| Beogradska industrija piva,slada i bezalkoholnih pića Plc. Beograd - in bankruptcy | 1 | (1) | - |
| ***Total*** | ***125,998*** | ***(82,751)*** | ***43,247*** |
| **TOTAL** | ***2,246,383*** | ***(798,879)*** | ***1,447,504*** |

Share investments are long-term investments in shares and stocks of subsidiaries and affiliates, joint ventures, banks and insurance companies (securities available for sale), as well as in other companies.

**Share investments in subsidiaries, affiliates and joint ventures** are disclosed in compliance with the method for disclosing investments at cost. Company recognizes revenues in the amount received from the distribution of retained earnings of the investment user incurred after the acquisition date.

Increase in share investment in Energoprojekt Visokogradnja and Energoprojekt Niskogradnja in 2018 compared with the reference year came as the result of the Decision of the Commercial Court of Appeal, according to which the Company paid to the minority shareholders the total of RSD 1,929 thousand as the difference in share price, costs of court proceedings, with accrued penalty interest.

Pursuant to the Share Purchase Agreement (concluded on 15.11.2017 between the Company and Sava Re Pozavarovalnica Sava Plc.), the Company sold its entire equity share with company Energoprojekt Garant of 92.94% (Note 16.1), through a block transaction that was realized on the Belgrade Stock Exchange on 09.03.2018. Prior to sales, the announcement of notice of non-existence intention to implement a takeover bid was issued. The issue determined intention to alienate 146,155 shares of the Energoprojekt Garant owned by the Company. The transaction was settled on 13.03.2018. Trading was carried out on the basis of the prior approval of the National Bank of Serbia, whereby the acquirer was granted the acquisition.

Impairment of share investment in Energoprojekt Visokogradnja in the amount of RSD 641,632 thousand was performed on 31 December 2014 in compliance with IAS 36 - Impairment of Assets, based on the Report prepared by the Scientific and Research Centre of the Faculty of Economics of the University of Belgrade on equity valuation of Energoprojekt Visokogradnja for implementation of IAS/IFRS as at 31.12.2014.

Impairment of share investment in subsidiaries and affiliated companies abroad (Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur; Energoprojekt Holding Guinee S.A., Guinea; I.N.E.C. Engineering Company Limited, Great Britain, and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria) was performed in 2004 in compliance with the initial implementation of IAS provisions.

Share investment in Energoprojekt (Malaysia) Sdn. Bhd., Kuala Lumpur and Necco Nigerian Engineering and Construction CO LTD, Kano, Nigeria were completely impaired because in addition to the fact that these Companies have no assets, they do not perform any business activities for a number of years now. The process of their dissolution in compliance with the local legislation has not been concluded yet.

**Share in other companies and other available for sale securities** are measured at market (fair) value, if it is possible to determine it.

The change in the position Equity investments in other legal entities and other securities available for sale came primarily from sales of 180 shares of the Beogradsko Mešovito Preduzeće Plc., Belgrade to the company Luella Enterprises Company LIM, Cyprus (Note 16.1) on 14.03.2018; and due to value adjustments of securities in securities portfolio of the Company (Jubmes banka Plc. and Dunav osiguranje Plc.), with their fair value on the secondary securities market as of the financial statements preparation date (recorded through the impairment account equity shares and gains/loss on securities available for sale).

The Company has made equity investments in the following Banks with listed shares in the Belgrade Stock Exchange and their fair value was determined based on their current market value as at 31.12.2018:

- Dunav osiguranje Plc.: 527 shares, with the market value as at the balance sheet day of RSD 1,250.00 per share; and
- Jubmes Banka Plc: 4,056 shares, with the market value of RSD 10,500.00 per share.

The Company has made equity investments in the following legal entities:

- Belgrade Stock Exchange Plc.: 5 shares at RSD 20.000,00 per share, totalling RSD 100,000.00;
- Agricultural Bank Agrobanka Plc. Belgrade – in bankruptcy: 15 shares at RSD 500.00 per share, totalling RSD 7,500.00, which was impaired according to the inventory count on 31.12.2016,
- Beogradska industrija piva, slada i bezalkoholnih pića Plc. Belgrade - in bankruptcy: 47 shares at RSD 29.78 per share, totalling RSD 1,400, which was impaired according to the inventory count on 31.12.2016; and
- Pinki - Zemun Plc.: 3 shares at RSD 52.00 per share, totaling RSD 156.00.

Maximum exposure to credit risk as at the financial statements date is the fair value of debt securities classified as available-for-sale.

Financial assets available for sale are presented in RSD.

### 23.2 Long-Term Financial Investments

| **Structure of long-term financial investments** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018.* | *31.12.2017.* |
| Long-term investments in parent companies and subsidiaries | 171.259 | 950.334 |
| *Impairment provision* | | |
| *Total* | *171.259* | *950.334* |
| Other long term financial investments: | | |
| Housing loans granted to employees: | 1.217 | 1.297 |
| *Impairment provision* | | |
| *Total* | *1.217* | *1.297* |
| **TOTAL** | ***172.476*** | ***951.631*** |

**Long-term financial investments in parent companies and subsidiaries** in the amount of RSD 171,259 thousand entirely refer to the Energoprojekt Park 11 for granted long-term loan in the amount of RSD 166,773 thousand (under the Loan Agreement No. 208 dated 20.07.2018, due on 31.12.2020) and with interest on the loan in the amount of RSD 4,486 thousand (which is calculated in accordance with the " arm's length" principle for 2018, which equals 3.42% annually).

The above Companies provided 2 (two) signed solo promissory notes to be filled out by beneficiary and for the entire amount of their loans, as collaterals for loan repayment.

Decrease in long-term financial investment to parent company and subsidiaries by RSD 779.075 thousand is the result: on the one hand of reduction from partial loan collection and compensation of the remaining portion of the loan from Energoprojekt Niskogradnja and transfer of long-term loans (with interest) granted to Energoprojekt Visokogradnja and Energoprojekt Sunnyville on part that is current due up to a year (Note 27 and 28) and, on the other hand, increase from granted loan to Energoprojekt Park 11.

**The long-term housing loans granted to employees** that are presented among other long-term financial investments refer to four interest-free housing credits granted to employees, two of which were granted on 10.06.1992 for the repayment period of 38.5 years, and the remaining two loans were granted on 28.11.1995 for the repayment period of 40 years. In compliance with the terms and provisions of the loan agreements and in compliance with the provisions of the Law on Amendments and Addenda to the Law on Housing, the Company performs revalorisation of loan instalments twice a year based on the trends in consumer prices in the Republic of Serbia for the given accounting period. Given that by the preparation of the financial statements date, relevant data for computing revaluation instalment for period 01.07.2018 - 31.12.2018 was not announced, the revaluation was not performed on 31.12.2018. A portion of the long-term financial investments made on this basis with maturity dates up to one year that is being regularly repaid/collected amounts to RSD 77 thousand (Note 28).

## 24. INVENTORIES

| **Structure of inventories** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Advances paid for inventories and services:* | | |
| a) Advances paid for inventories and services to parent companies and subsidiaries | 301 | |
| b) Advances paid for material, spare parts and inventory | 338 | 308 |
| c) Advances paid for services | 5,786 | 6,458 |
| *Total* | *6,425* | *6,766* |
| *Impairment provision* | | |
| **TOTAL** | ***6,425*** | ***6,766*** |

**Advances paid for inventories and services to parent companies and subsidiaries** in the amount of RSD 301 thousand, entirely relate to paid advance to Energoprojekt Urbanizam i Arhitektura for the preparation of part of urban project for construction of residential and commercial buildings in Block 26.

**Advances paid for materials, spare parts and inventory** in the amount of RSD 338 thousand relate to advance payments to suppliers for purchase of materials (fuel, etc.).

**Advances paid for services** in the amount of RSD 5,786 thousand mainly refer to advance payments to the company Ringier Axel Springer Ltd. in the amount of RSD 4,800 thousand (terminated Agreement on use of advertising space and submitted request for repayment of funds paid in advance in March 2018, while in April 2018 a claim was filed - Note 43), Belgrade Stock Exchange in RSD 620 thousand (primarily for annual fee for trading in shares in 2019) and Moore Stephens Auditing and Accounting Ltd. in the amount of RSD 354 thousand (first installment for fee for audit of financial statements for 2018).

## 25. RECEIVABLES FROM SALES

| Structure of receivables from sales | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Local buyers - parent company and subsidiaries | 763,077 | 688,367 |
| Local buyers - other affiliated companies | 705 | 705 |
| Local buyers (externally) | 2,012 | 274 |
| *Impairment provision* | | |
| **TOTAL** | ***765,794*** | ***689,346*** |

**Local buyers - parent companies and subsidiaries** refer to the receivables based on Service Agreements, Lease Agreements and other concluded with subsidiary companies. According to service agreements made, the Company, beside from Energoporjekt Entel, was presented with blank solo promissory notes to be filled out by beneficiary as collaterals for collection.

Structure of local buyers - parent companies and subsidiaries is presented in the following table.

| Structure of receivables from sale | In RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Local buyers - parent company and subsidiaries:* | | |
| Energoprojekt Visokogradnja Plc. | 678,761 | 493,963 |
| Energoprojekt Niskogradnja Plc. | | 60,819 |
| Energoprojekt Entel Plc. | 647 | 30,512 |
| Energoprojekt Sunnyville Ltd. | 33,775 | 26,199 |
| Energoprojekt Hidroinženjering Plc. | 18,571 | 24,448 |
| Energoprojekt Industrija Plc. | 615 | 20,870 |
| Energoprojekt Urbanizam i arhitektura Plc. | | 16,534 |
| Energoprojekt Energodata Plc. | 10,111 | 14,408 |
| Energoprojekt Park 11 Ltd. | 20,597 | 353 |
| Energoprojekt Garant Plc. | | 261 |
| ***Total*** | ***763,077*** | ***688,367*** |
| *Local buyers - other affiliated companies* | | |
| Enjub Ltd. | 705 | 705 |
| ***Total*** | ***705*** | ***705*** |
| *Local buyers - externally* | 2,012 | 274 |
| ***Total*** | ***2,012*** | ***274*** |
| **TOTAL** | ***765,794*** | ***689,346*** |

Pursuant to the Decision of the Executive Board dated 31.12.2018, the write-off of receivables from Energoprojekt Urbanizam i Arhitektura in the amount of RSD 10,659 thousand was made on the basis of the Service Agreements made in previous years (Note 16.2) due to difficult business conditions.

The Company has not been presented with any collection collaterals for **local buyers - other affiliated companies**.

**Local buyers - (externally),** the Company presented security instruments from Jerry Catering Service Ltd. (3 blank solo signed bills with authorization for completing and collecting) and Sava Non-life insurance Plc. (2 blank solo bills with authorization for completing and collecting), while from other local buyers (externally) the Company does not present any collaterals.

Increase in receivables from sale in relation to previous year primarily relates to change in accounting treatment of receivables from leases from subsidiaries (Energoprojekt Visokogradnja and Energoprojekt Sunnyville), which as of 31.12.2017 was recorded within the item Receivables from specific transactions (Note 26).

Receivables from sale and other receivables from sale bear no interest.

Other Receivables from Sales positions do not include any impaired assets. Accounting value of receivables from sales is equivalent to their fair value.

## 26. RECEIVABLES FROM SPECIAL TRANSACTIONS

| **Structure of receivables from special transactions** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Receivables from special transactions from parent companies and subsidiaries | 5,021 | 93,942 |
| Receivables from special transactions from other affiliated companies | 2,071 | 2,047 |
| Receivables from special transactions from other companies | 2 | 2,215 |
| *Impairment provision* | | |
| **TOTAL** | ***7,094*** | ***98,204*** |

**Receivable from special transactions from parent companies and subsidiaries** in the amount of RSD 5,021 thousand predominantly relate to receivable from re-charged air tickets in the amount of RSD 3,284 thousand (Energoprojekt Visokogradnja: RSD 1,941 thousand, Energoprojekt Niskogradnja: RSD 771 thousand and Energoprojekt Hidroinzenjering: RSD 572 thousand).

Decrease in receivables from specific transactions in relation to the previous year was recorded primarily due to changes in accounting treatment of receivables from leases from subsidiaries, which are from 01.01.2018 recorded within the item Receivables from sale (Note 25).

The structure of receivables from special transactions by legal entities is presented in Note 8.1.

The following table contain information on the change in impairment provisions for receivables from special transactions.

| **Changes in impairment provisions for receivables from special transactions** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Balance as at 01.01. | | 868 |
| Additional impairment provision | | |
| Direct write-off of the previously impaired receivables | | (868) |
| FX gains and losses | | |
| **TOTAL** | | ***0*** |

## 27. OTHER RECEIVABLES

| **Structure of other receivables:** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Interest and dividends receivables: | | |
| a) Interest and dividend receivable from parent companies and subsidiaries | 32.650 | |
| b) Interest and dividend receivable from affiliated companies | 74.413 | 64.819 |
| *Total* | *107.063* | *64.819* |
| Receivables from employees | 514 | 3 |
| Receivables for overpaid profit tax | 16.173 | 10.465 |
| Recevables for overpaid other taxes and contributions | | 111 |
| Receivables for fringe benefits' returns | 780 | 1.418 |
| Other receivables | 541 | |
| *Impairment provision* | | |
| **TOTAL** | ***125.071*** | ***76.816*** |

**Structure of interest and dividend receivables** in the amount of RSD 107,063 thousand is presented in the following table.

| **Structure of interest and dividend receivables** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Interest receivables from parent company and subsidiaries:* | | |
| Energoprojekt Visokogradnja Plc. | 11,447 | |
| Energoprojekt Urbanizam i arhitektura Plc. | | |
| Energoprojekt Energodata Plc. | 4 | |
| Energoprojekt Sunnyville Ltd. | 21,199 | |
| *Total* | *32,650* | *0* |
| *Interest receivables from other affiliates companies:* | | |
| Enjub Ltd. | 74,413 | 64,819 |
| *Total* | *74,413* | *64,819* |
| **TOTAL** | ***107,063*** | ***64,819*** |

Pursuant to the Decision of the Executive Board of the Company as of 31.12.2018, the write-off of interest receivables on short-term loan from Energoprojekt Urbanizam i arhitektura in the amount of RSD 976 thousand was made due to difficult business conditions (Note 16.2.).

Increase in interest receivable from parent company and subsidiaries by RSD 32,650 thousand refers to interest on short-term loans in the amount of RSD 7,650 thousand and to interest receivables on long-term loans that are due up to a year in the amount of RSD 25,000 thousand.

**Receivables for overpaid profit tax** in the amount of RSD 16,173 thousand relate to payment of income tax after the tax return for 2017.

The Company assessed the income tax liability for 2018 in the amount of RSD 45,113 thousand (Note 37.2), which was not charged to the tax on profit as at 31.12.2018, given that the final tax return for 2018 will be submitted within the legal deadline (in June 2019).

**Receivables for fringe benefits' returns** in the amount of RSD 780 thousand pertain to the receivables for sick leave longer than 30 days and maternity leaves.

## 28. SHORT-TERM FINANCIAL INVESTMENTS

| **Structure of short term financial investments** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Short-term loans and investments - parent companies and subsidiaries | 906.583 | 33.212 |
| Short-term loans and investments - other affiliated companies | 157.836 | 158.208 |
| Short-term loans and investments in the country | | |
| Short-term loans and investments abroad | | |
| Portion of long-term financial investments with maturity date up to one year: | | |
| a) Portion of long-term financial investments in parent company and subsidiaries with maturity date up to one year | 730.981 | |
| b) Portion of other long-term financial investments with maturity date up to one year (Note 23.2) | 77 | 79 |
| *Total* | *731.058* | *79* |
| *Impairment provision* | | |
| **TOTAL** | ***1.795.477*** | ***191.499*** |

**Short-term loans and investments - subsidiaries and other affiliated companies** pertain to the loans approved with maturity dates up to 12 months (with interest rate which is calculated for subsidiaries in accordance with the principle of "arm's length" for the year they are granted), as presented in the following table below.

| no. | Borrower and Agreement no. | Original currency | Loan amount in original currency in 000 | Remained amount from loan in original currency in 000 | Remained amount from loan in RSD 000 | Due date | Interest rate |
|---|---|---|---|---|---|---|---|
| **1** | **EP Energodata Plc.** | | | | | | |
| | Debt Rescheduling Agreement no. 13 | EUR | 945 | 945 | 111.722 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Loan Agreement 349 | EUR | 60 | 60 | 7.092 | 31.01.2019 | 3.10% ann. |
| | Loan Agreement 353 | RSD | 2.000 | 2.000 | 2.000 | 31.03.2019 | 5.84% ann. |
| **2** | **EP Urbanizam i arhitektura Plc.** | | | | | | |
| | Debt Rescheduling Agreement no. 20 | EUR | 135 | 135 | 15.918 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| **3** | **EP Oprema Plc.** | | | | | | |
| | Loan Agreement no. 302 | EUR | 1.800 | 1.337 | 158.046 | 28.02.2019 | 3.,10% ann. |
| | Loan Agreement no. 311 | EUR | 800 | 800 | 94.555 | 06.03.2019 | 3.10% ann. |
| | Annex 1 on LA no. 326 | EUR | 140 | 140 | 16.547 | 18.03.2019 | 3.10% ann. |
| **4** | **EP Visokogradnja Plc.** | | | | | | |
| | Annex 3 on LA no. 141 | EUR | 2.000 | 2.000 | 236.389 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Annex 2 on LA no. 186 | EUR | 200 | 200 | 23.639 | 20.12.2019 | 3.10% ann. |
| | Annex 2 on LA no. 205 | EUR | 590 | 590 | 69.735 | 31.12.2019 | interest rate which is calculated in accordance with the principle of "arm's length" for 2019 |
| | Loan Agreement no. 300 | RSD | 5.160 | 5.160 | 5.160 | 23.11.2019 | 5.84% ann. |
| **5** | **EP Sunnyville Ltd.** | | | | | | |
| | Annex 2 on LA no. 300 | EUR | 1.403 | 1.403 | 165.780 | 30.06.2019 | 3.10% ann. |
| ***Total subsidiaries*** | | EUR | 8.073 | 7.610 | ***906.583*** | | |
| | | RSD | 7.160 | 7.160 | | | |
| **1** | **Enjub Ltd.** | | | | | | |
| | Annex no. 11 on LA no. 367 | EUR | 137 | 137 | 16.252 | 31.12.2019 | 3M Euribor + 6.5% ann. |
| | Annex no. 7 on LA no. 115 | EUR | 1.198 | 1.198 | 141.584 | 31.12.2019 | 3M Euribor + 6.5% ann. |
| ***Total other affiliated companies*** | | EUR | ***1.335*** | ***1.335*** | ***157.836*** | | |
| **TOTAL** | | ***EUR*** | ***9.408*** | ***8.945*** | ***1.064.419*** | | |
| | | ***RSD*** | ***7.160*** | ***7.160*** | | | |

Increase in short-term loans and investments – parent company and subsidiaries by RSD 873,371 thousand is the result of net effect, on the one hand:

- increases in short-term loans granted to Energoprojekt Oprema, Energoprojekt Energodata, Energoprojekt Visokogradnja and Energoprojekt Sunnyville in the amount of RSD 888,995 thousand and, on the other hand,
- reduction from write-off of part of loan granted to Energoprojekt Urbanizam i arhitektura in the amount of RSD 15,550 thousand (Note 16.1) and loss in exchange in the amount of RSD 74 thousand for the amount of loan by initial balance.

Pursuant to the Decision of the Executive Board of the Company, as of 31.12.2018. maturity loans are:

- Energoprojekt Energodata – Debt Rescheduling Agreement determines: that the amount of accrued but unpaid interest increases principal of the loan, extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Urbanizam i Arhitektura - Debt Rescheduling Agreement determines: (after write-off of part of the loan under Debt Rescheduling Agreement No. 378 in the amount of RSD 15,550 thousand, in accordance with decision of the Executive Board of the Company due to the difficult business conditions - Note 16.2), extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Visokogradnja – extension of maturity for one year and interest is calculated in accordance with the principle of "arm's length" for 2019;
- Energoprojekt Oprema - extension of maturity for three months (the interest remained in line with the principle of "arm's length" for 2018); and
- Enjub Ltd. - extension of maturity for one year.

The Company has 2 (two) signed blank solo bills of exchange to be filled out by beneficiary to be used as collateral for the collection of payments pursuant to loan agreements concluded with subsidiaries, except for loan granted to Energoprojekt Oprema under the Loan Agreement no. 302 and the Company has 4 (four) signed solo blanks bills.

As collaterals for loan repayment pursuant to:

- Annex No. 11 of the Loan Agreement No. 367 concluded with Enjub Ltd. in the amount of RSD 16,252 thousand (EUR 137 thousand), the Company has an extrajudicial mortgage for the entire loan amount for apartments in 91A Jurija Gagarina Street in Novi Beograd, as collateral for loan repayment; and
- Annex No. 7 of the Loan Rescheduling Agreement No. 115 concluded with Enjub Ltd. in the amount of RSD 141,584 thousand (EUR 1,198 thousand), a mortgage bond was issued (mortgage has not been registered) for real estate (apartments and office space) in 93, 93A and 91A Jurija Gagarina Street (Note 40).

**Portion of long-term financial investments in parent company and subsidiaries with maturity up to one year** relate to granted long-term loans that are due for a year (with interest rate calculated in accordance with the arm's length principle for 2018), as shown in the following table.

| No. | Borrower and Loan Agreement no | Amount of loan in RSD 000 | Remained amount of loan in EUR 000 | Remained amount of loan in RSD 000 | Due date | Interest rate |
|---|---|---|---|---|---|---|
| 1 | **EP Visokogradnja Plc.** | | | | | |
| | Annex 1 on LA no. 210 | 1,317 | 1,317 | 155,594 | 31.12.2019 | 3.42% ann. |
| 2 | **EP Sunnyville Ltd.** | | | | | |
| | Debt Rescheduling Agreement no. 375 | 4,868 | 4,868 | 575,387 | 31.12.2019. | 3.42% ann. |
| **TOTAL** | | ***6,185*** | ***6,185*** | ***730,981*** | | |

**Portion of other long-term financial investments with maturity of up to one year** in the amount of RSD 77 thousand relate to the long-term housing loans granted to employees with maturity of up to one year (Note 23.2).

## 29. CASH AND CASH EQUIVALENTS

| **Structure of cash and cash equivalents** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Current (business) account | 41,049 | 10,346 |
| Restricted cash and letters of credit | | 98 |
| Foreign currency account | 4,734 | 169 |
| Foreign currency petty cash | | |
| | | |
| a) Short-term term deposits | 154,661 | 241,304 |
| b) Other cash | 75 | |
| *Total* | *154,736* | *241,304* |
| **TOTAL** | ***200,519*** | ***251,917*** |

Within the Company's **the current (business) accounts and foreign currency accounts**, cash held with business banks locally and abroad (with Banca Intesa, Unicredt Bank, Addiko Bank, Jubmes Bank, AIK Bank, Vojvodjanska Bank, Societe Generale Bank, Credit Agricole Bank, Erste Bank, Komercijalna Bank, Sberbank, Eurobank Srbija, NLB Bank, Banka Postanska Stedionica, Api Bank, Direktna Banka and the Trade Bank of Iraq).

**Short term deposits** in the amount of RSD 154,661 thousand refer to the short term deposits held with business banks in the country (Societe Generale Bank, Addiko Bank, Unicredit Bank) to 3 months' terms, with interest rate ranging from 1.12% to 1.35% annually on EUR, 2.70% on USD and 2.62% on RSD with the option to terminate the term deposit contract at any given moment. The term deposits are in RSD, EUR and USD specifically: RSD 15,000 thousand, EUR 864 thousand, and USD 363 thousand.

## 30. PREPAYMENTS AND DEFERRED EXPENSES

| **Structure of prepayments and deferred expenses** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Prepayments:* | | |
| a) Prepaid expenses - parent company and subsidiaries | 872 | 1.916 |
| c) Prepaid subscriptions for expert and professional publications | 576 | 489 |
| c) Prepaid insurance premiums | 716 | 133 |
| *Total* | *2.164* | *2.538* |
| *Receivables for accrued non-invoiced income:* | | |
| a) Receivables for accrued non-invoiced income - parent company and subsidiaries | | |
| b) Receivables for accrued non-invoiced income - other affiliated companies | 374.943 | 375.825 |
| *Total* | *374.943* | *375.825* |
| *Other prepayments and deferred expenses:* | | |
| a) Deferred value added tax | 11.429 | 410 |
| b) Other prepayments and deferred expenses | 22.874 | 13.433 |
| *Total* | *34.303* | *13.843* |
| **TOTAL** | ***411.410*** | ***392.206*** |

**Prepaid expenses - parent companies and subsidiaries** in the amount of RSD 872 thousand entirely refer to Energoprojekt Energodata, dominantly to prepayments for licensing costs.

**Prepaid insurance premiums** in respect of insurance of property and persons in the amount of RSD 716 thousand mostly relate to Energoprojekt Garant in the amount of RSD 464 thousand.

**Receivables for accrued non-invoiced income** in the amount of RSD 374,943 thousand refer to the realization of the Agreement on Construction of the Republic of Serbia Embassy Building in Abuja, Federal Republic of Nigeria, a turnkey project, on the cadastral lot No. 313, registered in the Real Estate Registry, Cadastral Zone A00.

**Deferred value added tax** is reported amount of VAT in the reporting year according to which deduction of previous tax is generated in the following accounting period.

Deferred VAT includes: VAT from invoices related to reporting period but received after tax return for December 2018 and presented VAT from accounting approvals issued in 2019 related to transactions made in 2018.

**Other prepayments and deferred income** in the amount of RSD 34,303 thousand relate primarily to receivables arising from disputed services made in 2017 by the Ringier Axel Springer Plc. in the amount of RSD 13,200 thousand (in April 2018 a claim was filed - Note 43) and to development of the location Block 45 facility C and Blok 70 facility C in the amount of RSD 8,585 thousand (treatment of the payment will be regulated in the following period).

## 31. CAPITAL

*In RSD 000*

| | Share capital | Other issued capital | Share issue premium | Redeemed own shares | Reserves | Revalued reserves | Unrealised gains/loss on AFS securities | Undistributed profit | Total |
|---|---|---|---|---|---|---|---|---|---|
| ***Opening balance as of 01.01.2017*** | *5.574.959* | *27.178* | *1.600.485* | | *134.881* | *782.098* | *(28.869)* | *331.164* | 8.421.896 |
| Net profit for the year | | | | | | | | 438.933 | 438.933 |
| Other comprehensive income | | | | | | | | | |
| a) Change in fair value of financial assets available for sale | | | | | | | 9.988 | | 9.988 |
| b) Revaluation | | | | | | | | | |
| c) Other - adjustment of net value IAS 12 and other | | | | | | | | | |
| Total - other comprehensive result | | | | | | | 9.988 | | 9.988 |
| Total comprehensive result for 2017 | | | | | | | 9.988 | 438.933 | 448.921 |
| Adjustments | | | | | | | | | |
| Increase in share capital | | | | | | | | | |
| Profit distribution | | | | | 80.000 | | | (296.672) | (216.672) |
| Other - own shares | | | (74.321) | (49.827) | | | | | (124.148) |
| ***As of 31.12.2017*** | ***5.574.959*** | ***27.178*** | ***1.526.164*** | ***(49.827)*** | ***214.881*** | ***782.098*** | ***(18.881)*** | ***473.425*** | ***8.529.997*** |
| Net profit for the year | | | | | | | | 763.473 | 763.473 |
| Other comprehensive income | | | | | | | | | |
| a) Change in fair value of financial assets available for sale | | | | | | | 14.673 | | 14.673 |
| b) Revaluation | | | | | | 2.983 | | | 2.983 |
| c) Other - adjustment of net value IAS 12 and other | | | | | | (447) | | | (447) |
| Total - other comprehensive result | | | | | | 2.536 | 14.673 | | 17.209 |
| Total comprehensive result for 2018 | | | | | | 2.536 | 14.673 | 763.473 | 780.682 |
| Adjustments | | | | | | | | | |
| Increase in share capital | | | | | | | | | |
| Profit distribution | | | | | | | | (216.671) | (216.671) |
| Other - own shares | | | | | | | | | |
| ***As of 31.12.2018*** | ***5.574.959*** | ***27.178*** | ***1.526.164*** | ***(49.827)*** | ***214.881*** | ***784.634*** | ***(4.208)*** | ***1.020.227*** | ***9.094.008*** |

### 31.1 Equity Capital

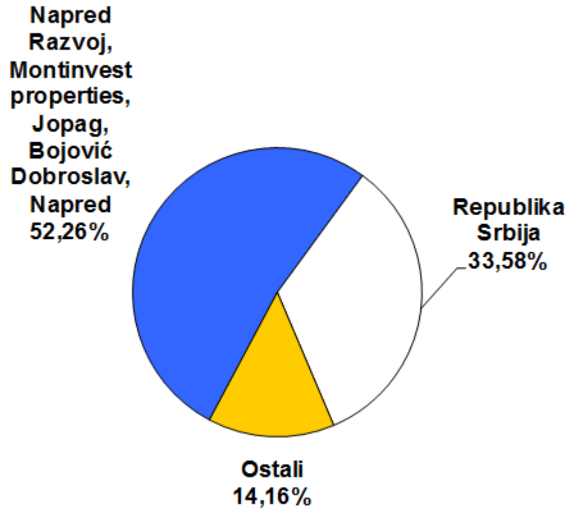
According to the Central Securities, Depository and Clearing House Register, the Company's present ownership structure as at 31.12.2018 is as follows:

| | No. of shares | % of total issue |
|---|---|---|
| **Shares owned by physical persons** | **751,017** | **6.87** |
| **Shares owned by legal persons** | **9,797,135** | **89.62** |
| - Republic of Serbia | 3,671,205 | 33,58 |
| - Other legal entities | 6,125,930 | 56,04 |
| **Aggregate (custody) account** | **383,140** | **3.50** |
| **Total no. of shares** | **10,931,292** | **100** |

| No. of shareholders with | No of persons | | | No. of shares | | | % of total issue | | |
|---|---|---|---|---|---|---|---|---|---|
| equity investments | domestic | foreign | total | domestic | foreign | total | domestic | foreign | total |
| Up to 5% | 3,637 | 171 | 3,808 | 1,380,354 | 224,269 | 1,604,623 | 12.63% | 2.05% | 14.68% |
| 5% to 10% | 1 | 1 | 2 | 564,699 | 560,731 | 1,125,430 | 5.17% | 5.13% | 10.30% |
| More than 10% to 25% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 25% to 33% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 33% to 50% | 2 | 0 | 2 | 8,201,239 | 0 | 8,201,239 | 75.03% | 0.00% | 75.03% |
| More than 50% to 66% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 66% to 75% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| More than 75% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% |
| Total no. | 3,640 | 172 | 3,812 | 10,146,292 | 785,000 | 10,931,292 | 92.82% | 7.18% | 100.00% |

Order of top 10 shareholders as per the no. of shares/votes:

| Name | No. of shares | % of total issue |
|---|---|---|
| Napred Razvoj Plc Novi Beograd | 4,530,034 | 41,44% |
| Republic of Serbia | 3,671,205 | 33.58% |
| Montinvest Properties l.l.c. | 564,699 | 5,17% |
| Jopag AG | 560,731 | 5,13% |
| Tezoro broker PLC – summery account | 228,196 | 2.09% |
| Energoprojekt Holding PLC | 97,700 | 0.89% |
| Tezoro broker PLC | 81,150 | 0.74% |
| Global Macro Capital Opportuni | 74,772 | 0.68% |
| East Capital – East Capital Balk | 66,850 | 0.61% |
| Raiffeisen Bank Plc. – custody rnks | 61,995 | 0.57% |




Structure of equity capital is presented in the following table below.

| **Structure of equity capital** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Share capital:* | | |
| a) Share capital in parent companies, subsidiaries and other affiliated companies | | |
| b) Share capital (externally) | 5,574,959 | 5,574,959 |
| *Total* | *5,574,959* | *5,574,959* |
| Issuing premiums | 1,526,164 | 1,526,164 |
| Other share capital | 27,178 | 27,178 |
| **TOTAL** | ***7,128,301*** | ***7,128,301*** |

**Share capital** consists of 10,931,292 ordinary shares with nominal value of RSD 510.00 (RSD 5,574,959 thousand) and nominal book value of RSD 831.92.

Share capital - ordinary shares include founding shares and shares issued during operations which carry management right, right to a share of the shareholding company's profit and a part of the estate in case of bankruptcy, in accordance with the memorandum of association, i.e., decision on share issue.

The company's shares are prime-listed on the Belgrade Stock Exchange.

**Issuing premium** of RSD 1,526,164 is positive difference between the achieved selling price per share and the nominal value of such shares, which is the result of the conversion of shares of the Energoprojekt System subsidiaries into Company shares at the par value of 1:1 in 2006, in the amount of RSD 1,363,471 thousand and repurchase and sale of own shares in the period from 2006 to 2011 in the amount of RSD 237,014 thousand and on the basis of the purchase of own shares at value above nominal in 2017 in the amount of RSD 74,321 thousand for which the previous balance of the emission premium was reduced (Note 31.2).

**Other share capital** was created by the reposting of non-business assets sources in 2005 and it amounts to RSD 27,178 thousand.

### 31.2 Purchased own shares

| Structure of purchased own shares | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Purchased own shares | 49,827 | 49,827 |
| **TOTAL** | **49,827** | **49,827** |

Pursuant to the Decision by the Supervisory Board to acquire own shares on a regulated market made on February 13, 2017, the Company acquired 97,700 of own shares on the Belgrade Stock Exchange (which amounts to 0.89376% of the total number of shares with voting rights) with nominal value of RSD 49,827 thousand.

### 31.3 Reserves

| Structure of reserves | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Legal reserves | 23,185 | 23,185 |
| Statutory and other reserves | 111,696 | 111,696 |
| Other reserves | 80,000 | 80,000 |
| **TOTAL** | **214,881** | **214,881** |

**Legal reserves** were mandatorily formed until 2004, by incremental annual payments of a minimum of 5% of the profits until the reserves' level reaches at least 10% of the equity capital.

In compliance with the Company's Statute, statutory reserves were made until 2011 and the shareholders determined the amount of such reserves at the General Meeting, which could not be less than 5% of the net profit.

According to Article 282, paragraph 4, item 2 of the Law on Business Companies and pursuant to the Decision of the Shareholders Assembly from 2017, a **dedicated reserves** in the amount of RSD 80,000 thousand for acquiring own shares for distribution to employees with the Company, or to affiliated company, or for rewarding members of the Executive and Supervisory Board, were created.

### 31.4 Revaluation Reserves from Revaluation of Intangibles, Property, Plant and Equipment

| Structure of revaluation reserves from revaluation of intangibles, property, plant and equipment | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Revaluation reserves based on revaluation of property - Energoprojekt building | 784,634 | 782,098 |
| **TOTAL** | ***784,634*** | ***782,098*** |

The following was disclosed in the Revaluation reserves from revaluation of property - Energoprojekt building position, in the amount of RSD 784,634 thousand:

- Effects of posting of the fair value of the Energoprojekt building as at 31.12.2018 in the amount of RSD 824,556 thousand;
- Levelling of the present value per m² of the Energoprojekt building in the amount of RSD 98,543 thousand; and
- Posting of 15% profit tax (negative aspect of revaluation reserves) for the amount of deferred tax on the basis of revaluation reserves, in compliance with IAS 12 - Income Taxes, in the amount of RSD 138,465 thousand.

Changes in revaluation reserves from revaluation of business building Energoprojekt, compared to the previous year in the amount of RSD 2,536 thousand, refers to:

- increase - the effect of fair value assessment of the Energoprojekt business building on 31.12., in the amount of RSD 2,983 thousand (Note 22) and
- decrease from application of IAS 12 - Income Taxes (15% of the effect of fair value assessment of the Energoprojekt business building on 31.12.2018) in the amount of RSD 447 thousand (Note 38).

**31.5 Unrealized Losses from Securities and Other Components of Other Comprehensive Result (debit balance under account class 33, excl. 330)**

| **Structure of unrealized losses from securities and other components of other comprehensive results (debit balances under account class 33, excl. 330)** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Unrealized losses on securities available for sale | 4,208 | 18,881 |
| **TOTAL** | ***4,208*** | ***18,881*** |

Changes in the position of **Unrealized losses on securities available for sale** in the amount of RSD 14,673 thousand pertain adjustments of value of securities in Company portfolio (Jubmes banka Plc. and Dunav Osiguranje Plc.), with their fair value in the secondary securities market as at the financial statements date (Note 23.1.).

### 31.6 Retained Earnings

| Structure of retained earnings | in RSD 000 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| *Retained earnings from previous years:* | | |
| a) Balance as at 1 January of the reporting period | 473,425 | 331,164 |
| b) Correction of profit based on income tax | | |
| c) Profit distribution | (216,671) | (296,672) |
| *Total* | 256,754 | 34,492 |
| Retained earnings from current years | 763,473 | 438,933 |
| **TOTAL** | ***1,020,227*** | ***473,425*** |

In 48th ordinary General Meeting of the Company held on 14.06.2018, within the item 3 of the meeting agenda, decision was passed pertaining to distribution of undistributed profit as at 31.12.2017, in the amount of RSD 473,425 thousand in the following manner:

- for dividend payment, gross amount of RSD 20,00 per share to Company shareholders, or in the total amount of RSD 216,671 thousand;
- remaining portion of the profit in the amount of RSD 256,754 thousand is retained undistributed.

Dividend was paid to the Company shareholders on November 2018.

Undistributed profit from the current year in the amount of RSD 763,473 thousand relates to Company's net income generated in the reporting period.

## 32. LONG-TERM PROVISIONS

Long-term provisions are recognized in the following cases:

- Where the Company has a (legal or actual) liability incurred as a result of a past event;
- Where it is probable that the resource containing economic value will necessarily be deployed to settle a liability; and
- Where the liability amount can be measured reliably.

Structure of long-term provisions is presented in the following table.

| Structure of long term provisions | Provisions for wages and other employee benefits | Other long term provision | TOTAL |
|---|---|---|---|
| **Opening balance as of 01.01.2017** | 2.347 | | 2.347 |
| Additional provision | 517 | | 517 |
| Utilised in the year | (129) | | (129) |
| Cancellation of unused amount | | | |
| **As of 31.12.2017** | 2.735 | | 2.735 |
| Additional provision | 216 | | 216 |
| Utilised in the year | (139) | | (139) |
| Cancellation of unused amount | | | |
| **As of 31.12.2018** | **2.812** | | **2.812** |

**Provisions for wages and other employee benefits** (provisions for non-due retirement bonuses) are disclosed based on actuarial calculation made on 31.12.2018.

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

Decrease of the provision amount based on current retirement bonus values (by 4.31%) in the balance sheet as at 31.12.2018 in comparison to the retirement bonus values in the balance sheet as at 31.12.2017, was the result of several changed factors:

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

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

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

- Firstly, according to employee gender, working experience and years of service in the Company; considering the expected annual fluctuation and mortality rate (estimated annual fluctuation and mortality rate), an estimation was made of the number of employees that will exercise the right to retirement bonus, as well as the period during which this bonus will be paid out;

- Secondly, considering provisions of the Company Collective Agreement, the bonus amount was appraised for each year of service indicated on the balance sheet date; and
- Thirdly, the discount factor, representing the discount rate to expected salary growth ratio, was used to determine the present value of the expected retirement bonus outflows.

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

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

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

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

Since the financial market of Serbia is insufficiently developed, the actual annual yield from the purchase of government bonds with the Republic of Serbia as the guarantor should be used as a reference for the determination of the discount rate as at the balance sheet date. In compliance to the above stated, the discount rate was determined according to the annual yield of long term government bonds issued by the Public Debt Administration of the Ministry of Finance of the Republic of Serbia, which were achieved in the relevant period. Annual yield on 10-years RSD securities issued on 10.07.2018 was 4.85%; while the annual yield on five-years RSD securities issued on 11.09.2018 was 3.74%. By extrapolating the yield curve for a longer period (since the maturity of the reference securities is shorter than the average estimated maturity of the benefit payment that is subject to this calculation), in view of the requirements from paragraph 86, IAS 19, a realistic annual yield of 4% was adopted.

**The annual expected salary growth in the Republic of Serbia** was planned at the level of 4%.

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

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

The provision will thus be estimated according to the planned annual inflation rate of 3%. From the above stated, it can be concluded that the planned long-term annual growth in real salaries in the

Republic of Serbia is 1%, which is, bearing in mind the planned growth in domestic product in the following period (Source: the Government of the Republic of Serbia “Fiscal Strategy for 2018 with Projections for 2019 and 2020), realistically achievable.

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

## 33. SHORT-TERM FINANCIAL LIABILITIES

| **Structure of short term financial liabilities** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Short term credits and loans domestic | 898,279 | 1,251,072 |
| *Other short term financial liabilities:* | | |
| a) a) Portion of long-term liabilities with maturity date up to one year | | |
| b) Other | 148 | 120 |
| *Total* | 148 | 120 |
| **TOTAL** | ***898,427*** | ***1,251,192*** |

### 33.1 Short-Term Credits and Loans Domestic

| **Structure of short-term credits and loans domestic** | Interest rate | *in RSD 000* | |
|---|---|---|---|
| | | *31.12.2018* | *31.12.2017* |
| *Short-term loans granted by banks domestically:* | | | |
| a) RSD loans | | | |
| b) Loans with foreign currency clause | *3M Euribor + 2.90% p.a., 3M Euribor + 3.00% p.a., 2.80% p.a.* | 898,279 | 1,251,072 |
| **TOTAL** | | ***898,279*** | ***1,251,072*** |

**Short-term loans from banks in the country with a currency clause** (EUR 7,600 thousand) in the amount of in the amount of RSD 898.279 thousand relate to loans granted by:

- Erste Bank Plc. in the amount of RSD 590.973 thousand (EUR 5,000 thousand) with the interest rate of 3M Euribor + 2.90% per annum. 6 blank promissory notes of the Company and 6 blank promissory notes of the Energoprojekt Niskogradnja were provided as collaterals for loan repayment;

- Komercijalna Banka Plc. in the amount of RSD 236,389 thousand (EUR 2,000 thousand), with interest rate of 3M Euribor + 3.00% per annum. 15 blank promissory notes of the Company and 15 blank promissory notes of Energoprojekt Niskogradnja, Energoprojekt Oprema and Energoprojekt Energodata were provided as collaterals for loan repayment; and
- Societe Generale Bank Plc. in the amount of RSD 70,917 thousand (EUR 600 thousand) with the interest rate of 2.80% per annum. 5 blank promissory notes of the Company, Energoprojekt Niskogradnja, Energoprojekt Visokogradnja and Energoprojekt Hidroinzenjering and 3 blank promissory notes of the Energoprojekt Oprema were provided as collaterals for loan repayment;

### 33.2 Other Short-Term Financial Liabilities

| **Structure of long-term liabilities with maturity dates up to one year** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Current portion | | |
| Other short-term financial liabilities | 148 | 120 |
| **TOTAL** | ***148*** | ***120*** |

**Other short-term financial liabilities** amounting to RSD 148 thousand pertain to the liabilities incurred based on the expenses paid by using the company Visa cards. The liabilities were settled in January 2019.

## 34. RECEIVED ADVANCES, DEPOSED MONEY AND CAUTIONS

| **Structure of received advances, deposed and cautions** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Received advances from parent company and subsidiaries | | 2.816 |
| Received advances from other legal entities in the country | 51.043 | 37.915 |
| Received deposed money from other legal entities in the | 33 | |
| **TOTAL** | ***51.076*** | ***40.731*** |

**Received advance from other legal entities in the country** in the amount of RSD 51,043 thousand predominantly relate to received advance from Jerry Catering Service Ltd., Beograd Company in RSD 51,007 thousand under the Annex I on the contract (no. 123/1583 from 10.04.2017) on long-term lease (15 years) a part of office space measuring 935.56 m² located within the complex "Samački hotel", no. 24 Batajnički drum, Zemun.

## 35. OPERATING LIABILITIES

| Structure of operating liabilities | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Suppliers: | | |
| Suppliers - parent company and subsidiaries, local | 977 | 24.780 |
| Suppliers - parent company and subsidiaries, foreign countries | | 2.962 |
| Suppliers - other affiliated companies abroad | | |
| Suppliers, local | 5.182 | 6.325 |
| Suppliers, foreign countries | 3.117 | 1.990 |
| *Total* | *9.276* | *36.057* |
| Other operating liabilities | 2.883 | |
| **TOTAL** | ***12.159*** | ***36.057*** |

Total amount of liabilities from operations broken down per currencies are presented in the following table.

| Structure of operating liabilities per currencies | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| RSD | 8,982 | 11,234 |
| EUR | 3,177 | 24,823 |
| GBP | | |
| **TOTAL** | ***12,159*** | ***36,057*** |

The structure of liabilities to suppliers by legal entities is presented under Note 8.2.

Geographic distribution of suppliers is as follows:

| Geographic distribution of suppliers | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Suppliers, local (subsidiaries and other legal entities) | 6,159 | 31,105 |
| Suppliers, foreign countries (subsidiaries): | | |
| Europe | | 2,962 |
| *Total* | - | 2,962 |
| Suppliers, foreign countries (other legal entities): | | |
| Europe | 3,117 | 1,990 |
| *Total* | 3,117 | 1,990 |
| *Value adjustment* | | |
| **TOTAL** | ***9,276*** | ***36,057*** |

**Other operating liabilities** in the amount of RSD 2,883 thousand arose from issued credit notes to subsidiaries resulting from the difference between the final price of the services provided by the Company to its subsidiaries - determined on costs incurred in 2018 and the orientation prices - established from planned costs for 2018.

## 36. OTHER SHORT-TERM LIABILITIES

| **Structure of other short-term liabilities** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Liabilities from specific opeerations: | | |
| a) Other legal entities | | |
| *Total* | - | - |
| Liabilities for wages, fringe benefits and compensations | 13.033 | 14.308 |
| *Other liabilities:* | | |
| a) Liabilities for interest and financing costs | | |
| b) Liabilities for dividends | 27.439 | 20.065 |
| c) Liabilities to employeees | 218 | 227 |
| d) Liabilities to General Manager, or to management and Supervisory Board members | 652 | 711 |
| e) Liabilities to physical persons on contractual obligations | 356 | 201 |
| f) Other various liabilities | 407 | 425 |
| *Total* | *29.072* | *21.629* |
| **TOTAL** | ***42.105*** | ***35.937*** |

**Liabilities for wages, fringe benefits and compensations** in the amount of RSD 13,033 thousand pertain to the liabilities (net, taxes and contributions) for December salary that the Company paid in January 2019.

**Liabilities for dividends** in the amount of RSD 27,439 thousand pertain to the liabilities based on the decision of the Assembly of Shareholders from 2018 on profit distribution in the amount of RSD 5,032 thousand and for dividends' payment from previous years in the amount of RSD 22,407 thousand, which have not yet been paid to date due to unresolved property - legal issues (inheritance disputes, etc.). and unopened accounts of shareholders.

**Other various liabilities** in the amount of RSD 407 thousand predominantly pertain to withholding from employees' net wages (based mostly on loans granted to employees, union fees, etc.) in RSD 371 thousand.

Company Management is of the opinion that the disclosed value of short-term liabilities reflects their fair value at the balance sheet date.

## 37. LIABILITIES FOR VALUE ADDED TAX, LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND FEES PAYABLE AND ACCRUED EXPENSES AND DEFERRED INCOME

### 37.1 Liabilities for Value Added Tax

| Liabilities for value added tax | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Liabilities for value added tax | 4,700 | 6,768 |
| **TOTAL** | ***4,700*** | ***6,768*** |

**Liabilities for value added tax** pertain to the difference between calculated tax and input tax. This liability was settled by the Company within the legally prescribed deadline, in January 2019.

### 37.2 Liabilities for Other Taxes, Contributions and Fees Payable

| Liabilities for other taxes, contributions and fees payable | *in RSD thousand* | |
|---|---|---|
| | *31.12.2017* | *31.12.2017* |
| Liabilities for profit tax | 45,113 | - |
| Liabilities for other taxes, contributions and fees payable | 726 | 752 |
| **TOTAL** | ***45,839*** | ***752*** |

**Estimated liability for profit tax** for 2018 is RSD 45,113 thousand and the same, as at the balance sheet date, is not impaired by the amount of receivables for overpaid profit tax in the amount of RSD 16,173 thousand (Note 27). Offsetting the final profit tax liability for 2018 with the amount of receivables from overpaid profit tax, and settling the remaining amount of profit tax liability after the final tax return for the year 2018 will be executed within the legal deadline (June 2019).

**Liabilities for other taxes, contributions and fees** payable in the amount of RSD 726 thousand mainly pertain to the contributions for considerations to Supervisory Board members: RSD 380 thousand, contributions for remunerations based on service contracts and copyright contract: RSD 164 thousand, liabilities for income tax on dividends: RSD 97 thousand, contributions for remunerations based on temporary service contracts: RSD 35 thousand, liability for participation in financing persons with disabilities: RSD 35 thousand and others.

Of the total amount of liabilities for taxes, contributions and fees payable in the amount of RSD 726 thousand, the amount of RSD 629 was settled in January 2019 (only the liabilities for income tax on dividends in the amount of RSD 97 thousand remained unpaid, which pertain to unpaid dividends - Note 36).

### 37.3 Accrued Expenses and Deferred Income

| Accrued expenses and deferred income | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Pre-calculated expenses:* | | |
| a) Pre-calculated expenses - parent company, subsidiaries and other affiliated companies | 25,715 | 24,490 |
| b) Pre-calculated expenses - other legal entities | 6 | 44 |
| *Total* | *25,721* | *24,534* |
| Other accrued expenses and deferred income | 1,860 | 19,375 |
| **TOTAL** | ***27,581*** | ***43,909*** |

**Precalculated expenses - parent company, subsidiaries and other affiliated companies** in the amount of RSD 25,715 thousand predominantly refer to the liability owed to Energoprojekt Oprema company for calculated expenses for the period till 30.06.2015 in RSD 24,432 thousand, based on the Agreement on Construction of the Embassy of the Republic of Serbia in Abuja, Federal Republic of Nigeria, “a turnkey project”, in the cadastre lot No. 313, registered in the Real Estate Cadastre of the Cadastre Zone A00.

**Other accruals** in the amount of RSD 1,860 thousand relate to calculated interest on taken loans from domestic banks.

## 38. DEFERRED TAX ASSETS AND LIABILITIES

| Deferred tax assets and liabilities | *in RSD 000* | |
|---|---|---|
| | *31.12.208* | *31.12.2017* |
| Deferred tax assets | 2,273 | 1,932 |
| Deferred tax liabilities | 156,410 | 154,014 |
| **Net effect of deferred tax assets (liabilities)** | **(154,137)** | **(152,082)** |

**Deferred tax assets** are the income tax amounts recoverable in future periods based on *deductible temporary differences.*

A deductible temporary difference is generated in cases where a company’s balance sheet contains already disclosed expense on certain bases, which will be recognized from the tax aspect in the following periods. Deferred tax assets are verified on 31 December and are recognized only if it is considering probable that the deferred tax assets will probably be used to reduce a taxable income in the future period.

The amount of deferred tax assets is calculated by multiplying the amount of deductible temporary difference at the end of the year by the Company’s corporate income tax rate (15%).

**Deferred tax liabilities** disclosed as at 31 December refer to *taxable temporary differences* between the book value of assets subject to depreciation and their tax base. Due to different provisions used in the Company to define accounting depreciation (in compliance with the IAS/IFRS and other provisions) and provisions that define tax depreciation (in compliance with the Law on Corporate Income Tax), the Company shall pay higher amount of income tax in the future period than it would pay if the actually disclosed accounting depreciation would be acknowledged by tax legislation. For this reason, the Company recognizes the deferred tax liability, which represents income tax payable once that the Company "recovers" the accounting value of the assets.

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

Changes in balance of deferred tax assets during the reporting and reference years were as follows:

*In RSD 000*

| **Deferred tax liabilities** | Tax value exceeding the book value in intangible assets, plants and equipment | Capital losses in investment property | Provisions for retirement bonuses | Unpaid public revenues | Employee benefits accrued but unpaid in the tax period | Total |
|---|---|---|---|---|---|---|
| **Opening balance as of 31.12.2017** | **1.574** | **1.073** | **352** | **8** | **29** | **3.036** |
| Debit/credit to Income Statement | (99) | (1.073) | 58 | 6 | 4 | **(1.104)** |
| Direct debit to capital | | | | | | |
| **As of 31.12.2017** | **1.475** | | **410** | **14** | **33** | **1.932** |
| Debit/credit to Income Statement | 337 | | 11 | (6) | (1) | **341** |
| Direct debit to capital | | | | | | |
| **As of 31.12.2018** | **1.812** | | **421** | **8** | **32** | **2.273** |

Changes in balance of deferred tax liabilities during the reporting and reference years were as follows:

| **Deferred tax liabilities** | Book value exceeding tax value in property | Capital gains in investment property | Total |
|---|---|---|---|
| **Opening balance as of 31.12.2017** | **148,174** | **7,114** | **155,288** |
| Debit/(credit) to Income Statement | 61 | (1,335) | (1,274) |
| Direct debit to capital | | | |
| **As of 31.12.2017** | **148,235** | **5,779** | **154,014** |
| Debit/(credit) to Income Statement | 615 | 1,781 | 2,396 |
| Direct debit to capital | | | |
| **As of 31.12.2018** | **148,850** | **7,560** | **156,410** |

A summary of changes in balance of deferred tax liabilities of the Company is presented in the following tables.

| **Balance and changes in balance of deferred tax liabilities** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Balance of deferred tax liabilities at the end of the previous year | 152,082 | 152,252 |
| Balance of deferred tax liabilities at the end of the current year | 154,137 | 152,082 |
| **Changes in balance of deferred tax liabilities** | **2,055** | **(170)** |

| **Changes in balance of deferred tax liabilities** | *in RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Deferred tax expenses of the period | 1,608 | (170) |
| Revaluation reserves | 447 | |
| Undistributed profit of the previous year | | |
| **TOTAL** | **2,055** | **(170)** |

Based on the change in the balance of deferred tax assets and deferred tax liabilities in 2018, it can be concluded that in net effect there was increase in the balance of deferred tax liabilities compared with the previous year amounting to RSD 2,055 thousand, charged against:

- net results for 2018 (deferred tax expenses of period) in the amount of RSD 1.608 thousand and
- capital (revaluation reserve) in the amount of RSD 447 thousand from recording the increase in the value of Energoprojekt office building by RSD 2.983 thousand (Note 22 and 31.4).

## 39. OFF-BALANCE SHEET ASSETS AND LIABILITIES

In compliance with the relevant statutory provisions (Rules on Content and Form of Financial Statements Forms for Companies, Cooperatives and Entrepreneurs), disclosed off-balance sheet items in its financial statements. Items disclosed under off-balance sheet assets and liabilities, presented in the following Table, are neither assets nor liabilities of the Company, but are primarily presented for information purposes.

Structure of off-balance sheet assets and liabilities is presented in the following table.

| Structure of off-balance sheet assets and liabilities | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| Provided sureties and guarantees | 19,898,629 | 22,671,425 |
| Provided mortgages and other rights | 2,500 | 2,500 |
| Received mortgages and other rights | 16,252 | 16,290 |
| Other off-balance sheet assets / liabilities | 2,766,306 | 4,327,084 |
| **TOTAL** | ***22,683,687*** | ***27,017,299*** |

**Provided sureties and guarantees** amounting to RSD 19,898,629 thousand refer to the following:

- Guarantees issued for credits and guarantees for subsidiaries amounting to RSD 12,318,655 thousand;
- Corporate guarantees issued to Energoprojekt Niskogradnja amounting to RSD 7,577,019 thousand for projects: BBVA - Peru amounting to RSD 1,447,450 thousand, Banco Financiero - Peru amounting to RSD 1,033,893 thousand and Deponija Vinča – Serbia amounting to RSD 5,095,676 thousand; and
- Guarantee provided by Unicredit Bank in favour of IATA (International Air Transport Association) for the proper settlement of liabilities for airline tickets in the amount of RSD 2,955 thousand, which expires on 23.10.2019 and renewed annually.

To provide guarantees, sureties and corporate guarantees, the Company concluded agreements with subsidiary companies based on which the Company is the guarantor and based on which it received respective collaterals from the subsidiaries involved (Company’s bills of exchange).

**Provided mortgages and other rights** in the amount of RSD 2,500 thousand relate to the pledge on 100% stake in the share capital of Energoprojekt Sunnyville Ltd. (Note 40).

**Received mortgages and other rights** amounting to RSD 16,252 thousand pertain to the mortgage on Enjub Ltd. apartments, arising from the Loan Agreement regulating the loan approved to Enjub Ltd. (Note 40).

**Other off-balance sheet assets/liabilities** amounting to RSD 2,766,306 thousand include the following:

- The right to use the municipal construction land - in Block 26 in Novi Beograd, amounting to RSD 2,735,133 thousand;
- Dividends receivables from Enjub Ltd., which were directly written-off in the previous accounting period in the amount of RSD 30,442 thousand;

- Unused construction facilities in Budva that were directly written-off in the inventory count as at 31.12.2014 and presented in the off-balance records without any value;
- Contingent liability - tax on absolute rights transfer (as a payer in accordance with the Law), under the Agreement on sale of real estate in Palmira Toljatija street in New Belgrade in the amount of RSD 731 thousand. The obligation was transferred to the solidary guarantee - the buyer NBA Investment Ltd., who concluded with the Tax Administration an agreement on deferred payment of the tax on 12 equal monthly installments.

## 40. MORTGAGES REGISTERED IN FAVOUR AND/OR AGAINST THE COMPANY

**Mortgages registered against the Company** relating to the pledge given to the 100% stake in the share capital of Energoprojekt Sunnyville Ltd., for securing receivable from Erste Bank Plc, Novi Sad on the basis of long-term construction loan granted to Energoprojekt Sunnyville Ltd.

**Mortgages registered in favour of the Company are as follows:**

- As collateral to secure the repayment of loan pursuant to the Annex No. 11 of the Loan Agreement No. 367, in the amount of RSD 16,252 thousand (EUR 137 thousand), granted by the Company to Enjub Ltd, the extrajudicial mortgage for the entire loan amount was registered for apartments in 91A Jurija Gagarina Street, on the second and third floors, Cadastre lot No. 5089/9, Cadastral Municipality of Novi Beograd, registered in the Real Estate Registry folio No. 4550, Cadastral Municipality Novi Beograd, in favour of the Company, and
- As collateral to secure the repayment of the loan pursuant to the Annex No. 7 of the Agreement on Rescheduling of Approved Loan pursuant to the Loan Agreement No. 115, approved to Enjub Ltd. in the amount of RSD 141,584 thousand (EUR 1,198 thousand), there is a lien statement (mortgage was not registered) provided for the real property (apartments and business premises) in 93, 93A and 91A Jurija Gagarina Street.

## 41. RECONCILIATION OF CLAIMS AND LIABILITIES

The Company, with the highest percentage, reconciled its domestic trade receivables/payables, as well as bank statements as at 31.12.2018.

According to the information available to the Company (authorised Open Item Statement (OIS)), as of the financial statements date, the following account balance of receivables and liabilities were not reconciled:

- Unreconciled relations with the company Jerry Catering Service Ltd. in the amount of RSD 10,701 thousand (the Company shows less amount of net liabilities in it's books) were created with regard that the company Jerry Catering Service Ltd. did not:
  - translate advances in 2017 (opening balance in the Company's books was translated as of 31.12.2017, while from 01.01.2018, according to IFRAC 22, the Company did not translate advances);
  - the states were recorded at gross principle (it does not deduct its claim on the basis of advance payments by the amount of VAT), and given that
  - did not record lease documentation for December 2018 in the reporting year; and

- Unreconciled relations with the Republic of Serbia Securities Commission in the amount of RSD 2,799 thousand, given that the Company, in accordance with its accounting policies, entered the amount for fee for submitting a request for approval of announcement of the takeover bid for Energoprojekt Entel shares against current period expense in the moment of payment, while the same amount was recorded by the Securities Commission within obligations for received advance.

## 42. TRANSACTIONS WITH RELATED PARTIES

In compliance with the requirements from the IAS 24 - Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below.

From the point of view **of the related parties**, transactions resulting in revenues and expenses in the income statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets and liabilities within it) in the balance sheet:

| **Income and expenses incurred with related parties** | *In RSD 000* | |
|---|---|---|
| | *2018* | *2017* |
| *Income:* | . | |
| a) EP Garant Plc. | 865 | 52,610 |
| b) EP Visokogradnja Plc. | 102,495 | 135,091 |
| c) EP Niskogradnja Plc. | 234,245 | 193,472 |
| d) EP Hidroinženjering Plc. | 12,783 | 15,321 |
| e) EP Entel Plc. | 472,985 | 340,186 |
| f) EP Energodata Plc. | 8,144 | 6,116 |
| g) EP Industrija Plc. | 6,143 | 6,512 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 4,133 | 4,585 |
| j) EP Oprema Plc. | 46,757 | 181,984 |
| k) EP Sunnyville Ltd. | 25,785 | 29,465 |
| l) EP Park 11 d.o.o. | 21,681 | 379 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | 10 | 125 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 9,752 | 9,945 |
| *Total* | *945,778* | *975,791* |
| *Expenses:* | | |
| a) EP Garant Plc. | 491 | 1,840 |
| b) EP Visokogradnja Plc. | 10,719 | 39,767 |
| c) EP Niskogradnja Plc. | 5,661 | 15,496 |
| d) EP Hidroinženjering Plc. | 43 | 950 |
| e) EP Entel Plc. | 237 | 199 |
| f) EP Energodata Plc. | 15,762 | 20,750 |
| g) EP Industrija Plc. | 50 | 998 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 27,926 | 2,000 |
| j) EP Oprema Plc. | 14,502 | 14,749 |
| k) EP Sunnyville Ltd. | 1,496 | 24,272 |
| l) EP Park 11 Ltd. | 24 | 120 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 529 | 9,178 |
| *Total* | *77,440* | *130,319* |

| **Receivables and liabilities with related parties** | *In RSD 000* | |
|---|---|---|
| | *31.12.2018* | *31.12.2017* |
| *Receivables:* | | |
| a) EP Garant Plc. | | 699 |
| b) EP Visokogradnja Plc. | 1.183.045 | 740.125 |
| c) EP Niskogradnja Plc. | 770 | 254.155 |
| d) EP Hidroinženjering Plc. | 19.186 | 24.904 |
| e) EP Entel Plc. | 686 | 30.512 |
| f) EP Energodata Plc. | 130.929 | 16.078 |
| g) EP Industrija Plc. | 637 | 20.887 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 16.252 | 48.077 |
| j) EP Oprema Plc. | 269.173 | |
| k) EP Sunnyville Ltd. | 796.141 | 605.102 |
| l) EP Park 11 Ltd. | 191.856 | 25.317 |
| m) I.N.E.C. Engineering Company Limited, Great Britain | 359 | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 235.025 | 225.779 |
| r) Zambia Engineering and Contracting Company Limited, Zambia | 836 | |
| *Total* | *2.844.895* | *1.991.635* |
| *Liabilities:* | | |
| a) EP Garant Plc. | | 591 |
| b) EP Visokogradnja Plc. | 683 | 23.525 |
| c) EP Niskogradnja Plc. | 2.471 | |
| d) EP Hidroinženjering Plc. | | |
| e) EP Entel Plc. | | 17 |
| f) EP Energodata Plc. | | 954 |
| g) EP Industrija Plc. | 14 | |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 693 | 98 |
| j) EP Oprema Plc. | | 2.412 |
| k) EP Sunnyville Ltd. | | |
| l) EP Park 11 Ltd. | | |
| m) I.N.E.C. Engineering Company Limited, Great Britain | | |
| n) Encom GmbH Consulting, Engineering & Trading | | 2.962 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | | |
| r) Zambia Engineering and Contracting Company Limited, Zambia | | |
| *Total* | *3.861* | *30.559* |

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date.

Liabilities to the related parties arise primarily from the purchase transactions and have maturity periods from 5 to 30 days following the purchase date. Presented liabilities are exclusive of interest accrued.

The Company has not provided any payment collaterals for liabilities owed to related parties.

## 43. COMMITMENTS AND CONTINGENCIES

**Contingent liabilities** that can potentially result in an outflow of economic benefits of the Company can primarily arise from the lawsuits. Contingent **liabilities arising from lawsuits** are primarily reflected in the potential completion of lawsuits against the Company, yet no liability or provision was recorded in the balance sheet.

The number and estimated values of lawsuits with the Company as the defendant and not very small probability for the Company to lose the case are presented in the following Table. The disclosed lawsuits' amounts with the contingent liability as at 31.12.2018 include only the principal amount per case.

| Plaintiff | First instance procedure | Second instance procedure | Third instance procedure | Total |
|---|---|---|---|---|
| *No. of lawsuits* | | | | |
| Physical person | 7 | 3 | | 10 |
| Legal entity | 3 | 1 | | 4 |
| Physical person and legal entity | 1 | | | 1 |
| **TOTAL** | **11** | **4** | **0** | **15** |
| *In RSD thousand* | | | | |
| Physical person | 900 | 32,814 | | 33,714 |
| Legal entity | 188,510 | | | 188,510 |
| Physical person and legal entity | | | | |
| **TOTAL** | **189,410** | **32,814** | **0** | **222,224** |

Additional details on lawsuits in which the Company is involved as the defendant are presented in the following Table.

| Plaintiff | Basis for legal action | Contingent liability in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Sreta Ivanišević | Compensation for expropriated property (Bežanija) | Uncertain | Uncertain |
| Vladan and Tomislav Krdžić | Damage compensation (for the value of free shares that they did not acquire) | 444 | Unfounded, the first instance verdict dismissed the claim, decision on the appeal is pending |
| Goran Rakić | Establishment of ownership right on the land under building for legalization purposes | Amount not determined | Ungrounded |
| Pavle, Radmila and Milan Kovačević | Compensation for expropriated land (Block 26) | Amount not determined | Uncertain |
| Rajko Ljubojević | Expropriation of land from 1957 | 32,370 | Uncertain |
| Radovanac Aleksandar and Nenad | Moving out from barracks | Amount not determined | Ungrounded |
| Alco Investments Holding LTd. Cyprus | Establishment of the nullity of Annex 1, No. 1 of the Contract on joint construction (Block 26) | Without any value | Ungrounded in relation to Energoprojekt Holding Plc. |
| Marko Martinoli, Activist Ltd., Activeast ltd. | The forced purchase of shares Energoprojekt Entel Plc. | 176,745 | Ungrounded in relation to Energoprojekt Holding Plc. |
| Nikola Malbaša, Marko Martinoli and other minority shareholders Energoprojekt Industrija Plc. | The forced purchase of shares Energoprojekt Industrija Plc. | 280,427 | Ungrounded in relation to Energoprojekt Holding Plc. |
| Dekada Export-Import KFT Budapest | Determination the nullity of the contract of assignment of the Company's receivables to Vivand BT and Real Estate Option Contract | Uncertain | Uncertain |
| Republic of Serbia | Denouncing the decision of the Shareholders Assembly dated 12.12.2017, with a proposal for provisional measure | Without any value | Uncertain |
| Edmond Gašpar, Gojko Babić, Petar Rajačić | Forced purchase of shares of Energoprojekt Industrija Plc. | 9,193 | Ungrounded in relation to Energoprojekt Holding Plc. |

| Plaintiff | Basis for legal action | Contingent liability in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Energoprojekt Oprema Plc. | Determining ownership rights on 261 shares of Beogradsko Mesovito Preduzece Plc. | 188,510 | Uncertain |
| Zoran Petrović | Annulment of the decision on termination of employment service contract | Not defined | Uncertain |
| Zoran Petrović | Compensation for damages | 900 | Uncertain |

At the beginning of 2019, the Company made with Energoprojekt Oprema a Settlement Agreement, that determines out-of-court settlement for establishing the ownership right of Energoprojekt Oprema to 261 shares of the Beogradsko Mesovito Preduzece Plc. The Company's liability in this regard was settled by the implementation of compensation as of 31.12.2018. Pursuant to the provisions of the Agreement, Energoprojekt Oprema will withdraw the lawsuit in this dispute.

In addition to the presented court disputes in which the Company is the respondent party, there is a dispute with New Company d.o.o. Branch IN Hotel. This Company is registered as the right holder of the property, so there is a claim to determination of property rights over hotel built there. In this procedure, the Company is a passive rival, therefore there are no potential obligations, but by lawsuit, for formal reasons, it is covered.

**Contingent assets** that can potentially result in economic benefits for the Company may primarily arise based on the lawsuits in which the Company is involved as the plaintiff.

Contingent **assets arising from lawsuits leads** to the potential for completion of lawsuits in favour of the Company, yet no receivables were recorded in the balance sheet and no economic benefit has been recorded in any other manner (such as, for example, by reducing value of an unjustified advance payment, etc.).

The number and estimated values of lawsuits and litigations in which the Company acts as the plaintiff are presented in the following Table.

| Defendant | First instance procedure | Second instance procedure | Total |
|---|---|---|---|
| *No. of lawsuits* | | | |
| Physical person | | | |
| Legal entity | 1 | 6 | 7 |
| **TOTAL** | **1** | **6** | **7** |
| *In RSD thousand* | | | |
| Physical person | | | |
| Legal entity | 18,000 | | 18,000 |
| **TOTAL** | **18,000** | | **18,000** |

Additional details on lawsuits in which the Company acts as the plaintiff are presented in the following Table.

| Defendant | Basis for legal action | Contingency amount in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| Republic of Serbia, EPS Serbia, Epsturs Ltd and Republic of Montenegro | Determining of the ideal ownership share in the Park hotel in Budva | The value has not been determined | Grounded |
| RS Securities Commission | Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's temporary decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Oprema Plc. | Without any value | Uncertain |

| Defendant | Basis for legal action | Contingency amount in RSD thousand | Prediction of final outcome |
|---|---|---|---|
| RS Securities Commission | Annulment of the Commission's final decision whereby to the company is denied right to vote in Energoprojekt Industrija Plc. | Without any value | Uncertain |
| RS Securities Commission | Annulment of the Commission's final decision, whereby it was interrupted proceedings to decide on the request for publication of the takeover bid Energoprojekt Entel Plc. | Without any value | Uncertain |
| Ringier Axel Springer Ltd. | Determination of nullity of the contract and return of paid advance | 18,000 | Uncertain |

In addition to the presented legal actions in which the Company in involved as the plaintiff, there is a court actions: legal proceedings against the City of Belgrade, Republic of Serbia and BG Hall Ltd. for debt from work carried out by Energoprojekt Visokogradnja on the facility "Arena", which was contracted by the Energoprojekt Holding Corporations. According to the above litigation a final judgment has obtained to BG Hall Ltd., while the claim against the City of Belgrade, Republic of Serbia refused. The Company has declared against this decision Audit. After the Company's audit was adopted, the procedure in minority part has required law in relation to BG Hall Ltd., and in the remaining part, the first instance procedure is in progress towards BG Hall Ltd. and the City of Belgrade.

## 44. POST BALANCE SHEET EVENTS

There were no significant business events from the balance date to the date of publication of the said statements, which would require disclosure or exert any impact on the authenticity of the disclosed financial statements, beside aforementioned non-adjusting events.

In Belgrade,

19 February 2019

Legal representative

Stojan Čolakov
M.Sc.C.E.

MOORE STEPHENS
REVIZIJA I RAČUNOVODSTVO

**Privredno društvo za reviziju računovodstvo i konsalting**
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**Matični broj/ID: 06974848; PIB/VAT: 100300288**

***INDEPENDENT AUDITOR'S REPORT***
***ON COMPLIANCE OF THE ANNUAL BUSINESS REPORT***
***WITH FINANCIAL STATEMENTS***

**To the Shareholders of Energoprojekt Holding Plc. Belgrade**

*We have audited the accompanying standalone and consolidated financial statements of Energoprojekt Holding Plc. Belgrade (hereinafter: “The Company“) for the year ended 31 December 2018, on which we issued our audit opinion on 07 March 2019 and 30 April 2019, respectively.*

*Pursuant to Article 30 of the Law on Audit (Official Gazette of the Republic of Serbia, No. 62/2013) and Article 11 of the Rulebook on the Conditions for Auditing Financial Statements of Public Companies (Official Gazette of the Republic of Serbia, No. 114/2013), we checked the consistency of the Company's annual business report with the financial statements.*

*Management of the Company is responsible for the preparation and accuracy of the annual business report (which includes information about both standalone and consolidated financial statements) in accordance with the current regulations in effect.*

*Our responsibility is to make conclusion on the consistency of the Company's annual business report for the year 2018 with the standalone and consolidated financial statements for the same year. Our procedures in this regard were performed in accordance with International Standard on Auditing 720 “The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements“.*

*In connection with our performed audit procedures, nothing came to our attention that caused us to believe that the Company failed to comply its annual business report for the year 2018 with the financial statements for the same year.*

*Belgrade, 30 April 2019*

*„MOORE STEPHENS*
*Revizija i Računovodstvo“ d.o.o., Beograd*

*Bogoljub Aleksić*
*Managing Partner*

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

## 3. ANNUAL BUSINESS REPORT OF ENERGOPROJEKT HOLDING PLC. FOR 2018

- Company background;
- Summary of Company's business operations and organizational structure;
- Overview of Company's development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information;
- Description of Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed;
- Significant events after the end of the reporting business year;
- Significant transactions with related parties;
- Company's research and development activities;
- Information on investments aimed at environmental protection;
- Information on redemption of own stock and/or shares;
- Company branches;
- Financial instruments of significance for the assessment of Company's financial position and business results;
- Objectives and policies related to financial risk management and protection policy for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and assessment of their effectiveness;
- Statement on Code of Corporate Governance.

Note:

Annual Business Report and Consolidated Annual Business Report of Energoprojekt Holding plc. for 2018 were presented as a single report and these contain information of significance for the economic entity.

## Company Background

Business name: Energoprojekt Holding Plc.

Head office and address: Beograd, Bulevar Mihaila Pupina 12

Registration number: 07023014

TIN: 100001513

Web site and e-mail address: www.energoprojekt.rs ; ep@energoprojekt.rs

Number and date of the Decision on Company Registration with the Companies Register: BD 8020/2005

Registered business activity (code and description): 06420 - Holding Company

Number of employees (average number of employees in 2018): 75

Auditor's business name, head office and business address: MOORE STEPHENS Revizija i Računovodstvo d.o.o, Beograd, Studentski Trg 4/V

Number of shareholders (as at December 31, 2018): 3.812

Ten principal Company's shareholders (as at December 31, 2018):

| No. | Name and family name (business name) | No. of shares | % of share capital |
|---|---|---|---|
| 1. | Napred Razvoj Plc. New Belgrade | 4.530.034 | 41,44% |
| 2. | Republic of Serbia | 3.671.205 | 33,58% |
| 3. | Montinvest Properties Ltd. | 564.699 | 5,17% |
| 4. | Jopag AG | 560.731 | 5,13% |
| 5. | Tezoro broker Plc. – summ.acc. | 228.196 | 2,09% |
| 6. | Energoprojekt Holding Plc. | 97.700 | 0,89% |
| 7. | Tezoro broker Plc. | 81.150 | 0,74% |
| 8. | Global Macro Capital Opportuni | 74.772 | 0,68% |
| 9. | East Capital - East Capital Balk | 66.850 | 0,61% |
| 10. | Raiffeisen banka Plc. – custody acc. | 61.995 | 0,57% |

Basic capital: Share capital RSD 5.574.958.920

Number of shares: 10,931,292 ordinary shares

Nominal value of share is RSD 510

ISIN number: RSHOLDE58279

CIF with: ESVUFR

Price of shares over the reported period:

- Last price (as at December 31, 2018): RSD 668/share
- Highest price (as at January 5, 2018): RSD 1,000/share
- Lowest price (as at December 14, 2018): RSD 600/share

Market capitalization (as at December 31, 2018): RSD 7,302,103,056

Organized market: Belgrade Stock Exchange, New Belgrade, Omladinskih brigada 1

Energoprojekt Holding Plc. shares are prime-listed on the Belgrade Stock Exchange. Shares of other companies of the Enegoprojekt Group are traded in the Open Market of the Belgrade Stock Exchange (share of Energoprojekt Entel Plc. and Energoprojekt Industrija Plc. Companies) and in the MTP Belex market segment of the Belgrade Stock Exchange (Energoprojekt Oprema).

## Overview of Company’s Business Activities and Organizational Structure

Energoprojekt Group comprises of the Energoprojekt Holding Plc. as the controlling - parent company and its subsidiaries (in the country and abroad), joint and associated company (in the country). Based on equity investments, companies of the Energoprojekt Group are related companies.

Energoprojekt Holding Plc. is the controlling – parent company pursuing financing and management of subsidiaries. In addition to energy and water management, the business activity of Energoprojekt Group includes design and construction of industrial plants, public and residential complexes, telecommunication systems, service provision in the fields of urbanism and environmental protection, information technologies, trade, real estate and insurance.

According to the Company’s turnover, except for the domestic market, the most important markets are those in the African countries (Uganda, Ghana, Algeria, Nigeria, Zambia), Kazakhstan, Russia, Middle East (Qatar, UAE, Oman) and South America (Peru).

Information about Company management:

Supervisory Board members (as at December 31, 2018):

| Name, family name and place of residence | Educational background | No. of ENHL shares |
|---|---|---|
| 1. Dobroslav Bojović, president | VII-1 degree, B.Sc.Ecc. | 47,004 |
| 2. Miodrag Zečević, member | VIII degree, M.Sc.E.E. | 7,254 |
| 3. Nada Bojović, member | VII-1 degree, B.Sc. Labour Organization Eng. | 0 |
| 4. Vitomir Perić, member | VII-1 degree, B.Sc.Mech. | 1,108 |
| 5. Branislav Ivković, member | VIII degree, M.Sc.C.E. | 1,000 |
| 6. Marko Milojević, member | VII-2 MA in European Business Law | 0 |

Executive Board members (as at December 31, 2018):

| Name, family name and place of residence | Educational background | No. of ENHL shares |
|---|---|---|
| 1. Stojan Čolakov, General Manager | VII-1 degree, M.Sc.C.E. | 0 |
| 2. Vladimir Višnjić, Executive Manager for Finance, Accounting and Plan | VII-1 degree, B.Sc.Ecc. | 0 |
| 3. Milan Mamula, Executive Manager for Legal Issues | VII-1 degree, M.Sc.Law | 0 |
| 4. Bogdan Uzelac, | VII-1 degree, M.Sc.C.E. | 0 |

## Overview of Company’s development, financial position and business results, including relevant financial and non-financial indicators and personnel-related information

The consolidated financial statements of Energoprojekt Holding Plc. aside of parent company “Energoprojekt Holding” Plc., Belgrade (hereinafter reffered as: “Energoprojekt Holding“ or „Company“), are icluding also:

- 11 subsidiary companies in the country, out of which 10 are directly subsidiaries (8 as Plc. and as limited companies) and 1 is subsidiary indirectly, through other subsidiaries (1 limited liability company),
- 1 joint-venture, hereinafter: Joint-venture (1 limited liability company) with capital share of 50%,
- 1 affiliated company (1 Plc.), as well as
- 7 directly subsidiary companies abroad.

Within subsidiary companies units for investment works and representative branches abroad are organized (87 in total) as well as own companies in the country and abroad (14 subsidiaries abroad, 1 affiliated company abroad and 1 affiliated company in the country), which jointly conduct construction, design, equipping, making of studies, research, programming of investment facilities and systems, sales of goods and services and other business activities.

Based on its business activities, companies within Energoprojekt Group, in reported period, are organized as follows:

| Business Activity | No. of subsidiaries, affiliates and joint-ventures in the country | No. of units for investment works abroad and branch offices abroad | No. of subsidiaries and affiliates abroad |
|---|---|---|---|
| Design and Research e | 4 | 39 | 5 |
| Construction and Equipping | 6 | 48 | 13 |
| Holding | 1 | | |
| Other | 4 | | 4 |
| **Total** | **15** | **87** | **22** |

The average number of employees in Consolidation Group of the Energoprojekt Holding (hereinafter: Energoprojekt Group) in 2018, as of the end of each month, not including local workers abroad, is 2,129 (2,243 in 2017).

Consolidation Group comprises of the Energoprojekt Holding parent company and of the following subsidiary and affiliated companies and joint undertakings in the country listed below, and of the subsidiary companies abroad – international companies:

**Subsidiaries, joint-ventures and affiliated companies in the country**

| No. | N a m e | % ownership share |
|---|---|---|
| ***Subsidiary Companies*** | | |
| | ***Construction and Equipping*** | |
| 1. | Energoprojekt Visokogradnja Plc. | 100.00 |
| 2. | Energoprojekt Niskogradnja Plc. | 100.00 |
| 3. | Energoprojekt Oprema Plc. | 67.87 |
| 4. | Energoprojekt Sunnyville Ltd. | 100.00 |
| 5. | Energoprojekt Park 11 Ltd. | 100.00 |
| | ***Design and Research*** | |
| 6. | Energoprojekt Urbanizam i arhitektura Plc. | 100.00 |
| 7. | Energoprojekt Industrija Plc. | 62.77 |
| 8. | Energoprojekt Entel Plc. | 86.26 |
| 9. | Energoprojekt Hidroinzenjering Plc. | 100.00 |
| | ***Other*** | |
| 10. | Energoprojekt Energodata Plc. | 100.00 |
| 11. | Energoplast Ltd. | 60.00 |
| | (Energoprojekt Industrija Plc. 40.00% and Energoprojekt Entel Plc. 20.00%) | |
| ***Joint Ventures*** | | |
| | ***Construction and Equipping*** | |
| 12. | Enjub Ltd. | 50.00 |

***Affiliated companies***

***Other***

| | | |
|---|---|---|
| 13. | Fima See Activist Plc. Belgrade – in liquidation process | 30.45 |

According to Contract for acquiring of shares (signed on 15/11/2017 between Energoprojekt Holding Plc. and Sava Re Pozarovalnica Sava Co.), Energoprojekt Holding has sold its total share in capital of Energoprojekt Garant, i.e. 92.94%, by block transaction made through Belgrade Stock Exchange, on 09/03/2018. This selling was following the disclosure of announcement on inexistence of intention for realization of offer for overtaking, where the intention for disposal of 146,155 shares of issuer Energoprojekt Garant owned by Energoprojekt Holding. This transaction was ballanced on 13/03/2018. This trade was following the approval of National Bank of Serbia, given to the buyer to acquire mentioned share. Since the selling day, income and expenses created from relationship with Energoprojekt Garant are recorded as income and expenses related to *other legal entities* (up to 13/03/2018 they were recorded as income and expenses related to *subsidiaries*).

Energoprojekt Promet Ltd. was excluded from the Consolidation group for 2018, since it was inactive from 2010 (in dormant status), having no business activities since then, having no property at all, and having in mind that the Business Registers Agency, starting from 2019, has started the forced liquidation procedure for all companies which did not presented their financial statements, pursuant to the accounting legislation, for last two years precedent to the year related to financial statement. Energoprojekt Promet Ltd. did not presented its financial statements to the Business Registers Agency since 2017 financial statements.

Applying the total consolidation method, the consolidated financial statements of the Energoprojekt Group are including the subsidiary company Energoplast Ltd., with prior elimination, by equity method, of its presence in financial statements of Energoprojekt Industrija Plc. (40.00%) and Energoprojekt Entel (20.00%), made through primary consolidation. However, Energoprojekt Holding has a equity share in mentioned company (indirectly) of 42.36%, but it is included in consolidated finanscial statement by the method of total consolidation, since Energoprojekt Holding, indirectly, has controllling rights in Energoplast (althoug without the mayority of shares).

On the occasion of the inclusion of Enjub Ltd. joint venture in the consolidated financial statements of the Energoprojekt Group, equity method was used in compliance with IFRS 11 – Joint Arrangements, both for the reporting period and for the comparable period of the preceding year).

**Subsidiary companies abroad – international companies**

| No. | N a m e | % ownership share |
|---|---|---|
| | ***Subsidiary Companies*** | |
| | ***Construction and Equipping*** | |
| 1. | Zambia Engineering and Contracting Company Limited, Zambia | 100.00 |
| 2. | Energoprojekt Holding Guinee S.A, Guinea | 100.00 |
| 3. | Energo (Private) Limited, Zimbabwe | 100.00 |
| 4. | Energo Kaz d.o.o., Kazakhstan | 100.00 |
| | ***Other*** | |
| 5. | I.N.E.C. Engineering Company Limited, UK | 100.00 |
| 6. | Encom GmbH Consulting, Engineering & Trading, Germany | 100.00 |
| 7. | Dom 12 S.A.L, Lebanon | 100.00 |

A number of above listed overseas companies (Energoprojekt Holding Guinee S.A., Guinea, Energo (Private) Limited, Zimbabwe and Energo Kaz Ltd., Kazakhstan) was registered as companies owned by the Energoprojekt Holding, but are in fact controlled and managed by certain subsidiary companies.

Among the above listed subsidiary companies in the country, Energoprojekt Visokogradnja, Energoprojekt Niskogradnja, Energoprojekt Oprema, Energoprojekt Industrija, Energoprojekt Entel, Energoprojekt Hidroinzenjering, Energoprojekt Energodata and Zambia Engineering and Contracting Company Limited, Zambia; are at the same time parent companies that prepare consolidated financial statements, and thus their subsidiary and affiliated companies listed in the following table are included through the primary consolidation.

| No. | N a m e | Included through primary consolidation |
|---|---|---|
| ***Abroad*** | | |
| ***Subsidiary companies abroad - international companies*** | | |
| | ***Construction and Equipping*** | |
| 1. | Energoprojekt Ghana Ltd., Accra, Ghana | EP Visokogradnja Plc. |
| 2. | Energoprojekt Montenegro d.o.o., Montenegro | EP Visokogradnja Plc. |
| 3. | Energoprojekt Rus d.o.o., Moscow, Russia | EP Visokogradnja Plc. |
| 4. | Energo Uganda Company Ltd, Kampala, Uganda | EP Niskogradnja Plc. |
| 5. | Enlisa S.A., Lima, Peru | EP Niskogradnja Plc. |
| 6. | Energoprojekt Oprema Crna Gora d.o.o., Podgorica, Montenegro | EP Oprema Plc. |
| 7. | OOO Belgorod, Belarus | EP Oprema Plc. |
| 8. | Energoprojekt Zambia Limited, Zambia | Zambia Engineering and Contracting Company Limited, Zambia |
| | ***Design and Research*** | |
| 9. | Energoprojekt Entel L.L.C., Muscat, Sultanate Oman | EP Entel Plc. |
| 10. | Energoprojekt Entel LTD, Doha, Qatar | EP Entel Plc. |
| 11. | Energoconsult L.L.C., Abu Dhabi, UAE | EP Entel Plc. |
| 12. | Energoprojekt Entel kompanija, Bahrein | EP Entel Plc. |
| 13. | Enhisa S.A., Lima, Peru | EP Hidroinzenjering Plc. |
| | ***Other*** | |
| 14. | Energoprojekt Energodata Montenegro d.o.o., Montenegro | EP Energodata Plc. |
| ***Affiliated Companies abroad*** | | |
| | ***Construction and Equipping*** | |
| 15. | Energo Nigeria Ltd., Lagos, Nigeria (24,92%) | EP Oprema Plc. |

***In the Country***

***Affiliated Companies in the Country***

***Other***

| | | |
|---|---|---|
| 16. | Energopet Ltd. (33.33 %) | EP Industrija Plc. |

Based on realized and registered recapitalization of Energo Nigeria Ltd., Lagos, Nigeria, (verified in July 2018 by auditing company from Nigeria), there has benn a change in equity share of Energoprojekt Oprema in Energo Nigeria Ltd., Lagos, Nigeria, from 40.00% to 24.92%.

Authentic overview of the development and business results of the Company, its financial position and information of significance for the assessment of the Company's assets are presented in detail and explained in the "Notes to Financial Statements for the Year of 2018".

Only some of the relevant parameters of the parent company's (Energoprojekt Holding Plc.) and of the Energoprojekt Group's business operations are presented below, which are of significance for adequate understanding of the presented subject matter.

**Structure of the total business result of Energoprojekt Holding Plc. (parent company) in 2018**

| **Structure of gross result** | *In RSD thousand* | |
|---|---|---|
| | *01/01-31/12/2018* | *01/01-31/12/2017* |
| Operating income | 341,959 | 440,253 |
| Operating expenses | 362,247 | 431,736 |
| **Operating result** | **(20,288)** | **8,517** |
| Financial revenues | 628,645 | 608,855 |
| Financial expenses | 37,209 | 147,024 |
| **Financial result** | **591,436** | **461,831** |
| Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss | | |
| Other revenues | 274,396 | 410 |
| Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss | | |
| Other expenses | 37,582 | 31,883 |
| **Result of other revenues and expenses** | **236,814** | **(31,473)** |
| Net income from discontinuing operations, changes in accounting policy and correction of errors from previous period | 2,232 | |
| Net expense from discontinuing operations, changes in accounting policy and correction of errors from previous period | | 112 |
| **TOTAL INCOME** | **1,247,232** | **1,049,518** |
| **TOTAL EXPENSE** | **437,038** | **610,755** |
| **PROFIT/LOSS BEFORE TAX** | **810,194** | **438,763** |

**Earnings per Share**

Earnings per Share is calculated by dividing the profit for ordinary shareholders with the average weighted number of ordinary shares in circulation for the period.

| **Indicator** | *In RSD thousand* | |
|---|---|---|
| | *01/01/-31/12/ 2018* | *01/01-31/12/ 2017* |
| Net profit | 763,473 | 438,933 |
| Average number of shares per year | 10,833,592 | 10,833,592 |
| **Earnings per share (in RSD)** | ***70.47*** | ***40.52*** |

The most important liquidity indicators for the Company's business in 2018 are presented in the following table, and specifically:

- The current liquidity ratio (ratio of working capital and short-term liabilities), indicating the short-term liabilities coverage against working capital;
- Quick ratio (ratio of liquid assets, which include total working capital reduced by inventories, and short-term liabilities), indicating the short-term liabilities coverage against liquid assets;
- Operating cash flow liquidity ratio (ratio of cash flow increased by cash equivalents and short-term liabilities), indicating the short-term liabilities coverage against cash assets; and
- Net working capital (the excess of working capital over short-term liabilities).

Drawing conclusions on liquidity indicators based on the ratio analysis means, *inter alia*, comparison of these indicators against satisfactory general standards, which are presented in the following table.

| **Liqudity Indicators** | Satisfactory General Standards | *2018* | *2017* |
|---|---|---|---|
| Current liquidity ratio | 2:1 | 3,06:1 | 1,21:1 |
| Quick ratio | 1:1 | 3,06:1 | 1,20:1 |
| Operating cash flow ratio | | 0,19:1 | 0,18:1 |
| Net working capital (in RSD thousand) | Positive Value | 2,229,903 | 291,408 |

**The results of the ratio analysis indicate that the Company was liquid during 2018,** meaning that it had no difficulties to meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good creditworthiness.

The best **profitability** indicator is the *return on average own capital employed* that indicates the average return on own assets per dinar invested. In the calculation of this profitability indicator, average own capital is defined as an arithmetic average value at the beginning and at the end of a year.

| Profitability indicators | *In RSD thousand* | |
|---|---|---|
| | *2018* | *2017* |
| Net profit | 763,473 | 438,933 |
| Average capital: | | |
| a) Capital at the beginning of the year | 8,529,997 | 8,421,896 |
| b) Capital at the end of the year | 9,094,008 | 8,529,997 |
| **Total** | *8,812,003* | *8,475,947* |
| **Average return rate on own capital at the end of the year** | ***8.66%*** | ***5.18%*** |

Financial adequacy structure is reflected in the amounts and types of debts.

The most significant indicators of Company's financial structure are presented in the following Tables, and specifically:

- The ratio of borrowed funds to total assets, indicating coverage per dinar of the Company's assets from borrowed sources;
  and
- The ratio of long-term funds to total assets, indicating coverage per dinar of the Company's assets from long-term sources.

| Financial structure indicators | *In RSD thousand* | |
|---|---|---|
| | *31/12/2018* | *31/12/2017* |
| Liabilities | 1,081,887 | 1,415,346 |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of borrowed funds to total assets** | **0.10 : 1** | **0.14 : 1** |
| Long-term assets: | | |
| a) Capital | 9,094,008 | 8,529,997 |
| b) Long-term provisions and long-term liabilites | 156,949 | 154,817 |
| Total | *9,250,957* | *8,684,814* |
| Total assets | 10,332,844 | 10,100,160 |
| **Ratio of long-term to total assets** | **0.90 : 1** | **0.86 : 1** |

**The net debt ratio** indicates the Company's capital coverage against Company's net debt.

Net debt means the difference between:

- Total (long-term and short-term) financial liabilities of the Company (total liabilities reduced by the capital, long-term provisions and deferred tax liabilities of the Company plus Loss Above Equity)
  and
- Cash and cash equivalents

| **Parameters for the net debt to capital ratio** | *In RSD thousand* | |
|---|---|---|
| | *31/12/2018* | *31/12/2017* |
| Net debt: | | |
| a) Liabilities | 1,081,887 | 1,415,346 |
| b) Cash and cash equivalents | 200,519 | 251,917 |
| *Total* | *881,368* | *1,163,429* |
| Capital | 9,094,008 | 8,529,997 |
| **Net debt to capital ratio** | **1 : 10.32** | **1 : 7.33** |

**Energoprojekt Group operating income structure for 2018**

| **Structure of gross operating income** | *In RSD thousand* | |
|---|---|---|
| | *01/01-31/12/18* | *01/01-31/12/17* |
| Operating income | 23,122,123 | 32,989,557 |
| Operating expense | 23,059,457 | 31,986,221 |
| ***Operating income*** | *62,666* | *1,003,336* |
| Financial income | 770,753 | 2,242,994 |
| Financial expenses | 760,584 | 2,446,958 |
| ***Financial income*** | *10,169* | *(203,964)* |
| Revenues from valuation adjustment of other assets disclosed at fair value through Profit or Loss | 9,862 | 15,480 |
| Other income | 1,367,763 | 385,641 |
| Expenses from valuation adjustment of other assets disclosed at fair value through Profit or Loss | 46,120 | 149,256 |
| Other expense | 333,411 | 314,226 |
| ***Result of other revenues and expenses*** | 998,094 | (62,361) |
| ***Result from regular operations before tax*** | *1,070,929* | *737,011* |
| Net income from disposal of discontinuing operations, effects of change in accounting policy and corrections of errors from previous periods | | |
| Net loss from disposal of discontinuing operations, effects of change in accounting policy and corrections of effors from previous periods | 56,176 | 6,808 |
| ***TOTAL INCOME*** | ***25,270,501*** | ***35,633,672*** |
| ***TOTAL EXPENSE*** | ***24,255,748*** | ***34,903,469*** |
| ***PROFIT/LOSS BEFORE TAX*** | ***1,014,753*** | ***730,203*** |

**Earnings per Share**

| **Indicator** | *01/01-31/12/18* | *01/01-31/12/17* |
|---|---|---|
| Net earnings belonging to parent company's shareholders (in RSD thousand) | 471,412 | 569,472 |
| Average weighted number of ordinary shares in the reporting period | 10,833,592 | 10,833,592 |
| **Earnings per share (in RSD)** | ***43.51*** | ***52.57*** |

**Net Earnings per share** is calculated by dividing net profit of the parent company's shareholders with the average weighted number of ordinary shares in circulation for the period, excluding the ordinary shares that Group (companies within the Group) acquired, which are recorded as own shares.

Reached trading price (as at the last day of calculated period – December 31, 2018) of the parent company Energoprojekt Holding Plc. amounts RSD 668.00 per share (during 2018, the price of a share was between RSD 600.00 to 1,000.00), which was equivalent to the capital market of the company in the amount of RSD 7,302,103,056. Ratio between the market and the accounting (calculated) value (P/B) was 0.80. Total share trade of Energoprojekt Holding Plc. in 2018 was RSD 78,137,048, with average of RSD 311,303. The average achieved trading price was RSD 722.00 per share.

## Description of the Company's expected development in the following period, changes in its business policies and main risks and threats to which its business is exposed

Starting from the strategic determination to achieve lasting and sustainable development of the Energoprojekt Group oriented towards continuous profitability growth, conducting business in its traditional markets (in the country and abroad), economically viable employment of resources and global macroeconomic trends, the following business tasks were planned to be achieved in 2019:

Priority tasks:

- Contracting of new business and providing conditions for continued working activities within Energoprojekt Group;

- Providing conditions to preserve continued financial solvency – activities aimed to cover financial claims and optimization of credit-loan liabilities of Energoprojekt Group;

- Further development of the business and providing continued work flow of the companies within Energoprojekt Group;

- Monitoring of procedures started for finalization of ownership transformation process.

Other business-related tasks:

- Realization of all business activities, followed by suitable completing of contracts and relevant contract issues, with an imperative goal of reaching satisfactory profit level on every single project;

- Maintaining business and financial stability of the Group, with activities oriented to collecting of old financial claims;

- Adapting new market activities and creating conditions for new contract deals, followed by maximum engagement of present capacities;

- Improving business activities, together with high-quality planning and supervising, maintaining technology and organizational development;

- Using all the resources and assets of the companies in business activities;

- Location development, joining concessions and private investments;

- Reinformcement of business cooperation by project and fuctional cooperation, with constant consolidation of corporative functions;

- Group development will be scheduled and perceived through possible structural changes and market adjustments;

- Transparency of business operations and public presentation of Energoprojekt, by means of supplying relevant information through the Stock Exchange and regular communication with investors, partners and experts, in the country and abroad.

The most significant threats to which the Company is exposed include: continuing and deepening of the global and Eurozone economic crisis; competition in the form of foreign companies from the countries with huge populations and cheap workforce; competition in the form of the foreign companies with easier access to cheaper financial resources; institutional changes in the domestic and selected foreign markets; dependency on the political stability of the markets in which Energoprojekt realizes its projects and so on.

It is necessary to establish a system for timely risks' identification and management for the business operations of the Energoprojekt in the country and in the foreign markets as one of the principal functions of the Company's internal audit. In the following period, efforts on risk management development strategy will be intensive and according to the plans, in compliance with the established annual plan of the Energoprojekt Holding Plc. internal audit for 2019.

## Significant events after the end of the year for which the reports are prepared

Arbitration proceedings in Stockholm, with Gazprom Transgaz Belarus, realting the project Energocentar Minsk, Belarus was completed in April 2019, in favour of Energoprojekt Oprema. Pursuant to accounting legislation, Energoprojekt Oprema will record all relevant accounting issues related to the mentioned arbitration, in 2019.

Aside of the above mentioned incorrective events occured after the reported period, there were no significant business events from the balance date to the date of publication of the said statements, which would exert any impact on the authenticity of the disclosed financial statements.

Relevant business news on significant events are being regularly published on the Energoprojekt web site (at: http://www.energoprojekt.rs) and on the web site of the Belgrade Stock Exchange (in Serbian and in English), as a part of the Company's obligations related to the Prime Listing of its shares on the Belgrade Stock Exchange.

## Significant business transactions with the related parties

In compliance with the requirements contained in the IAS 24 – Related Parties Disclosures, relationship, transactions, etc. between the Company and its related parties are disclosed below.

From the point of view of the **related parties**, transactions resulting in revenues and expenses in the Income Statement and in the disclosed receivables and liabilities (for the purpose of disclosure of relationships with the related parties, we included all the balances in the Company assets within it) in the Balance Sheet are presented in the following two Tables.

| Receivables and expenses from related parties | *In RSD thousand* | |
|---|---|---|
| | *2018* | *2017* |
| *Receivables:* | . | |
| a) EP Garant Plc. | 865 | 52,610 |
| b) EP Visokogradnja Plc. | 102,495 | 135,091 |
| c) EP Niskogradnja Plc. | 234,245 | 193,472 |
| d) EP Hidroinženjering Plc. | 12,783 | 15,321 |
| e) EP Entel Plc. | 472,985 | 340,186 |
| f) EP Energodata Plc. | 8,144 | 6,116 |
| g) EP Industrija Plc. | 6,143 | 6,512 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 4,133 | 4,585 |
| j) EP Oprema Plc. | 46,757 | 181,984 |
| k) EP Sunnyville Ltd. | 25,785 | 29,465 |
| l) EP Park 11 Ltd. | 21,681 | 379 |
| m) I.N.E.C. Engineering Company Limited, UK | | |
| n) Encom GmbH Consulting, Engineering & Trading | 10 | 125 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 9,752 | 9,945 |
| *Total* | *945,778* | *975,791* |
| *Expenses:* | | |
| a) EP Garant Plc. | 491 | 1,840 |
| b) EP Visokogradnja Plc. | 10,719 | 39,767 |
| c) EP Niskogradnja Plc. | 5,661 | 15,496 |
| d) EP Hidroinženjering Plc. | 43 | 950 |
| e) EP Entel Plc. | 237 | 199 |
| f) EP Energodata Plc. | 15,762 | 20,750 |
| g) EP Industrija Plc. | 50 | 998 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 27,926 | 2,000 |
| j) EP Oprema Plc. | 14,502 | 14,749 |
| k) EP Sunnyville Ltd. | 1,496 | 24,272 |
| l) EP Park 11 Ltd. | 24 | 120 |
| m) I.N.E.C. Engineering Company Limited, UK | | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 529 | 9,178 |
| *Total* | *77,440* | *130,319* |

| **Receivables and liabilities from related parties** | *In RSD thousand* | |
|---|---|---|
| | *31/12/2018* | *31/12/2017* |
| *Receivables:* | | |
| a) EP Garant Plc. | | 699 |
| b) EP Visokogradnja Plc. | 1,183,045 | 740,125 |
| c) EP Niskogradnja Plc. | 770 | 254,155 |
| d) EP Hidroinženjering Plc. | 19,186 | 24,904 |
| e) EP Entel Plc. | 686 | 30,512 |
| f) EP Energodata Plc. | 130,929 | 16,078 |
| g) EP Industrija Plc. | 637 | 20,887 |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 16,252 | 48,077 |
| j) EP Oprema Plc. | 269,173 | |
| k) EP Sunnyville Ltd. | 796,141 | 605,102 |
| l) EP Park 11 Ltd. | 191,856 | 25,317 |
| m) I.N.E.C. Engineering Company Limited, UK | 359 | |
| n) Encom GmbH Consulting, Engineering & Trading | | |
| o) Dom 12 S.A.L. | | |
| p) Enjub Ltd. | 235,025 | 225,779 |
| r) Zambia Engineering and Contracting Company Limited, Zambia | 836 | |
| *Total* | *2,844,895* | *1,991,635* |
| *Liabilities:* | | |
| a) EP Garant Plc. | | 591 |
| b) EP Visokogradnja Plc. | 683 | 23,525 |
| c) EP Niskogradnja Plc. | 2,471 | |
| d) EP Hidroinženjering Plc. | | |
| e) EP Entel Plc. | | 17 |
| f) EP Energodata Plc. | | 954 |
| g) EP Industrija Plc. | 14 | |
| h) EP Promet Ltd. | | |
| i) EP Urbanizam i arhitektura Plc. | 693 | 98 |
| j) EP Oprema Plc. | | 2,412 |
| k) EP Sunnyville Ltd. | | |
| l) EP Park 11 Ltd. | | |
| m) I.N.E.C. Engineering Company Limited, UK | | |
| n) Encom GmbH Consulting, Engineering & Trading | | 2,962 |
| o) Dom 12 S.A.L. | | |
| p) Enjub Plc. | | |
| r) Zambia Engineering and Contracting Company Limited, Zambia | | |
| *Total* | *3,861* | *30,559* |

Receivables from the related parties arise primarily from the sale of services and are mature and collectible within 15 days from invoicing date.

Liabilities from the related parties arise primarily from purchasing transactions and are mature and collectible within 5 to 30 days from purchasing date. Liabilities do not include interest rates.

Payment securities for liabilities to related legal entities were not provided by the Company.

## Company activities in the field of research and development

Activities on further development and implementation of an adequate business and information system are underway, and the system will be adequate to the current scope and planned growth of the Company's business, as well as activities related to implementation of integrated Document Management System (DMS) in Energoprojekt Group.

## Information on investments aimed at environmental protection

In period from January to September 2018, Energoprojekt Holding Plc has finished all the activities in harmonizing the adopted management systems with new versions of two standards – Quality Management Standard and Enviroment Protection Standard (ISO 9001:2015 and ISO 14001:2015).

The external auditing by „Lloyd´s Register" was successfully finished on June 26, 2018.

Pursuant to official terms and conditions for adopting new version of standards, the mentined harmonization was also ejecuted by all other subsidiary companies within Energoprojekt Group.

Company's business activities are regularly harmonized with the applicable requirements of the positive legal regulations in the field of environmental protection, environmental protection programs are adopted and efforts are made towards the strict compliance with such requirements and programs. The said programs are being implemented through impact and/or risk analyses and assessments in the field of environmental protection, as well as through the implementation of relevant technical and technological solutions and instructions for elimination and/or reduction of adverse environmental effects. In that sense, Energoprojekt management organize and continuously monitor, review and direct activities of all the organizational units, services and individuals in order to completely implement the said IMS policy.

Company's activities aimed at environmental protection are integrated and implemented in compliance with the business philosophy and through joint activities on the level of the

Energoprojekt Group. Thus, the "Waste Management Project" is an example of the said activities, which is being implemented in a coordinated manner, in compliance with the Rulebook on Waste Management in the Energoprojekt Building. Participation of the representatives of each Company of the Energoprojekt Group in the waste management working group serves as a guarantee that all the planned activities will be implemented in the least expensive and most effective manner: such as, for example, the selection of various office waste materials (used paper, used batteries, car batteries, discarded electrical and electronic appliances and devices), recycling of these items, as well as the disposal of such items in compliance with the legally prescribed standards, etc.

## Information about redemption of own stock and/or shares;

Based on Resolution on Acquiring of Own Shares at the organized market, made by Supervisory Board on February 13, 2017, the Company has acquired, trading on Belgrade Stock Exchange, 97,700 own shares (meaning 0.89376% out of total shares with right to vote), amounting RSD 124,148 thousand, with the nominal value reaching RSD 49,827 thousand.

During 2018, there were no redemption nor selling of own shares.

## Company branches

Energoprojekt Holding Plc. does not have any registered branches in Serbia.

The official seat of the Parent Company and its subsidiaries is located in 12 Bulevar Mihaila Pupina Street in New Belgrade.

Detailed reviews of and comments on the business operations of the (foreign) entities of the Energoprojekt Group are presented in the Notes to the Consolidated Financial Statements of the Energoprojekt Group and in the Notes to the Consolidated Financial Statements of its subsidiary companies.

## Financial instruments of significance for the assessment of Company's financial position and business results

**Financial instruments** include financial assets and liabilities recorded in the balance sheet of the Company as of the moment when the Company becomes legally bound by the financial instrument and until the loss of control over rights derived from that financial asset (by realization, activation, assignment, etc.), or by settlement, cancellation or activation of the financial liability.

Pursuant to IAS 32, **financial assets and liabilities** may have many manifestations, such as: cash, instrument of equity of another entity, contractual right to collect cash or another financial asset or trade in financial assets and liabilities with another entity, potentially favourable to the Company, contractual right to give cash or another financial asset to another entity, or the right to trade financial assets or liabilities with another entity under potentially unfavourable conditions to the Company, etc.

Disclosure of financial instruments and related accounting records is conditional upon their classification that is to be performed by the Company management in compliance with the characteristics of the financial instruments in question.

The management of the Company may classify each financial instrument in one of four available types of financial instruments as specified by provisions of IAS 39:

- Financial asset or liability at fair value through the profit and loss account,
- Held-to-maturity investments;
- Loans and receivables, and
- Financial assets available for sale.

All the relevant financial instruments of significance for the assessment of the financial position and business results of the Company are presented in greater detail in the Notes to the Financial Statements.

## Objectives and policies related to financial risk management and protection policies for each type of planned significant transaction for which protection is applied; Exposure to price risk, credit risk, liquidity risk and cash flow risk, management strategy for these risks and the assessment of their effectiveness

Uncertainty reffered to future events is one of the principal business characteristics of trading commercial surroundings, reflected through variety of possible outcomes. As a result of this uncertainty, i.e. insecure and unknown possible events which are going to happen, legal entities are exposed to different business risks which could interfere their future market position.

Looking from the aspect of the Company, there are many potential risks of different possible impact on condition and business activity of the Company itself.

Some (specific) risks are affected by some internal causes, such as *concentration risk*, in this case reflected as exposure to a certain or small group of buyers or suppliers; *operational risk*, manifested by the possibility of emerging of negative effects, caused by willing or unwilling operational errors, unsuitable internal proceduree s and processes, inadequate managing of information system in the Company, etc.; *reputation risk* presents the possibility of aggravation of market position of the Company caused by lack of confidence, i.e. creating a negative public image (with state institutions, suppliers, buyers, etc.) about the business acitivities of the Company; *legal risk*, reflected as the possibility of emerging negative effects caused by legal sanctions and penalties of lawsuits for contractual and legal obligations unfulfilled; etc.

As those mentioned, and some other risks have been treated in Notes and some other internal Company acts (f.eg. to minimize the operational risk by proceduree s and working instructions adopted, is treated by Rulebook on Accounting and Company Accounting Policy), in continuation we will put our focus on considering **financial risks**, mainly reffered to:

- Credit risk;
- Market risk and
- Liquidity risk.

Financial risk is significantly affected by (external) causes which are not directly under the control of the Company. Having that in mind, the impact of financial risk is dominantly affected by Company surroundings, which was not influenced only by economic development, but also by legal, financial and other relevant aspects to define the size of system risks.

Generally, comparing to developed economies markets, companies active on markets of low developed level and macroeconomic stability, with high rate of insolvency, as we face in Republic of Serbia, are extremelly exposed to financial risk. Furthermore, undeveloped financial market makes impossible use of variety of *„hedging“* instruments, present on developed markets. Thus, companies having business in Republic of Serbia have no possibility of use different financial instruments in financial risks management, because those instruments are not widelly applied, nor there is an organized continued market of financial instruments.

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

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

**Credit Risk**

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

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

**The company has substantial concentrations of credit risk in collection from buyers with long lending periods due to poor liquidity.**

**Market Risk**

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

The market risk includes three risk types:

- Currency risk,
- Interest risk and
- Price risk.

- **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 financial instruments in foreign currency or the currency other than the currency (functional) in which the financial instruments are measured in financial statements.

The Company operates within international frames and is exposed to exchange rate risks arising from business operations in different currencies, first of all in Euros.

**The sensitivity analysis indicates that variations in the exchange rate will significantly affect variations in financial results of the Company and it can therefore be concluded that the Company is exposed to the currency risk to a significant extent.**

- **Interest risk** is a risk of adverse effects to the result and capital of the Company due to unfavourable interest rates' fluctuations. The Company is exposed to this type of risk to a significant extent due to financial obligations related to loans with potentially fluctuating interest rates (Euribor). **Sensitivity analysis showed that the Company is exposed to the interest risk.**

- **Price risk** is a risk of fair value or future cash flow of the financial instrument fluctuation due to market price changes (but not caused by currency or interest risk), whether those changes ocurred due to specific financial instrument or its issuer, or due to some similar financial instruments present on the market. **This type of risk is not noted within the Company**.

**Liquidity Risk**

Liquidity risk is a risk of having difficulties to fulfil due obligations and maintain the necessary scope and structure of the working capital and good creditworthiness.

**The results of the ratio analysis indicate that the Company was liquid during 2017, meaning that it had no difficulties to meet its due liabilities or to maintain the necessary scope and structure of the working capital and to preserve its good creditworthiness.**

Therefore we emphasise that:

- Considering the dynamic nature of the Company's business, the finance department aims to maintain financial flexibility, which means, among other things, to keep the existing lines of credit available and to expand them;
  and

- The management performs continuous monitoring of Company's liquidity reserves that include available unused lines of credit, cash and cash equivalents, as well as the liquid potentials according to the expected cash flows.

This subject matter was defined in and it is being implemented in compliance with the following adopted internal acts of the Company:

- *"Rulebook on the Basic Elements of the Internal Control System and Risk Management in Energoprojekt Holding Plc."*,
- *"Rulebook on the Operations of the Internal Supervision Sector of Energoprojekt Holding Plc."*,
- *"Rulebook on Accounting and Accounting Policies of Energoprojekt Holding Plc."*.

All the Companies in the Energoprojekt Group have adopted and are implementing their own individual acts regulating the said subject matter.

Most of the above listed risks, as well as some other risks not mentioned herein, are presented in greater detail in the Notes to the Financial Statements (which are primarily focusing on the review of the financial risks: the credit risk, market risk and liquidity risk) and/or other internal acts of the Company.

## Statement on Code of Corporate Governance Implementation

Energoprojekt Holding Plc. implements its own Code of Corporate Governance (as adopted in 11th meeting of the Management Board of the Energoprojekt Holding Plc. held on January 26, 2012). The Code has been made publicly available on the Company's Internet page (at www.energoprojekt.rs ).

The Energoprojekt Holding Plc. Code on Corporate Governance set out the principles of corporate practices and organizational culture that the principal holders of the corporate governance function of the Energoprojekt Holding Plc. comply with, with regard to the shareholders' rights, corporate governance frameworks and methods, public relations and transparency of the Company's business operations. The main objective of this Code is to introduce good business practice in the field of corporate management, which should provide for the right balance between the influences exerted by the principal corporate governance holders, consistency of the control system and strengthening of shareholders' and investors' trust in the Company, all with the aim to achieve long-term development of the Company.

Relevant Company's bodies make a point of presenting the principles laid down in the Code in greater detail in other general acts of the Company, whenever necessary. In the application thereof, there are no significant deviations from the rules of the Code of Corporate Governance.

In compliance with the Rules on Listing and Quotation of the Belgrade Stock Exchange, parallel with the disclosure of its Annual Business Report, Energoprojekt Holding Plc. delivers and discloses the completed "Questionnaire on Corporate Governance Practices" and has agreed to its online publication on the Internet page of the Belgrade Stock Exchange.

All the Companies of the Energoprojekt Group have adopted and are now implementing their own codes of corporate governance regulating the said subject matter.

Energoprojekt Holding plc.

Executive Director for Finance, Accounting and Planning

Vladimir Višnjić, B.Sc. Ecc.

Energoprojekt Holding plc.

Chief Executive Officer

Stojan Čolakov, M.Sc.C.E

# 4. STATEMENT BY PERSONS RESPONSIBLE FOR REPORT PREPARATION

To the best of our knowledge, Annual Financial Statements for the year of 2018 were prepared in compliance with the relevant International Financial Reporting Standards and these present authentic and objective information about assets, liabilities, financial position and operations, profit and losses, cash flows and changes in equity of the Public Company, including those of the Companies included in the Consolidated Statements.

| | |
|---|---|
| Person responsible for preparation of the Annual Report: | Legal Representative: |
| Executive Director for Finance, Accounting and Planning | Chief Executive Officer |
| Energoprojekt Holding Plc. | Energoprojekt Holding Plc. |
| Vladimir Višnjić, B.Sc.Ecc. | Stojan Čolakov, M.Sc.C.E |

## 5. DECISION OF COMPETENT COMPANY BODY ON THE ADOPTION OF ANNUAL FINANCIAL STATEMENTS *

Note *:

- Financial Statements of Energoprojekt Holding Plc. for the year 2018 were approved on February 28, 2019, in the 44th meeting of the Supervisory Board of the Issuer. At the moment when the Company's Annual Report is published, it has not yet been adopted by the competent Company's body (Shareholders' Assembly). The Company shall publish the complete the Decision of the competent body on the adoption of Company's Annual Report at a later date.

## 6. DECISION ON DISTRIBUTION OF PROFIT OR COVERAGE OF LOSSES *

Note *:

- Decision on Distribution of Company's Profit for 2018 shall be passed in the regular annual General Assembly meeting. The Company shall publish the complete Decision of the competent body on distribution of Company's profit at a later date.

A public company is legally obliged to prepare their annual consolidated financial statements, to disclose them and to deliver them to the Commission, and, providing that the securities of such company are admitted for trading, to deliver these Statements to the regulated market or to the MTP four months after the end of each business year at the latest, and to ensure that the annual financial statements are available to the general public over the course of five years at the minimum from the date of its disclosure

The Company shall be held responsible for the accuracy and authenticity of information presented in the Annual Report.

In Belgrade, April 2019

| | |
|---|---|
| Person responsible for preparation of Annual Report: | Legal Representative: |
| Executive Director for Finance, Accounting and Planning | Chief Executive Officer |
| Energoprojekt Holding Plc. | Energoprojekt Holding Plc. |
| Vladimir Višnjić, B.Sc.Ecc. | Stojan Čolakov, M.Sc.C.E |